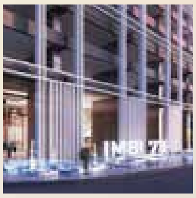
DEBAO PROPERTY
DEVELOPMENT LTD.
德宝房地产开发有限公司

ANNUAL REPORT 2017

新起点

New Beginnings
New Journey



新征程

CONTENTS

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. The thirteenth completed property development project, Sihui Project Block B&C with a gross floor area ("**GFA**") of 97,000 square meters ("**sq m**") was officially handed over to buyers. With this, our aggregate GFA for completed property development projects reached 1,237,000 sq m to date. As at 31 October 2018, the Group has a total GFA of approximately 1.24 million sq m of properties under and held for future development, including three projects in Malaysia. As part of our property investment business, we hold selected commercial properties that we have 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 towards globalisation and build an international brand name in property development. As at the date of this annual report, we have three projects in Malaysia, especially the Plaza Rakyat Project, located in central Kuala Lumpur, which when completed, will become the next most significant landmark of Kuala Lumpur after the Petronas Twin Towers.

OUR PROPERTIES

As of 31 October 2018, we have completed 13 property development projects with an aggregate GFA of approximately 1,237,000 sq m, the latest being Sihui Project Block B&C, which had been handed over to buyers.

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 1 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	83,000	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	Zhaoqing / Large-Scale integrated development	65,000	Completed in December 2014
12	Shanshui Longpan Phase 3(i) High-rise Flats No.1 to 6 and Club	Foshan / Part of multi-phases large-scale integrated township development	50,000	Completed in November 2015
13	Sihui Project Block B&C	Zhaoqing / Large-Scale integrated development	97,000	Completed in April 2016
	Total		**1,237,000**	

OUR PROPERTIES

As of 31 October 2018, we have a total GFA of approximately 1,242,000 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.	Tianjin Boulevard	Tianjin / Redevelopment of leased heritage building for commercial and leisure mall	42,000	- Development in Progress - Expected date of completion in 2019
2.	Additional Sihui Project	Zhaoqing / Large-Scale integrate development	100,000	- Development in Progress - Expected date of completion in 2021
3.	Imbi Project	Kuala Lumpur / Integrated development	194,000	- Development in Progress - Expected date of completion in 2021
4.	Kuchai Lama Project	Kuala Lumpur / Integrated development	221,000	- Reserved for future development
5.	Plaza Rakyat Project	Kuala Lumpur / large-scale Integrated development	685,000	- Land purchasing - Expected date of completion in 2023
	Total		**1,242,000**	

CORPORATE MILESTONES

2018 AND BEYOND

Tianjin Boulevard
Approximate Total GFA (sq m) : 42,000
Location / Type of Development : Tianjin / Redevelopment of leased heritage building for commercial and leisure mall

Additional Sihui Project
Approximate Total GFA (sq m) : 100,000
Location / Type of Development : Zhaoqing / Large-scale integrated development

Imbi Project
Approximate Total GFA (sq m) : 194,000
Location / Type of Development : Kuala Lumpur / integrated development

Kuchai Lama Project
Approximate Total GFA (sq m) : 221,000
Location / Type of Development : Kuala Lumpur / integrated development

Plaza Rakyat Project
Approximate Total GFA (sq m) : 685,000
Location / Type of Development : Kuala Lumpur / large-scale integrated development

2016

Sihui Project Block B&C
Approximate Total GFA (sq m) : 97,000
Location / Type of Development : Zhaoqing / Large-scale inte grated development

2015

Shanshui Longpan Phase 3(i) High-rise Flats No.1 to 6 and Club
Approximate Total GFA (sq m) : 50,000
Location / Type of Development : Foshan / Part of Multi-phases large-scale integrated township development

2014

Sihui Project Block A Sihui City Mall
Approximate Total GFA (sq m) : 65,000
Location / Type of Development : Zhaoqing / Large-scale integrated 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) : 83,000
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 Statement	
	FY2017 (RMB'm)	**FY2016 (RMB'm)**
Revenue	**298.3**	349.4
Cost of Sales	**(282.7)**	(300.8)
Gross Profit	**15.6**	48.6
Gross Profit Margin (%)	**5.2**	13.9
Net Profit / (Loss) for the year	**19.3**	(201.5)
Earnings per Share[1] - Basic (RMB fens)	**44.78**	(43.49)
Net Asset Value per Share[2] at the End of the Year (RMB fen)	**1,711**	1,694
Net Gearing Ratio[3] (%)	**260.5**	435.9
Net Cash Used in Operating Activities	**(515.2)**	(775.7)
Net Cash from / (Used in) Investing Activities	**1,064.7**	43.6
Net Cash (Used in) / from Financing Activities	**(591.6)**	644.2
Cash and Cash Equivalents at the end of the year	**46.2**	88.4

Notes:
1. Earnings per Share were computed based on the ordinary shares capital of 74,999,688 shares i.e. weighted average number of ordinary shares issued and paid-up.
2. Net Asset Value per Share was computed based on the ordinary shares capital of 74,999,688 shares i.e. number of ordinary shares issued and paid-up.
3. Net Gearing Ratio was computed before taking in Restricted Cash.

