DEBAO PROPERTY
DEVELOPMENT LTD.
德宝房地产开发有限公司


**Debao Property Development Ltd.**
No.7, Ground Floor, Jiangnan Mingju Xi Yuan
39 Nanyi Road, Guicheng, Nanhai District
Foshan City, Guangdong Province
PRC 528200

**德宝房地产开发有限公司**
中国广东省佛山市南海区桂城南一路39号
江南名居熙苑首层7号
邮编:528200


**DEBAO PROPERTY DEVELOPMENT LTD.** ANNUAL REPORT 2014

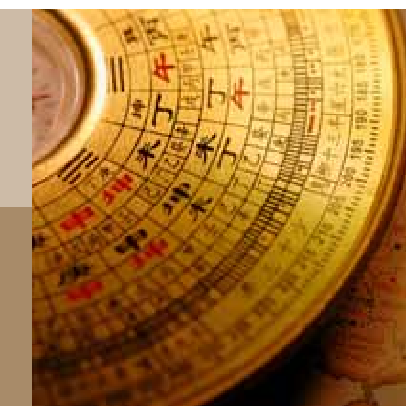
# DEBAO PROPERTY DEVELOPMENT LTD.
# 德宝房地产开发有限公司

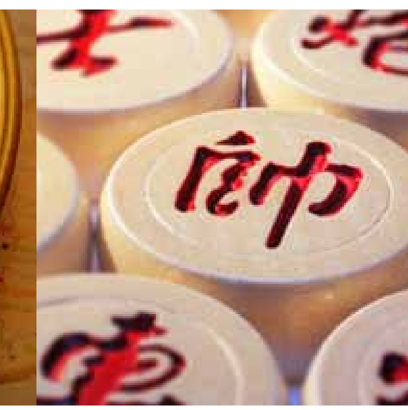
ANNUAL REPORT 2014

勇于开拓

积极进取

着眼未来





德宝

## CONTENTS



# CORPORATE INFORMATION

**BOARD OF DIRECTORS**
Yuan Le Sheng (Executive Chairman and CEO)
Zhang Mao (Executive Director)
Zhong Yu Zhao (Executive Director)
Zheng Li Hua (Non-Executive Director)
Cheong Keng Chuan Alfred (Lead Independent Director)
He Guo Quan (Independent Director)
Chia Seng Hee, Jack (Independent Director)

**AUDIT COMMITTEE**
Cheong Keng Chuan Alfred (Chairman)
He Guo Quan
Chia Seng Hee, Jack

**NOMINATING COMMITTEE**
He Guo Quan (Chairman)
Cheong Keng Chuan Alfred
Zheng Li Hua
Chia Seng Hee, Jack

**REMUNERATION COMMITTEE**
Chia Seng Hee, Jack (Chairman)
Cheong Keng Chuan Alfred
He Guo Quan

**COMPANY SECRETARY**
Janet Tan

**REGISTERED OFFICE**
80 Raffles Place
#32-01, UOB Plaza 1
Singapore 048624
Tel: (65) 6225 2626
Fax: (65) 6557 0765

**SHARE REGISTRAR**
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

**PRINCIPAL PLACE OF BUSINESS**
No.7, Ground Floor, Jiangnan Mingju Xi Yuan
39 Nanyi Road, Guicheng, Nanhai District
Foshan City, Guangdong Province
PRC 528200

**AUDITORS**
Deloitte & Touche LLP
6 Shenton Way
#33-00 OUE Downtown 2
Singapore 068809

**PARTNER-IN-CHARGE**
Tsia Chee Wah
(appointed on 24 April 2013)

**PRINCIPAL BANKERS**
Bank of Guangzhou Co., Ltd
Foshan Sub-branch
P32, 63 South Chaoan Road, Chancheng
Foshan City, Guangdong Province, the PRC

China Citic Bank Co., Ltd
Foshan Sub-branch
6th Floor, Block A, Wealth Mansion
South Fenjiang Road, Chancheng
Foshan City, Guangdong Province, the PRC

China Merchants Bank Co., Ltd
Chengnan-Foshan Sub-branch
Ground Floor, Zone 1, 11 Kuiqi Yi Raod, Chancheng
Foshan City, Guangdong Province, the PRC

Industrial and Commercial Bank of China Co., Ltd
Pingzhou-Foshan Sub-branch
10 Dade Road, Pingzhou, Nanhai
Foshan City, Guangdong Province, the PRC

# CORPORATE PROFILE

Established in 2000, Debao Property Development Ltd. (the "Company", together with its subsidiaries, the "Group") is an integrated property developer of quality integrated residential properties and commercial properties from Foshan City, Guangdong Province, the People's Republic of China ("PRC"). Our vertically integrated business model and operations enable us to carry out key aspects of property development, such as design, construction and marketing, in-house as well as manage the developments after completion.

Led by our experienced management team, we have built a strong presence and brand name in developing large scale and multi-phased projects that are fully integrated with ancillary facilities.

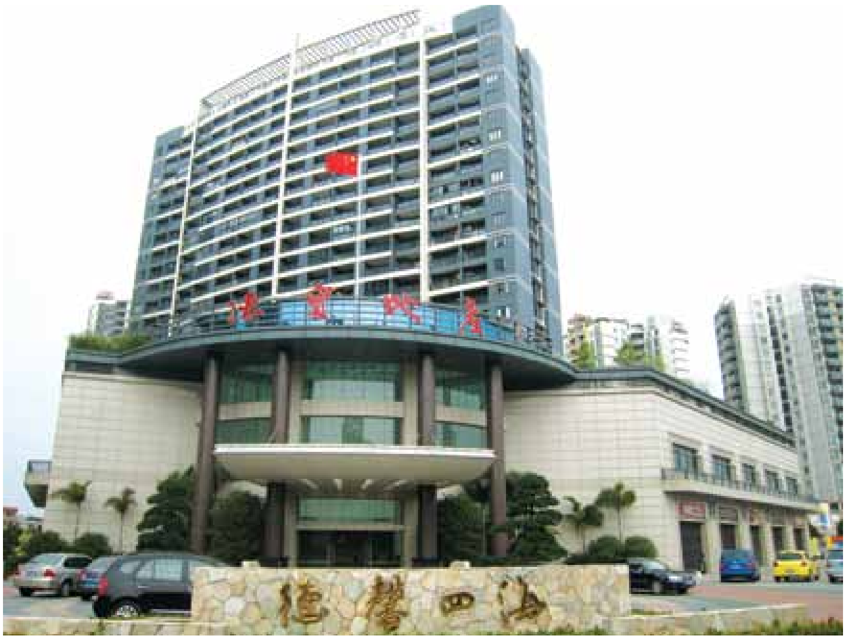
Our business comprises four segments: property development, construction contract, property investment, and property management. In December 2014, our eleventh completed property development project, Sihui Project Block A Sihui City Mall with a gross floor area ("GFA") of 65,000 sq m was officially commenced business. With this, our aggregate GFA for completed property development projects reached 1,082,000 sq m to date. Shanshui Longpan, our flagship project, with a GFA of approximately 910,000 sq m comprising landed villas, terrace dwellings and high rise apartments, has further strengthened our portfolio of large scale property developments and taken the Group to greater heights of achievement as a quality property developer. As at 28 February 2015, the Group has a total GFA of approximately 1.4 million sqm of properties under and held for future development. As part of our property investment business, we hold selected commercial properties that we developed or bought for capital appreciation for recurring and stable rental income. We also provide management services for residential properties developed by us.

As testament of our quality operations and property developments, our Jiangnan Mingju Phases 1 to 4 won the Double Gold Prize (Construction and Environment) in the National Residential Construction, Planning and Design Competition (全国人居经典建筑规划设计方案竞赛：建筑，环境双金奖) in October 2004.

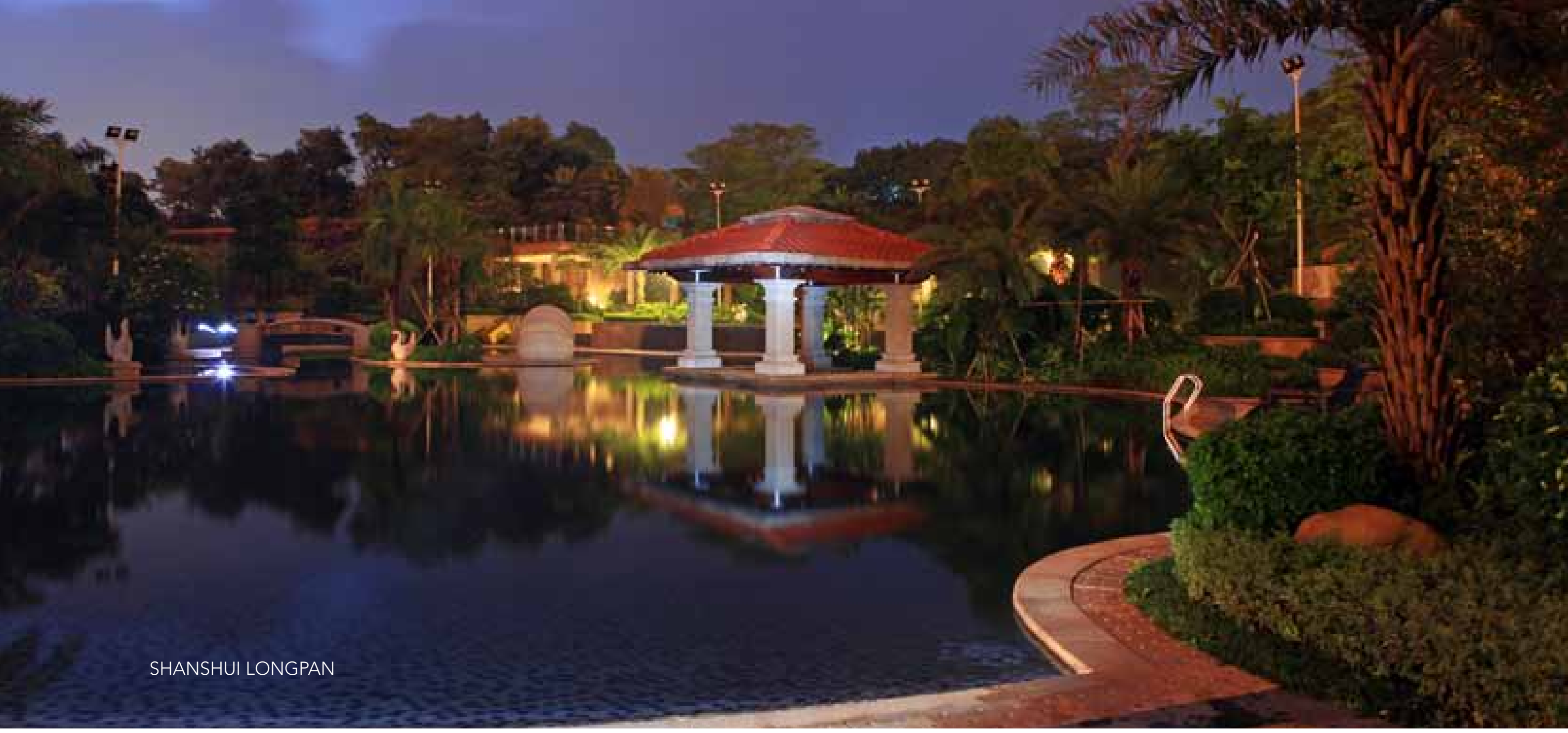
The Company was successfully listed on the Main Board of the Singapore Exchange on 12 April 2010.

Apart from China development projects, the Group has been actively exploring and studying commercially viable new ventures and overseas development projects.

Since 2012, the Group has extended its operations to Malaysia as part of its strategy to go globalization and build an international brand name in property development.



Our corporate office building at Jiangnan Mingju Phase 5



SHANSHUI LONGPAN

TIANJIN BOULEVARD


SIHUI CITY MALL

# OUR PROPERTIES

As of 28 February 2015, we have completed 11 property development projects with an aggregate GFA of approximately 1,082,000 sq m, the latest being Sihui Project Block A Sihui City Mall, which was officially commenced business in January 2015.

| Completed Property Development Projects | | | |
|---|---|---|---|
| Property Development | Location / Type of Development | Approximate Total GFA (sq m) | Status |
| 1. Xinliwan Garden (Project by Our Predecessors) | Foshan / Integrated development | 91,000 | Completed in September 1998 |
| 2. Debao Garden (Project by Our Predecessors) | Foshan / Integrated development | 68,000 | Completed in October 2000 |
| 3. Guicheng Industrial Park | Foshan / Integrated development | 48,000 | Completed in April 2002 |
| 4. Qing Hua Garden (Joint Venture Project) | Foshan / Integrated development | 78,000 | Completed in June 2004 |
| 5. Jiangnan Mingju Phases 1 to 4 | Foshan / Multi-phases large-scale integrated development | 350,000 | Completed in October 2007 |
| 6. Jin Long Garden North Zone (Joint Venture Project) | Foshan / Multi-phases integrated development | 45,000 | Completed in December 2009 |
| 7. Jiangnan Mingju Phases 5 and 6 | Foshan / Multi-phases integrated development | 165,000 | Completed in October 2010 |
| 8. Shanshui Longpan Phase I Villas | Foshan / Part of multi-phases large-scale integrated township development | 61,000 | Completed in October 2011 |
| 9. Jin Long Garden South Zone (Joint Venture Project) | Foshan/Multi-phases integrated development | 75,000 | Completed in July 2012 |
| 10. Shanshui Longpan Phase 1 (ii) Villas | Foshan/Part of multi-phases large-scale integrated township development | 36,000 | Completed in October 2012 |
| 11. Sihui Project Block A Sihui City Mall (Joint Venture Project) | Zhaoqing/Large-Scale Integrated development | 65,000 | Completed in December 2014 |
| **Total** | | **1,082,000** | |

As of 28 February 2015, we have a total GFA of approximately 1,388,000 sq m of properties under and held for future development.

| Property Development Projects Under and Held for Future Development | | | |
|---|---|---|---|
| Property Development | Location / Type of Development | Approximate Total GFA (sq m) | Status |
| 1. Shanshui Longpan other Phases | Foshan/Multi-phases large-scale Integrated township development | 813,000 | • Development in Progress<br>• Expected date of completion in 2017 |
| 2. Sihui Project Block B & C (Joint Venture Project) | Zhaoqing/Large-scale Integrated development | 97,000 | • Development in Progress<br>• Expected date of completion in 2016 |
| 3. Tianjin Boulevard | Tianjin/Redevelopment of leased heritage building for commercial and leisure mall | 46,000* | • Development in Progress<br>• Expected date of completion in 2015 |
| 4. Danzao Project | Foshan/Large-scale integrated development | 250,000 | • Reserved for future development |
| 5. Adjacent Land to Foshan Longpan Holidays Resort Hotel | Foshan/To develop ancillary building to Foshan Longpan Holidays Resort Hotel | 41,000 | • Reserved for future development |
| 6. Shishan Project | Foshan/Mixed development | 58,000 | • Reserved for future development |
| 7. Additional Sihui Project | Zhaoqing/Commercial Development | 83,000 | • Reserved for future development |
| **Total** | | **1,388,000** | |

* as revised

# CORPORATE MILESTONES

## 2015 AND BEYOND

**Shanshui Longpan other Phases**
Approximate Total GFA (sq m) : 813,000
Location/Type of Development : Foshan/Multi-phases large-scale integrated township development

**Sihui Project (Joint Venture Project)**
Approximate Total GFA (sq m) : 162,000
Location/Type of Development : Zhaoqing/Large-scale integrated development

**Tianjin Boulevard**
Approximate Total GFA (sq m) : 46,000
Location/Type of Development : Tianjin/Redevelopment of leased heritage building for commercial and leisure mall

**Danzao Project**
Approximate Total GFA (sq m) : 250,000
Location/Type of Development : Foshan/Large-scale integrated development

**Adjacent Land to Foshan Longpan Holidays Resort Hotel**
Approximate Total GFA (sq m) : 41,000
Location/Type of Development : Foshan/To develop ancillary building to Foshan Longpan Holidays Resort Hotel

**Shishan Project**
Approximate Total GFA (sq m) : 58,000
Location/Type of Development : Foshan/Mixed development

**Additional Sihui Project**
Approximate Total GFA (sq m) : 83,000
Location/Type of Development : Zhaoqing/Commercial Development

## 2012

**Shanshui Longpan Phase 1(ii) Villas**
Approximate Total GFA (sq m) : 36,000
Location/Type of Development : Foshan/Part of multi-phases large-scale integrated township development

**Jin Long Garden South Zone (Joint Venture Project)**
Approximate Total GFA (sq m) : 75,000
Location/Type of Development : Foshan/Multi-phases integrated development

## 2011

Shanshui Longpan Phase 1 Villas
Approximate Total GFA (sq m) : 61,000
Location/Type of Development : Foshan/Part of multi-phases large-scale integrated township development

## 2010

**Jiangnan Mingju Phases 5 and 6**
Approximate Total GFA (sq m) : 165,000
Location/Type of Development : Foshan/Multi-phases integrated development

## 2009

**Jin Long Garden North Zone (Joint venture project)**
Approximate Total GFA (sq m) : 45,000
Location/Type of Development : Foshan/Multi-phases integrated development

## 2007

**Jiangnan Mingju Phases 1 to 4**
Approximate Total GFA (sq m) : 350,000
Location/Type of Development : Foshan/Multi-phases large-scale integrated development

## 2004

**Qing Hua Garden (Joint venture project)**
Approximate Total GFA (sq m) : 78,000
Location/Type of Development : Foshan/Integrated development

## 2002

**Guicheng Industrial Park**
Approximate Total GFA (sq m) : 48,000
Location/Type of Development : Foshan / Integrated development

## 2000

**Debao Garden (Project by our predecessors)**
Approximate Total GFA (sq m) : 68,000
Location/Type of Development : Foshan/Integrated development

## 1998

Xinliwan Garden (Project by our predecessors)
Approximate Total GFA (sq m) : 91,000
Location/Type of Development : Foshan / Integrated development

# FINANCIAL HIGHLIGHTS

| | Actual Consolidated Financial Statements | | Proforma Consolidated Financial Statements | |
|---|---|---|---|---|
| | FY2014 (RMB'm) | FY2013 (RMB'm) (restated) | FY2014 (RMB'm) | FY2013 (RMB'm) (restated) |
| Revenue | 149.7 | 392.1 | 149.7 | 392.1 |
| Cost of Sales | (116.6) | (233.4) | (113.3) | (227.3) |
| Gross Profit | 33.1 | 158.7 | 36.4 | 164.8 |
| Net Profit for the Year | 321.8 | 109.7 | 324.5 | 115.3 |
| Gross Profit Margin (%) | 22.11 | 40.47 | 24.32 | 42.03 |
| Earnings per Share[2]-Basic (RMB fens) | 10.21 | 7.81 | 10.45 | 8.32 |
| Net Asset Value per Share at the End of the Year[3] (RMB fen) | 142.4 | 112.4 | 123.5 | 93.3 |
| Net Gearing Ratio[4] (%) | 126.7 | 96.1 | 146.1 | 115.8 |
| Net Cash Used in Operating Activities | (396.4) | (215.1) | (396.4) | (215.1) |
| Net Cash Used in Investing Activities | (341.7) | (106.2) | (341.7) | (106.2) |
| Net Cash from Financing Activities | 737.9 | 278.9 | 737.9 | 278.9 |
| Cash and Cash Equivalents at the End of the Year | 140.3 | 141.2 | 140.3 | 141.2 |

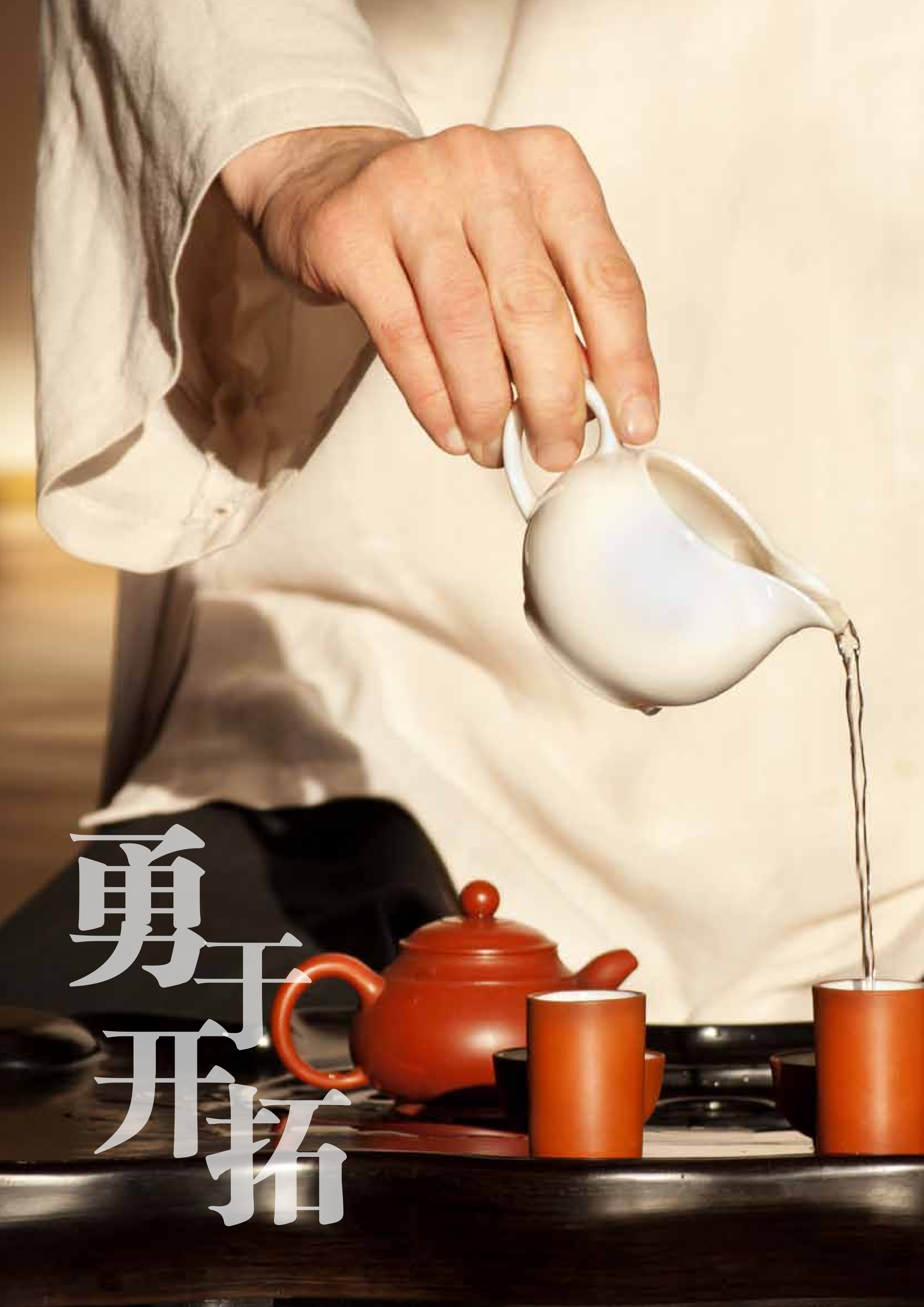
**Notes:**

1 The application of the purchase method under the Singapore Financial Reporting Standards 103 (the "SFRS 103") for the acquisition of the PRC subsidiaries by the Group requires, inter alia, the development properties and properties held for sale by the respective PRC subsidiaries to be recorded at fair value at the respective dates of acquisition by the Group. Pursuant to the application of SFRS 103, the cost of property development sales had a fair value upward adjustment of RMB3.3 million with its associated tax of RMB0.8 million in FY2014. Excluding these non-cash items due to application of the SFRS 103, our Proforma Accounting net profit was RMB324.5 million for FY2014.

2 Earnings per Share were computed based on the ordinary shares capital of 1,125,000,000 shares i.e. weighted average number of ordinary shares issued and paid-up.

3 NAV per Share were computed based on the ordinary shares capital of 1,125,000,000 shares i.e. number of ordinary shares issued and paid-up.