IMBI PROJECT

LOCATION
Kuala Lumpur

TYPE OF DEVELOPMENT
Integrated development

APPROXIMATE GFA (SQ M)
194,000

STATUS
Development in progress
Expected date of completion
in 2021

Plaza Rakyat Project

LOCATION
Kuala Lumpur

TYPE OF DEVELOPMENT
Large-scale
Integrated development

APPROXIMATE GFA (SQ M)
685,000

STATUS
Expected date of completion
in 2023


LOFT

SIHUI CITY MALL

LOCATION
Zhaoqing

TYPE OF DEVELOPMENT
Large-scale
Integrated development

APPROXIMATE GFA (SQ M)
100,000

STATUS
Expected date of completion
in 2021

TIANJIN BOULEVARD

LOCATION
Tianjin

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

APPROXIMATE GFA (SQ M)
42,000

STATUS
Expected date of completion in 2019

LETTER TO SHAREHOLDERS

In terms of international development, Project Imbi in Kuala Lumpur, Malaysia is having a smooth development progress and expecting to commence pre-sale in the first quarter of 2019. The total planned construction area of Project Imbi is 194,000 sq m. Project Imbi is located in the central business district of Kuala Lumpur. The sales of Project Imbi will greatly strengthen the ability of the Group to withstand the changes in China's domestic policies.

Dear Shareholders,

In 2017, in terms of policies, China continued to deepen property control measures, promote long term policies, and adhere to the governmental ideology that "a house should be used for residence and not for speculative purposes". Using the cities as regulatory fields, there has been a shift from the traditional regulations to suppress demand to regulations to increase supply. The government has also vigorously developed the housing rental market, increased the development of pilot projects for joint ownership of houses, and improved the multi-level housing supply system.

Based on the volume of transactions in China's property sector in various groups of cities in 2017, key cities have experienced declines, while the growth of the third and fourth-tier cities remain significant. In the third and fourth-tier cities, the property market has recovered in light of the government's relaxed policies. On the other hand, the market in key cities, which remained under strict policy control, began to stabilise. Most evident in first-tier cities, the growth in sales of GFA declined as compared to the preceding year, and the sizes of transactions have also reduced significantly.

In terms of the corporate landscape, competition has stiffened and the industry has become increasingly concentrated. The market share of renowned housing developers has also continued to increase. As an illustration, from January to November 2017, the market share of 20 renowned housing developers had further increased. Their share of the sales revenue amounted to 29.5%, which was 8.4% higher than that in 2016, and their share of the sales of GFA amounted to 17.8%, which was an increase of 4.5% from 2016.

In 2018, it is expected that the trend of positive economic growth will remain unchanged and that employment rate will remain positive. At the same time, strict financial supervision and de-leveraging policies are set to continue, possibly leading to an upward pressure on prices. The impact of foreign currency exchange on the exchange rate of the RMB will also not be eliminated. Both internal and external factors may impact whether the government will relax short-term monetary policies. Against this backdrop, moderate neutral regulations would appear to be more in line with the current needs of the domestic economy.

Therefore, in terms of the property market, transaction volumes will continue to fall. Sale prices of residential properties are expected to stabilise and investments by property developers are expected to grow at a low rate. Economic and population growth still remain China's comparative advantages, and the size of the property market will remain in a relatively high position. There are opportunities for the rental market while the multi-level housing structure improves. The rental market will be concentrated in key cities, and there is room for development of high-end rental properties in core cities.

In terms of international development, Malaysia, in particular the development of its capital, Kuala Lumpur, will continue to be a key focus of China's "One Belt, One Road" strategy. We remain optimistic as to the implementation of the "One Belt, One Road' strategy.

PIPELINE OF PROJECTS / UPDATES

In 2017, the Group made the following adjustments to its projects based on China's planning on overall industrial layout as well as the resources and financial conditions of the Group:

The development of the Sihui City Mall Phase 2 Residential Project is expected to reach a sales phase before the end of second quarter in 2019. The Group will continue to undertake our construction for urban development according to the National New Urbanization Plan. The total GFA of Sihui City Mall Phase 2 is 100,000 sq m. The Group expects that the area to be Sihui's new city centre. The large shopping mall and linked residential apartments will bring new vitality to the area. At the same time, the prosperity of the area will also enhance the commercial value and rental return for the Group.

The development of Tianjin Boulevard, a re-development project including hotels and shopping mall in Tianjin HePing District Nanshi Hotels Street, has been completed and pending "inspection and acceptance" from Fire Services Bureau. The inspection and acceptance progress is expected to be finalised in first quarter of 2019. After successful inspection and acceptance from Fire Service Bureau, the Group will benefit from the stable revenue generating phase resulting from this project.

In terms of our international development, Project Imbi in Kuala Lumpur, Malaysia is having a smooth development progress and expecting to commence pre-sales in first quarter of 2019 after completion of its sales center. The total planned construction area of Project Imbi is 194,000 sq m. Project Imbi is located in the central business district of Kuala Lumpur. The Project Imbi will greatly strengthen the ability of the Group to withstand the changes in China's domestic policies.

The Group has withdrawn from development of Project Cheras Mukota. The development has been terminated by Malaysia Government as Malaysia Government is unable to get adequate support to carry on the project. The Group is negotiating with Malaysia Government and is expecting to recover RM5 million from this project.

With the development of our local and oversea projects, the Group is expecting a stronger cashflow and profitability in the coming year.

FINANCIAL REVIEW

In FY2017, the Group's revenue decreased by 15% to RMB298 million. The decrease in revenue was mainly due to the decrease in sales of GFA after Disposal of the Shanshui Longpan Project.

Our overall gross profit margin decreased from 13.9% in FY2016 to 5.2% in FY2017 due to a change in sales revenue stream. This is because in FY2017, the main revenue stream was from management services income, rental income and the sale of the land located in Dan Zao Town of Foshan, and the difference in valuation of the said land according to accounting principles has already been recognised in FY2016.

The Group recorded a net profit of RMB19 million as compared to a net loss of RMB202 million in the preceding year.

WORDS OF APPRECIATION

I would like to thank all of our directors on the Board for their advice, contributions and cooperation, and to our management and staff for their hard work 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 Southeast Asia.

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

Zhong Yuzhao
Executive Director and CEO

致股东的信

在国际发展方面，马来西亚吉隆坡市中心的燕美项目正在如火如荼地建设中，预计2019年第一季度将推出预售。该项目整体规划总建筑面积为19.4万平方米，处于吉隆坡核心商圈。该项目的销售将极大地加强集团抵御中国国内政策变动风险的能力。

尊敬的各位股东：

2017年，政策面上，中国各地方继续深化调控措施，加速推进长效机制，积极引导预期，坚持"房子是用来住的，不是用来炒的"基调。在地方以城市群为调控场，从传统的需求端抑制向供给侧增加进行转变。大力培育发展住房租赁市场、深化发展共有产权住房试点，完善多层次住房供应体系。

2017年成交量从城市群来看，重点城市成交下行，三四线城市增长显著。三四线城市在宽松的政策环境支持下，楼市全面回暖。另一方面，重点城市在严厉政策管控下，市场趋于稳定，销售面积同比增幅不断回落，成交规模明显缩减，一线城市降温最为显著。

从企业格局看，竞争更加激烈，行业集中度加速提升，品牌房企市场占有率持续走高。2017年1–11月，20家品牌房企市场占有率进一步提升。其销售金额占有率为29.5%，较2016年提升8.4个百分点，销售面积占有率为17.8%，较2016年提升4.5个百分点。

展望2018年，经济增长向好趋势不变，就业情况保持良好。同时金融严监管、去杠杆政策延续，物价存一定上涨压力。外围货币环境变化对人民币汇率的影响仍未消除，内外因素共同决定短期内货币政策不存在放松的基础，而适度的中性调控更符合国内经济结构调整的需要。

因此，从房地产市场上来看，成交量将继续回落。房屋销售价格趋稳，投资估计中低速增长。经济增速与人口红利仍是我国比较优势，房地产市场规模将维持相对高位。在完善多层次住房结构中，租赁市场还有机会，主要市场集中在重点城市群，核心城市中高端租赁发展空间大。

从国际发展空间来看，马来西亚作为一带一路上的重要节点，其首都吉隆坡的发展将继续期待。我们对参与一带一路相关国家的建设保持持续乐观的态度。

项目最新情况

2017年，集团依据国家整体产业布局的规划、集团自身的资源及资金状况，进行了以下调整：

四会广场二期商业住宅项目预计将在2019年第二季度推出预售。集团依据国家战略指导方向——新型城镇化建设开发该项目。四会广场二期的整体规划总建筑面积为10万平方米。集团预计，项目建成后，该区域将成为四会新的中心区域。

大型的购物中心及联动的商业住宅公寓，将为该新型城镇化区域带来新的活力。同时，该区域的繁荣也将提高集团所开发的四会广场二期项目的商业价值及租金回报。

天津旅馆街项目，一个位于天津市和平区南市旅馆街、集酒店与购物商场于一体的重建项目，目前已完成重建工作，正在进行消防局的消防验收审批流程。预计这一项目将在2019年第一季度完成消防验收工作。消防验收完成并开业后，集团将从这个项目获得稳定的收入。

在国际发展方面，位于马来西亚吉隆坡市中心的燕美项目正在如火如荼地建设中，预计2019年第一季度待其销售中心完工后将推出预售。该项目整体规划总建筑面积为19.4万平方米，处于吉隆坡核心商圈。该项目的销售将极大地加强集团抵御中国国内政策变动风险的能力。

集团已终止开发蕉赖皇冠镇项目。该项目是被马来西亚政府终止开发的，因马来西亚政府没有获得足够支持以开展该项目。集团目前正与马来西亚政府磋商撤资事宜，预计可收回500万马来西亚令吉资金。

集团预计在接下来的一年里，将从国内以及国际项目的销售中获得更多现金流和收益。

财务数据

2017财年，集团的主营业务收入减少了15%至人民币2.98亿元。收入的减少主要由于山水龙盘项目整体出售后，销售面积的减少。

集团的总体毛利率，由2016财年的13.9%减至2017财年的5.2%，其主要原因也是在于销售收入构成不同。2017年主要收入来源为物业管理服务收入、物业租赁收入以及佛山丹灶地块的销售收入，而地块销售的价差依据会计原则，已在以前年度的评估增值中体现。

与去年2.02亿元净亏损相比，本年账面实现盈利0.19亿元。

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、做出的贡献以及提供的帮助表示感谢，还要感谢我们管理层及员工在这一年来辛勤的劳动。

同时，我们在使德宝成为中国珠三角和东南亚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。

钟宇钊
执行董事兼总裁

BOARD OF DIRECTORS

MR ZHONG YUZHAO
Executive Director and CEO
(Date appointed to the Board: 23 November 2009)

Mr Zhong, appointed as Chief Executive Officer of our Group on 19 April 2018, is responsible for the overall management of our property development activities as well as the business of our Group, including operations, marketing, public relations as well as formulating and implementing our business strategies and development plans. Since November 2000 when Mr Zhong joined our Group, he has been responsible for our administration and business development activities, including identification of possible acquisition opportunities and corporate strategic planning. 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.

MR YUAN JIAJUN
Executive Director
(Date appointed to the Board: 19 April 2018)

Mr Yuan, appointed as Executive Director of our Group on 19 April 2018, is responsible for the development and marketing of our Sihui project in China as well as projects in Malaysia since he joined our Group in 2016. Prior to joining our Group, Mr Yuan was the manager of Financing Department in China Huarong Asset Management Corporation Guangdong Branch from 2013 to 2015. Mr Yuan graduated in 2012 with a bachelor's degree in Business Administration from Jinan University.

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. 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 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 23 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 posts of regional financial manager at Linklaters Allen & Gledhill Pte Ltd, an international legal firm from June 2001 to May 2002 and 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 Certified Practicing Accountants, Australia. Mr Cheong is currently an Independent Director and the chairman of the Audit Committees of 2 other public companies which are listed on the Singapore Exchange Securities Trading Limited.