4 Net Gearing Ratio were computed before take in Restricted Cash


勇于开拓

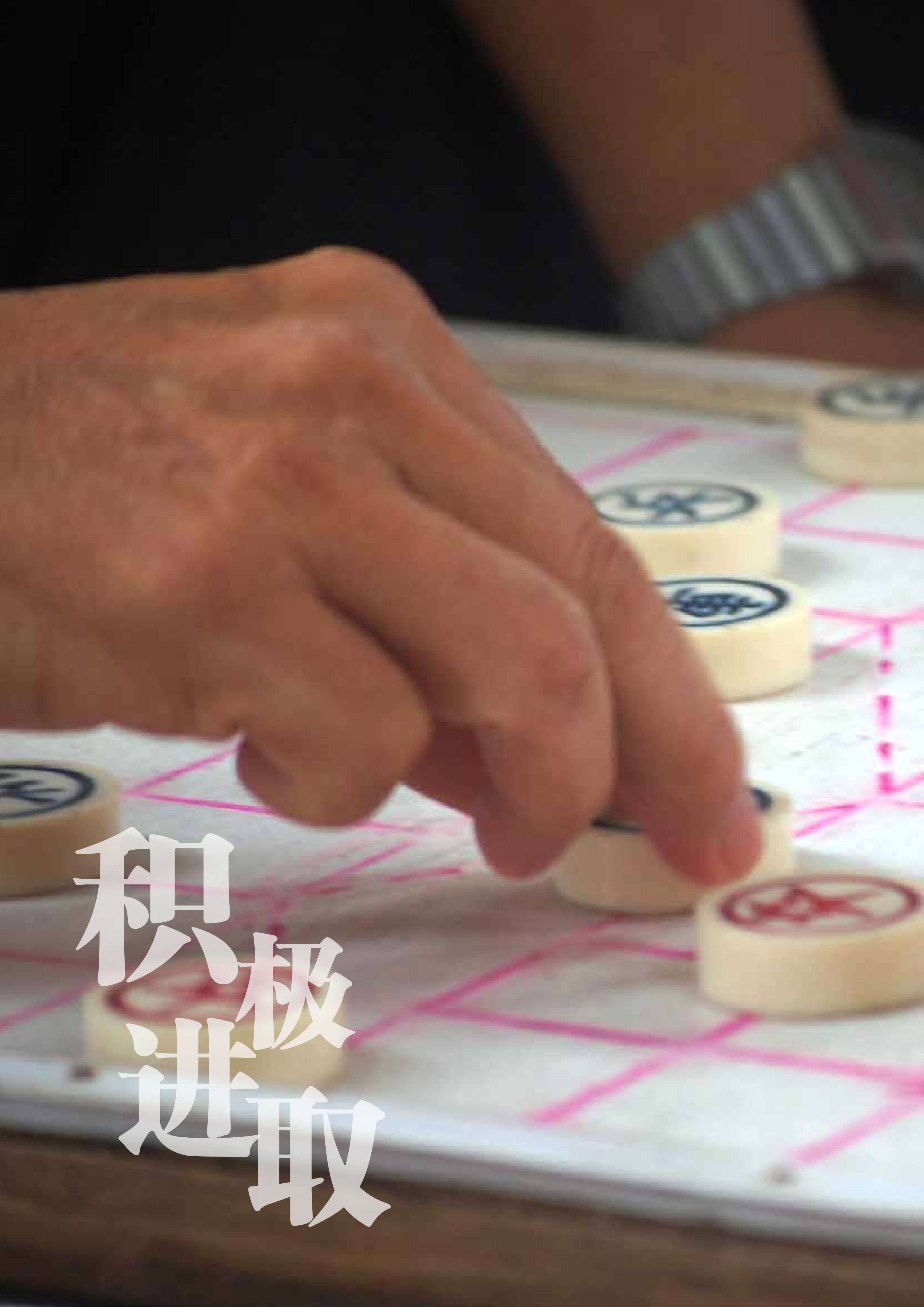
# SHANSHUI LONGPAN

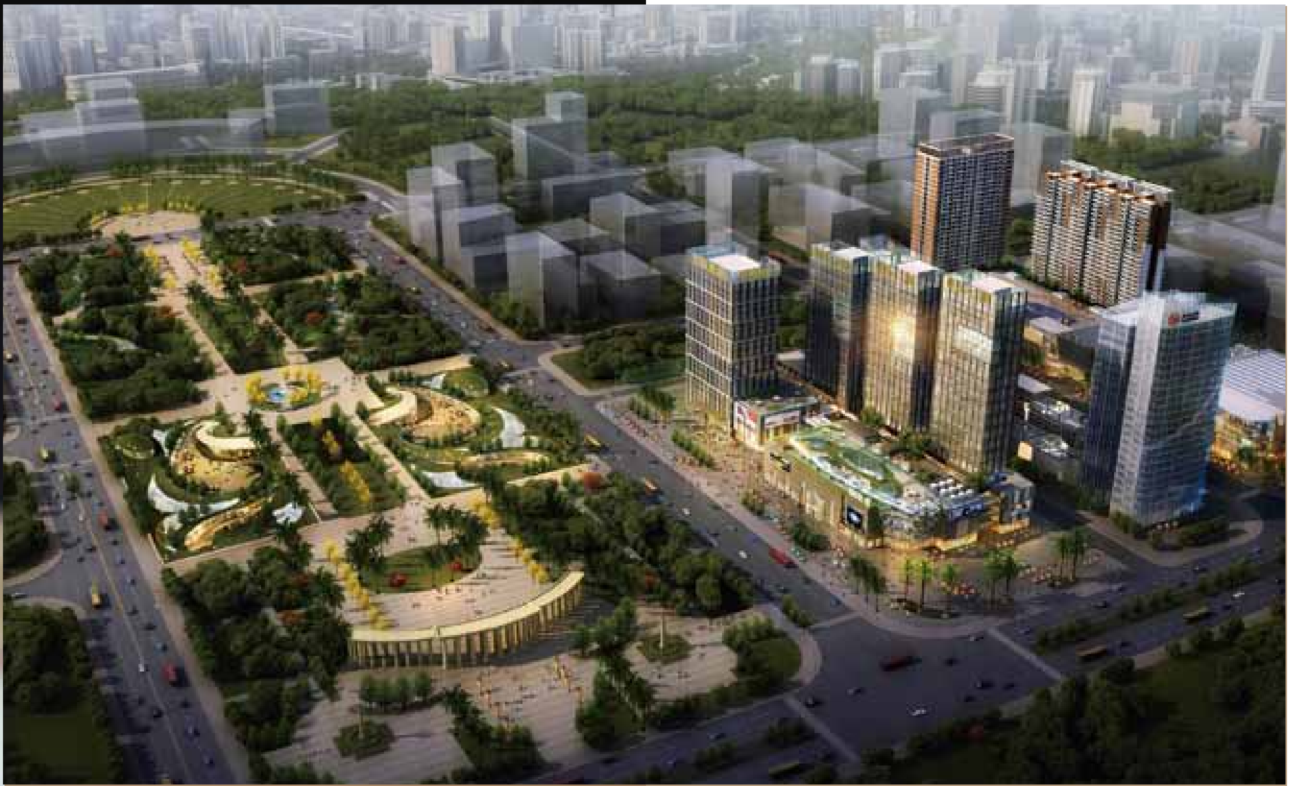
LOCATION
Foshan

APPROXIMATE GFA (SQM)
910,000

TYPE OF DEVELOPMENT
Multi-phases large-scale integrated township development

STATUS
Development in Progress
Expected date of completion in 2017


积极进取



# SIHUI CITY MALL

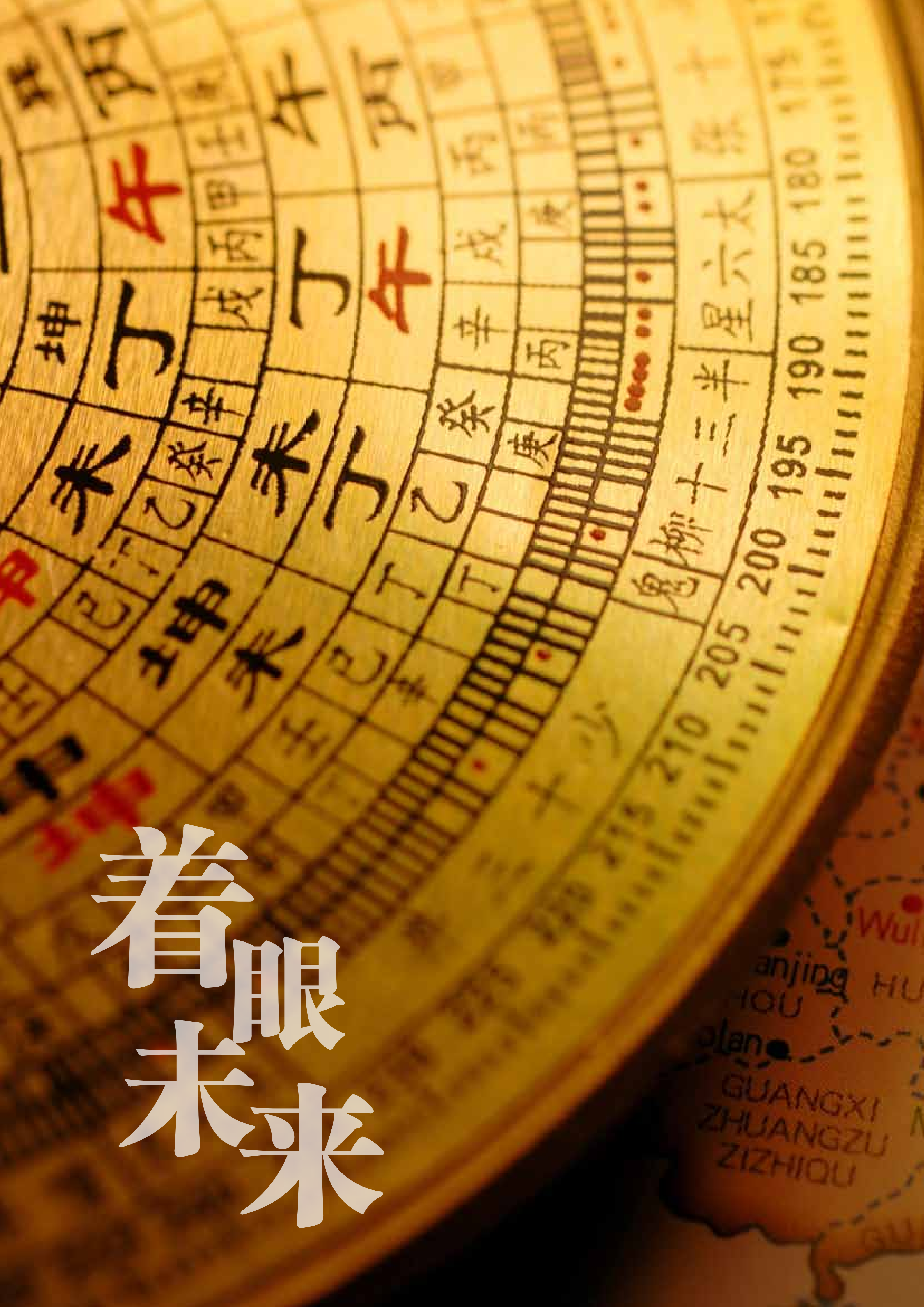
**LOCATION**
Zhaoqing

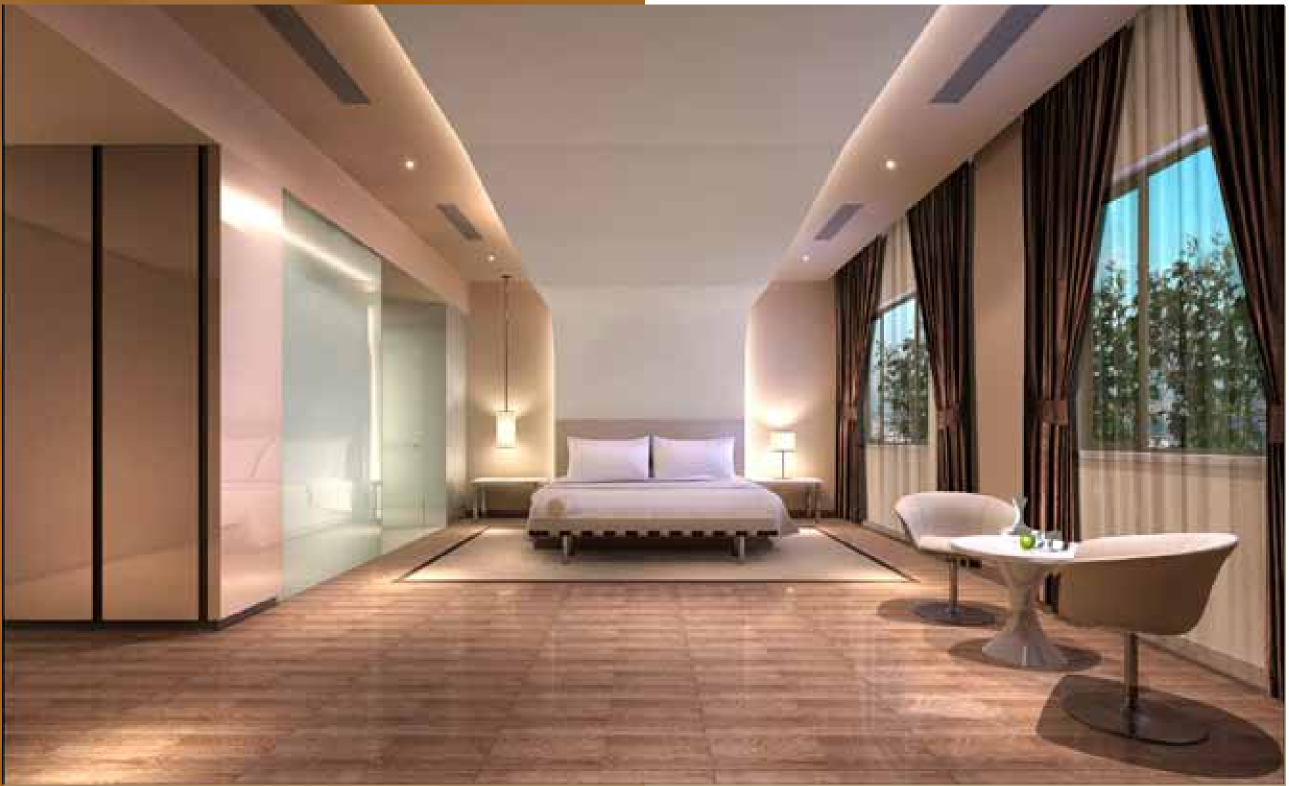
**APPROXIMATE GFA (SQM)**
162,000

**TYPE OF DEVELOPMENT**
Large-scale integrated development

**STATUS**
Commencement of work by end of 2013
Expected date of completion in 2016

# 着眼未来





# TIANJIN BOULEVARD

**LOCATION**
Tianjin

**APPROXIMATE GFA (SQM)**
46,000

**TYPE OF DEVELOPMENT**
Redevelopment of leased heritage building for commercial and leisure mall

**STATUS**
Commencement of work by mid of 2013
Expected date of completion in 2015

# CHAIRMAN STATEMENT

**Dear Shareholders,**

The global economy is recovering but the economy of China is slowing down. The increase of GDP was lower in 2014 compared with 2013 partly causing by the slowing down of property market. Chinese central government and local governments have taken some positive measures to stimulate resident's expenses on property in the last half year of 2014 and aimed at ensuring the healthy development of property market.

In the coming year if weak Chinese economic growth persists, market watchers believe that the possibility for Chinese government to release liquidity to stabilize the economy will increase. The Chinese property sector will be benefit from releasing liquidity. We still remain caution but positive about China's long-term prospects as much of the country is still being urbanized.

The property transaction volumes increased by 5% to approximately 8.5 million sqm while the prices improved year-on-year by 2.8% to about RMB8,484 per sqm of Foshan City in 2014.

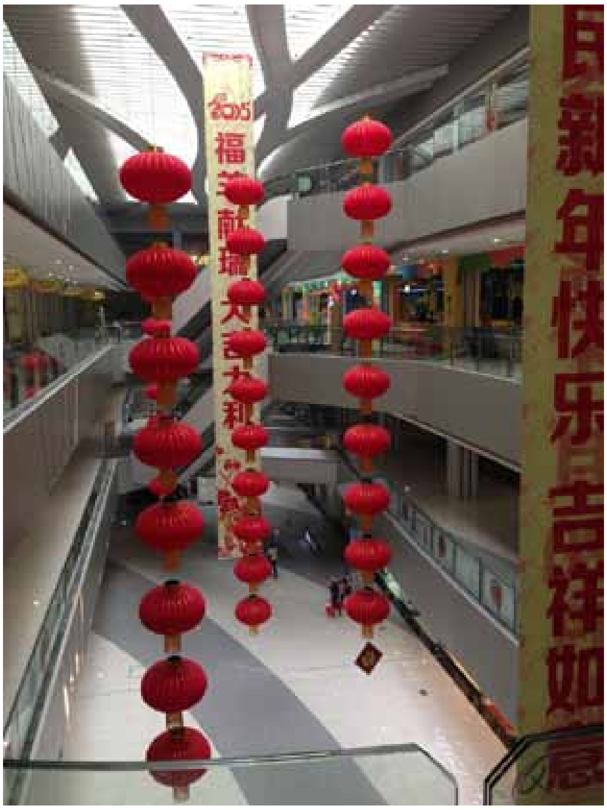
The residential developments is still our existing main driver and we also have explored opportunities to development shopping malls and other commercial property.

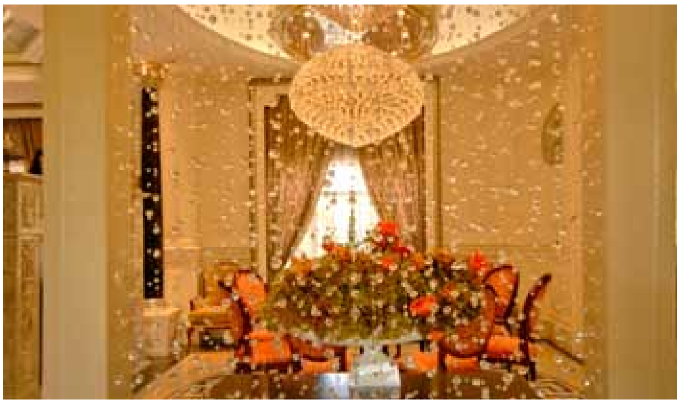
We are diversifying our earnings streams to lower our risk exposure. We will continue to source for quality and commercially viable new land reserves not just in China, but overseas to strengthen our international profile.

## PIPELINE OF PROJECTS/UPDATES

We are pleased that we successfully tendered for two plots of land of 135,341.8 sqm together with two unrelated third parties which situate at Sanshui District in Foshan City in 2014. These two lots of land are for commercial and residential use. One of the plots of land locates in the centre of Sanshui District with mature supporting facilities for life and commerce. The other one is close to a river and a park with convenient transportation and exquisite surrounding environment. We have commenced preparation works for this maiden residential and shopping mall development project. This 50% joint venture project, estimated to be completed by 2018, will commence pre-sale by early of 2017.

Our first commercial property, Sihui Shopping mall, had its grand opening in January 2015. Approximately 4,000 sqm has been sold, the rest with a net rentable area approximately over 63,000 sq m will provide us with a sustainable leasing income for 40 years. Our another shopping mall located in Tianjin is under construction and will be opening in 2015.





As at 31 December 2014, the Group has three development projects with a total gross floor area ("GFA") of approximately 0.96 million sqm under development, while 0.43 million sqm is being held in our land bank for future development. Together, these provide the Group with a secure and visible pipeline of projects up to 2018.

Meanwhile, our villas at our Shanshui Longpan Phases 1 and 1(ii), with a combined saleable GFA of approximately 106,000 sqm, as well as the Phase 3 of the high-rise apartments have been launched for pre-sales. Since October 2011 and 2012, we have also handed over completed villas of the Phase 1 and Phase 1(ii) in batches.

In 2013, we recognized RM20 million profit from our investment in Green Beverly Hills Phase 1 at Bandar Nilai Utama in Seramban, Malaysia, which essentially sees the fruitful conclusion of the cooperation with GD Development Sdn Bhd. Following the execution of the supplemental agreement, the Group are seeking for other commercially viable ventures and developments in Malaysia.

## FINANCIAL REVIEW

In FY2014, the Group's revenue jumped 62% to RMB149.7 million.

The decrease of revenue was due to a 7% decrease in average selling prices coupled with a 69% decrease in GFA sold - from 28,500 sqm in FY2013 to 8,700 sqm in FY2014. In addition, lower contributions from our construction segment which dipped RMB9.2 million due to the completion of Jin Long Garden. Howerver, there was an increase in property management service income from Jiangnan Mingju's Phases 1 to 4 as well as rental income from the Group's investment properties. .

The lower ASP per sqm achieved contributed to the decrease in the Group's overall gross profit margin decreased from 40% in FY2013 to 22%.

The higher selling and distribution expenses in 2014 were were due mainly to the expenses incurred for the marketing efforts for the Phase 3 of Shanshui Longpan and commercial units of Sihui City Mall. And the increase of administrative cost is in line with the Group's development scale.

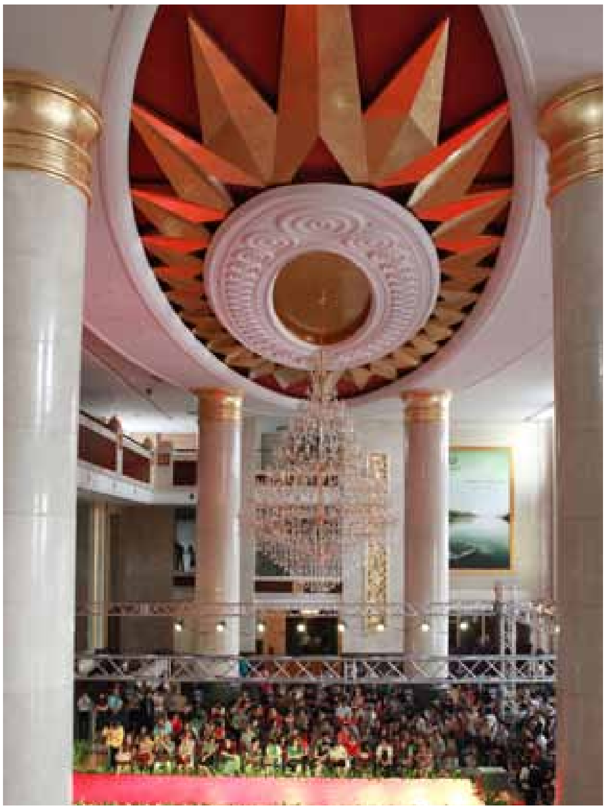
The Group posted a net profit of RMB321.8 million comparing with RMB109.7 million in the year-ago period. The valuation increase of Sihui Shopping Mall contributed most of the profit in 2014.

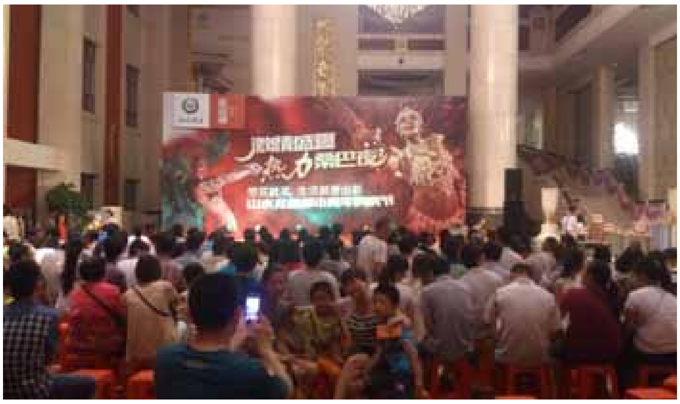
## WORDS OF APPRECIATION

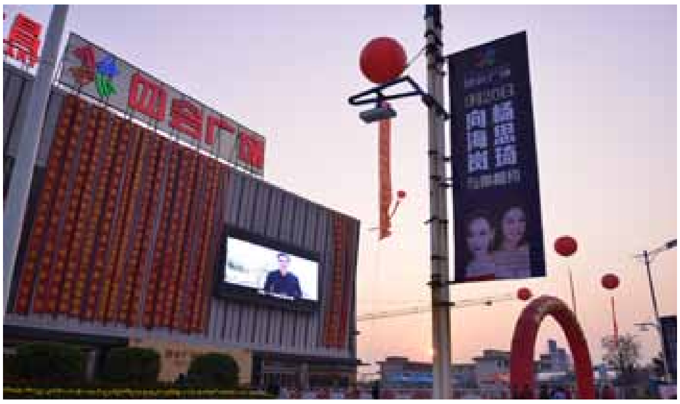
I would like to thank all of our directors on the Board for their counsel, contributions and cooperation, and to our management and staff for their hardwork and dedication. Together, we have made great strides in Debao's strong positioning as a reputed integrated property developer of choice from China's Pearl River Delta.

And to all of you, our valued shareholders – thank you for your trust and support. We look forward to meeting you at the upcoming Annual General Meeting.