MR HE GUOQUAN

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

Mr He has over 20 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 JACK CHIA SENG HEE

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 TSANG HUNG LEUNG, ALAN

Chief Financial Officer

Mr Tsang was appointed as the Chief Financial Officer of our Group on 15 October 2018 and is involved in financial reporting of the Group.

Prior to joining our Group, Mr Tsang had worked at Eastern Glory Financial and Investment Services Limited from 2014 to 2018 and responsible for advisory and IPO projects. He also worked in Combine Will International Holdings Limited as Chief Financial Officer and involved in financial reporting and treasury management from 2006 to 2014. Between 2001 to 2006, he was responsible for the internal audit and supervisory work for the operations of Ng Fung Hong and CR Vanguard while he worked in China Resources Enterprise Limited. He was also a financial controller in Hong Kong Netcom Limited from 2000 to 2001. Between 1993 to 2000, he was an audit manager at Fok Siu Yung CPA for two years and a senior auditor, responsible for financial audits and computer risk management at Arthur Anderson & Co. for five years. While at Arthur Anderson & Co., he was involved in several listing exercises which involved the application of International Accounting Standard (the predecessor of IFRS).

Mr Tsang graduated with an Accounting degree from the City University of Hong Kong in 1993 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

MR YANG QIMAN

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 promoted to 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.

MR TANG ZHONGHUA

General Manager (Malaysian Subsidiaries)

Mr Tang is responsible for the financing affairs of Project Development of our Group, both in PRC and Overseas. He is also the General Manager of our Group's Subsidiary in Malaysia. Prior to joining our Group in March 2017, Mr Tang worked at China Huarong Asset Management Company as a deputy department head and in charge of Investment and Financing Business from Jan 2011 to Feb 2017. He was an audit assistant and subsequently an assistant manager with KPMG Guangzhou from Sep 2008 to Dec 2010. Mr Tang graduated with a Masters degree of Statistics in South China University of Technology and is a certified public accountant of the Chinese institute of Certified Public Accountant.

MS ZHAO WEI

Chief Marketing Officer

Ms Zhao is the Chief Marketing Officer of our Group and she joined us in July 2017. She is in charge of the Group's marketing and sales, both in domestic and overseas. She is responsible for building the Group's marketing and sales team and marketing control system as well as building and promoting the brand value system of the Group. Prior to joining our Group, she was with Yuexiu Property for nine years. She started at the company as a General Manager Secretary and advanced to the position of Deputy General Manager of the Headquarter's Marketing Center. She has gained extensive experience in real estate marketing and sales when she was with the company. She has also been awarded with the China Real Estate Excellence Award 2015. Ms Zhao holds a Master's Degree and has also completed a Wharton and E-House China Real Estate Advanced Course at the Wharton School of the University of Pennsylvania.

CORPORATE GOVERNANCE REPORT

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

This Report has incorporated the guidelines in the disclosure guide developed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in January 2015 ("**Guide**"). The table below is extracted from the Guide, 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. (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(a) The Company has complied with the principles and guidelines in the Code. (b) Paragraphs listed below in this table refer to the corresponding paragraphs following this table.
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? (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. (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(a) Refer to para 1.3 (b) Refer to para 1.2 (c) Refer to para 1.3
Guideline 4.6	Please describe the Board nomination process for the Company in the last financial year for (i) selecting and appointing new Directors and (ii) re-electing incumbent Directors.	(i) Refer to para 4.3 to 4.4 (ii) Refer to para 4.5 to 4.8
Guideline 1.6	(a) Are new Directors given formal training? If not, please explain why. (b) What are the types of information and training provided to: (i) new Directors and (ii) existing Directors to keep them up-to date?	(a) Refer to para 2.1 (b) Refer to para 2.2 to 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? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations deciding on the capacity of Directors?	Refer to para 4.8

CORPORATE GOVERNANCE REPORT

Board Evaluation		
Guideline 5.1	a) What was the process upon which the Board reached the conclusion on its performance for the financial year? b) Has the Board met its performance objectives?	(a) Refer to para 5.1 to 5.4 (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. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) Refer to para 1.2 (b) 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.	Refer to para 1.2
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? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	(a) Refer to para 9.1 and 9.2 (b) 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. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	(a) Refer to para 9.3 to 9.6 (b) Refer to para 9.3 to 9.6 (c) Refer to para 9.6

CORPORATE GOVERNANCE REPORT

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
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. (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: (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 (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 11.4 (b) Refer to para 11.5
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. (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 ("**AC**") view on the independence of the external auditors.	(a) Refer to para 12.6 (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? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(a) Refer to para 15.2 (b) Refer to para 15.2 (c) Refer to para 15.4
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Refer to para 15.5

CORPORATE GOVERNANCE REPORT

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 long-term 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 Currently, the Board of Directors ("**Board**") comprises six (6) Directors, of whom three (3) are Independent Directors.

1.2 Collectively, the members of the Board have varied expertise and knowledge in accounting, finance, business development and strategies, administration, sale 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
Zhong Yuzhao	42	23 November 2009	27 April 2017	Executive Director and Chief Executive Officer ("**CEO**")	Nil
Zhang Mao	57	23 November 2009	27 April 2017	Executive Director	Nil
Yuan Jiajun	27	19 April 2018	N.A.	Executive Director	Nil
Cheong Keng Chuan Alfred	49	23 November 2009	27 April 2015	Lead Independent Director	C&G Environmental Protection Holdings Limited China Flexible Packaging Holdings Limited China Hongxing Sports Limited Jubilee Industries Holdings Limited Sinotel Technologies Ltd
Jack Chia Seng Hee	57	1 May 2013	27 April 2016	Independent Director	Combine Will International Holdings Limited China Hongcheng International Holdings Limited Dukang Distillers Holdings Limited mm2 Asia Holdings Ltd Shanghai Turbo Enterprises Limited AGV Group Limited
He Guoquan	41	23 November 2009	27 April 2016	Independent Director	Nil

None of the Independent Directors have any relationship that would deem them to not be considered independent under the Code. None of the Independent Directors have served on the Board for more than nine (9) years since the date of his first appointment.