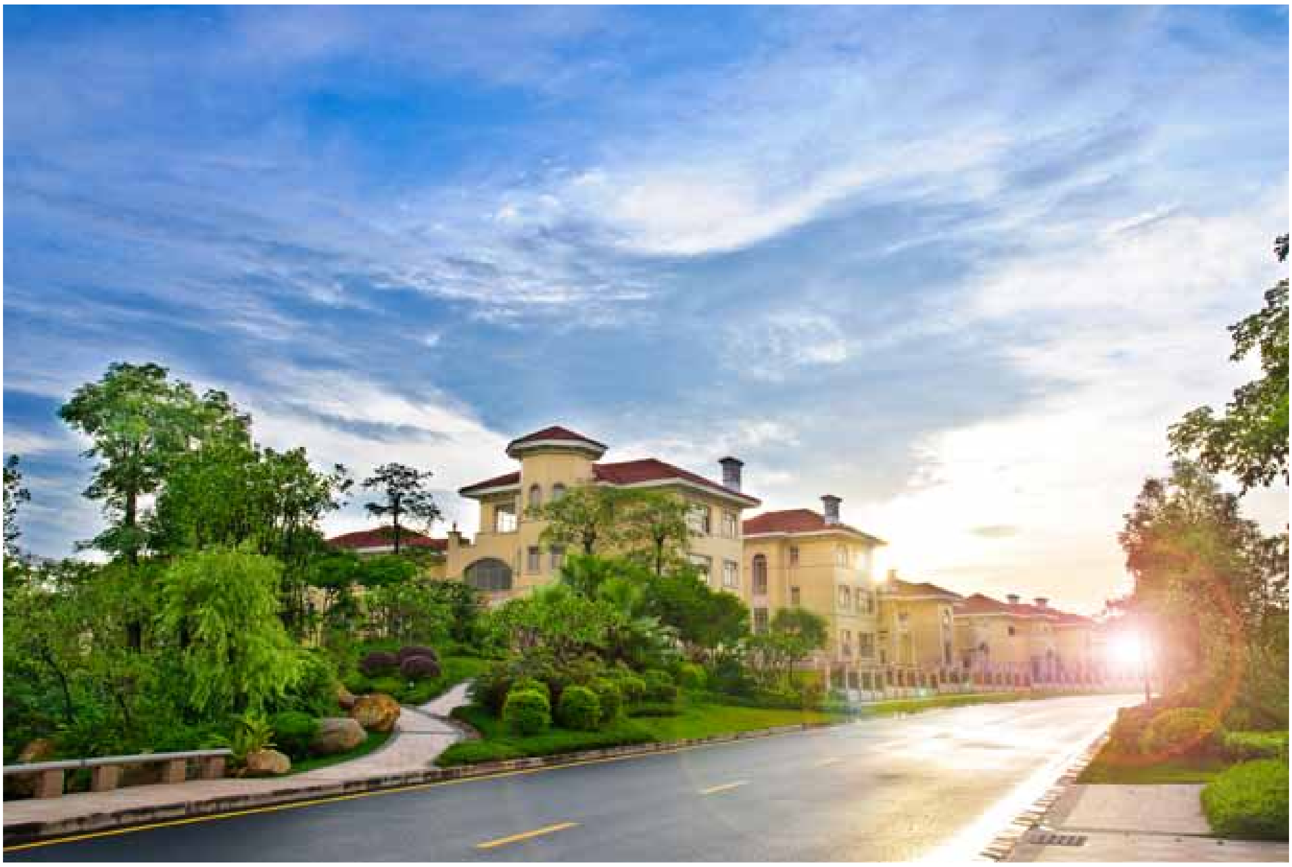
**Yuan Le Sheng**
Executive Chairman and CEO







# 主席献词



**尊敬的各位股东：**

全球经济正在复苏但中国经济增长却在放缓。相比2013年，2014年中国的GDP增长较为缓慢，部份原因来自于房地产市场的增速降低。在2014下半年，中国中央政府和地方政府采取一些积极措施刺激居民的房地产消费以确保房地产市场健康发展。

在未来一年内，如果中国经济增长速度依旧缓慢，市场观察人士认为，中国政府释放流动性来稳定经济增长的可能性会增大，中国房地产行业将会得益于此。还有，中国的大部分地区仍会进行城市化建设，因此我们对中国房地产市场的前景仍然保持谨慎乐观的态度。

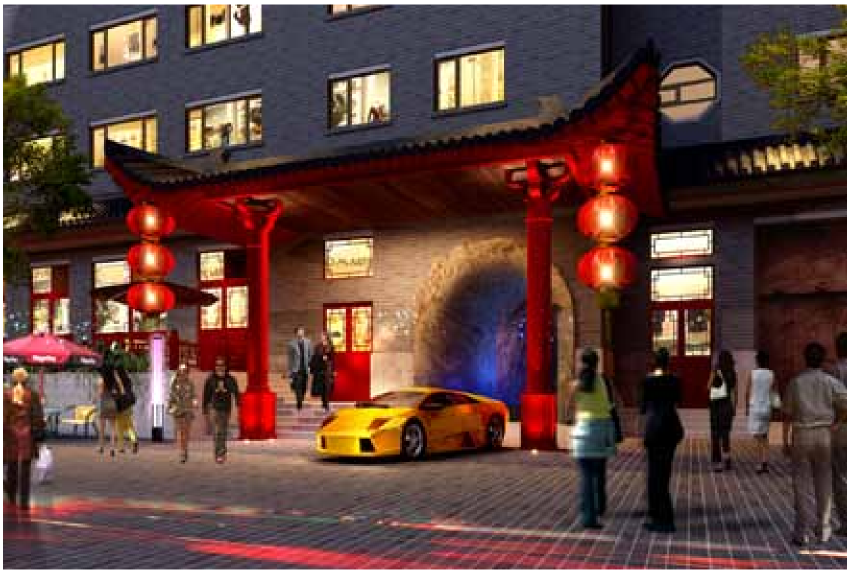
2014年佛山房地产交易量增加了5%至约850万平方米，交易价格逐年增加，与上年相比增加了2.8%至约人民币8,484每平方米。

住宅开发仍是我们现有收入的主要驱动力，我们也会探寻发展大型购物中心和其它商业地产的机会。

我们正在使收入多样化以降低我们的风险。集团不只是在中国继续物色高品质、有商业可行性以及有利于集团发展的新地块，同时我们还在拓展海外业务从而加强我们的国际形象。

**项目最新情况**

我们高兴的宣布，在2014年，我们成功在佛山市三水区与两个独立第三方共同拍得总面积为135,341.8平方米的两块土地。这两块土地为商业和住宅综合用地，其中一块土地位于三水区中心，拥有成熟的生活和商业配套设施，另一块土地位于江边和公园附近，拥有便利交通和优越的周边环境。我们已开始准备住宅和购物中心发展计划，这个我们拥有50%权益的合资项目，估计将在2018年完工，将在2017年早期开始预售。



我们第一个商业物业四会购物中心已在2015年一月正式开业，已售大约4000平方米，而剩余超过63,000平方米可出租面积将会为我们带来接近40年的可持续租赁收入。我们另一个位于天津在建设中的购物中心也将会在2015年正式开业。

截至2014年12月31日，集团有三个总建筑面积约96万平方米的在建项目，另外有43万平方米的土地储备待开发。这些项目和土地准备可在2018年前为集团带来可靠及可预见的业绩增长机会。

同时，三水龙盘的别墅（一期一批和二批），可售面积合共106,000平方米，而三期高层单位也推出预售。自2011年10月及2012年起，我们已将一期及一期二批的完工别墅分批交付业主使用。

在2013财年，我们确认了在马来西亚森美兰州汝来市的绿色比华丽山庄一期项目投资收益（2000万马来西亚令吉），这对我们与GD开发有限公司的合作事宜画上了完满的句号。在执行完该补充协议之后，集团正在马来西亚物色其他有商业可行性的投资与开发项目。

## 财务数据

2014财年，集团的主营业务收入减少了62%至人民币1.497亿元。收入的减少是由于平均销售价格下降了7%加上销售建筑面积下降69%，从2013财年的28,500平方米到2014财年的

8,700平方米。另外，由于锦隆花园已完工，我们的建筑业务收入也减少了9,200万元。然而，江南名居1–4期的物业管理收入以及集团的投资性物业的租赁收入都有所增加。

每平方米平均售价的减少使集团的总体毛利率从2013财年的40%下降到22%。2014财年，销售费用的增加主要由于三水龙盘三期和四会广场商业单位的市场推广发生的费用。管理费用随集团发展管理规模的扩大而增加。

与去年1.097亿元净利润相比，今年净利润为3.218亿元，这主要来源于2014财年四会广场评估值的增加。

## 感谢辞

最后，藉此机会，我要向董事局所有董事为集团给出的忠告、作出的贡献以及提供的帮助表示感谢，还要感谢我们辛勤的管理层及员工在这一年来作出的贡献。

同时，我们在使德宝成为中国珠三角地区具影响力的著名综合房地产开发商的道路上不懈努力。

更重要的是，我要感谢各位尊贵的股东对集团一如既往的信任与支持。我们期待在即将召开的年度股东大会上与各位股东见面。

**袁乐生**
董事长兼总裁

# BOARD OF DIRECTORS

## MR YUAN LE SHENG

Executive Chairman and CEO
(Date appointed to the Board:
20 August 2009)

The founder of our Group, Mr Yuan, is involved in the overall management of our property development activities as well as the business of our Group and has been spearheading our expansion and growth. Mr Yuan is instrumental to our growth and development, responsible for our operations, marketing, public relations as well as formulating and implementing our business strategies and development plans. Mr Yuan has more than 20 years of experience in the construction and real estate development industries. Prior to the establishment of our Group, Mr Yuan was a researcher in the He Shun Town Committee, Nanhai District, from July 1984 to May 1988 and was the head of Nanhai Guicheng Town Judiciary Office from May 1988 to March 1992. From March 1992 to July 1995, Mr Yuan took on the position of the deputy general manager of Nanhai Guinan Property Development Limited where he was in charge of administration and development. From 1995 to 2000, Mr Yuan was a general manager of Nanhai Guicheng Complex Property Development Co., Ltd. Mr Yuan was certified as an assistant construction engineer under the Nanhai Construction Series Beginner's Professional Technical Qualification for Work by the Human Resource Bureau of Nanhai District in January 2002 and obtained a bachelor's degree in construction project management from the Hubei Engineering College in 2003.

## MR ZHANG MAO

Executive Director
(Date appointed to the Board:
23 November 2009)

Mr Zhang is in charge of the development and engineering departments of our Group and oversees the development of property development projects of our Group such as Jin Long Garden and Jiangnan Mingju. Prior to joining our Group in November 2000, Mr Zhang joined Nanhai Guicheng Complex Property Development Co., Ltd as a manager of the engineering and development department from January 1996 to January 1998 and Nanhai Guicheng Debao Property Development Co., Ltd. as the assistant to general manager from January 1998 to November 2000. When our Group was established in 2000, he was the assistant to the general manager and was appointed as the deputy managing director of our Group prior to his current appointment. From August 1983 to June 1993, Mr Zhang worked at the Ministry of Mechanical Engineering and Industry No. 8 Design Institute where he was a group leader in charge of construction structural design. From July 1993 to December 1995, he was the technical head of Guangdong Huizhou Construction Development Co., Ltd where he was responsible for overseeing construction work undertaken by the said company. Mr Zhang Mao obtained a degree in construction structural engineering at the Inner Mongolia Industrial University where he graduated in 1983. He was also certified as a Senior Engineer for Construction Projects in charge of Technical Management by the Human Resource Department of Guangdong Province in January 2001.

## MR ZHONG YU ZHAO

Executive Director
(Date appointed to the Board:
23 November 2009)

Mr Zhong is responsible for our administration and business development activities, including identification of possible acquisition opportunities and corporate strategic planning. Mr Zhong joined our Group in November 2000. Prior to joining our Group, Mr Zhong was a designer with Dashidai Advertising Co., Ltd from July 1996 to August 1999 and was an assistant to the head of office administration of Foshan Nanhai Guicheng Complex Property Development Co., Ltd. from August 1999 to November 2000. Mr Zhong holds a bachelor's degree in construction project management from Hubei Engineering College where he graduated in 2003.

## MS ZHENG LI HUA

Non-executive Director
(Date appointed to the Board:
20 August 2009)

Ms Zheng is our controlling shareholder and also the spouse of our founder and Executive Chairman and CEO, Mr Yuan Le Sheng. From 1989 to 1993, she was a teacher at Foshan Nanhai Guicheng Central Kindergarten. Ms Zheng was an accounts officer with Foshan Nanhai Guicheng Agriculture Development Co., Ltd. from 1993 to 1997 and the accounts manager of Foshan Nanhai Guicheng Wire and Cable Co., Ltd. from 1997 to 1998. From 1998 to 2003, she was the head of administrative office of Foshan Nanhai Water Conservancy Sub-Bureau Guicheng Office. From 2003 to 2005, Ms Zheng was the general manager of Foshan Kangyi Decoration and Design Co., Ltd. Ms Zheng is currently the chairman and executive director of Foshan Nanhai Jiangnan Bilingual Arts Kindergarten. Ms Zheng is also the shareholder cum general manager of Foshan Kangyi Decoration and Design Co., Ltd

## MR CHEONG KENG CHUAN ALFRED

Lead Independent Director
(Date appointed to the Board:
23 November 2009)

Mr Cheong is currently an executive director of Crowe Horwath First Trust LLP, a certified public accountants firm. He has over 20 years of experience in the audit and financial consulting services industry, including serving six years at the legacy Arthur Andersen from January 1996 to May 2001 and two years at Protiviti Pte Ltd from March 2003 to April 2005. Mr Cheong also has extensive experience in commercial financial management having held the post of regional financial manager at Linklaters Allen & Gledhill Pte Ltd, an international legal firm from June 2001 to May 2002 and as the financial controller of Aztech Systems Ltd., a public listed company in Singapore from June 2002 to October 2002. He holds a Bachelor's degree in Commerce (with majors in Accountancy and Economics) from Deakin University, Australia and is a certified practising member of Institute of Singapore Chartered Accountants (ISCA). Mr Cheong is currently an independent director and the chairman of the audit committees of 3 other public companies which are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

## MR HE GUO QUAN

Independent Director
(Date appointed to the Board:
23 November 2009)

Mr He has over 17 years of experience in the audit and financial consulting services industry. Mr He joined Guangdong Zhengzhong Zhujiang Accounting Firm in 1997 as an auditor and held positions such as manager and senior manager before he was made a partner in the audit department in 2005, a position which he holds to-date. Mr He graduated from the Zhongnan University of Finance and Economics with a degree in International Accounting and is a member of the Chinese Institute of Certified Public Accountants and the Certified Public Accountants, Australia. Mr He is also certified as a Certified Internal Auditor by the Institute of Internal Auditors.

## MR CHIA SENG HEE JACK

Independent Director
(Date appointed to the Board:
1 May 2013)

Mr Chia is our Independent Director and was appointed on 1 May 2013. Currently, he runs his own investment advisory firm, Jack Capital Solutions Pte Ltd, which he set up in June 2005, after spending twenty years in both the private and public sectors, substantially in Japan and China. Mr Chia was Senior Director, International Enterprise Singapore (the former Trade Development Board), covering China operations from Shanghai. Mr Chia was also with Singapore Technologies, Government of Singapore Investment Corporation as well as Arthur Andersen in marketing, asset management and consulting capacities respectively. He graduated from the National University of Singapore with a degree in accountancy and from the International University of Japan with a Masters of Arts degree in international relations. He is qualified as a Certified Public Accountant. He also completed the General Manager Program at Harvard Business School.

# SENIOR MANAGEMENT

## MR TIAN SHU GUANG
Chief Financial Officer

Mr Tian is our Chief Financial Officer and joined our Group in November 2014. Mr Tian has more than 12 years of working experience in assurance and business advisory service. Mr Tian oversees our Group's corporate development, financial reporting and investor relations matters. From 2003 to 2008, Mr Tian was an audit staff and then an audit senior with PricewaterhouseCoopers China Shenzhen and was involved in the audit of a number of listed companies. From 2008 to 2014, he was an audit manager and then a senior manager with PricewaterhouseCoopers China Shenzhen. He was a seasoned auditor for both listed companies and multinational companies in China. Mr Tian is a member of Chinese Institute of Certified Public Accountants since 2003, and a member of American Institute of Certified Public Accountants since 2014.

## MS LU JIN MING
Deputy General Manager
(Project Development)

Ms Lu is responsible for project development financing matters of our Group in the PRC, and is currently responsible for financial management and supervision of our Group's property investments and development project activities. Prior to joining our Group in November 2000, she was the finance head of Nanhai Guicheng Complex Property Development Co., Ltd and Nanhai Guicheng Debao Property Development Co., Ltd. from September 1996 to January 1998 and from January 1998 to November 2000 respectively. From December 1982 to May 1992, Ms Lu was the head accountant in Nanhai Yuegang Da Ming Shoes Co., Ltd and Nanhai Guicheng Zhujiang Wires and Cables Plant from June 1993 to August 1996. Ms Lu was certified as an assistant accountant by Nanhai District Technology Committee in June 1993 and received the Certificate of Accounting Professional issued by the Nanhai District Finance Bureau in May 2002.

## MR YANG QI MAN
Deputy General Manager
(Sihui City Project)

Mr Yang is responsible for exploring and managing Sihui City Project. Mr Yang joined our Group as a deputy general manager in the engineering department in November 2000. He went on to become the manager in the contract budget department and was the assistant to the general manager and subsequently deputy general manager of Construction and Project Budgeting before being appointed to his current position. Prior to joining our Group, Mr Yang was the deputy general manager of Nanhai Guicheng Debao Property Development Co., Ltd. where he was in charge of the engineering department. Mr Yang holds a bachelor's degree in Construction Engineering (Industrial and Civil Construction) from Guangdong Industrial University where he graduated in 1998. He was also certified as a construction engineering technical management engineer under the Foshan Construction Engineering Intermediate Professional Technical Qualification by the Human Resource Bureau of Foshan City in October 2003.

## MS BU SHU ZHEN
Finance Manager

Ms Bu is our Finance Manager and joined our Group in October 2011. Ms Bu has more than 9 years experience in the audit and financial functions. She is in charge of the preparation of our Group's financial statements and financial reporting and is also responsible for our Group's internal controls and systems compliance review. She was an audit assistant and subsequently audit senior with Deloitte Touche Tohmatsu Guangzhou from July 2006 to February 2010. Prior to joining our Group in October 2011, Ms Bu was the finance manager of Guangzhou Hongyuan Metal Resources Trading Co., Ltd from March 2010 to September 2011. Ms Bu holds a Master of Management and a Bachelor of Management in Accounting from the Xiamen University. Ms Bu passed the professional qualification examinations of the Chinese Institute of Certified Public Accountants in 2004 and has been admitted as a member of Chinese Institute of Certified Public Accountants since December 2006. Ms Bu also passed the professional qualification examinations of The Institute of Internal Auditors in 2005 and has been admitted as a member of Institute of Internal Auditors, Guangdong Province since May 2007.

## MS WU SHAO MEI
Finance Manager

Ms Wu is our Finance Manager and joined our Group in January 2015. Ms Wu has more than 7 years of working experience in assurance and business advisory service. Ms Wu is in charge of the preparation of our Group's financial reporting and is also responsible for investor relations matters and our Group's internal controls and systems compliance review. From 2008 to 2010, Ms Wu was an audit staff with PricewaterhouseCoopers China Guangzhou. From 2010 to 2014, she was an audit senior and then an audit manager with PricewaterhouseCoopers China Guangzhou. She was responsible for the audit of a number of listed companies and multinational companies. Ms Wu is a member of Chinese Institute of Certified Public Accountants since 2014.

# CORPORATE GOVERNANCE REPORT

Debao Property Development Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**") remain committed to maintaining high corporate governance standards and sound corporate practices in accordance with the revised Code of Corporate Governance 2012 (the "**Code**"). This report sets out the corporate governance practices of the Company with specific reference to the principles of the Code.

This Corporate Governance Report ("**Report**") has incorporated the guidelines in the Singapore Securities Exchange Limited ("**SGX-ST**") SGX-ST's notice: "Disclosure on Compliance with the Code of Corporate Governance 2012", dated 29 January 2015 ("**SGX-ST Notice**") The table below is extracted from the SGX-ST Notice, and the answers to the questions raised in the table are referenced to specific paragraphs in the following Report.

| Guidelines | Questions | How has the Company complied? |
|---|---|---|
| General | (a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.<br><br>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code? | The Company has complied with the principles and guidelines in the Code.<br><br>Paragraphs listed below in this table refer to the corresponding paragraphs following this table.<br><br>The specific deviation is given below:<br><br>*Guideline 2.2:*<br><br>Guideline 2.2 suggests that independent directors should make up at least half the board where the chairman and the Chief Executive Officer ("**CEO**") is the same person. For the Company, the CEO and the chairman is the same person. |
| **Board Responsibility** | | |
| Guideline 1.5 | What are the types of material transactions which require approval from the Board? | Refer to para 1.3 |
| **Members of the Board** | | |
| Guideline 2.6 | (a) What is the Board's policy with regard to diversity in identifying director nominees?<br><br>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.<br><br>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness? | (a) Refer to para 1.3<br><br>(b) Refer to para 1.2<br><br>(c) Refer to para 1.3 |

# CORPORATE GOVERNANCE REPORT (cont'd)

| | | |
|---|---|---|
| Guideline 4.6 | Please describe the board nomination process for the Company in the last financial year for<br>(i) selecting and appointing new directors and<br>(ii) re-electing incumbent directors. | (i) Refer to para 4.3<br>(ii) Refer to para 4.4 – 4.6 |
| Guideline 1.6 | (a) Are new directors given formal training? If not, please explain why. | (a) Refer to para 2.1 |
| | (b) What are the types of information and training provided to:<br>(i) new directors and<br>(ii) existing directors to keep them up-to date? | (b) Refer to para 2.2 – 2.4 |
| Guideline 4.4 | (a) What is the maximum number of listed Company board representations that the Company has prescribed for its directors? What are the reasons for this number? | Refer to para 4.7 |
| | (b) If a maximum number has not been determined, what are the reasons? | Refer to para 4.7 |
| | (c) What are the specific considerations deciding on the capacity of directors? | Refer to para 4.6 |
| **Board Evaluation** | | |
| Guideline 5.1 | (a) What was the process upon which the Board reached the conclusion on its performance for the financial year? | (a) Refer to para 5.1 – 5.4 |
| | (b) Has the Board met its performance objectives? | (b) Refer to para 5.5 |
| **Independence of Directors** | | |
| Guideline 2.1 | Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company. | Refer to para 1.1. |
| Guideline 2.3 | (a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. | Refer to para 1.2 |
| | (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation. | N. A. |
| Guideline 2.4 | Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent. | No. Refer to para 1.2 |

# CORPORATE GOVERNANCE REPORT (cont'd)

| | | |
|---|---|---|
| Guideline 9.2 | Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? | Refer to para 9.1 and 9.2 |
| Guideline 9.3 | (a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? | Refer to para 9.1 |
| | (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO). | Refer to para 9.1 and 9.2 |
| Guideline 9.4 | Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO. | Refer to para 9.1 |
| Guideline 9.6 | (a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. | Refer to para 9.3 – 9.5 |
| | (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? | Refer to para 9.3 – 9.5 |
| | (c) Were all of these performance conditions met? If not, what were the reasons? | Refer to para 9.3 – 9.5 |
| **Risk Management and Internal Controls** | | |
| Guideline 6.1 | What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided? | Refer to para 6.1 to 6.3 |
| Guideline 13.1 | Does the Company have an internal audit function? If not, please explain why. | Refer to para 13.1 to 13.4 |

# CORPORATE GOVERNANCE REPORT (cont'd)

| | | |
|---|---|---|
| Guideline 11.3 | (a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.<br><br>(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that:<br><br>(i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and<br>(ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above? | (a) Refer to para 11.1 to 11.5<br><br>(b) Refer to para 11.6 |
| Guideline 12.6 | (a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.<br><br>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors. | (a) Refer to para 12.6<br><br>(b) Refer to para 12.6 |
| **Communication with Shareholders** | | |
| Guideline 15.4 | (a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?<br><br>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?<br><br>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report? | Refer to para 15.2<br><br>Refer to para 15.2<br><br>Refer to para 15.1 and 15.3 |
| Guideline 15.5 | If the Company is not paying any dividends for the financial year, please explain why. | Refer to para 14.2 |

# CORPORATE GOVERNANCE REPORT (cont'd)

## 1. BOARD MATTERS

### BOARD COMPOSITION AND CONDUCT OF ITS 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 Management to achieve this and the Management remains accountable to the Board.

**Principle 2:** There should be a strong and independent element on the Board, which is able to exercise objective judgement 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.

1.1 For the financial year ended 31 December 2014 the Board of Directors (the "**Board**" comprised of seven (7) Directors, of whom three (3) are independent Directors.

Guideline 2.2 requires the Company to have at least half of the Board consisting of Independent Directors when the CEO and the Chairman are the same person. The Company notes that Guideline 2.2 will be in force from 1st May 2016 onwards. The Board notes that the current composition of the Board deviates from Guideline 2.2 for the FY2014 and the deviation is such as the current size of the Board are in line with operational needs and the scale of the Company. In order to comply with Guideline 2.2 in the ensuing year, the Company will consider either of the following:

a. an additional Independent Director to fulfil the necessary composition and in the event the Company is unable to find an appropriate candidate;
b. the Company will reduce the size of the Board by one Director.

1.2 Collectively, the members of the Board have varied expertise and knowledge in accounting, finance, business development and strategies, administration, sales and marketing. The Directors are as follows:

| Name of Director | Age | Date of first appointment | Date of last re-election | Designation | Past and Present Directorships held in the last three (3) years in other listed companies |
|---|---|---|---|---|---|
| Yuan Le Sheng | 48 | 20 August 2009 | 20 April 2012 | Executive Chairman and Chief Executive Officer ("CEO") | Nil |
| Zhang Mao | 53 | 23 November 2009 | 24 April 2013 | Executive Director | Nil |
| Zhong Yu Zhao | 39 | 23 November 2009 | 24 April 2013 | Executive Director | Nil |
| Zheng Lihua | 50 | 20 August 2009 | 20 April 2012 | Non-executive Director | Nil |
| Cheong Keng Chuan, Alfred | 46 | 23 November 2009 | 24 April 2013 | Lead Independent Director | C&G Industrial Holdings Limited<br><br>China Hongxing Sports Limited<br><br>Sinotel Technologies Ltd |

# CORPORATE GOVERNANCE REPORT (cont'd)

| Name of Director | Age | Date of first appointment | Date of last re-election | Designation | Past and Present Directorships held in the last three (3) years in other listed companies |
|---|---|---|---|---|---|
| Chia Seng Hee, Jack | 54 | 1 May 2013 | – | Independent Director | Combine Will International Holdings Limited<br><br>China Hongcheng International Holdings Limited<br><br>Dukang Distillers – Holdings Limited<br><br>mm2 Asia Holdings Ltd<br><br>Sunray Holdings Limited<br><br>Shanghai Turbo Enterprises Limited |
| He Guo Quan | 38 | 23 November 2009 | 20 April 2012 | Independent Director | Nil |

None of the Independent Directors have any relationship that would deem them to not be considered independent under the Code.

1.3 The composition of the Board and independence of each Director is reviewed annually by the Nominating Committee (the "**NC**") to ensure that the Board has the appropriate mix of expertise and experience to govern and manage the Group's affairs.

Apart from its statutory duties, the principal functions of the Board include:

1. charting the overall strategy, growth and direction of the Group;
2. formulating and approving the Group's policies, strategies and financial objectives;
3. approving the Group's annual budget, major funding proposals, investment and divestment proposals and corporate or financial restructuring;
4. ensuring there are in place appropriate and adequate systems of internal controls and risk management policies;
5. reviewing and endorsing the framework of remuneration for the Board and key executives as recommended by the Remuneration Committee;
6. approving the nomination and appointment of key executives, as recommended by the NC; and
7. assuming responsibility for good corporate governance practices and compliance with the Companies Act, Cap. 50, and the rules and requirements of regulatory bodies.