CORPORATE GOVERNANCE REPORT

1.3 The Board's policy in identifying Director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience that could effectively contribute to the Group, regardless of gender. The composition of the Board and independence of each Director is reviewed annually by the Nominating Committee ("**NC**") to ensure that the Board has the appropriate mix of expertise and experience to govern and manage the Group's affairs.

Each individual Director has objectively discharged his duties and responsibilities at all times a fiduciary in the best interests of the Company.

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 that appropriate and adequate systems of internal controls and risk management policies are in place;
5. reviewing and endorsing the framework of remuneration for the Board and key executives as recommended by the Remuneration Committee ("**RC**");
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) of Singapore ("**Companies Act**"), and the rules and requirements of regulatory bodies.

The Board also regards addressing sustainability issues as important to the Group and is committed to adopting sustainable practices across its businesses. The Group's Sustainability Report for 2017 is currently being prepared in accordance with the SGX-ST Sustainability Reporting Guidelines and will be issued in due course.

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 of the Company ("**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 AC, NC and RC, and has delegated certain responsibilities to the Board Committees. These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

CORPORATE GOVERNANCE REPORT

1.6 The attendance of the Directors at meetings of the Board and the Board Committees held in FY2017 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 (1)	4	4	4	^4	1	-	1	-
Zhang Mao	4	4	4	^4	1	-	1	-
Zhong Yuzhao	4	4	4	^4	1	-	1	-
Cheong Keng Chuan Alfred	4	4	4	4	1	1	1	1
Jack Chia Seng Hee	4	4	4	4	1	1	1	1
He Guoquan	4	4	4	4	1	1	1	1
Yuan Jiajun (2)	4	2	4	^2	1	-	1	-

^: by invitation

Notes:

(1) Mr Yuan Le Sheng, the Executive Chairman of the Board and CEO, resigned on 19 April 2018.

(2) Mr Yuan Jiajun ceased to be an alternate Director to Mr Yuan Le Sheng on 19 April 2018 and was appointed as an Executive Director with effect from 19 April 2018.

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.

1.8 The Independent Directors provide, amongst other things, strategic guidelines to the Company based on their professional knowledge and experience. They constructively challenge and help develop directions on strategy, and review the performance of the Management of the Company ("**Management**") in achieving agreed targets and objectives. To facilitate a more effective check on the Management, the Independent Directors are encouraged to meet without the Management being present.

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

Training for Directors

2.1 A formal letter will be sent to each new Director, upon his appointment, setting out the Director's statutory duties and obligations. All new 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 the 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.

CORPORATE GOVERNANCE REPORT

3.1 Mr Yuan Le Sheng was the Executive Chairman of the Board and CEO of the Company. Following his resignation as the Executive Chairman of the Board and CEO of the Company on 19 April 2018, the Company does not have a Chairman to preside over the Board. The role of the Chairman has thus been assumed by Mr Zhong Yuzhao, an Executive Director of the Company, who was appointed as the CEO of the Company on 19 April 2018.

3.2 Pursuant to be recommendations of the Code, Mr Cheong Keng Chuan Alfred has been appointed as the Lead Independent Director of the Company. Our Lead Independent Director will be available to our Shareholders in respect of concerns for which contact through the normal channel of the CEO of the Company has failed to resolve or for which such contact is inappropriate.

3.3 The Independent Directors led by the Lead Independent Director, Mr Cheong Keng Chuan Alfred, meet periodically without the presence of the other Executive Directors, and the Lead Independent Director thereafter will provide feedback to the CEO of the Company after such meetings.

3.4 The CEO sets the agenda for the Board meetings and exercise control over quality, quantity and timeliness of the flow of information between the Management and the Board. The CEO also ensures that procedures are adopted to comply with the Code and ensures effective communication with Shareholders.

BOARD MEMBERSHIP AND PERFORMANCE

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

4.1 The NC of the Company comprises the following members:

Mr He Guoquan (Chairman)
Mr Cheong Keng Chuan Alfred
Mr Jack Chia Seng Hee

4.2 The independence of each Director will be reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an Independent Director in its review. The NC has reviewed and determined that Messrs He Guoquan, Cheong Keng Chuan Alfred and Jack Chia Seng Hee are our Independent Directors.

4.3 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; and

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.

4.4 The process for the selection and appointment of new Directors is set out as follows:

1. The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience and knowledge to complement and strengthen the Board and increase its diversity.

2. 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.

3. The NC would meet and interview the shortlisted candidates to assess their suitability.

4. The NC would recommend the selected candidate to the Board for consideration and approval.

4.5 The process for the re-election of incumbent Directors is set out as follows:

1. The NC would assess the performance of the Director in accordance with the performance criteria set by the Board.

2. The NC would also consider the current needs of the Board.

CORPORATE GOVERNANCE REPORT

3. Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval.

4.6 Presently, the Constitution 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**").

4.7 A retiring Director is eligible for re-election by the Shareholders at the AGM. Mr Cheong Keng Chuan Alfred and Mr He Guoquan who are due to retire under Article 93 of the Company's Constitution, will not be seeking for re-election at the forthcoming AGM.

4.8 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. Mr Yuan Jiajun, who was appointed as an Executive Director of the Company with effect from 19 April 2018, is due for retirement at the forthcoming AGM pursuant to Article 92 of the Company's Constitution, has consented to remain in office. The NC has recommended to the Board the re-appointment of Mr Yuan Jiajun and the Board has accepted the NC's recommendation.

4.9 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.