# CORPORATE GOVERNANCE REPORT (cont'd)

Matters requiring Board approval include:

1. corporate policies, strategies and objectives of the Company;

2. quarterly, half yearly and full year announcements;

3. annual report and accounts;

4. major payments, acquisitions, investments and disposal of assets;

5. strategic planning; and

6. transactions or investments involving a conflict of interest for a substantial shareholder or a Director, financial restructuring and share issuance, dividends and other returns to Shareholders.

1.4 In between the scheduled meetings, the Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing. Ad-hoc Board meetings are also convened as and when they are deemed necessary in between the scheduled meetings.

1.5 To assist the Board in the discharge of its responsibilities, the Board has established three (3) Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee. These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

1.6 The attendance of the Directors at meetings of the Board and other Committees is as follows:

| | Board | | Audit Committee | | Remuneration Committee | | Nominating Committee | |
|---|---|---|---|---|---|---|---|---|
| **Name of Directors** | **No. of meetings held** | **No. of meetings attended** | **No. of meetings held** | **No. of meetings attended** | **No. of meetings held** | **No. of meetings attended** | **No. of meetings held** | **No. of meetings attended** |
| Yuan Le Sheng | 4 | 4 | 4 | ^4 | 2 | ^2 | 1 | ^1 |
| Zhang Mao | 4 | 4 | 4 | ^4 | 2 | ^2 | 1 | ^1 |
| Zhong Yu Zhao | 4 | 4 | 4 | ^4 | 2 | ^2 | 1 | ^1 |
| Zheng Lihua | 4 | 3 | 4 | ^3 | 2 | ^1 | 1 | 1 |
| Cheong Keng Chuan Alfred | 4 | 4 | 4 | 4 | 2 | 2 | 1 | 1 |
| Chia Seng Hee, Jack | 4 | 4 | 4 | 4 | 2 | 2 | 1 | 1 |
| He Guo Quan | 4 | 4 | 4 | 4 | 2 | 2 | 1 | 1 |

^ : by invitation

1.7 While the Board considers Directors' attendance at Board meetings to be important, it should not be the only criterion to measure their contributions. It also takes into account the contributions by Board members in other forms including periodical reviews, provision of guidance and advice on various matters relating to the Group.

# CORPORATE GOVERNANCE REPORT (cont'd)

1.8 In addition, the Company has appointed Mr He Guo Quan, an Independent Director of the Company, as a director of our wholly-owned principal operating subsidiaries, namely Foshan Sanshui Nengrun Property Development Co., Ltd., Foshan Nanhai Jiangnan Mingju Property Development Co., Ltd. and Foshan Nanhai Debao Property Development Co., Ltd.

### Training for Directors

2.1 A formal letter has been sent to each Director, upon his appointment, setting out the Director's statutory duties and obligations. All Directors receive appropriate training to develop individual skills as required.

2.2 Directors are provided with extensive background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge.

2.3 Directors also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of the Group's business operations.

2.4 The Board as a whole is updated regularly on risk management, corporate governance and key changes in the relevant regulatory requirements and accounting standards.

## CHAIRMAN AND CEO

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

3.1 In view of Mr Yuan Le Sheng's appointment as our Executive Chairman and CEO, Mr Cheong Keng Chuan Alfred has been appointed as the Lead Independent Director of the Company, pursuant to the recommendations of the Code.

3.2 In accordance with the recommendations on the Code, our Lead Independent Director will be available to our Shareholders in respect of concerns which contact through the normal channel of the Chairman has failed to resolve or for which such contact is inappropriate.

3.3 The Independent Directors led by the lead independent director, Mr Alfred Cheong, meet periodically without the presence of the other directors, and the lead independent director thereafter will provide feedback to the Chairman after such meetings.

3.4 The Executive Chairman and CEO sets the agenda for the Board meetings and exercises control over quality, quantity and timeliness of the flow of information between the management of the Company and the Board. The Executive Chairman and CEO also ensure that procedures are adopted to comply with the Code and ensure effective communication with Shareholders.

# CORPORATE GOVERNANCE REPORT (cont'd)

## BOARD MEMBERSHIP AND PERFORMANCE

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

4.1 For the financial year ended 31 December 2014, the NC of the Company comprised the following members:

Mr He Guo Quan (Chairman)
Mr Cheong Keng Chuan Alfred
Mr Chia Seng Hee, Jack
Mdm Zheng Lihua

Messrs He Guo Quan, Cheong Keng Chuan Alfred and Chia Seng Hee, Jack are our Independent Directors and Mdm Zheng Lihua is our Non-Executive Director.

4.2 The NC, which has written terms of reference, is responsible for:

1. identifying and reviewing candidates and making recommendations to the Board for appointment or re-appointment of members to the Board;

2. determining annually whether or not a director is independent;

3. evaluating the Board's performance as a whole and the contribution by each individual Director to ensure the effectiveness of the Board as a whole; and

4. approving and reviewing succession plans for key positions.

4.3 The search and nomination for new directors, if any, will be either from internal promotion or through search companies, contacts and recommendations that go through the normal selection process, to cast the net as wide as possible for the right candidates.

4.4 Presently, the Articles of Association of the Company provides that one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation at every annual general meeting ("**AGM**").

4.5 A retiring Director is eligible for re-election by the Shareholders at the AGM. The NC has recommended the re-appointment of Mr Zhang Mao, Mr Cheong Keng Chuan Alfred and Mr Zhong Yu Zhao. The Board has accepted the NC's recommendation and the three (3) retiring Directors have offered themselves for re-election.

4.6 All Directors appointed during the year will hold office only until the next AGM and will be eligible for re-election. In evaluating the Director's contribution and performance for the purpose of re-nomination, the Company takes into consideration factors such as attendance, preparedness, participation and candour. The capacity of Directors is decided based on their work background, experience and professional abilities.

4.7 The Company does not have a guideline for the maximum number of listed Company board representations that are prescribed for Directors as the Company believes that the DIrectors are contributing sufficiently to the Company at the moment. The Company will change this rule according to SGX-ST regulations and business needs.

# CORPORATE GOVERNANCE REPORT (cont'd)

**Principle 5:** There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

5.1 The NC has adopted a formal process for the evaluation of the performance of the Board as a whole and contributions from each individual Director to the effectiveness of the Board.

5.2 This process takes into consideration a number of factors, such as the adequacy of the Director in carrying out his duties as Director of the Company, the independence of the Director, setting objective performance criteria, including those set out in the Code.

5.3 Reviews of the Board performance, as appropriate, are undertaken collectively by the Board annually and informally on a continual basis by the NC.

5.4 For the previous year, the NC reviewed and note that the Board understood the Company's values, mission and strategic and business plans, and has reflected this understanding on key issues throughout the year. Board members spent sufficient time learning about the Company's business and understood it well enough to provide critical oversight and to guide the Company's performance not just year-to-year, but in the long-term.

Board members have also spent an appropriate amount of time discussing the long-term strategy of the Company.

5.5 The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. This matter is reviewed on an annual basis by the NC.

## ACCESS TO INFORMATION

**Principle 6:** In order to fulfil 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 decisions to discharge their duties and responsibilities.

6.1 Board members are provided with complete, adequate information in a timely manner, including quarterly management reports and from all relevant information on material events and transactions, from time to time, to enable them to be fully cognisant of the decisions and actions of the Group's management team.

6.2 Detailed Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from management on financial, business and corporate issues and are normally circulated in advance of each meeting to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

6.3 The Directors have separate and independent access to the Company Secretary and management of the Company. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil her/his duties and responsibilities as a Director.

6.4 The Company Secretary attends all Board meetings and ensures Board procedures are followed. The Company Secretary is also responsible to ensure that established procedures and all relevant statutes and regulations that are applicable to the Company are complied with. Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

# CORPORATE GOVERNANCE REPORT (cont'd)

## 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.

7.1 For the financial year ended 31 December 2014, the Remuneration Committee (the "**RC**") comprised the following Directors, all of whom are Non-Executive and Independent Directors:

1. Mr Chia Seng Hee, Jack (Chairman)
2. Mr Cheong Keng Chuan Alfred
3. Mr He Guo Quan

The RC, which has written terms of reference, is responsible for:

1. reviewing and recommending to the Board the remuneration package of each Director;

2. reviewing and recommending to the Board the remuneration of executive officers as well as related employees; and

3. determining the contents of any service contract proposed to be entered into by the Company with a director or executive officer.

7.2 All aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options and other benefits-in-kind shall be covered by the RC. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package. Any recommendations are submitted for endorsements by the entire Board.

7.3 The RC will be provided with access to expert professional advice on remuneration matters, as and when necessary. The expenses of such services shall be borne by the Company.

### LEVEL AND MIX OF REMUNERATION

**Principle 8:** The level 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.

8.1 The Company had entered into service agreement with the Executive Chairman and CEO, under which, terms of his employment are stipulated.

8.2 Their initial term of employment is for a period of 3 years from 12 April 2013. The service agreement of the Executive Directors may be terminated by either party to the service agreement giving to the other three (3) months' prior written notice or an amount equivalent to three (3) months' salary in lieu of notice. All Executive Directors do not receive Directors' fees.

# CORPORATE GOVERNANCE REPORT (cont'd)

8.3 Non-Executive Directors are paid Directors' fees, determined by the Board based on the effort, time spent and responsibilities of the Non-Executive Directors. The payment is subject to approval of the Shareholders at each AGM.

8.4 No individual Director is involved in the fixing of his / her own remuneration.

## DISCLOSURE ON REMUNERATION

**Principle 9:** Each Company should provide clear disclosure of its remuneration policy, 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 executives, and performance.

The remuneration of the Company's Directors, top key executives and employees related to the Directors for the financial year ended 31 December 2014 is as follows:

9.1 Table of remuneration

| | Salary (%) | Performance-based incentive (%) | Bonus (%) | Benefit (%) | Director's fee (%) | Total (%) |
|---|---|---|---|---|---|---|
| **(a) Directors** | | | | | | |
| Above S$500,000 but below S$750,000 | | | | | | |
| Yuan Le Sheng | 84 | – | 10 | 6 | – | 100 |
| Below S$250,000 | | | | | | |
| Zhang Mao | 78 | – | 14 | 8 | – | 100 |
| Zhong Yu Zhao | 78 | – | 14 | 8 | – | 100 |
| Zheng Lihua | – | – | – | – | 100 | 100 |
| Cheong Keng Chuan Alfred | – | – | – | – | 100 | 100 |
| Chia Seng Hee, Jack | – | – | – | – | 100 | 100 |
| He Guo Quan | – | – | – | – | 100 | 100 |
| **(b) Key Executives** | | | | | | |
| Below S$250,000 | | | | | | |
| Tan Jin Bor | 92 | – | – | 8 | – | 100 |
| Tian Shu Guang | 90 | – | 7 | 3 | – | 100 |
| Lu Jin Ming | 71 | – | 19 | 10 | – | 100 |
| Yang Qi Man | 70 | – | 19 | 11 | – | 100 |
| Bu Shu Zhen | 86 | – | 7 | 7 | – | 100 |

# CORPORATE GOVERNANCE REPORT (cont'd)

| | Salary (%) | Performance-based incentive (%) | Bonus (%) | Benefit (%) | Director's fee (%) | Total (%) |
|---|---|---|---|---|---|---|
| **(c) Employees related to Directors** | | | | | | |
| Below S$50,000 | | | | | | |
| Yuan Jian Sheng (1) | 71 | – | 17 | 12 | – | 100 |
| Fang Zai Ming (2) | 79 | – | 18 | 3 | – | 100 |
| Zheng Xiong Wei (3) | 81 | – | 6 | 13 | – | 100 |
| Zheng Xiong Xian (4) | 75 | – | 6 | 19 | – | 100 |

**Notes:**

1. Brother of our Executive Chairman and CEO, Mr Yuan Le Sheng.
2. Wife of our Executive Director, Mr Zhang Mao.
3. Brother of our Non-Executive Director, Mdm Zheng Lihua.
4. Brother of our Non-Executive Director, Mdm Zheng Lihua.

9.2 The Board would like to clarify that given the confidentiality and commercial sensitivity attached to remuneration matters, the remuneration of each individual director and the CEO and the aggregate remuneration paid to the Company's top five key management personnel (who are not Directors / the CEO) would not be disclosed fully but instead in bands as reflected in the table above.

9.3 The basis of determining the remuneration of the employees related to the Directors is the same as the basis of determining the remuneration of other unrelated employees.

9.4 For the current financial year ended 31 December 2014, the aggregate remuneration of the four (4) employees who are related to our Directors amounted to approximately RMB517,000 (equivalent to approximately S$106,000). The total remuneration of these employees will be reviewed annually by the RC to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility. In the event that a member of our RC is related to the employee under review, he will abstain from the review.

9.5 There is a work-plan meeting at the beginning of the year, and executive directors and key management are evaluated daily on their performance and on whether they have satisfied their tasks outlined in the work plan meeting.

The Company believes that the performance conditions were met accordingly by each of the executive directors and key management personnel.

# CORPORATE GOVERNANCE REPORT (cont'd)

## 3. ACCOUNTABILITY AND AUDIT

### ACCOUNTABILITY

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

10.1 The Company announces its financial results on a quarterly basis and other material information via SGXNET in accordance with the Listing Manual of the SGX-ST (the "**Listing Manual**").

10.2 Other relevant disclosure documents are also made available to the Board prior to meetings and on an on-going basis.

10.3 The Board has taken adequate steps to ensure that there is compliance towards the legislative and regulatory requirements. Also the Board seeks the advice of relevant Company's level advision before, deciding on significant matters.

10.4 The Management provides explanation and information to the Board in each board meetings on its performance, position and prospects and believes that such is sufficient for the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

### RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the 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.**

11.1 The Board recognises the need and is responsible for maintaining a system of risk management and internal controls and processes to safeguard shareholders' interests and the Group's assets.

11.2 The AC monitors the effectiveness of the risk management and internal control systems and procedures and will ensure that a review of the effectiveness of the Company's internal controls is conducted annually or when the AC deems necessary.

11.3 The management of the Group regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks.

11.4 The management reviews all significant control policies and procedures and highlights all significant matters to the directors and the AC. The AC expects the risk assessment process to be a continuing process.

11.5 The Board confirms that based on the internal controls established by the Group, work performed by the internal and external auditors, and reviews performed by management, the Board is of the opinion that the Group's information technology controls and risk management systems are adequate and effective.

11.6 The Board confirms that it has received assurance from both the CEO, Mr Yuan Le Sheng and the Chief Financial Officer, Tian Shuguang that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations finances and the Company's risk management and internal control systems are effective.

# CORPORATE GOVERNANCE REPORT (cont'd)

## AUDIT COMMITTEE (THE "AC")

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

12.1 For the financial year ended 31 December 2014, the AC comprised three members, all of whom are Non-Executive and Independent Directors. Members of the AC are as follows:

Mr Cheong Keng Chuan Alfred (Chairman)
Mr Chia Seng Hee, Jack
Mr He Guo Quan

12.2 Messrs Cheong Keng Chuan Alfred, Chia Seng Hee, Jack and He Guo Quan have accounting or related financial management background. The NC is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

12.3 The AC, which has written terms of reference, performs, inter alia, the following main functions:

1. review with the internal and external auditors the scope and results of audit and its cost effectiveness. Where the external auditors also provide non-audit services to the Company, the AC will keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;

2. review the interim and annual financial statements and any significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company as well as any formal announcements relating to the Company's financial performance before the submission of the same to the Board;

3. conduct an annual review of the effectiveness and adequacy of the Company's internal controls and procedures with the management and the external auditors;

4. ensure and be satisfied with the adequacy and effectiveness of the internal audit function;

5. nominate persons as internal and external auditors, review their appointment or re-appointment as well as matters relating to their remuneration, resignation or dismissal, and recommending the same to the Board;

6. review the independence of the internal and external auditors annually;

7. meet with external and internal auditors without the presence of the Company's management at least annually and review the co-operation given by the Company's officers to external and internal auditors;

8. meet with other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC; and

9. review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and to ensure that suitable arrangements are in place for the independent investigation of such matters and that appropriate follow-up action shall be taken.

# CORPORATE GOVERNANCE REPORT (cont'd)

12.4 Apart from the above functions, the AC will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on our Company's operating results or financial position. Each member of the AC will abstain from voting in respect of matters in which he is interested.

12.5 The AC has the power to conduct or authorise investigations into any matters within its scope of responsibility. It also has full access to and co-operation from management and full discretion to invite any Directors or Executive Officers to attend its meetings and reasonable resources to enable it to discharge its functions.

12.6 In respect of the audit for the financial year ended 31 December 2014, the Company paid S$428,000 to Deloitte & Touche LLP and its overseas member firm for its statutory audit services. The AC, having reviewed the range and value of non-audit services provided by the external auditors, Deloitte & Touche LLP, during the year which amounted to S$10,000 or 2.3% of the audit fees, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC recommended that Deloitte & Touche LLP be nominated for re-appointment as auditors at the forthcoming AGM.

12.7 The AC is satisfied that the Company has complied with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST in relation to its auditing firms.

## INTERNAL AUDIT

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

13.1 The Company has appointed and outsourced its internal audit function to Baker Tilly Consultancy (Singapore) Pte Ltd, a qualified public accounting firm. The primary functions of internal audit are to:

1. assess if adequate systems of internal controls are in place to protect the funds and assets of the Group and to ensure control procedures are complied with;

2. assess if operations of the business processes under review are conducted efficiently and effectively; and

3. identify and recommend improvements to internal control procedures, where required.

13.2 The internal auditors are required to adopt the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

13.3 The internal auditors will report directly to the Chairman of the AC, with full and direct access to the members of the AC at all times. The AC ensures the adequacy of the internal audit function at least annually.

13.4 The Company has put in place a Whistle-Blowing Policy for the Group. The said policy serves to encourage and provide a channel for employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The arrangement also ensures independent investigation of such matters and appropriate follow-up actions.

# CORPORATE GOVERNANCE REPORT (cont'd)

## 4. COMMUNICATION WITH SHAREHOLDERS

**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.

14.1 The Board is mindful of its obligation to release timely and fair disclosure of material information and does not practise selective disclosure. In line with continuous disclosure obligations of the Company in line with the Listing Manual and the Companies Act(Cap. 50) of Singapore, the Board's policy is that all Shareholders should be informed in a timely and equal manner of all major developments that impact the Group.

14.2 The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

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

15.1 Price-sensitive announcements including interim and full-year results are released through SGXNET within the mandatory period.

15.2 The Company regularly communicates with the shareholders of the Company and attend to their questions by way of meeting. Also, it should be noted that the Company meets up with its institutional and retail investors once a year during the AGM. However, the Company has not set up a dedicated investor relations team and instead the securities department performs this role.

15.3 All Shareholders of the Company receive the Annual Report and notice of AGM, together with explanatory notes or a circular on items of special business, at least 14 calendar days before the meeting (excluding the date of notice and the date of meeting). The Annual Report is also subsequently posted on the Company's website.

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

16.1 Shareholders of the Company are encouraged to attend the AGM to ensure a greater level of shareholder participation. The Board views the AGM as the principal forum for dialogue with Shareholders, being an opportunity for Shareholders to raise issues and ask the Directors or management questions regarding the Group and its operations. In the event that a Shareholder cannot attend the AGM, the Articles of Association of the Company allows a Shareholder to appoint one or two proxies to attend and vote on his behalf.

16.2 The Chairmen of various committees will be available at the AGM to answer questions relating to the work of their respective committees. The external auditors will also be present to address Shareholders' queries about the conduct of the audit and preparation and content of the auditor's report.

16.3 The Company practices having separate resolutions at general meetings on each distinct issue and will make available minutes of general meetings to shareholders upon their request. Resolutions are passed at the general meetings by hand and by poll, if required. As the number of shareholders who attend the general meetings is generally not large, it is not cost effective to have voting by poll or electronic polling. The results of the general meeting are released on SGXNET on the same day.

# CORPORATE GOVERNANCE REPORT (cont'd)

## 5. INTERESTED PERSON TRANSACTIONS

17 The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that these transactions are conducted at arm's length basis and are not prejudicial to the interests of the shareholders. Excluding transactions less than S$100,000, other than the transaction disclosed below, there are no other interested person transactions during the financial year under review:

| | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interest person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transaction less than S$100,000) |
|---|---|---|
| **Name of interested person** | **S$** | **S$** |
| Zhong Yu Xin | 761,097[(1)] | – |

**Notes:**

(1) Mr Zhong Yu Xin is the brother of an Executive Director, Mr Zhong Yu Zhao. The transaction value arises out of the lease of Debao Hotel owned by the Group to Mr Zhong YuXin.

## 6. DEALINGS IN SECURITIES

18.1 The Group has adopted an internal code of conduct on dealings in the Company's securities by all Directors and employees of the Group and the Company notes that its Directors and employees do not deal with the Company's securities on short-tem considerations.

18.2 The code of conduct relates to, inter alia, insider trading prohibitions under the Securities and Futures Act(Cap 289) of Singapore, the disclosure requirements of the SGX-ST and prohibitions on Directors and employees from dealing in the Company's securities during the two weeks immediately preceding, and up to the time of the announcement of, the Company's results for each of the first three quarters of its financial year and during the one month preceding, and up to the time of announcement of, the Company's results for the full financial year.

## 7. MATERIAL CONTRACTS

19 Except as disclosed in the Report of the Directors and Financial Statements, no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Executive Chairman and CEO or any Directors or controlling shareholders subsisted at the end of the financial year or had been entered into since the end of the previous financial year.

## 8. TREASURY SHARES

20 There are no treasury shares held by the Company as at the end of the financial year ended 31 December 2014.

# REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2014.

## 1 DIRECTORS

The directors of the Company in office at the date of this report are:

Yuan Le Sheng
Zhang Mao
Zhong Yu Zhao
Zheng Lihua
Cheong Keng Chuan Alfred
Chia Seng Hee Jack
He Guo Quan

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

| | Shareholdings registered in name of director | | Shareholdings in which directors are deemed to have an interest | |
|---|---|---|---|---|
| **Name of director and company in which interest is held** | **At beginning of year** | **At end of year** | **At beginning of year** | **At end of year** |
| **Ordinary shares of the Company** | | | | |
| Zheng Lihua | – | – | 607,374,978 | 607,374,978 |
| Yuan Le Sheng | 16,593,000 | 16,593,000 | 590,781,978 | 590,781,978 |
| Zhong Yu Zhao | 1,525,000 | 1,525,000 | – | – |
| Zhang Mao | – | – | 1,212,000 | 1,212,000 |

By virtue of Section 7 of the Singapore Companies Act, Zheng Lihua and Yuan Le Sheng are deemed to have an interest in all the related corporations of the Company.

The director's interests in the shares of the Company at January 21, 2015 were the same as at December 31, 2014.

# REPORT OF THE DIRECTORS (cont'd)

## 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements.

## 5 SHARE OPTIONS

*(a) Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

*(b) Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

*(c) Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

## 6 AUDIT COMMITTEE

The Audit Committee of the Company, consisting of all non-executive directors, is chaired by Mr Cheong Keng Chuan Alfred, an independent director, and includes Mr Chia Seng Hee Jack and Mr He Guo Quan. The Audit Committee has met every quarter to review the following, where relevant, with the executive directors and external auditors of the Company:

(a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Group's financial and operating results and accounting policies;

(c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

(d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Group's external auditors; and

(f) the re-appointment of the external auditors of the Group.

# REPORT OF THE DIRECTORS (cont'd)

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

## 7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Yuan Le Sheng

Zhang Mao

April 1, 2015

# STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 46 to 118 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Yuan Le Sheng

Zhang Mao

April 1, 2015

# INDEPENDENT AUDITORS' REPORT

**To the Members of Debao Property Development Ltd.**

### Report on the Financial Statements

We have audited the accompanying financial statements of Debao Property Development Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at December 31, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 118.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITORS' REPORT (cont'd)

**To the Members of Debao Property Development Ltd.**

## Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

April 1, 2015

# STATEMENTS OF FINANCIAL POSITION

**December 31, 2014**

| | Note | Group 2014 | Group 2013 | Group 2012 | Company 2014 | Company 2013 |
|---|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 (restated) | RMB'000 (restated) | RMB'000 | RMB'000 |
| **ASSETS** | | | | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | 6 | 140,322 | 141,223 | 184,015 | 47 | 48 |
| Restricted cash | 7 | 324,762 | 268,155 | 276,062 | – | – |
| Trade and other receivables | 8 | 444,604 | 239,423 | 157,035 | – | – |
| Amount due from related parties – non trade | 5 | 3,934 | 5,698 | 855 | – | – |
| Amount due from subsidiaries | 5 & 16 | – | – | – | 652,659 | 672,587 |
| Amount due from customers for contract works | 9 | 1,447 | 11,852 | 18,304 | – | – |
| Inventories | 10 | 247 | 249 | 246 | – | – |
| Properties held for sale | 11 | 430,952 | 391,354 | 530,456 | – | – |
| Development properties | 12 | 1,708,435 | 1,611,940 | 1,197,714 | – | – |
| Prepaid leases | 13 | 223 | 223 | 977 | – | – |
| Dividends receivable | | – | – | – | 22,038 | 22,458 |
| Total current assets | | 3,054,926 | 2,670,117 | 2,365,664 | 674,744 | 695,093 |
| **Non-current assets** | | | | | | |
| Trade and other receivables | 8 | 20,000 | 10,000 | – | – | – |
| Prepaid leases | 13 | 4,808 | 5,031 | 36,292 | – | – |
| Property, plant and equipment | 14 | 25,922 | 27,454 | 148,932 | – | – |
| Investment properties | 15 | 2,001,707 | 957,032 | 338,380 | – | – |
| Investment in subsidiaries | 16 | – | – | – | 1,815 | 1,018 |
| Joint venture | 17 | 235,621 | – | – | – | – |
| Available-for-sale investments | 18 | 1,800 | 1,800 | 1,800 | – | – |
| Deferred tax assets | 19 | 10,223 | 9,871 | 11,409 | – | – |
| Contribution to project | | – | – | 20,000 | – | – |
| Goodwill | 20 | 4,192 | 4,192 | – | – | – |
| Total non-current assets | | 2,304,273 | 1,015,380 | 556,813 | 1,815 | 1,018 |
| **Total assets** | | 5,359,199 | 3,685,497 | 2,922,477 | 676,559 | 696,111 |

# STATEMENTS OF FINANCIAL POSITION (cont'd)

**December 31, 2014**

| | Note | Group 2014 | Group 2013 | Group 2012 | Company 2014 | Company 2013 |
|---|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 (restated) | RMB'000 (restated) | RMB'000 | RMB'000 |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current liabilities** | | | | | | |
| Bank and other loans | 21 | 1,335,527 | 951,211 | 895,421 | – | – |
| Trade and other payables | 22 | 808,188 | 457,854 | 426,127 | 8,963 | 9,063 |
| Long term payables – current portion | 23 | 19,538 | 12,442 | – | – | – |
| Amount due to related parties | 5 | 131,370 | 97,201 | 9,535 | – | – |
| Amount due to subsidiaries | 5 & 16 | – | – | – | 34,946 | 34,854 |
| Tax payables | | 112,580 | 144,729 | 141,869 | – | – |
| Total current liabilities | | 2,407,203 | 1,663,437 | 1,472,952 | 43,909 | 43,917 |
| **Non-current liabilities** | | | | | | |
| Bank and other loans | 21 | 834,526 | 404,826 | 185,372 | – | – |
| Trade and other payables | 22 | 20,663 | 20,663 | – | – | – |
| Long term payables | 23 | 157,869 | 159,590 | – | – | – |
| Deferred tax liabilities | 19 | 337,230 | 172,460 | 125,722 | – | – |
| Total non-current liabilities | | 1,350,288 | 757,539 | 311,094 | – | – |
| **Capital, reserves and non-controlling interests** | | | | | | |
| Share capital | 24 | 909,831 | 909,831 | 909,831 | 909,831 | 909,831 |
| Capital reserve | 25 | 396 | 396 | 396 | – | – |
| Revaluation reserve | 26 | 17,788 | 17,788 | – | – | – |
| Translation reserve | | 17,254 | 1,821 | 2,901 | (24,355) | (12,429) |
| Statutory reserve | 27 | 23,887 | 23,887 | 23,887 | – | – |
| Retained earnings (Accumulated losses) | | 400,165 | 285,279 | 197,361 | (252,826) | (245,208) |
| Equity attributable to equity holders of the Company | | 1,369,321 | 1,239,002 | 1,134,376 | 632,650 | 652,194 |
| Non-controlling interests | | 232,387 | 25,519 | 4,055 | – | – |
| Total equity | | 1,601,708 | 1,264,521 | 1,138,431 | 632,650 | 652,194 |
| **Total liabilities and equity** | | 5,359,199 | 3,685,497 | 2,922,477 | 676,559 | 696,111 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**Year ended December 31, 2014**

| | Note | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
|---|---|---|---|
| **Revenue** | 28 | 149,670 | 392,060 |
| **Cost of sales** | | (116,595) | (233,378) |
| **Gross profit** | | 33,075 | 158,682 |
| Other operating income | 29 | 688,277 | 199,352 |
| Selling and distribution expenses | | (30,851) | (18,378) |
| Administrative expenses | | (64,380) | (57,528) |
| Other operating expenses | 8 | (14,019) | (3,131) |
| Finance costs | 30 | (108,588) | (98,395) |
| Profit before tax | | 503,514 | 180,602 |
| Income tax expense | 31 | (181,760) | (70,910) |
| Profit for the year | 32 | 321,754 | 109,692 |
| **Other comprehensive income, net of tax** | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Revaluation of prepaid leases and building on transfer to investment property | 15 & 26 | – | 23,716 |
| Income tax relating to components of other comprehensive income that will not be reclassified subsequently | 15 & 26 | – | (5,928) |
| | | – | 17,788 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign operations | | 15,433 | (1,080) |
| **Total comprehensive income for the year** | | 337,187 | 126,400 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | 114,886 | 87,918 |
| Non-controlling interests | | 206,868 | 21,774 |
| | | 321,754 | 109,692 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 130,319 | 104,626 |
| Non-controlling interests | | 206,868 | 21,774 |
| | | 337,187 | 126,400 |
| **Earnings per share (in RMB cents)** | | | |
| Basic and diluted | 33 | 10.21 | 7.81 |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

## Year ended December 31, 2014

| | Note | Share capital | Capital reserve | Revaluation reserve | Translation reserve | Statutory reserve | Retained earnings | Attributable to equity holders of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Group** | | | | | | | | | | |
| Balance at January 1, 2013 | | 909,831 | 396 | – | 2,901 | 23,887 | 197,361 | 1,134,376 | 4,055 | 1,138,431 |
| Total comprehensive income for the year | | | | | | | | | | |
| Profit for the year | | – | – | – | – | – | 87,918 | 87,918 | 21,774 | 109,692 |
| Other comprehensive income for the year | | – | – | 17,788 | (1,080) | – | – | 16,708 | – | 16,708 |
| Total | | – | – | 17,788 | (1,080) | – | 87,918 | 104,626 | 21,774 | 126,400 |
| Transactions with owners, recognised directly in equity | | | | | | | | | | |
| Non-controlling interests arising from incorporation of a subsidiary | | – | – | – | – | – | – | – | 640 | 640 |
| Non-controlling interests arising from acquisition of a subsidiary | 38 | – | – | – | – | – | – | – | (950) | (950) |
| Total | | – | – | – | – | – | – | – | (310) | (310) |
| Balance at December 31, 2013 | | 909,831 | 396 | 17,788 | 1,821 | 23,887 | 285,279 | 1,239,002 | 25,519 | 1,264,521 |

# STATEMENTS OF CHANGES IN EQUITY (cont'd)

## Year ended December 31, 2014

| | Note | Share capital | Capital reserve | Revaluation reserve | Translation reserve | Statutory reserve | Retained earnings | Attributable to equity holders of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Group** | | | | | | | | | | |
| Balance at December 31, 2013 | | 909,831 | 396 | 17,788 | 1,821 | 23,887 | 285,279 | 1,239,002 | 25,519 | 1,264,521 |
| Total comprehensive income for the year | | | | | | | | | | |
| Profit for the year | | – | – | – | – | – | 114,886 | 114,886 | 206,868 | 321,754 |
| Other comprehensive income for the year | | – | – | – | 15,433 | – | – | 15,433 | – | 15,433 |
| Total | | – | – | – | 15,433 | – | 114,886 | 130,319 | 206,868 | 337,187 |
| Balance at December 31, 2014 | | 909,831 | 396 | 17,788 | 17,254 | 23,887 | 400,165 | 1,369,321 | 232,387 | 1,601,708 |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY (cont'd)

**Year ended December 31, 2014**

| | Note | Share capital RMB'000 | Accumulated losses RMB'000 | Translation reserve RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| Balance at January 1, 2013 | | 909,831 | (292,962) | 28,609 | 645,478 |
| Total comprehensive income for the year | | | | | |
| Profit for the year | | – | 47,754 | – | 47,754 |
| Other comprehensive income for the year | | – | – | (41,038) | (41,038) |
| Total | | – | 47,754 | (41,038) | 6,716 |
| Balance at December 31, 2013 | | 909,831 | (245,208) | (12,429) | 652,194 |
| Total comprehensive income for the year | | | | | |
| Loss for the year | | – | (7,618) | – | (7,618) |
| Other comprehensive income for the year | | – | – | (11,926) | (11,926) |
| Total | | – | (7,618) | (11,926) | (19,544) |
| Balance at December 31, 2014 | | 909,831 | (252,826) | (24,355) | 632,650 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

**Year ended December 31, 2014**

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | RMB'000 | RMB'000 (restated) |
| **Operating activities** | | | |
| Profit before tax | | 503,514 | 180,602 |
| Adjustments for: | | | |
| Fair value gain on investment properties | | (675,674) | (147,332) |
| Unrealised exchange loss | | 21,288 | – |
| Impairment loss on investment in defaulted bank loans | | 14,019 | – |
| Investment income | | – | (37,897) |
| Gain on disposal of subsidiary | | – | (2,542) |
| Interest expense | | 108,588 | 98,395 |
| Depreciation expense | | 3,184 | 3,757 |
| Amortisation of prepaid leases | | 223 | 82 |
| Interest income | | (11,769) | (9,270) |
| Operating cash flows before movements in working capital | | (36,627) | 85,795 |
| Trade and other receivables | | (108,135) | (27,110) |
| Amount due from customers for contract works | | 10,405 | 6,452 |
| Inventories | | 2 | (3) |
| Development properties | | (452,647) | (388,377) |
| Properties held for sale | | 64,974 | 139,102 |
| Trade and other payables | | 369,158 | 16,055 |
| Amounts due to related parties | | 34,169 | 87,666 |
| Cash used in operations | | (118,701) | (80,420) |
| Interest paid | | (239,374) | (110,605) |
| Interest received | | 11,733 | 9,004 |
| Income tax paid | | (50,045) | (33,077) |
| Net cash used in operating activities | | (396,387) | (215,098) |

# CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

**Year ended December 31, 2014**

| | Note | 2014 RMB'000 | 2013 RMB'000 (restated) |
|---|---|---|---|
| **Investing activities** | | | |
| Acquisition of a subsidiary | 38 | – | (2,871) |
| Purchase of property, plant and equipment | | (1,652) | (1,261) |
| Payment for purchase of defaulted loans from a bank | 8 | (67,000) | (21,550) |
| Interest received | | 36 | 266 |
| Payment for prepaid leases | | – | (2,625) |
| Advance to joint venture | 17 | (235,621) | – |
| Proceeds from disposal of a subsidiary | 39 | – | 989 |
| Addition to investment properties | | (37,480) | (79,153) |
| Net cash used in investing activities | | (341,717) | (106,205) |
| **Financing activities** | | | |
| Amounts due from related parties | | 1,764 | (4,843) |
| (Increase) Decrease in restricted cash | | (56,607) | 7,907 |
| Proceeds from non-controlling interests | | – | 640 |
| New bank loans raised | | 157,481 | 365,800 |
| Other loans raised | | 1,119,973 | 177,263 |
| Repayment of bank loans | | (378,726) | (170,877) |
| Repayment of other loans | | (106,000) | (96,942) |
| Net cash from financing activities | | 737,885 | 278,948 |
| Net decrease in cash and cash equivalents | | (219) | (42,355) |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | | (682) | (437) |
| Cash and cash equivalents at beginning of year | 6 | 141,223 | 184,015 |
| **Cash and cash equivalents at end of year** | 6 | 140,322 | 141,223 |

Non-cash transaction

In 2013, the Group entered into a supplemental agreement with GD Development Sdn Bhd ("GD") whereby they agreed to terminate the development project with GD in December 2013. Investment income of 10 million Malaysian Ringgit and profit distribution of 20 million Malaysian Ringgit, totalling 30 million Malaysian Ringgit (equivalent to RMB55.3 million) were returned by transferring units of the properties of the development project with GD to the Group. The properties of the development project have not been transferred to the Group at the end of the reporting period.

See accompanying notes to financial statements

# NOTES TO FINANCIAL STATEMENTS

**December 31, 2014**

## 1. GENERAL

The Company (Registration No. 200715053Z) is incorporated in Singapore with its principal place of business at No.7 Ground Floor, Jiangnan Mingju Xi Yuan, 39 Nanyi Road, Guicheng, Nanhai District, Foshan City, People's Republic of China ("PRC") and registered office at 80 Raffles Place, #32-01, UOB Plaza 1, Singapore 048624. The financial statements are expressed in Chinese Renminbi ("RMB"). The presentation currency is Renminbi as majority of the Group's transactions are denominated in Renminbi.

The principal activity of the Company is that of an investment holding.

The principal activities of its subsidiaries are described in Note 16 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2014 were authorised for issue by the Board of Directors on.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company and Group take into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share Based Payments*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories or value* in use in FRS 36 *Impairment of assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2014, the Company and Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Company's and Group's accounting policies and has no material effect on the amounts reported for the current or prior financial years except as disclosed below:

In September 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclose of Interests in Other entities*, FRS 27 (as revised in 2011) *Separate Financial Statements* and FRS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 110, FRS 111 and FRS 112 were issued to clarify certain transitional guidance on the first-time application of these Standards.

In the current year, the Group has applied for the first time FRS 110, FRS 111, FRS 112, FRS 27 (as revised in 2011) and FRS 28 (as revised in 2011) together with the amendments to FRS 110, FRS 111 and FRS 112 regarding the transitional guidance.

The impact of the application of these Standards is set out below.

***Impact of the application of FRS 111***

FRS 111 replaces FRS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, INT FRS 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in FRS 28 (as revised in 2011). FRS 111 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under FRS 111, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under FRS 111 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, FRS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under FRS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of FRS 111. The directors concluded that the Group's investment in Jin Long Garden, which was classified as a jointly controlled operation under FRS 31 and was accounted for using the equity method, should be accounted for that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenue and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The change in accounting of the Group's investment in Jin Long Garden has been applied in accordance with the relevant transitional provisions set out in FRS 111. Comparative amounts for 2013 have been restated to reflect the change in accounting for the Group's investment in Jin Long Garden. (please see Note 41).

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

***Impact of the application of FRS 112***

FRS 112 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements (please see Note 16) for details.

At the date of authorisation of these financial statements, the following amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 Financial Instruments
- Improvements to Financial Reporting Standards (January 2014)
- Improvements to Financial Reporting Standards ( February 2014)
- Improvements to Financial Reporting Standards (November 2014)
- FRS 115 Revenue from Contracts with Customers

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

**FRS 115 *Revenue from Contracts with Customers***

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**FRS 115 Revenue from Contracts with Customers (cont'd)**

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

FRS 115 will take effect from financial years beginning on or after 1 January 2017. The group is currently evaluating the impact of the changes in the period of initial adoption.

**FRS 109 Financial Instruments**

FRS 109 was issued in December 2014 to replace FRS 39 Financial Instruments: Recognition and Measurement and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

Key requirements of FRS 109:

All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI).

All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is currently evaluating the impact of the changes in the period of initial adoption.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. An amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary. (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *FRS 39 Financial Instruments: Recognition and Measurement*, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisition of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition* and *Measurement*, or FRS *37 Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

JOINT VENTURE -A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of a joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGINFICANT ACCOUNTING POLICIES (cont'd)

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the FRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instrument.

**Financial assets**

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets (cont'd)

Available-for-sale financial assets

Certain shares held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive payment is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and receivables

Trade receivables, other receivables, amount due from related parties and subsidiaries and amount due from customers for contract works that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**Financial assets (cont'd)**

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. With the exception of available-for-sale instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under revaluation reserve.

**Financial liabilities and equity instruments**

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**Financial liabilities and equity instruments (cont'd)**

Trade payables and other payables

Trade payables and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expenses recognised on an effective yield basis.

Bank loans and other loans

Interest-bearing bank loans and other loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

CONSTRUCTION CONTRACTS – Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as amounts due to construction contracts customers. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**Financial liabilities and equity instruments (cont'd)**

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

PROPERTY, PLANT AND EQUIPMENT – Properties held for administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for use. Depreciation of these assets on the same basis as other property assets commences when the assets are ready for their intended use.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost, other than construction-in-progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, on the following bases:

| | | |
|---|---|---|
| Building | – | 20 years |
| Plant and machinery | – | 5 years |
| Motor vehicles | – | 5 years |
| Equipment, furniture and fixtures | – | 3 to 5 years |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

INVESTMENT PROPERTY – Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

PREPAID LEASES – Prepaid leases comprise land use rights and prepaid land rentals for use of mines. These are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease term of 40 to 50 years. The prepaid land rentals are amortised on a straight-line basis over the lease term of 18 to 20 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

DEVELOPMENT PROPERTIES AND PROPERTIES HELD FOR SALE – Development properties and properties held for sale are stated at the lower of cost and estimated net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling.

Cost comprises costs that relate directly to the development, such as acquisition costs, and related costs that are attributable to development activities and can be allocated to the development project, including attributable borrowings costs (see accounting policy for borrowing costs below).

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Payments received from purchasers prior to completion are included in "trade and other payables" as "Advance receipt from the sales of properties".

GOODWILL – Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

IMPAIRMENT OF TANGIBLE ASSETS – At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue and profits from construction contracts are recognised in accordance with the Group's accounting policy on construction contracts (see above).

(i) Revenue from properties development for sale is recognised when the legal title passed to the buyer or when the equitable interest in the property vests in the buyer upon release of the handover notice of the respective property to the buyer, whichever is earlier. Payments received from buyers prior to this stage are recorded as advances from customers for sales of properties and are classified as current liabilities.

(ii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(iii) Dividend income from investments is recognised when the shareholder's right to receive payment have been established.

(iv) Property management service fee income is recognised when the service is completed.

(v) The Group's policy for recognition of revenue from operating leases is described above.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. Except for investment properties measured at fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the Company is Singapore dollars. The financial statements are expressed in Chinese Renminbi as majority of the Group's transactions are denominated in Chinese Renminbi.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Chinese Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

## 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*Critical judgments in applying the entity's accounting policies*

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements apart from those involving estimation (see below).

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

*Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Trade and other receivables

Note 2 describes that trade and other receivables are recognised initially at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are in profit or loss when there is objective evidence that the asset is impaired.

In making the estimation, management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with relevant customers and report on the recoverability, specific allowance is only made for trade receivables that are unlikely to be collected. In this regard, management of the Group are satisfied that this risk is minimal and adequate allowance for doubtful debts has been made in the financial statements in light of the historical records of the Group. The carrying amount of trade and other receivables are disclosed in Note 8.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill of the Group amounted to RMB4,192,000 (2013 : RMB4,192,000) as at December 31, 2014.

Corporate guarantees

The Group has corporate guarantees as disclosed in Note 37 to the financial statements. The determination of the probability of the counterparties claiming under the guarantees requires judgement. Based on expectations at the end of the reporting period, management considers that it is more likely than not that no amount will be payable under the arrangement.

Land Appreciation Tax ("LAT")

All income from sale of properties in PRC is subjected to LAT at progressive rates under the PRC tax laws and regulations. Management has to estimate the LAT progressive rate to provide for LAT in accordance with the PRC tax laws and regulations.

Management, as disclosed in Notes 19 and 31, considered the provision of LAT to be adequate.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Valuation of investment properties

As disclosed in Note 15 to the financial statements, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based this on a method of valuation which involves certain estimates. In relying on the valuation report, management has exercised their judgment and is satisfied that the method of valuation is reflective of current market conditions and the estimates used are appropriate.

Carrying amounts of properties held for sale and development properties

The aggregate carrying amount of these properties totalled RMB2,139,387,000 as at December 31, 2014 (2013 : RMB2,003,294,000), details of which are disclosed in Notes 11 and 12 respectively. They are stated at lower of cost and net realisable value.

The process of evaluating the net realisable value for each property is subject to management judgement and the effect of assumptions in respect of the prevailing market conditions and selling prices of similar properties. Any variances on market conditions and selling prices can potentially impact the carrying amounts of the respective properties.

Income tax

Significant estimate is involved in determining the provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome differ from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Information about the deferred tax and income tax expenses are disclosed in Notes 19 and 31.

Useful lives of property, plant and equipment

As described in Note 2, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, management determined that the estimated useful lives of property, plant and equipment are appropriate and no material revision is required.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

*(a) Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 (restated) | **RMB'000** | RMB'000 |
| **Financial assets** | | | | |
| Loans and receivables (including cash and cash equivalents) | **820,426** | 607,550 | **674,744** | 695,093 |
| Available-for-sale financial assets | **1,800** | 1,800 | **-** | - |
| **Financial liabilities** | | | | |
| Amortised cost | **3,307,325** | 2,103,520 | **43,909** | 43,917 |

The Group does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting arrangements.

*(b) Financial risk management policies and objectives*

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. Management is responsible for the overall financial risk management covering specific areas. These risks include market risk (including foreign exchange risk, interest rate risk and equity price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group's foreign exchange arises mainly from the exchange rate movements of United States dollar against the Renminbi. This Group does not enter into derivative foreign exchange contracts and foreign currency borrowings to hedge its foreign exchange risk.

At the reporting date, the carrying amount of monetary assets and monetary liabilities denominated in currency other than the Group's functional currency is as follow:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| United States dollar | - | - | 452,935 | - |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

*(b) Financial risk management policies and objectives (cont'd)*

(i) Foreign exchange risk management (cont'd)

The sensitivity rate used when reporting foreign currency risk to key management personnel is 10%, which is the change in foreign exchange rate that management deems reasonably possible which will affect outstanding foreign currency denominated monetary items at period end.

If the relevant major foreign currency strengthens by 10% against the functional currency of the company, profit before income tax will decrease by:

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| Impact of: | | |
| United States dollar | 45,294 | - |

If the relevant major foreign currency weakens by 10% against the functional currency of the company, the effects on profit before income tax will be conversed of the above.

(ii) Interest rate risk management

Summary quantitative data of the Group's interest-bearing financial instruments can be found in Section (v) of this Note.

*Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points higher and all other variables were held constant, the Group's profit for the year ended December 31, 2014 would decrease by RMB10,850,000 (2013 : Group's profit for the year decrease by RMB6,780,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

If interest rate has been 50 basis points lower and all other variables were held constant, the effect on profit for the year will be vice versa.

The Company's profit or loss is not affected by the changes in interest rates and the financial assets and liabilities are non-interest bearing.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

*(b) Financial risk management policies and objectives* (cont'd)

(iii) Equity price risk management

The Group is exposed to equity risks arising from equity investments classified as available-for-sale. The Group does not actively trade available-for-sale investment. Equity price sensitivity has not been analysed as the impact on the Group and Company's financial statements is not expected to be significant.

Further details of these equity investments can be found in Note 18 to the financial statements.

Equity price sensitivity has not been analysed as the impact on the Group's financial statement is not expected to be significant.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Trade receivables consist of a large number of customers concentrated in People's Republic of China.

The Group's maximum exposure to credit risk comprise (i) the sum of the carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for losses; and (ii) credit risk relating to guarantees of approximately RMB1,227,495,000 (2013 : RMB864,028,000) to banks for the benefit of the Group's customers in respect of mortgage loans provided by the banks to these customers for the purchase of the Group's development properties, as elaborated in Note 37 to the financial statements.

The Group places its cash with reputable financial institutions.

Further details of credit risks on trade and other receivables are disclosed in Note 8.

(v) Liquidity risk management

The Group maintains cash and cash equivalents, external bank loans and other loans with staggered repayment dates, some of which are in excess of two years.

The Group has bank and other loans amounting to RMB1,335,527,000 (2013 : RMB951,211,000) (Note 21) which are due for settlement during the financial year ending December 31, 2015. Management is confident to obtain the banks' approval for roll over of the loans and extension of credit facilities through pledging of the Group's assets.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives* (cont'd)

(v) Liquidity risk management (cont'd)

In addition, the Group has projected that it is able to realise its assets in the ordinary course of business and achieve its projected sales target so as to generate sufficient operating cash flow to meet its cash flow requirements and obligations.

Subsequent to the end of the reporting period, the Group entered into a loan agreement with a third party, Huarong Asset Management Co., Ltd., for a loan of RMB220 million (Note 40).

*Liquidity and interest risk analyses*

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

| | Weighted average effective interest rate | On demand or within 1 year | Within 2 to 5 years | After 5 years | Adjustment | Total |
|---|---|---|---|---|---|---|
| | % (per annum) | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Group** | | | | | | |
| **2014** | | | | | | |
| Non-interest bearing | – | 932,552 | – | – | – | 932,552 |
| Fixed interest rate instruments: | | | | | | |
| - Advance deposit from the sales of properties instruments | 7 | 1,548 | 21,361 | – | (2,246) | 20,663 |
| - Advances from non-controlling interests | 6 | 6,650 | – | – | – | 6,650 |
| - Other loan | 5.23-24 | 203,158 | 391,396 | – | (131,618) | 462,936 |
| - Long term payables | 6 | 23,336 | 28,100 | 231,770 | (135,799) | 177,407 |
| Variable interest rate instruments | 6-18 | 1,245,117 | 583,433 | – | (121,433) | 1,707,117 |
| | | 2,412,361 | 1,054,290 | 231,770 | (391,096) | 3,307,325 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

*(b) Financial risk management policies and objectives* (cont'd)

(v) Liquidity risk management (cont'd)

| | Weighted average effective interest rate | On demand or within 1 year | Within 2 to 5 years | After 5 years | Adjustment | Total |
|---|---|---|---|---|---|---|
| | % (per annum) | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **2013 (restated)** | | | | | | |
| Non-interest bearing | – | 548,138 | – | – | – | 548,138 |
| Fixed interest rate instruments | 7 | 1,434 | 22,909 | – | (3,680) | 20,663 |
| Advances from non-controlling interests (Fixed rate) | 6 | 6,650 | – | – | – | 6,650 |
| Long term payables (Fixed rate) | 6 | 14,000 | 56,700 | 247,170 | (145,838) | 172,032 |
| Variable interest rate instruments | 6-18 | 1,029,523 | 436,838 | 7,001 | (117,325) | 1,356,037 |
| | | 1,599,745 | 516,447 | 254,171 | (266,843) | 2,103,520 |

The maximum amount that the Group could be forced to settle under financial guarantee contracts, if the full guaranteed amount is claimed by the counterparties to the guarantee, is RMB1,227,495,000 (2013 : RMB864,028,000). The earliest period that the guarantee could be called is within 1 year (2013 : 1 year) from the end of the reporting period. As mentioned in Note 37, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

**Company**

| | | | | | | |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| Non-interest bearing | – | 43,909 | – | – | – | 43,909 |
| | | 43,909 | – | – | – | 43,909 |
| **2013** | | | | | | |
| Non-interest bearing | – | 43,917 | – | – | – | 43,917 |
| | | 43,917 | – | – | – | 43,917 |

Non-derivative financial assets

The non-derivative financial assets of the Group and Company are repayable on demand except for RMB20,000,000 of deposit paid (Note 8) classified as non-current. The deposit paid will be refunded when the project is completed. The project is expected to be completed approximately two years (2013 : three years) from the end of the reporting period.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

*(b) Financial risk management policies and objectives* (cont'd)

(vi) Fair value of financial assets and financial liabilities

The Group determines fair values of various financial assets and financial liabilities in the following manner:

***Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis***

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

| Financial assets | Fair value as at 2014 | Fair value as at 2013 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | | | | |
| Group | | | | | | |
| Available-for-sale investments | 500 | 500 | Level 1 | Quoted bid prices in an active market | N/A | N/A |
| Company | | | | | | |

The Company had no financial assets or liabilities carried at fair value in 2013 and 2014.