4.10 Currently, the Company does not have any alternate Director.

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

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 on an annual basis. All Directors are required to complete and send the evaluation forms to the Company Secretary for collation. The consolidated responses were presented to the NC for review and discussion.

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 The performance criteria for the Board evaluation are, *inter alia*, the Board composition, Board processes, Board information and accountability and the Board's review of risk and internal controls. The performance criteria taken into account by the NC in relation to an individual Director include, *inter alia*, the Director's interactive skills, industry knowledge, contribution, workload requirements, sense of independence and preparation at the Board and Board Committees meetings.

5.4 For the previous year, the NC reviewed and notes 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.

CORPORATE GOVERNANCE REPORT

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 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 Management.

6.2 Detailed Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from the 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 the Management. 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 fulfill 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 Constitution of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

2. 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 The RC comprises the following members, all of whom are Non-Executive and Independent Directors:

Mr Jack Chia Seng Hee (Chairman)
Mr Cheong Keng Chuan Alfred
Mr He Guoquan

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 Directors' 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. No remuneration consultants were engaged by the Company in FY2017.

7.4 In the case of service contracts, the RC will review the compensation commitments in relation to the Directors' or key management personnel's contracts of service, if any, which would arise in the event of termination with a view to ensure that such contracts of services, if any, contain fair and reasonable termination clauses which are not overly generous.

CORPORATE GOVERNANCE REPORT

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 has entered into service agreements with the CEO and the Executive Directors, under which terms of their employment are stipulated.

8.2 Their initial term of employment is for a period of three (3) years from 12 April 2013. The service agreements of the Executive Directors may be terminated by either party to the service agreement giving to the other party three (3) months' prior written notice or an amount equivalent to three (3) months' salary in lieu of notice. The service agreements with the Executive Directors have been renewed for a further period of three (3) years from 1 January 2016 on the same terms and conditions. All Executive Directors do not receive Directors' fees.

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 Currently, the Company does not have any long-term incentive scheme. The RC will consider recommending the implementation of long-term incentive schemes for the Executive Directors as well as key management personnel as and when it considers appropriate.

8.5 The Company does not have contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

8.6 No individual Director is involved in the fixing of his 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.

CORPORATE GOVERNANCE REPORT

9.1 The remuneration of the Company's Directors, top key executives and employees related to the Directors for FY2017 is as follows:

Table of remuneration

	Salary	Performance-based incentive	Bonus	Benefit	Director's fee	Total
	(%)	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**
(a) Directors						
Above S$500,000 but below S$1,000,000						
Yuan Le Sheng (1)	85	-	10	5	-	100
Below S$250,000						
Zhang Mao	72	-	20	8	-	100
Zhong Yuzhao	72	-	20	8	-	100
Yuan Jiajun (2)	100	-	-	-	-	100
Cheong Keng Chuan Alfred	-	-	-	-	100	100
Jack Chia Seng Hee	-	-	-	-	100	100
He Guoquan	-	-	-	-	100	100
(b) Key Executives						
Below S$250,000						
Yang Qiman	67	-	21	12	-	100
Lu Jin Ming	72	-	22	6	-	100
Su Cheng (3)	86	-	8	6	-	100
Zhao Wei (4)	100	-	-	-	-	100
Tang Zhonghua (5)	100	-	-	-	-	100
(c) Employees related to Directors						
Above S$50,000 but below S$100,000						
Yuan Jian Sheng (6)	54	-	28	18	-	100
Zheng Xiong Xian (7)	100	-	-	-	-	100

Notes:

(1) Mr Yuan Le Sheng, the Executive Chairman of the Board and CEO, resigned on 19 April 2018.

(2) Son of the Company's former Executive Chairman of the Board and CEO, Mr Yuan Le Sheng.

(3) Mr Su Cheng, the Chief Financial Officer of the Company ("**CFO**"), resigned on 15 October 2018.

(4) Mr Zhao Wei was appointed as Chief Marketing Officer on 18 July 2017.

(5) Mr Tang Zhonghua was appointed as General Manager of the Company's Malaysian subsidiaries namely, Pavillion Treasures Land and Development Sdn. Bhd., Profit Consortium Sdn. Bhd., Million Goldyear Sdn. Bhd. and Elite Starhill Sdn. Bhd. on 1 March 2017.

(6) Brother of the Company's former Executive Chairman of the Board and CEO, Mr Yuan Le Sheng.

(7) Brother-in-law of the Company's former Executive Chairman of the Board and CEO, Mr Yuen Le Sheng. Mr Zheng Xiong Xian has resigned on 13 October 2017.

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 (5) 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 Company's remuneration policy is to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate Directors and key Management personnel of the required experience and expertise.

9.4 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.

CORPORATE GOVERNANCE REPORT

9.5 For FY2017, the aggregate remuneration of the three (3) employees who are related to our Directors amounted to approximately RMB378,000 (equivalent to approximately S$77,237). 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 the RC is related to the employee under review, he will abstain from the review.

9.6 There is a work-plan meeting at the beginning of the year, and Executive Directors and Key Management Personnel are evaluated daily on their performance and on whether they have satisfied their tasks outlined in the work plan meeting.

Executive Directors do not receive Directors' fees but are remunerated as members of the management. The remuneration package of the Executive Directors and the Key Management Personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance, their level of contribution to the Company and the Board, taking into account various factors including but not limited to efforts and time spent and their responsibilities and duties. The performance-related component of the remuneration package is designed to align the interests of the Executive Directors with those of the Shareholders and link rewards to the Group's financial performance.

The RC has reviewed and is satisfied that the performance conditions were met accordingly by each of the Executive Directors and Key Management Personnel in FY2017.

9.7 The Company does not have any share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

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 ("**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. The Board also 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 at each Board meeting 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.