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy in the period.

***Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)***

Management considers that the carrying amounts of financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the financial statements approximate their fair values.

*(c) Capital risk management policies and objectives*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance to ensure all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt which includes the borrowings disclosed in Note 21 and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

*(c) Capital risk management policies and objectives (cont'd)*

The Group's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Management's strategy remained unchanged from the prior year.

The Group monitors capital based on the Group's gross gearing and net gearing. The Group's gross gearing is calculated as total borrowings divided by total equity. Net borrowings are calculated as total borrowings as disclosed in Note 21, less cash and bank balances as disclosed in Notes 6 and 7 to the financial statements.

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **RMB'000** | **RMB'000** |
| Total borrowings | 2,170,053 | 1,356,037 |
| Total equity | 1,601,708 | 1,264,521 |
| Gross gearing (times) | 1.35 | 1.07 |
| Net borrowings | 1,704,969 | 946,659 |
| Total equity | 1,601,708 | 1,264,521 |
| Net gearing (times) | 1.06 | 0.75 |

## 5. RELATED COMPANY TRANSACTIONS AND OTHER RELATED PARTY TRANSACTIONS

Related companies in these financial statements refer to members of the Company's group of companies.

The ultimate controlling parties are Mr Yuan Le Sheng and Mdm Zheng Lihua (husband and wife) whose interest in the Company is held through their shareholdings in Billion Equity Holdings Limited and Pride Capital Investment Holdings Limited.

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 5. RELATED COMPANY TRANSACTIONS AND OTHER RELATED PARTY TRANSACTIONS (cont'd)

During the year, the Group entities entered into the following transactions with related parties:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Advance from directors for sale of properties | – | 356 |
| Revenue from sale of properties | | |
| – directors and close family members of directors and key management | – | 14,150 |
| Rental income | | |
| – a close family member of a director | 3,700 | 3,700 |

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Short-term benefits | 8,302 | 14,692 |

The remuneration of directors and key management is determined having regard to the performance of individuals and market trends.

## 6. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash at bank | 140,204 | 141,080 | 47 | 48 |
| Cash on hand | 118 | 143 | – | – |
| | 140,322 | 141,223 | 47 | 48 |

Cash and cash equivalents comprise cash held by the Group and bank balances. The carrying amounts of these assets approximate their fair values.

Cash and cash equivalents which are denominated in RMB amounting to RMB91,270,000 (2013 : RMB67,734,000) are not freely convertible to foreign currencies.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 7. RESTRICTED CASH

Restricted cash comprises RMB297,500,000 (2013 : RMB249,756,000) fixed deposits pledged for bank loan and RMB10,092,000 (2013 : RMB14,899,000) security deposit for the development of properties which bears average effective interest rate of 3.3% (2013 : 3% ) per annum and for a tenure of approximately 360 days (2013 : 360 days). The remaining RMB17,170,000 (2013 : RMB3,500,000) of restricted cash are restricted bank balance.

## 8. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 (restated) | RMB'000 | RMB'000 |
| Trade receivables – outside parties | 102,022 | 107,055 | – | – |
| Other receivables | 30,777 | 23,827 | – | – |
| | 132,799 | 130,882 | – | – |
| Deposits paid | 28,207 | 28,190 | – | – |
| Prepayments | 1,317 | 187 | – | – |
| Advance to non-controlling interests | 27,000 | – | – | – |
| Advance to an outside party | 45,000 | – | – | – |
| Payment to a financial institution | 32,424 | – | – | – |
| Payment to a bank | 84,531 | 21,550 | – | – |
| Prepayment to a developer | 53,504 | 55,323 | – | – |
| Tax prepayment | 20,417 | 9,957 | – | – |
| Prepaid expense | 39,405 | 3,334 | – | – |
| | 464,604 | 249,423 | – | – |
| Less: Deposit paid classified as non-current | (20,000) | (10,000) | – | – |
| Current portion | 444,604 | 239,423 | – | – |

The average credit period on trade receivables is 60 to 180 days (2013 : 60 to 180 days). No interest is charged on the outstanding receivables.

Significant Group's trade and other receivables are denominated in the functional currencies of the respective entities.

The allowance for doubtful debts was determined by reference to past default experience.

The deposits paid of RMB28,207,000 (2013 : RMB28,190,000) consists of RMB20,000,000 (2013 : RMB22,837,000) paid to a government agency to guarantee the construction of properties will be performed in accordance with the local regulations. Out of the RMB20,000,000 (2013 : RMB22,837,000) of deposits paid for a project, RMB20,000,000 (2013 : RMB10,000,000) is classified as non-current as the deposit will be refunded when the project is completed which is more than one year from the end of the reporting period. The government agency requested for deposits for the construction project to ensure that the project is completed within the stipulated timeframe. Management considers that the carrying amount of deposits paid recorded at amortised cost approximates its fair value.

Advance to non-controlling interests bears interest of 9.9% annually, is unsecured and repayable on demand. Management has not recognised any allowances as the amount is recoverable.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 8. TRADE AND OTHER RECEIVABLES (cont'd)

Advance to an outside party amounting RMB45,000,000 (2013 : RMBNil) represents the advance to a joint venture partner to purchase the lands for the joint venture (see Note 17). This advance is unsecured, interest-free and repayable on demand. Management has not recognised any allowances as the amount is recoverable.

The payment to a financial institution amounting RMB32,424,000 (2013 : RMBNil) is in relation to payment for purchase of a loan due from a third party to the financial institution. The amount has been substantially collected by the Group subsequent to the end of the financial year. This payment is part of the arrangement for obtaining a loan of RMB548,589,000 from the financial institution (Note 21).

The payment to a bank amounting RMB98,550,000 (2013 : RMB21,550,000) is in relation to payment/payable (2013 : downpayment) for purchase of certain defaulted loans from a bank owing to the bank by third parties at a consideration of RMB98,550,000 (2013 : RMB86,995,800). The securities pledged for these loans which were assigned to the Group consist of inventories, carparks, office building and prepaid leases of the third parties. Management carried out a review of its recoverable amount. The review led to an impairment loss of RMB14,019,000 (2013 : RMBNil). The recoverable amount was determined based on the fair value of the securities pledged.

The prepayment to a developer of RMB53,504,000 (2013 : RMB55,323,000) pertains to the purchase of properties from GD Development Sdn Bhd ("GD") arising from the early termination of a project. The properties are located at Bandar Nilai Utama, District of Seremban, State of Negeri Sembilan, Malaysia. The purchase is recorded as a prepayment as the title of the properties has not been transferred to the Group at the end of the reporting period. Management considers that the carrying amount of the prepayment to a developer approximates its fair value.

Tax prepayment consists mainly of prepayment for business tax.

Included in the trade receivables balance are debtors with a carrying amount of RMB19,113,000 (2013 : RMB11,199,000) which are past due at the end of the reporting period for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances except as disclosed below.

The Group's other receivables are interest-free, repayable on demand and unsecured. The Group has not made any allowance as management is of the view that these receivables are recoverable.

The table below is an analysis of trade and other receivables at December 31:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 (restated) | RMB'000 | RMB'000 |
| Not past due and not impaired | 140,686 | 119,683 | – | – |
| Past due but not impaired | 19,113 | 11,199 | – | – |
| | 159,799 | 130,882 | – | – |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 8. TRADE AND OTHER RECEIVABLES (cont'd)

Aging of trade receivables that are past due but not impaired:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Less than 3 months | 3,508 | 10,022 | – | – |
| 3 months to 6 months | 1,732 | – | – | – |
| 6 months to 12 months | 13,158[1] | 726 | – | – |
| Over 12 months | 715 | 451 | – | – |
| | 19,113 | 11,199 | – | – |

[1] An amount of RMB12,183,000 is secured by the debtor's equipment and a guarantee by a third party contractor amounting to RMB3,000,000.

## 9. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORKS

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Contracts-in-progress at the end of the reporting period: | | |
| Amounts due from contract customers | 1,447 | 11,852 |
| Contract costs incurred plus recognised profits | 164,752 | 162,010 |
| Less: Progress billings | (163,305) | (150,158) |
| | 1,447 | 11,852 |

Amount due from customers for construct works are neither past due nor impaired.

## 10. INVENTORIES

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Consumables | 247 | 249 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 11. PROPERTIES HELD FOR SALE

| | Group 2014 RMB'000 | Group 2013 RMB'000 |
|---|---|---|
| Cost | 430,952 | 391,354 |

During the year, properties with a carrying amount of RMB104,572,000 (2013 : RMB22,677,000) were transferred from development properties.

## 12. DEVELOPMENT PROPERTIES

| | Group 2014 RMB'000 | Group 2013 RMB'000 |
|---|---|---|
| At cost: | | |
| Properties under development | 1,487,110 | 1,390,688 |
| Land purchase | 221,325 | 221,252 |
| | 1,708,435 | 1,611,940 |

Development properties of RMB786,727,000 (2013 : RMB603,006,000) are pledged to banks to secure loans granted to the Group as at December 31, 2014 (See Note 21).

Particulars of the properties under development are as follows:

| Description | Type of development | Approximate total gross floor area (square metre) | Expected date of completion |
|---|---|---|---|
| Shanshui Longpan (i) | Integrated residential and commercial property | 813,000 | Multiphases, completion in 3 to 4 years timeframe |
| Shanshui Fangao Project (i) | Integrated residential and commercial property | 41,000 | Reserved for future development |
| Sihui Project (ii) | Integrated residential and commercial property | 97,000 | December 2016 |
| Additional to Sihui Project (ii) | Commercial property | 83,000 | Reserved for future development |

(i) These properties under development are located at Foshan City, Guangdong Province , People's Republic of China.

(ii) These properties under development are located at Zhaoqing, Guangdong Province, People's Republic of China.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 12. DEVELOPMENT PROPERTIES (cont'd)

The costs of development property include the following items which have been charged during the year:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Depreciation capitalised during the year | 35 | 46 |
| Interest expense capitalised during the year (Note 30) | 73,850 | 28,595 |

The weighted average rate of capitalisation of the interest expenses for the year ended December 31, 2014 is 12.90% (2013 : 14.80%) per annum.

As at December 31, 2014, development properties of RMB843,744,000 (2013 : RMB552,645,000) are expected to be recovered after more than twelve months, but have been classified as current because they are expected to be realised in the normal operating cycle.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 13. PREPAID LEASES

| | Group | | |
|---|---|---|---|
| | Prepaid land rentals | Prepaid leases | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| Cost: | | | |
| At January 1, 2013 | – | 38,800 | 38,800 |
| Transferred to investment property (Note 15) | – | (35,827) | (35,827) |
| Addition in current year | 2,625 | – | 2,625 |
| At December 31, 2013 and December 31, 2014 | 2,625 | 2,973 | 5,598 |
| Accumulated amortisation: | | | |
| At January 1, 2013 | – | 1,531 | 1,531 |
| Amortisation for the year | – | 82 | 82 |
| Transferred to investment property (Note 15) | – | (1,269) | (1,269) |
| At December 31, 2013 | – | 344 | 344 |
| Amortisation for the year | 141 | 82 | 223 |
| At December 31, 2014 | 141 | 426 | 567 |
| Carrying amount: | | | |
| At December 31, 2014 | 2,484 | 2,547 | 5,031 |
| At December 31, 2013 | 2,625 | 2,629 | 5,254 |
| Amount to be amortised: | | | |
| At December 31, 2014 | | | |
| Current | 141 | 82 | 223 |
| Non-current | 2,341 | 2,467 | 4,808 |
| At December 31, 2013 | | | |
| Current | 142 | 81 | 223 |
| Non-current | 2,483 | 2,548 | 5,031 |

The Group has prepaid leases in the People's Republic of China ("PRC") where the Group's PRC corporate office and administrative facilities reside and prepaid leases for a hotel. The prepaid leases for the PRC corporate office have a remaining tenure of 32 years (2013 : 33 years). In 2013, the hotel was rented out to a third party and consequently, the prepaid leases for the hotel was transferred to an investment properies.

The prepaid land rentals for mine represent land use rights for mine, under operating lease arrangement before mining concession is obtained. The prepaid land rentals for a mine have a remaining tenure of 17 to 19 years.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Group | | | | |
|---|---|---|---|---|---|
| | Building | Plant and machinery | Motor vehicles | Equipment, furniture and fixtures | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cost: | | | | | |
| At January 1, 2013 | 157,926 | 5,641 | 9,445 | 1,627 | 174,639 |
| Additions from acquisition of subsidiary | 32 | 9 | 200 | 255 | 496 |
| Additions | 125 | – | 406 | 730 | 1,261 |
| Transferred to investment property | (129,095) | – | – | – | (129,095) |
| Disposal | – | – | – | (7) | (7) |
| At December 31, 2013 | 28,988 | 5,650 | 10,051 | 2,605 | 47,294 |
| Additions | 76 | – | 877 | 699 | 1,652 |
| Disposal | – | – | (112) | (17) | (129) |
| At December 31, 2014 | 29,064 | 5,650 | 10,816 | 3,287 | 48,817 |
| Accumulated depreciation: | | | | | |
| At January 1, 2013 | 13,912 | 4,992 | 5,747 | 1,056 | 25,707 |
| Additions from acquisition of subsidiary | 3 | 2 | 150 | 169 | 324 |
| Charge for the year | 2,067 | 336 | 1,124 | 276 | 3,803 |
| Transferred to investment property | (9,992) | – | – | – | (9,992) |
| Disposal | – | – | – | (2) | (2) |
| At December 31, 2013 | 5,990 | 5,330 | 7,021 | 1,499 | 19,840 |
| Charge for the year | 1,547 | 209 | 1,090 | 338 | 3,184 |
| Disposal | – | – | (112) | (17) | (129) |
| At December 31, 2014 | 7,537 | 5,539 | 7,999 | 1,820 | 22,895 |
| Carrying amount: | | | | | |
| At December 31, 2014 | 21,527 | 111 | 2,817 | 1,467 | 25,922 |
| At December 31, 2013 | 22,998 | 320 | 3,030 | 1,106 | 27,454 |

The Group has pledged land and buildings with a carrying amount of approximately RMB22,514,000 (2013 : RMB23,923,000) to secure banking facilities granted to the Group (Note 21).

In 2013, a building with carrying amount of RMB119,103,000 was transferred to investment property as a result of a change in the usage of the building. The building relates to a hotel previously intended to be operated and managed by the Group. The building was rented out to a third party in 2013. Accordingly, the prepaid lease relating to the building was also transferred as part of the investment property (Note 15).

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Details of the building are as follows:

| Description | Location | Title |
|---|---|---|
| Office building | No.39 Nanyi Road, Nanhai District, Foshan City, Guangdong Province | The property is held under a land use term to be expired on June 1, 2046 |
| Hotel building* | Baini Town, Sanshui District, Foshan City, Guangdong Province | The property is held under a land use term to be expired on March 20, 2047 |

* Transferred to investment property in 2013.

## 15. INVESTMENT PROPERTIES

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| At beginning of year | 957,032 | 338,380 |
| Transferred from development properties (Note 12) | 325,430 | 2,792 |
| Transferred from property, plant and equipment (Note 14) | – | 119,103 |
| Transferred from prepaid leases (Note 13) | – | 34,558 |
| Additions from acquisition of subsidiary (Note 38) | – | 211,998 |
| Purchases during the year | 43,571 | 79,153 |
| Increase in fair value recorded in revaluation reserve | – | 23,716 |
| Increase in fair value recorded in profit or loss | 675,674 | 147,332 |
| At end of year | 2,001,707 | 957,032 |

The fair values of the Group's investment properties at the end of reporting period have been arrived at on the basis of open market valuation carried out at the end of reporting period by Cushman & Wakefield Valuation Advisory Services (HK) Ltd., the independent valuers, who have an appropriate recognised professional qualification. The valuations were arrived at by reference to market evidence of transaction prices for similar properties and the rental income of the properties, and were performed in accordance with Hong Kong Institute of Surveyors Valuation Standards on Properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to RMB18,395,000 (2013 : RMB17,004,000). Direct operating expenses arising on the investment properties in the year amounted to RMB3,526,000 (2013: RMB5,525,000).

During the year, the Group completed a commercial property under Sihui Project (Note 12) and classified it to investment property.

As at December 31, 2014, the Group has pledged investment properties with carrying amount of RMB1,593,398,000 (2013 : RMB558,663,000) to secure loans granted to the Group (See Note 21).

In 2013, the Group acquired an entity (Note 38) which has an operating lease for a property. Management assessed and concluded that the property be classified as an investment property held under an operating lease.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 15. INVESTMENT PROPERTIES (cont'd)

Reconciliation of adjusted valuation for the investment property held under an operating lease:

| | Group 2014 | Group 2013 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Fair valuation of investment property under operating lease | 180,000 | 160,400 |
| Add: Long term payables (Note 23) | 177,407 | 172,032 |
| Adjusted fair valuation of investment property under operating lease | 357,407 | 332,432 |

Details of the Group's investment properties and information about the fair value hierarchy as at December 31, 2014 are as follows:

| | Level 1 | Level 2 | Level 3 | Fair value as at December 31, 2014 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Investment properties | – | – | 2,001,707 | 2,001,707 |

| | Level 1 | Level 2 | Level 3 | Fair value as at December 31, 2013 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Investment properties | – | – | 957,032 | 957,032 |

There were no transfers between the respective levels during the year.

The following table shows the significant unobservable inputs used in the valuation model:

| Description | Fair value as at December 31, 2014 | Valuation technique(s) | Significant unobservable input(s) | Range |
|---|---|---|---|---|
| | RMB'000 | | | |
| Investment properties | 2,001,707 | Direct comparison approach | price per square meter (1) | RMB600 – RMB16,000 |
| | | Income capitalisation approach | market rent per square meter per month (1) | RMB15 RMB200 |
| | | | capitalisation rate (2) | 4.75% – 9% |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 15. INVESTMENT PROPERTIES (cont'd)

| Description | Fair value as at December 31, 2013 | Valuation technique(s) | Significant unobservable input(s) | Range |
|---|---|---|---|---|
| | RMB'000 | | | |
| Investment properties | 957,032 | Direct comparison approach | price per square meter (1) | RMB600 – RMB1,5000 |
| | | Income capitalisation approach | market rent per square meter per month (1) | RMB20 – RMB110 |
| | | | capitalisation rate (2) | 5% to 10% |

(1) Any significant isolated increases (decreases) in these inputs would result in a significantly higher (lower) fair value measurement.

(2) Any significant isolated increases (decreases) in these inputs would result in a significantly lower (higher) fair value measurement.

Details of the investment properties are as follows:

| Description | Location | Title | Details of occupancy |
|---|---|---|---|
| Debao Hotel Complex | No. 136 Nanhai Avenue South Nanhai District, Foshan City Guangdong Province | The property is held under a land use term to be expired on April 6, 2046 | Tenanted |
| Underground car parking spaces | Yitong Commercial Building Nanhai District, Foshan City Guangdong Province | The property is held under a land use term to be expired on December 31, 2052 | Tenanted |
| An office unit and 15 retail shop units and 10 car park spaces | Debao Garden, Nanhai District, Foshan City Guangdong Province | The property is held under a land use terms with the latest expiry on August 16, 2068 | Tenanted |
| Various retail shop units Phases I to 4, Jiangnan Mingju | No. 39 Nanyi Road, Nanhai District, Foshan City Guangdong Province | The property is held under a land use term to be expired on September 24, 2072 | Tenanted |
| Industrial project | Industrial Avenue, Danzao Town Nanhai District, Foshan City Guangdong Province | The property is held under a land use term to be expired on December 27, 2061 | Tenanted |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 15. INVESTMENT PROPERTIES (cont'd)

| Description | Location | Title | Details of occupancy |
|---|---|---|---|
| Industrial project | Xingye East Road, Shishan Town Nanhai District, Foshan City Guangdong Province | The property is held under a land use term to be expired on April 27, 2053 | Tenanted |
| Longpan Hotel building [(a)] | Baini Town, Sanshui District, Foshan City, Guangdong Province | The property is held under a land use term to be expired on March 20, 2047 | Tenanted |
| Tianjin Hotel Street [(b)] Building | Nanshi Hotel Street, Heping District, Tianjin City | The property is held under a lease term to be expired on June 30, 2033 | Renovation in progress |
| Sihui Project [(c)] Block A Sihui Shopping Mall | Sihui, Zhaoqing City, Guangdong Province | The property is held under a land use term to be expired on December 30, 2052 | Renovation in progress |

Notes:

(a) Transferred from property, plant and equipment in 2013.

(b) Arising from acquisition of subsidiary in 2013.

(c) Transferred from development properties during the year.

## 16. INVESTMENT IN SUBSIDIARIES

| | Company 2014 RMB'000 | Company 2013 RMB'000 |
|---|---|---|
| Unquoted equity shares at cost* | 797 | – |
| Advance to subsidiary | 1,018 | 1,018 |
| | 1,815 | 1,018 |

* Consists of S$1 unquoted equity shares each of Dynamic Real Estate Holdings Pte. Ltd., and Derong Real Estate Holdings Pte. Ltd. and S$162,000 unquoted equity shares of Infinity Real Estate Holdings Pte. Ltd.

Amount due from /to subsidiaries are unsecured, interest-free and repayable on demand.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 16. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries at the end of each financial year are as follows:

| Name of subsidiaries | Country of incorporation and operation | Proportion of ownership interest | | Proportion of voting power held | | Principal activity |
|---|---|---|---|---|---|---|
| | | 2014 % | 2013 % | 2014 % | 2013 % | |
| Held by the Company | | | | | | |
| Dynamic Real Estate Holdings Pte. Ltd. [(1)] | Singapore | 100 | 100 | 100 | 100 | Investment holding |
| Derong Real Estate Holdings Pte. Ltd. [(1)] | Singapore | 100 | 100 | 100 | 100 | Investment holding |
| Infinity Real Estate Holdings Pte. Ltd. [(1)] | Singapore | 100 | 100 | 100 | 100 | Investment holding |
| Pavillion Treasures Land and Development Sdn. Bhd. [(5)] | Malaysia | 100 | 100 | 100 | 100 | Property development and investment |
| Held by Dynamic Real Estate Holdings Pte. Ltd. | | | | | | |
| Foshan Nanhai Jiangnan Mingju Property Development Co., Ltd. [(2)] | PRC | 100 | 100 | 100 | 100 | Property development |
| Debao Property Development (HK) Limited [(3)] | Hong Kong | 100 | – | 100 | – | Property development, general trade and investment |
| Held by Derong Real Estate Holdings Pte. Ltd. | | | | | | |
| Foshan Nanhai Debao Property Development Co., Ltd. [(2)] | PRC | 100 | 100 | 100 | 100 | Investment property holding and development |
| Held by Infinity Real Estate Holdings Pte. Ltd. | | | | | | |
| Foshan Sanshui Nengrun Property Development Co., Ltd. [(2)] | PRC | 100 | 100 | 100 | 100 | Property development |
| Held by Foshan Nanhai Jiangnan Mingju Property Development Co., Ltd. | | | | | | |
| Foshan Nanhai Guiyu Property Management Co., Ltd [(2)] | PRC | 100 | 100 | 100 | 100 | Property management |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 16. INVESTMENT IN SUBSIDIARIES (cont'd)

| Name of subsidiaries | Country of incorporation and operation | Proportion of ownership interest | | Proportion of voting power held | | Principal activity |
|---|---|---|---|---|---|---|
| | | 2014 % | 2013 % | 2014 % | 2013 % | |
| Foshan Nanhai Guihe Construction Engineering Co., Ltd. (2) | PRC | 100 | 100 | 100 | 100 | Construction |
| Held by Foshan Nanhai Debao Property Development Co., Ltd | | | | | | |
| Sihui Debao Jiangnan Mingju Development Co., Ltd. (2) | PRC | 55 | 55 | 55 | 55 | Investment propert holding and development |
| Tianjin Hotel Street Co., Ltd. (2) (4) | PRC | 57.8 | 57.8 | 57.8 | 57.8 | Property development |
| Held by Foshan Nanhai Guiyu Property Management Co., Ltd | | | | | | |
| Foshan Nanhai Shun Mao Public Utilities Engineering Co., Ltd (2) | PRC | 100 | 100 | 100 | 100 | Public utilities engineering |
| Held by Foshan Nanhai Guihe Construction Engineering Co., Ltd | | | | | | |
| Foshan Nanhai Yi Tian Procurement and Trading Co., Ltd. (2) | PRC | 100 | 100 | 100 | 100 | Sales and distribution of construction materials |
| Held by Foshan Nanhai Yi Tian Procurement and Trading Co., Ltd | | | | | | |
| Foshan Nanhai Yuzhi Landscaping Services Co., Ltd. (2) | PRC | 100 | 100 | 100 | 100 | Landscaping Services |
| Foshan Nanhai Fangao Renovation Services Co., Ltd. (2) | PRC | 100 | 100 | 100 | 100 | Renovation Services |
| Held by Foshan Nanhai Yuzhi Landscaping Services Co., Ltd | | | | | | |
| Guangdong Debao Land Co., Ltd. (2) (50% held by Foshan Nanhai Fangao Renovation Services Co., Ltd.) | PRC | 100 | 100 | 100 | 100 | Property development |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 16. INVESTMENT IN SUBSIDIARIES (cont'd)

| Name of subsidiaries | Country of incorporation and operation | Proportion of ownership interest | | Proportion of voting power held | | Principal activity |
|---|---|---|---|---|---|---|
| | | 2014 % | 2013 % | 2014 % | 2013 % | |
| Held by Foshan Nanhai Renovation Services Co., Ltd | | | | | | |
| Foshan Sanshui Fangao Land Co., Ltd. (2) | PRC | 100 | 100 | 100 | 100 | Property development |
| Held by Guangdong Debao Land Co., Ltd | | | | | | |
| Guangxi Hezhou Deneng Mining Co., Ltd. (2) | PRC | 68 | 68 | 68 | 68 | Property development |
| Held by Foshan Nanhai Shun Mao Public Utilitie Engineering Co., Ltd | | | | | | |
| Foshan Nanhai Deqiang Trading Co., Ltd (3) | PRC | 100 | – | 100 | – | Sales and distribution of construction materials |
| Foshan Nanhai Shichu Investment Co., Ltd (3) | PRC | 100 | – | 100 | – | Investment holding |

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited/Reviewed by Deloitte Touche Tohmatsu, Guangzhou.