CORPORATE GOVERNANCE REPORT

11.3 The Board, with the concurrence of the AC, is of the opinion that the Group's internal controls are adequate in addressing financial, operational and compliance risks in the Group's current business environment based on the following:

1. The Management 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; and

2. 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.

11.4 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 the Management, the Board is of the opinion that the Group's internal controls, including financial, operational, compliance, information technology controls and risk management systems are adequate and effective.

11.5 The Board confirms that it has received assurance from both the CEO, Mr Zhong Yuzhao and the CFO, Mr Tsang Hung Leung, Alan, 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.

AUDIT COMMITTEE

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

12.1 The AC comprises three (3) members, all of whom are Non-Executive and Independent Directors. Members of the AC are as follows:

Mr Cheong Keng Chuan Alfred (Chairman)
Mr Jack Chia Seng Hee
Mr He Guoquan

12.2 Messrs Cheong Keng Chuan Alfred, Jack Chia Seng Hee and He Guoquan have accounting or related financial management backgrounds. 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 Management at least annually and review the co-operation given by the Company's officers to external and internal auditors;

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

CORPORATE GOVERNANCE REPORT

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.

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 the 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 FY2017, the Company paid S$712,417 to Messrs 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, Messrs Deloitte & Touche LLP, during the year which amounted to S$10,700 or 2.1% 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. Messrs Deloitte & Touche has expressed that they will not seek re-appointment as auditors of the Company 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 in relation to its auditing firms. No former partner or director of the Company's existing auditing firm is a member of the AC.

12.8 In FY2017, the AC was kept abreast by the external auditors of changes to accounting standards and issues which have a direct impact on financial statements.

12.9 In the review of the financial statements for FY2017, the AC has discussed with the Management and the external auditors on significant issues and assumptions that impact the financial statements.

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

4. SHAREHOLDER RIGHTS AND RESPONSIBILITY

SHAREHOLDER RIGHTS

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

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 set out in the Listing Manual and the Companies Act, 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 Shareholders are encouraged to attend the Company's general meetings to ensure a greater level of Shareholder participation. The Board views the general meetings as the principal forum for dialogue with Shareholders, being an opportunity for Shareholders to raise issues and ask the Directors or the Management questions regarding the Group and its operations. In the event that a Shareholder cannot attend the general meetings, a Shareholder who is not a relevant intermediary can appoint one (1) or two (2) proxies (or in the case of a Shareholder who is a relevant intermediary, more than two (2) proxies) to attend and vote on his behalf.

COMMUNICATION WITH SHAREHOLDERS

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 and attends 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 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.

15.4 Apart from the SGXNET announcements and its annual report, the Company will also conduct media interviews as and when appropriate to give Shareholders and the public deeper insights of the Group's business and strategies when opportunities present themselves. Further, the Company may, if it considers necessary and appropriate, release press releases or organise media/analyst briefings to keep Shareholders informed of its corporate development.

15.5 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. The Company has proposed a first and final one-tier tax-exempt dividend of 2.00 Singapore cents per ordinary share in respect of FY2017, subject to Shareholders' approval at the forthcoming AGM.

CONDUCT OF SHAREHOLDER MEETING

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 are encouraged to attend the Company's general meetings and are provided the opportunity to participate in the general meetings to ensure a greater level of Shareholder participation. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of identify of Shareholders through the web is not compromised.

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.

CORPORATE GOVERNANCE 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. For greater transparency, the Company will put all resolutions to vote by poll at general meetings and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day.

16.4 The Company Secretary prepares minutes of the general meetings which include substantial and relevant comments or queries from Shareholders relating to the agendas of the meetings, and responses from the Board and Management. These minutes are subsequently approved by the Board and made available to Shareholders during office hours at the registered office.

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' Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interest person transactions conducted under shareholders' Shareholders' mandate pursuant to Rule 920 (excluding transaction less than S$100,000)
Name of interested person	**S$**	**S$**
Zhong Yuxin	665,000 [(1)]	-

Note:

(1) Mr Zhong Yuxin is the brother of an Executive Director and CEO of the Company, Mr Zhong Yuzhao. 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-term considerations.

18.2 The code of conduct relates to, *inter alia*, insider trading prohibitions under the Securities and Future 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 (2) weeks immediately preceding, and up to the time of the announcement of, the Company's results for each of the first three (3) quarters of its financial year and during the one (1) 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 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 FY2017.

Financial Contents

DIRECTORS' STATEMENT

The directors present their statement 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, 2017.

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 38 to 106 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2017, and the financial performance, 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, with the receipt of the remaining proceeds from the disposal of subsidiaries (Note 4(b)(v)), there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Yuan Jiajun (Appointed on April 19, 2018)
Zhang Mao
Zhong Yuzhao
Cheong Keng Chuan, Alfred
Chia Seng Hee
He Guoquan

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 directors 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 in the Company				
Yuan Jiajun	-	-	1,465,116	1,825,894
Zhong Yuzhao	101,666	1,537,283	-	-
Zhang Mao	-	2,401,709	80,800	80,800

The directors' interests in the shares of the Company as at January 21, 2018 were the same as at December 31, 2017.

DIRECTORS' STATEMENT

4 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were 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.

5 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 and Mr He Guoquan. The Audit Committee has met every quarter and reviewed the following, where relevant, with the executive directors and external and internal 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.

DIRECTORS' STATEMENT

5 AUDIT COMMITTEE (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 and internal auditors have unrestricted access to the Audit Committee.

Messrs Deloitte & Touche LLP has expressed that they will not seek re-appointment as auditors of the Company at the forthcoming Annual General Meeting of the Company.

ON BEHALF OF THE DIRECTORS

....	....
Zhong Yuzhao	Zhang Mao

November 12, 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DEBAO PROPERTY DEVELOPMENT LTD.