(3) Incorporated during the financial year.

(4) 57.8% interest was acquired at a consideration of RMB2,890,000 (Note 38) in 2013.

(5) Audited by Deloitte & Touche LLP, Singapore for consolidation purpose.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 16. INVESTMENT IN SUBSIDIARIES (cont'd)

Information about the composition of the Group at the end of the financial year is as follows:

| Principal activity | Place of incorporation and operation | Number of wholly-owned subsidiaries | |
|---|---|---|---|
| | | 2014 | 2013 |
| Investment holding | Singapore | 3 | 3 |
| Investment holding | PRC | 1 | – |
| Property development and investment | Malaysia | 1 | 1 |
| Investment property holding and development | PRC | 1 | 1 |
| Property development | PRC | 4 | 4 |
| Property management | PRC | 1 | 1 |
| Construction | PRC | 1 | 1 |
| Public utilities engineering | PRC | 1 | 1 |
| Sales and distribution of construction materials | PRC | 2 | 1 |
| Landscaping services | PRC | 1 | 1 |
| Renovation services | PRC | 1 | 1 |
| | | 17 | 15 |

| Principal activity | Place of incorporation and operation | Number of non wholly-owned subsidiaries | |
|---|---|---|---|
| | | 2014 | 2013 |
| Investment property holding and development | PRC | 1 | 1 |
| Property development, general trade and investment | Hong Kong | 1 | – |
| Property development | PRC | 2 | 2 |
| | | 4 | 3 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 16. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of non–wholly owned subsidiaries that have material non-controlling interests to the group are disclosed below.

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit (Loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | | | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Sihui Debao Jiangnan Mingju Development Co., Ltd | PRC | 45% | 45% | 214,195 | (1,861) | 216,390 | 2,195 |
| Tianjin Hotel Street Co., Ltd | PRC | 42.2% | 42.2% | (6,963) | 23,828 | 15,914 | 22,876 |
| Guangzhou Hezhou Deneng Mining Co., Ltd | PRC | 32% | 32% | (364) | (193) | 83 | 448 |
| | | | | 206,868 | 21,774 | 232,387 | 25,519 |

| | Sihui Debao Jiangnan Mingju Development Co., Ltd | | Tianjin Hotel Street Co., Ltd | | Guangzhou Hezhou Deneng Mining Co., Ltd | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Current assets | 767,151 | 525,373 | 2,506 | 7,259 | 2,549 | 1,760 |
| Non-current assets | 1,006,823 | 10,603 | 357,498 | 332,526 | 2,675 | 2,824 |
| Current liabilities | (750,195) | (477,100) | (133,776) | (95,041) | (4,965) | (3,187) |
| Non-current liabilities | (542,914) | (54,000) | (188,520) | (190,537) | – | – |
| Equity attributable to owners of the Company | 264,475 | 2,681 | 21,794 | 31,331 | 176 | 949 |
| Non-controlling interests | 216,390 | 2,195 | 15,914 | 22,876 | 83 | 448 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 16 . INVESTMENT IN SUBSIDIARIES (cont'd)

| | Sihui Debao Jiangnan Mingju Development Co., Ltd | | Tianjin Hotel Street Co., Ltd | | Guangzhou Hezhou Deneng Mining Co., Ltd | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 1,325 | – | – | – | – | – |
| Other operating income | 642,176 | 89 | 158 | 101,668 | – | – |
| Expenses | (167,513) | (4,224) | (16,657) | (45,204) | (1,138) | (603) |
| Profit (Loss) for the year | 475,988 | (4,135) | (16,499) | 56,464 | (1,138) | (603) |
| Profit (Loss) attributable to owners of the company | 261,793 | (2,274) | (9,536) | 32,636 | (774) | (410) |
| Profit (Loss) attributable to the non-controlling interests | 214,195 | (1,861) | (6,963) | 23,828 | (364) | (193) |
| Profit (Loss) for the year | 475,988 | (4,135) | (16,499) | 56,464 | (1,138) | (603) |
| Other comprehensive income | – | – | – | – | – | – |
| Other comprehensive income attributable to owners of the Company | – | – | – | – | – | – |
| Other comprehensive income attributable to non-controlling interests | – | – | – | – | – | – |
| Total comprehensive income attributable to owners of the Company | 261,793 | (2,274) | (9,536) | 32,636 | (774) | (410) |
| Total comprehensive income attributable to non-controlling interests | 214,195 | (1,861) | (6,963) | 23,828 | (364) | (193) |
| Total comprehensive income for the year | 475,988 | (4,135) | (16,499) | 56,464 | (1,138) | (603) |
| Net cash (outflow) inflow from operating activities | (482,760) | (53,149) | 20,465 | 239,598 | (732) | (781) |
| Net cash outflow from investing activities | (364) | (612) | (26,190) | (209,142) | (69) | (341) |
| Net cash inflow (outflow) from financing activities | 488,496 | 60,000 | 4,899 | (29,275) | – | 2,000 |
| Net cash inflow (outflow) | 5,372 | 6,239 | (826) | 1,181 | (801) | 878 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 17. JOINT VENTURE

| | Group 2014 RMB'000 |
|---|---|
| Cost of investment in joint venture | - |
| Advance to joint venture | 235,621 |
| Total | 235,621 |

In 2014, the Group entered into a joint venture agreement with outside parties to register a joint venture - Foshan De Gang Jian Investment Co., Ltd. ("De Gang Jian") for property development. The Group and the joint venture partners have not contributed to the share capital of De Gang Jian as at December 31, 2014 and it has yet to commence operation.

The advance to the joint venture represents the Group's proportionate contribution to purchase of lands for the joint venture.

Details of the joint venture at the end of the reporting periods is as follows:

| Name of joint venture | Country of incorporation and operation | Proportion of ownership interest | | Principal activity |
|---|---|---|---|---|
| | | 2014 % | 2013 % | |
| Foshan De Gang Jian Investment Co., Ltd. | PRC | 50 | - | Property development and investment, sale and rental of properties, property consultation services, interior decoration services, and sale of construction and decoration materials |

The above joint venture is accounted for using the equity method in these consolidated financial statements and has not been audited as it is not material to the consolidated financial statements.

Joint controlled operation

The Group entered into a joint venture agreement and supplemental agreements with a third party for the property development project "Jin Long Garden". Pursuant to these agreements, the Group is obliged to contribute 55% share of the development fund of the project and in return entitled to 55% share of the net income of the project. The project was completed in 2012. The jointly controlled operation is audited by Deloitte Touche Tohmatsu, Guangzhou for consolidation purpose.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 18. AVAILABLE-FOR-SALE INVESTMENTS

| | Group 2014 RMB'000 | Group 2013 RMB'000 |
|---|---|---|
| Unquoted equity shares, at cost | 1,300 | 1,300 |
| Quoted equity shares, at fair value | 500 | 500 |
| | 1,800 | 1,800 |

Unquoted investment pertains to 1,300,000 shares of Foshan Nanhai Rural Credit Union at RMB1 each. Management of the Group is of the view that the fair value of unquoted share cannot be measured reliably. Accordingly, the investment is stated at cost.

Quoted investment pertains to ordinary shares of Agriculture Bank of China. The investment is stated at fair value based on quoted closing market prices on the last market day of the financial year.

## 19. DEFERRED TAX

| | Group 2014 RMB'000 | Group 2013 RMB'000 |
|---|---|---|
| Deferred tax liabilities | (337,230) | (172,460) |
| Deferred tax assets | 10,223 | 9,871 |
| | (327,007) | (162,589) |

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the financial year:

| | Change in fair value of investment properties RMB'000 | Change in fair value of development properties (Note) RMB'000 | Changes in fair value of properties held for sale (Note) RMB'000 | Advance receipts from customer RMB'000 | Land appreciation tax RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| Balance at January 1, 2013 | (40,577) | (72,046) | (1,286) | 23,106 | (17,965) | (5,545) | (114,313) |
| Charge to other comprehensive income for the year | (5,928) | – | – | – | – | – | (5,928) |
| (Charge) Credit to profit or loss for the year (Note 31) | (36,833) | 2,876 | – | (2,301) | 1,236 | 49 | (34,973) |
| Acquisition of subsidiary (Note 38) | (7,375) | – | – | – | – | – | (7,375) |
| Balance at December 31, 2013 | (90,713) | (69,170) | (1,286) | 20,805 | (16,729) | (5,496) | (162,589) |
| (Charge) Credit to profit or loss for the year (Note 31) | (166,953) | 872 | – | 8,143 | (4,632) | (1,848) | (164,418) |
| Balance at December 31, 2014 | (257,666) | (68,298) | (1,286) | 28,948 | (21,361) | (7,344) | (327,007) |

Temporary differences arising in connection with investment in a jointly controlled operation is insignificant.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 19. DEFERRED TAX (cont'd)

Note: Deferred tax arising on the change in fair value of development properties and properties held for sale were related to the fair value adjustment to the cost of development properties and properties held for sale for the acquisition of PRC subsidiaries in prior years, and credited to profit or loss when the Group recorded sales for the sold properties during the year.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is RMB773,384,000 (2013 : RMB311,680,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. Accordingly, withholding tax amounting to RMB77,338,000 (2013 : RMB31,168,000) relating to the undistributed earnings has not been recognised.

## 20. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition to the cash-generating units ("CGU") that are expected to benefit from that business combination.

The goodwill has been allocated to Tianjin Hotel Street Co., Ltd's CGU within the property investment segment (Note 38).

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from the value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to rental rates and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The Group prepares cashflow forecasts and extrapolates cash flow for the following twenty years based on estimated growth rate of 5% (2013 : 5%). The growth rates are based on industry growth forecasts. Changes in the rental rates and direct costs are based on past practices and expectations of future changes in the market.

The rate used to discount the forecast cash flows for Tianjin Hotel Street Co., Ltd is 9% (2013 : 9%).

As at December 31, 2014, management is of the view that any reasonably possible change to the key assumptions applied is not likely to be material to the consolidated financial statements.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 21. BANK AND OTHER LOANS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Other loans [(a)] | 1,449,507 | 414,246 | – | – |
| Bank loans [(b)] | 720,546 | 941,791 | – | – |
| | 2,170,053 | 1,356,037 | – | – |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (1,335,527) | (951,211) | – | – |
| Amount due for settlement after 12 months | 834,526 | 404,826 | – | – |

The Group has principal bank and other loans as follows:

(a) Loans were raised via a third party contractor from a bank for a total of RMB210,533,000 (2013 : RMB191,694,000) with interest rates ranging from prime rate to 140% on prime rate. They were secured by certain prepaid leases and an investment property of the Group with carrying amounts of RMB284,552,000 (2013 : RMB113,563,000) and RMB85,011,000 (2013 : RMB87,000,000) respectively as well as guaranteed by directors of the Group. RMB183,704,000 (2013 : RMB135,967,000) had been advanced to the Group and recorded as other loans disclosed above, of which approximately RMB55,814,000 (2013 : RMB44,977,000) has been used to pay interest. The loans are repayable on demand.

A loan amounting to RMB70,000,000 (2013: RMB140,000,000) with effective interest rate of approximately 17.38% (2013 : 17.38%) secured by certain prepaid leases of the Group and guaranteed by a director of the Group. The current portion of these loans amounted to RMB70,000,000 (2013 : RMB70,000,000) are repayable in twelve months (12) months.

Another loan amounting to RMB84,000,000 (2013: RMB120,000,000) with an effective interest rate of approximately 14.50% (2013: 15.80%) per annum, repayable from 2015 to 2016, secured by land use rights of the Group and guaranteed by a director of the Group. The current portion of these loans amounted to RMB24,000,000 (2013: RMB36,000,000) are repayable in twelve (12) months, while the non-current portion of these loans amounted to RMB60,000,000 (2013: RMB84,000,000)

A new loan raised in 2014 amounting to RMB82,000,000 with an effective interest rate of approximately 14.54% per annum, is repayable from 2015 to 2016, secured by property held for sales of the Group. The current portion of this loan amounted to RMB32,800,000 is repayable in twelve (12) months, while the non-current portion of this loan amounted to RMB49,200,000.

A new loan raised in 2014 amounting to RMB142,918,000 with an effective interest rate of approximately 5.23% per annum, is repayable in 2015 and secured by restricted cash and cash equivalents of RMB157,500,000.

A new loan raised in 2014 amounting to RMB548,589,000 with an effective interest rate of approximately 12.70% per annum, is repayable from 2015 to 2017, and secured by land use rights and property under development of the Group. The current portion of this loan amounted to RMB164,577,000 is repayable in twelve (12) months, while the non-current portion of this loan amounted to RMB384,012,000. The Group is also required to purchase a loan due from a third party to the lender (Note 8) as part of the loan arrangement.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 21. BANK AND OTHER LOANS (cont'd)

(a) (cont'd)

A new loan raised in 2014 amounting to RMB310,017,000 with an effective interest rate of approximately 15% per annum, is repayable in 2017 and secured by a director of the Group and his shares in the Company and a subsidiary.

A new loan amounting to RMB18,279,000 (2013: RMB18,279,000) with an effective interest rate of 18% (2013: 18%) per annum, is repayable in 2015 and unsecured.

A new loan raised in 2014 amounting to RMB10,000,000 with an effective interest rate of 24% per annum, is repayable upon demand and unsecured.

(b) Bank loans amounting to RMB38,546,000 (2013 : RMB45,372,000) with an effective interest rate of 6.55% (2013 : 6.55%) per annum are repayable from 2014 to 2019 and are secured by certain investment properties and prepaid leases as well as guaranteed by certain directors of the Group. The current portion of these loans amounted to RMB7,249,000 (2013 : RMB6,825,000) and are repayable in twelve months, while the non-current portion of these loans amounted to RMB31,297,000 (2013: RMB38,547,000).

Bank loan amounting to RMB45,000,000 (2013 : RMB67,500,000) with an interest rate of 8.40% (2013 : 7.20%) per annum, are repayable in 2015, secured by prepaid lease, and guaranteed by directors of the Group (2013 : secured by prepaid lease).

Bank loan amounting to RMB129,500,000 (2013 : RMB125,000,000) with an interest rate of 6% (2013 : 6%) per annum, is repayable in 2015, secured by certain prepaid leases and property of the Group and restricted cash and cash equivalents of RMB80,000,000 (2013 : RMB80,000,000).

Bank loan amounting to RMB75,000,000 (2013 : RMB67,000,000) with an interest rate of 6.72% to 7.80% (2013 : 6.16% to 7.80%) per annum, are repayable in 2015, secured by prepaid leases of the Group and restricted cash and cash equivalents of RMB17,170,000 (2013 : RMB20,600,000).

Bank loan amounting to RMB58,000,000 (2013 : RMB106,900,000) with an interest rate of 6% to 6.30% (2013 : 6.60%) per annum, are repayable in 2015, secured by prepaid leases of the Group and guaranteed by a director of the Group (2013 : secured by prepaid leases of the Group and restricted cash and cash equivalent of RMB33,420,000 ).

Bank loan amounting to RMB27,000,000 (2013: RMB32,500,000) with an interest rate of 6% (2013: 6%) per annum, is repayable in 2015, secured by land use rights, investment property of the Group and guaranteed by a director of the Group (2013 : secured by land use rights).

Bank loan amounting to RMB72,500,000 (2013: RMB92,500,000) with an interest rate of 6% to 6.15% (2013: 6% to 6.15%) per annum, are secured by land use rights of the Group and restricted cash and cash equivalents of RMB50,000,000 (2013 : RMB70,000,000). The current portion of these loans amounted to RMB72,500,000 (2013: RMB42,500,000) and are repayable in twelve (12) months.

Bank loan amounting to RMB10,000,000 (2013: RMB90,000,000) with an interest rate of 6.15% (2013: 6.15% to 6.77%) per annum, are repayable in 2015, are secured by restricted cash and cash equivalents of RMB 10,000,000.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 21. BANK AND OTHER LOANS (cont'd)

(b) (cont'd)

Bank loan amounting to RMB50,000,000 (2013: RMB20,019,000) with an interest rate of 7% (2013: 7%) per annum, are repayable in 2015, secured by land use rights and investment property of the Group, as well as guaranteed by one director of the Group (2013 : secured by land use rights and investment property of the Group).

Bank loans raised in 2014 amounting to RMB85,000,000 with an interest rate of 7% per annum, are repayable in 2015, secured by land use rights of the Group, and guaranteed by a director of the Group.

Bank loans raised in 2014 with an aggregate amount of RMB30,000,000 with an interest rate of 7.80% to 8.28% per annum, are repayable in 2015, secured by investment property of the Group and guaranteed by a director of the Group.

Bank loan amounting to RMB100,000,000 (2013 : RMB100,000,000) with an effective interest rate of 7% (2013 : 7.50%) per annum is repayable upon demand and secured by certain prepaid leases of the Group.

Bank loan amounting to RMB12,000,000 as at December 31, 2013 with an interest rate of 7.50% per annum and secured by an investment property of the Group was repaid during 2014.

Bank loan amounting to RMB16,000,000 as at December 31, 2013 with an interest rate of 7.80% per annum and secured by certain properties of a third party contractor was repaid during 2014.

Bank loan amounting to RMB12,000,000 as at December 31, 2013 with an interest rate of 7.20% per annum and secured by prepaid leases of the Group as well as guaranteed by two directors of the Group was repaid during 2014.

Bank loan amounting to RMB95,000,000 as at December 31, 2013 with an interest rate of 6.30% per annum and secured by investment properties of the Group as well as restricted cash and cash equivalents of RMB35,000,000 was repaid during 2014.

Bank loan amounting to RMB60,000,000 as at December 31, 2013 with an interest rate of 8.79% per annum and secured by land use rights of the Group were repaid during 2014.

The carrying amounts of bank and other loans approximate their fair values as the interest rates approximate the market rates prevailing at the end of the reporting period.

The Group's significant bank and other loans are denominated in the functional currencies of the respective entities.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 22. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 (restated) | RMB'000 | RMB'000 |
| Trade payables (outside parties) | 343,421 | 167,788 | – | – |
| Advance receipt from the sales of properties | 144,345 | 137,417 | – | – |
| Other taxes payable | 31,180 | 34,939 | – | – |
| Accrued expenses | 18,872 | 17,572 | 8,963 | 9,063 |
| Deposits received | 9,658 | 8,133 | – | – |
| Payroll payable | 6,135 | 5,755 | – | – |
| Other payables | 90,723 | 21,334 | – | – |
| Advance deposit from the sales of properties | 144,606 | 47,924 | – | – |
| Advances from non-controlling interests | 39,555 | 37,388 | – | – |
| Advances from customers | 356 | 267 | – | – |
| | 828,851 | 478,517 | 8,963 | 9,063 |
| Less: Advance deposit from the sales of properties classified as non-current | (20,663) | (20,663) | – | – |
| Current portion | 808,188 | 457,854 | 8,963 | 9,063 |

The average credit period granted by suppliers ranges from 30 days to 180 days (2013 : 30 days to 180 days). No interest is charged on the trade payables.

Advance receipt from the sales of properties arises when the customers make advance payment for the purchase of properties after entering into sales and purchase agreement with the Group.

Advance deposit from the sales of properties amounting to RMB20,663,000 (2013 : RMB20,663,000) pertains to sale of properties to customers which bear interest of 7% (2013 : 7%) per annum where the customers can demand the Group to buy back the properties within one month after three years from the date of the agreement at the price that the customers had purchased from the Group. Consequently, no revenue is recognised for these sales of properties and this advance deposit from the sales of the properties is classified as non-current. The remaining advance deposit from the sale of properties amounting to RMB123,943,000 (2013 : RMB27,261,000) pertains to deposit received from customers before entering into sales and purchase agreement with the customers.

Advances from non-controlling interests pertain to contribution to ongoing property development projects to be used for working capital purpose. Advances from non-controlling interests amounting to RMB6,650,000 (2013 : RMB6,650,000) bear interest of 6% (2013 : 6%) annually while the remaining RMB32,905,000 (2013 : RMB30,738,000) of advances from non-controlling interests is interest free.

Significant Group's trade and other payables are denominated in the functional currencies of the respective entities.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 23. LONG TERM PAYABLES

| | Group | | | |
|---|---|---|---|---|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | 2014 | 2013 | 2014 | 2013 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Amounts payable under long term payables: | | | | |
| Within one year | 23,336 | 14,000 | 21,984 | 13,208 |
| In the second to fifth years inclusive | 58,100 | 56,700 | 46,814 | 56,741 |
| More than 5 years | 231,770 | 247,170 | 108,609 | 102,083 |
| | 313,206 | 317,870 | 177,407 | 172,032 |
| Less: Future finance charges | (135,799) | (145,838) | NA | NA |
| Present value of lease obligations | 177,407 | 172,032 | 177,407 | 172,032 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | (19,538) | (12,442) |
| Amount due for settlement after 12 months | | | 157,869 | 159,590 |

The long term payables pertain to an operating lease for a property which has been assessed by management to be an investment property. The remaining lease term is 19 years (2013 : 20 years). For the year ended December 31, 2014, the effective borrowing rate is 6% per annum (2013 : 6% per annum). Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

## 24. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | No of ordinary shares | | RMB'000 | RMB'000 |
| Issued and paid up: | | | | |
| At beginning and end of year | 1,125,000,000 | 1,125,000,000 | 909,831 | 909,831 |

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the company.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 25. CAPITAL RESERVE

The capital reserve represents the effects of changes in ownership interests in a subsidiary in 2012 that did not result in a change of control .

## 26. REVALUATION RESERVE

The property revaluation reserve relate to the difference arising from the revaluation of the carrying amount to the fair value of owner-occupied prepaid leases and building at the date of their transfer from property, plant and equipment to investment property. The revalued owner-occupied prepaid leases and buildings were transferred to investment property in 2013 (Note 15).

## 27. STATUTORY RESERVE

The subsidiaries follow the accounting principles and relevant financial regulations of the People's Republic of China ("PRC GAAP") applicable to Sino-foreign recorded equity joint venture enterprises in the preparation of the accounting records and statutory financial statements.

Appropriation to the statutory reserve by the Sino-foreign equity joint venture enterprise is determined at the discretion of the board of directors based on the profit recorded all in accordance with PRC GAAP for each year.

The profit arrived at must be set-off against any accumulated losses sustained by the subsidiaries and associates in prior years, before allocation is made to the statutory reserve. Appropriation to the subsidiary reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends.

## 28. REVENUE

An analysis of the Group's revenue for the relevant periods is as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **RMB'000** | **RMB'000 (restated)** |
| Revenue from: | | |
| Construction contracts | 2,814 | 12,030 |
| Property development | 116,235 | 353,009 |
| Property rental income | 18,395 | 17,004 |
| Property management service income | 12,226 | 9,636 |
| Others | – | 381 |
| | 149,670 | 392,060 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 29. OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Interest income | 11,769 | 9,270 |
| Change in fair value of investment properties | 675,674 | 147,332 |
| Investment income | – | 37,897 |
| Gain on disposal of subsidiary | – | 2,542 |
| Sundry income | 834 | 2,311 |
| | 688,277 | 199,352 |

In 2013, the Group entered into a supplemental agreement with GD to terminate the development project with GD (Note 8). Investment cost of 10 million Malaysian Ringgit and profit distribution of 20 million Malaysian Ringgit, totalling 30 million Malaysian Ringgit (equivalent to RMB55.3 million) were returned by transferring units of the properties of the development project with GD to the Group. Consequently, RM20 million (equivalent to RMB37.9 million) was recognised as investment income.

## 30. FINANCE COSTS

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Interest on bank and other loans | 185,139 | 126,990 |
| Less: Amount capitalised as cost of development properties (Note 13) | (73,850) | (28,595) |
| Less: Amount capitalised as cost of investment properties | (2,701) | – |
| | 108,588 | 98,395 |

## 31. INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 (restated) |
| Enterprise income tax Current | 8,680 | 14,676 |
| Land appreciation tax Current | 8,662 | 18,761 |
| Withholding tax Current | – | 2,500 |
| Deferred tax | | |
| Enterprise income tax | 159,786 | 33,746 |
| Land appreciation tax | 4,632 | 1,227 |
| | 164,418 | 34,973 |
| | 181,760 | 70,910 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 31. INCOME TAX EXPENSE (cont'd)

Domestic income tax of the Company is calculated at 17 % (2013 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions as explained below.

Income tax relating to each component of other comprehensive income:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **RMB'000** | **RMB'000** |
| Deferred tax | | |
| Property revaluations | – | (5,928) |
| Total deferred tax on components of other comprehensive income | – | (5,928) |

Pursuant to the new PRC Enterprise Income Tax Law promulgated on March 16, 2008, the enterprise income tax for both domestic and foreign-invested enterprises are unified at 25% effective from January 1, 2008.

The tax expense for the years can be reconciled to the accounting profits as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **RMB'000** | **RMB'000 (restated)** |
| Profit before tax | 503,514 | 180,602 |
| Income tax at PRC statutory rate of 25% (2013 : 25%) | 125,879 | 45,151 |
| Tax effect of: | | |
| Expense not deductible for tax purpose | 39,622 | 12,840 |
| Income not taxable for tax purpose | (6,453) | (18,666) |
| Land appreciation tax | 10,550 | 18,761 |
| Effect of different tax rates | (3,392) | (5,648) |
| Effect of tax loss not recognised | 9,538 | 16,285 |
| Withholding tax incurred | – | 2,500 |
| Others | 6,016 | (313) |
| Tax expense for the year | 181,760 | 70,910 |

Subject to the agreement by the tax authorities at the end of the reporting period, the Group has unutilised tax losses of RMB62,429,000 (2013 : RMB24,277,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit stream.

Deferred tax benefits from unutilised tax losses is RMB15,437,000 (2013 : RMB26,021,000)

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 32. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **RMB'000** | **RMB'000 (restated)** |
| Directors' remuneration | | |
| – of the Company | 3,387 | 8,343 |
| – of the subsidiaries | 2,564 | 3,477 |
| Total directors' remuneration | 5,951 | 11,820 |
| Employee benefits expense (including directors' remuneration) | 28,898 | 37,428 |
| Cost of defined contribution included in employee benefits | 2,009 | 2,104 |
| Depreciation expense | 3,184 | 3,757 |
| Amortisation of prepaid leases | 223 | 82 |
| Net foreign exchange loss | 21,725 | 72 |
| Cost of completed properties for sale recognised as expenses | 104,674 | 230,950 |
| Audit fees: | | |
| – paid to auditor of the Company | 583 | 574 |
| – paid to other auditors | 1,500 | 1,500 |
| Total audit fee | 2,083 | 2,074 |
| Non-audit fees: | | |
| – paid to auditor of the Company | 49 | 49 |

## 33. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

| | **2014** | **2013** |
|---|---|---|
| | **RMB'000** | **RMB'000** |
| <u>Earnings</u> | | |
| Earnings for the purpose of basic and diluted earnings per share | 114,886 | 87,918 |

| | Number of shares | |
|---|---|---|
| | **2014** | **2013** |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | 1,125,000,000 | 1,125,000,000 |

There are no dilutive potential ordinary shares for 2014 and 2013.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 34. SEGMENT INFORMATION

The Group's reportable operating segments are as follows:

(i) Property development: Development of residential, commercial and other properties.

(ii) Construction contract: Building structural projects and interior works for our jointly controlled operations and third parties.

(iii) Property investment: Leasing of investment properties to generate rental income and to gain from the appreciation in the value of the properties in the long term.

(iv) Others: Provision of property management, trading and public utilities.

Information regarding the operations of each reportable segment is included below. The chief operating decision maker monitors the operating results of each operating segment for the purpose of making decisions on resource allocation and performance assessment.

The Group's operations are located in the PRC, hence no analysis by geographical area of operation is provided.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 34. SEGMENT INFORMATION (cont'd)

*Segment revenue and results*

Information regarding the Group's reportable segments is presented in the tables below.

| | Property development | Construction contracts | Property investment | Others | Inter-segment elimination | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 2014 | | | | | | |
| Revenue | | | | | | |
| External revenue | 116,235 | 2,814 | 18,395 | 12,226 | – | 149,670 |
| Inter-segment revenue | – | 246,185 | – | 989 | (247,174) | – |
| | 116,235 | 248,999 | 18,395 | 13,215 | (247,174) | 149,670 |
| Results | | | | | | |
| Segment profit (loss) | (45,897) | (8,336) | 671,511 | (5,176) | – | 612,102 |
| Finance costs | | | | | | (108,588) |
| Profit before tax | | | | | | 503,514 |
| Income tax expense | | | | | | (181,760) |
| Loss for the year | | | | | | 321,754 |
| 2013 | | | | | | |
| Revenue | | | | | | |
| External revenue (restated) | 353,009 | 12,030 | 17,004 | 10,017 | – | 392,060 |
| Inter-segment revenue | – | 174,384 | – | 354 | (174,738) | – |
| | 353,009 | 186,414 | 17,004 | 10,371 | (174,738) | 392,060 |
| Results | | | | | | |
| Segment profit | 163,189 | 6,431 | 104,502 | 4,875 | – | 278,997 |
| Finance costs | | | | | | (98,395) |
| Profit before tax | | | | | | 180,602 |
| Income tax expense | | | | | | (70,910) |
| Profit for the year | | | | | | 109,692 |

Segment profit represents the profit earned by each segment as determined using the Group's accounting policy. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 34. SEGMENT INFORMATION (cont'd)

*Segments assets*

| | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
|---|---|---|
| Property development | 2,620,409 | 2,272,251 |
| Construction contracts | 613,068 | 416,909 |
| Property investment | 2,095,723 | 961,224 |
| Others | 29,999 | 35,113 |
| Consolidated total assets | 5,359,199 | 3,,685,497 |

*Segments liabilities*

| | 2014<br>RMB'000 | 2013<br>RMB'000<br>(restated) |
|---|---|---|
| Property development | 2,810,894 | 1,933,569 |
| Construction contracts | 543,631 | 430,768 |
| Property investment | 393,706 | 38,312 |
| Others | 9,260 | 18,327 |
| Consolidated total liabilities | 3,757,491 | 2,420,976 |

All assets and liabilities are allocated to reportable segments.

*Other segment information*

| | Depreciation and amortisation | | Additions to non-current assets | |
|---|---|---|---|---|
| | 2014<br>RMB'000 | 2013<br>RMB'000 | 2014<br>RMB'000 | 2013<br>RMB'000 |
| Property development | 3,155 | 3,500 | 587 | 890 |
| Construction contracts | 239 | 368 | 205 | 23 |
| Property investment | – | – | 44,210 | 297,251 |
| Others | 13 | 17 | 221 | 2,973 |
| Total | 3,407 | 3,885 | 45,223 | 301,137 |

The Group has a large number of customers and does not have any significant revenue arising from sales of properties to any major customers.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 35. OPERATING LEASE ARRANGEMENTS

***The Group as lessee***

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Minimum lease payments under operating leases recognised as an expense in the year | 15,243 | 10,215 |

Operating lease payments represent rentals payable by the Group for certain of its office premises and an investment property.

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **RMB'000** | **RMB'000** |
| Within one year | 14,320 | 14,036 |
| In the second to fifth year inclusive | 59,480 | 56,814 |
| After five years | 241,121 | 247,450 |
| | 314,921 | 318,300 |

Operating lease payments represent rentals payable by the Group for certain of its office properties and an investment property. Leases are negotiated for an average term of twenty years and rentals are fixed for an average of two years.

The Group as lessor

The Group rent out its investment properties in People's Republic of China under operating lease. Property rental income earned during the year was RMB18,395,000 (2013 : RMB17,004,000). Direct operating expense on the investment properties in the year amounted to RMB3,526,000 (2013 : RMB5,525,000).

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **RMB'000** | **RMB'000** |
| Within one year | 19,339 | 25,976 |
| In the second to fifth year inclusive | 74,373 | 91,273 |
| After five years | 51,451 | 61,568 |
| | 145,163 | 178,817 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 36. CAPITAL COMMITMENTS

Estimated amount committed for future capital expenditure but not provided for in the financial statements:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Construction of properties | 292,954 | 468,869 |

## 37. CONTINGENT LIABILITIES

At the end of the reporting period, other than the assets pledged to secure a bank loan via a third party contractor as disclosed in Note 21(a), the contingent liabilities of the Group were as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| Guarantees given to banks in connection with facilities granted to third parties | 1,227,495 | 864,028 |

The Group arranges with various domestic banks in the PRC to provide loans and mortgage facilities to the properties purchasers prior to completion. In line with some consumer banking practices in the PRC, these banks require the Group to provide guarantees in respect of these loans including the principal, interest and other incidental costs, should the purchasers defaulted their mortgage obligations. The Group provides guarantees on the condition that the purchasers pay a downpayment of between 20% and 50% of the purchase price. If a purchaser defaults on a loan, the relevant mortgagee bank is also entitled to auction off or sell the property to third parties and use the sales proceeds to satisfy the loan, or in some mortgage facilities require the Group to repurchase the properties. In the opinion of management, the fair value of the financial guarantee contracts is not significant. Management considered that is more likely than not that no amount will be payable under the arrangement.

The Group completed the construction of Jin Long Garden under a jointly controlled operation (Note 17) based on the buildable land area approved by the Foshan City Land Planning Bureau which is in line with industry practice. Management noted that there was a difference in the approved buildable land area amounting to approximately 18,000 square meter by the Foshan City Land Planning Bureau and Foshan Land Bureau. During the year, management has approached the land bureau and agreed on the additional land cost amounting to RMB58,000,000 in which the Group shares the amount of RMB31,900,000. This amount was proportionately recorded in the statement of profit or loss and other comprehensive income under the line 'cost of sales'

## 38. ACQUISITION OF SUBSIDIARY

On January 23, 2013, the Group acquired 57.8% of the shareholdings of Tianjin Hotel Street Co., Ltd. for cash consideration of RMB2.89 million. This transaction has been accounted for by the acquisition method of accounting. Included in the profit for 2013 was RMB56.46 million attributable to Tianjin Hotel Street Co., Ltd arising mainly from fair value adjustment of the investment property. There was no revenue for the entity. Had the acquisition took place on January 1, 2013, there was no significant impact on the Group's results.

Tianjin Hotel Street Co., Ltd. is an entity incorporated in the People's Republic of China and its principal activity is property development.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 38. ACQUISITION OF SUBSIDIARY (cont'd)

### Consideration transferred (at acquisition date fair values)

| | 2013 |
|---|---|
| | RMB'000 |
| Cash | 2,890 |

### Fair value of assets acquired and liabilities assumed at the date of acquisition

| | 2013 |
|---|---|
| | RMB'000 |
| **Current assets** | |
| Cash and cash equivalents | 19 |
| Trade and other receivables | 1,089 |
| **Non-current assets** | |
| Property, plant and equipment | 172 |
| Investment properties | 211,998 |
| **Current liabilities** | |
| Trade and other payables | (39,257) |
| Long term payables – current portion | (6,604) |
| Deferred tax liabilities | (7,375) |
| **Non-current liabilities** | |
| Long term payables | (162,294) |
| Net assets acquired and liabilities assumed | (2,252) |

The investment properties (which represented valuation of the leasing rights of Tianjin Hotel Street Building comprising various retail units, see Note 15) acquired in this transaction with a fair value of RMB211,998,000 had a carrying amount of RMB182,499,000. The fair value at the acquisition date has been arrived at on the basis of market value carried out by CB Richard Ellis Limited.

### Non-controlling interest

The non-controlling interest (42.2%) in Tianjin Hotel Street Co., Ltd recognised at the acquisition date was measured by reference to the fair value of the assets acquired and liabilities assumed at the date of acquisition and amounted to RMB2,252,000.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 38. ACQUISITION OF SUBSIDIARY (cont'd)

### Goodwill arising on acquisition

| | 2013 |
|---|---|
| | RMB'000 |
| Consideration transferred | 2,890 |
| Add: fair value of identifiable net assets acquired and liabilities assumed | 2,252 |
| Less: non-controlling interest | (950) |
| Goodwill arising on acquisition | 4,192 |

The goodwill arose in the acquisition of Tianjin Hotel Street Co., Ltd because the consideration paid includes a value to the existing lease of Tianjin Hotel Street Co., Ltd to rent a property. This property is currently classified as an investment property.

### Net cash outflow on acquisition of subsidiary

| | 2013 |
|---|---|
| | RMB'000 |
| Consideration paid in cash | 2,890 |
| Less: cash and cash equivalents balances acquired | (19) |
| | 2,871 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 39. DISPOSAL OF SUBSIDIARY

In 2013, the Group disposed of its subsidiary, Foshan Sanshui Shanshui Longpan Hotel Co., Ltd. Details of the disposal are as follows:

| | 2013 |
|---|---|
| | RMB'000 |
| **Carrying amount of net assets over which control was lost** | |
| **Current assets** | |
| Cash and cash equivalents | 11 |
| Trade and other receivables | 2,007 |
| **Non-current assets** | |
| Property, plant and equipment | 5 |
| **Current liabilities** | |
| Trade and other payables | (3,565) |
| Net liabilities derecognised | (1,542) |
| **Consideration received:** | |
| Cash | 1,000 |
| **Gain on disposal** | |
| Consideration received | 1,000 |
| Net liabilities derecognised | 1,542 |
| Gain on disposal | 2,542 |
| **Net cash inflow arising on disposal:** | |
| Cash consideration received | 1,000 |
| Cash and cash equivalents disposed of | (11) |
| | 989 |

## 40. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group ("Borrower") entered into the following definitive agreements with Huarong Asset Management Co., Ltd. ("Lender") in respect of a proposed loan of RMB220 million by the Lender to the Borrower:

The material terms of the loan agreement are as follows:

(a) Interest: fixed rate of 14% per annum.

(b) Repayment Date: the repayment date of the loan shall be three years ("Final Maturity Date") following the date the loan is to be utilised ("Original Maturity Date") as below:
- Shall not be less than 30% of the loan to be paid 12 months from the original maturity date;
- Shall not be less than 40% of the loan to be paid 24 months from the original maturity date; and
- Any remaining amount of loan shall be paid on final maturity date.

(c) Pledged of the Group's certain development properties.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

**December 31, 2014**

## 41. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

During the year, the Group reviewed and assessed the classification of the Group's investment in joint arrangements in accordance with the requirements of FRS 111. The Group concluded that investment in Jin Long Garden, which was classified as a jointly controlled operation under FRS 31 and was previously accounted using the equity method, should be accounted to recognise its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly).

The effects of the restatement on the prior years' financial statements and reclassification in relation to the above adoption of new accounting standard are as below:

Consolidated statement of financial position

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **As previously reported RMB'000** | **As restated RMB'000** | **As previously reported RMB'000** | **As restated RMB'000** |
| Cash and cash equivalents - current | 76,168 | 141,223 | 119,817 | 184,015 |
| Trade and other receivables - current | 179,723 | 239,423 | 48,562 | 157,035 |
| Investment in jointly controlled operation - non-current | 24,513 | - | 47,241 | - |
| Trade and other payables - current | (430,227) | (457,854) | (375,325) | (426,127) |
| Tax payables - current | (72,114) | (144,729) | (67,241) | (141,869) |

| Consolidated statement of profit or loss and other comprehensive income | 2013 | |
|---|---|---|
| | **As previously reported RMB'000** | **As restated RMB'000** |
| Revenue | 280,383 | 392,060 |
| Cost of sales | (165,553) | (233,378) |
| Gross profit | 114,830 | 158,682 |
| Administrative expenses | (53,611) | (57,528) |
| Share of jointly controlled operation profit | 25,962 | - |
| Profit before tax | 166,629 | 180,602 |
| Income tax expense | (56,937) | (70,910) |
| Consolidated statement of cash flows | | |
| Operating activities: | | |
| Profit before tax | 166,629 | 180,602 |
| Share of jointly controlled operation profit | (25,962) | - |
| Trade and other receivables | (75,883) | (27,110) |
| Trade and other payables | 39,230 | 16,055 |
| Income tax paid | (17,091) | (33,077) |
| Investing activities: | | |
| Profit distribution from a jointly controlled operation | 45,692 | - |
| Repayment of interest from a jointly controlled operation | 2,998 | - |

# STATISTICS OF SHAREHOLDINGS

As at 16 March 2015

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 0 | 0.00 | 0 | 0.00 |
| 100 – 1,000 | 52 | 6.57 | 49,332 | 0.00 |
| 1,001 – 10,000 | 383 | 48.42 | 1,643,000 | 0.15 |
| 10,001 – 1,000,000 | 325 | 41.09 | 39,616,549 | 3.52 |
| 1,000,001 AND ABOVE | 31 | 3.92 | 1,083,691,119 | 96.33 |
| **TOTAL** | **791** | **100.00** | **1,125,000,000** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | BILLION EQUITY HOLDINGS LIMITED | 568,805,234 | 50.56 |
| 2 | UOB KAY HIAN PRIVATE LIMITED | 308,072,272 | 27.38 |
| 3 | PHILLIP SECURITIES PTE LTD | 45,717,376 | 4.06 |
| 4 | PRIDE CAPITAL INVESTMENT HOLDINGS LIMITED | 21,976,744 | 1.95 |
| 5 | YUAN LE SHENG | 16,593,000 | 1.47 |
| 6 | YUAN JUN RUI | 16,096,000 | 1.43 |
| 7 | YANG JINZHONG | 11,595,366 | 1.03 |
| 8 | DBS NOMINEES (PRIVATE) LIMITED | 10,760,000 | 0.96 |
| 9 | SHARJAH ASSET MANAGEMENT LLC | 8,598,245 | 0.76 |
| 10 | LYN HIAN WOON | 6,929,245 | 0.62 |
| 11 | THAM KENG CHUEN | 6,666,744 | 0.59 |
| 12 | POW KIM HOO | 6,660,183 | 0.59 |
| 13 | CHUA HONG THUAN | 6,039,744 | 0.54 |
| 14 | 3VS1 ASIA GROWTH FUND LTD (IN MEMBERS' VOL LIQUIDATION) | 5,798,183 | 0.52 |
| 15 | SKYLIGHT ENTERPRISES GROUP LIMITED | 4,651,163 | 0.41 |
| 16 | NG CHEE BENG | 3,865,171 | 0.34 |
| 17 | 2G CAPITAL PTE LTD | 3,865,122 | 0.34 |
| 18 | AW CHEOK HUAT | 3,815,122 | 0.34 |
| 19 | CIMB SECURITIES (SINGAPORE) PTE. LTD. | 3,785,122 | 0.34 |
| 20 | HONG LEONG FINANCE NOMINEES PTE LTD | 3,197,000 | 0.28 |
| | **TOTAL** | **1,063,487,036** | **94.51** |

# STATISTICS OF SHAREHOLDINGS (cont'd)

**As at 16 March 2015**

## SHARE CAPITAL

| | | |
|---|---|---|
| Issued and paid up share capital | : | S$75,375,000.00 |
| Issued and fully paid-up | : | 1,125,000,000 |
| Class of Shares | : | Ordinary shares of S$1.00 each |
| Number of Treasury Shares held | : | Nil |
| Voting rights | : | One vote per share |

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 16 March 2015, 37.84% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

## SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2015

| Name of Substantial Shareholder | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Yuan Le Sheng | 16,593,000[1] | 1.47 | 590,781,978[1] | 52.51 |
| Zheng Lihua | – | – | 607,374,978[1] | 53.98 |
| Billion Equity Holdings Limited | 568,805,234[1] | 50.56 | – | – |
| East Hero Trading Limited | 89,241,511[2] | 7.93 | – | – |

| Other Shareholder | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Pride Capital Investment Holdings Limited | 21,976,744[1] | 1.95 | – | – |

**Notes:**

(1) Billion Equity Holdings Limited is a company incorporated in the British Virgin Islands and wholly owned by the Chairman of the Company, Mr Yuan Le Sheng. Accordingly, Mr Yuan Le Sheng is deemed interested in the shares of the Company held by Billion Equity Holdings Limited.

Pride Capital Investment Holdings Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr Yuan Jiajun, the son of Mr Yuan Le Sheng and Mdm Zheng Lihua, the Non-Executive Director of the Company. Accordingly, Mr Yuan Jiajun is deemed interested in the shares of the Company held by Pride Capital Investment Holdings Limited.

The Executive Chairman and CEO of the Company, Mr Yuan Le Sheng, and the Non-Executive Director of the Company, Mdm Zheng Lihua, are husband and wife. Accordingly, they are deemed interested in each other's interests in the Company. In addition, Mr Yuan Jiajun is the son of Mr Yuan Le Sheng and Mdm Zheng Lihua. Accordingly, each of Mr Yuan Le Sheng and Mdm Zheng Lihua is deemed interested in Mr Yuan Jiajun's interests in the Company.

(2) Held in the name of UOB Kay Hian Pte Ltd as nominee for East Hero Trading Limited.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at M Hotel Singapore, 81 Anson Road, Singapore 079908, on Monday, 27 April 2015 at 3.00 p.m., for the purpose of transacting the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the financial year ended 31 December 2014 and the Directors' Reports and the Auditors' Report thereon. **Resolution 1**

2. To approve Directors' fees of RMB1,045,201 (equivalent to S$215,000) for financial year ending 31 December 2015, payable half yearly in arrears. **Resolution 2**

3. To re-elect the following Directors retiring by rotation pursuant to Article 93 of the Company's Articles of Association:- **Resolution 3**

   (i) Mr Zhang Mao **Resolution 3(i)**

   (ii) Mr Zhong Yu Zhao **Resolution 3(ii)**

   (iii) Mr Cheong Keng Chuan Alfred **Resolution 3(iii)**
   (See Explanatory Note)

4. To re-appoint Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration. **Resolution 4**

## SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolution:-

5. That pursuant to Section 161 of the Act and Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors to **Resolution 5**

   (a) allot and issue shares in the Company; and

   (b) issue convertible securities and any shares in the Company pursuant to convertible securities

   (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) in the Company to be issued pursuant to such authority shall not exceed fifty per cent. (50%) of the issued share capital of the Company for the time being (excluding treasury shares) and that the aggregate number of shares in the Company to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed twenty per cent. (20%) of the issued share capital of the Company for the time being (excluding treasury shares). Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

For the purposes of this Resolution and Rule 806(3) of the Listing Manual, the percentage of issued share capital is based on the issued share capital of the Company at the time this Resolution is passed after adjusting for:-

(i) new shares arising from the conversion or exercise of convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and

(iii) any subsequent consolidation or subdivision of shares.

*(See Explanatory Note)*

**OTHER BUSINESS**

6. To transact any other business.

**BY ORDER OF THE BOARD**

Janet Tan
Company Secretary
Date: 9 April 2015

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

**Explanatory Notes:**

**Resolution 3(iii)**

Mr. Cheong Keng Chuan Alfred, Chairman of the Audit Committee and a member of each of the Remuneration Committee and Nominating Committee, will continue in office as Chairman of the Audit Committee and a member of each of the Remuneration Committee and Nominating Committee upon his re-election as a Director of the Company. The Board considers Mr. Cheong Keng Chuan Alfred to be independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

**Resolution 5**

The Ordinary Resolution no. 5, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the issued share of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

**Notes:**

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Company's registered office, 80 Raffles Place, #32-01, UOB Plaza 1, Singapore 048624, not less than forty-eight hours (48) before the time for holding the Annual General Meeting.

**Personal Data Privacy**

By attending the AGM and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

This page has been intentionally left blank.

**DEBAO PROPERTY DEVELOPMENT LTD**
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200715053Z)

# PROXY FORM

ANNUAL GENERAL MEETING

**IMPORTANT**
1. For investors who have used their CPF moneys to buy ordinary shares in the capital of Debao Property Development Ltd, this 2014 Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ________________________________ NRIC/ Passport/ Co. Reg. No. ____________________

of ______________________________________________________________________ (Address)

being a member/members of DEBAO PROPERTY DEVELOPTMENT LTD (the "Company") hereby appoint

| Name | Address | NRIC/Passport No. | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

and/or failing him/her (delete as appropriate)

| | | | |
|---|---|---|---|
| | | | |

or failing him/her, the Chairman of the Annual General Meeting ("AGM") of the Company as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the AGM of the Company to be held at M Hotel Singapore, 81 Anson Road, Singapore 079908, on Monday, 27 April 2015 at 3.00 p.m., and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of the AGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM).

| | For* | Against* |
|---|---|---|
| **Ordinary Business** | | |
| 1. To receive, consider and adopt the Audited Accounts for the financial year ended 31 December 2014 and the Directors' Reports and the Auditors' Report thereon. | | |
| 2. To approve Directors' fees of RMB1,045,201 (equivalent to S$215,000) for financial year ending 31 December 2015, payable half yearly in arrears. | | |
| 3. To re-elect the following Directors retiring by rotation pursuant to Article 93 of the Company's Articles of Association:-<br>(i) Mr Zhang Mao<br>(ii) Mr Zhong Yu Zhao<br>(iii) Mr Cheong Keng Chuan Alfred | | |
| 4. To re-appoint Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration. | | |
| **Special Business** | | |
| 5. To authorise the Directors to allot/issue new shares. | | |

* Please indicate your vote "For" or "Against" with a "X" within the box provided.

Dated this ____________ day of____________ 2015.

| Total number of Shares Held |
|---|
| |

_________________________________________
Signature(s) or Common Seal of Member

**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and shares registered in your name in the Register of members.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 80 Raffles Place #32-01 UOB Plaza 1 Singapore 048624, not less than 48 hours before the time appointed for the holding of the meeting.

4. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.

5. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be either under its seal or under the hand of its attorney duly authorised. Where the instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy**

By attending the AGM and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.