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Debao Property Development Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 44 to 106.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

<u>Legal matter – court's verdict on the acts of bribery</u>

As disclosed in Note 42(a) to the financial statements, the CEO of the Group, was on October 16, 2016 requested by the People's Procuratorate of Nanhai District, Foshan City, Guangdong Province, the People's Republic of China to assist in an investigation on a Chinese official of Foshan City.

During the audit of the financial statements for the year ended December 31, 2016, management represented to us that the focus of the investigation was on transactions relating to a construction contract which was awarded by a subsidiary of the Group to a construction company owned by an associate of this Chinese official. At that time, management had assessed whether the award of the construction contract was in accordance with the Group's policies and processes and that the pricing terms were comparable with market rates. Management concluded that the said construction contract was in compliance with the Group's policies and processes and the price was comparable to market rate.

Our audit procedures during the current year revealed that in December 2017, there was a court hearing in Nanhai District People's Court in relation to the abovementioned matter and in February 2018, the subsidiary and the CEO, as the legal representative of the subsidiary were found guilty of an act of bribery by the court. The subsidiary was fined RMB2,000,000 and the CEO was sentenced to either an imprisonment of two (2) years or three (3) years of probation in lieu of imprisonment. These important developments were not disclosed to us, even though we made specific enquiries with management on the status of the investigation during the course of current year's audit, including at the Audit Committee meeting held on February 28, 2018 to approve the announcement of the Group's full year results.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DEBAO PROPERTY DEVELOPMENT LTD.

Payment to political party in Malaysia

As at December 31, 2017, included in the advances from non-controlling interests (Note 24), is a balance of RM3,000,000 (RMB4,715,700) for a purported payment made by a minority shareholder on behalf of the Group to a political party in Malaysia. This amount was recorded as an administrative expense for the year ended December 31, 2017. The related expense and amount payable were subsequently reversed from the Group's accounting records in May 2018.

After we raised our concerns to the Board of Directors and the Audit Committee, the Board of Directors engaged an independent professional accounting firm to perform certain agreed upon procedures amongst others, the above matters. We made enquiries on their findings report dated November 9, 2018. Whilst the Company responded to our enquiries, the findings report and the Company's responses did not adequately address our matters of concern as communicated to the Board of Directors and Audit Committee. Accordingly, we have not been able to obtain sufficient appropriate audit evidence as to whether there are any matters or issues that would have an impact on the financial statements.

In addition to the abovementioned matters, we have concerns over the inconsistent information and explanations that have been provided to us during the course of our audit with regards to the legal matter. In particular, the court hearing which took place in December 2017 and subsequent court verdict which was announced in February 2018 were not disclosed to us, even though specific enquiry was made on the status of the investigation at the audit committee meeting on February 28, 2018.

We are of the view that there is no basis for us to conclude on the matters of concern set out in the findings report and we also have concern on the reliability of the representations from the key management personnel based on the facts stated above. Accordingly, there is no proper basis for us to conclude that the financial statements are fairly stated for the year ended December 31, 2017. We, therefore, are not in a position to complete our audit and express any opinion on the financial statements. We do not have any alternative means to complete our audit at the date of the report. Arising from the above matters and concerns, we do not know if there is any further impact on the financial statements.

Responsibilities of Management and Directors 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 Companies Act, Chapter 50 (the "Act") and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DEBAO PROPERTY DEVELOPMENT LTD.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Tsia Chee Wah.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

November 12, 2018

STATEMENTS OF FINANCIAL POSITION

December 31, 2017

	Note	Group 2017	Group 2016	Company 2017	Company 2016
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	6	46,166	88,448	100	38
Restricted cash	7	205,031	364,779	-	-
Trade and other receivables	8	918,449	360,272	391,563	6,992
Amount due from related parties – non trade	5	45,092	20,731	-	-
Amount due from subsidiaries	5 & 17	-	-	884,398	897,469
Amount due from customers for contract works	9	73,489	949	-	-
Inventories	10	255	262	-	-
Properties held for sale	11	140,644	190,384	-	-
Development properties	12	1,094,809	1,063,305	-	-
Prepaid leases	13	223	223	-	-
Dividends receivable		-	-	22,909	22,568
		2,524,158	2,089,353	1,298,970	927,067
Assets classified as held for sale	14	-	2,652,394	-	787
Total current assets		2,524,158	4,741,747	1,298,970	927,854
Non-current assets					
Trade and other receivables	8	10,000	10,000	-	-
Prepaid leases	13	4,141	4,364	-	-
Property, plant and equipment	15	20,373	20,959	-	-
Investment properties	16	2,042,066	2,005,846	-	-
Investment in subsidiaries	17	-	-	1,028	1,028
Joint venture	18	-	-	-	-
Available-for-sale investment	19	1,300	1,300	-	-
Insurance assets	20	3,210	1,549	-	-
Deferred tax assets	21	17,309	16,922	-	-
Goodwill	22	4,192	4,192	-	-
Total non-current assets		2,102,591	2,065,132	1,028	1,028
Total assets		4,626,749	6,806,879	1,299,998	928,882

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000	Company 2017 RMB'000	Company 2016 RMB'000
LIABILITIES AND EQUITY					
Current liabilities					
Bank and other loans	23	618,067	1,324,783	-	-
Trade and other payables	24	1,069,574	1,038,570	82,601	774
Long term payables	25	24,779	23,420	-	-
Amount due to related parties	5	26,426	17,805	17,721	-
Amount due to subsidiaries	5 & 17	-	-	320,562	326,780
Income tax payable		130,404	83,181	37,623	-
		1,869,250	2,487,759	458,507	327,554
Liabilities directly associated with assets classified as held for sale	14	-	1,503,082	-	-
		1,869,250	3,990,841	458,507	327,554
Non-current liabilities					
Bank and other loans	23	1,016,600	1,050,564	-	-
Trade and other payables	24	-	259	-	-
Long term payables	25	152,809	154,725	-	-
Deferred tax liabilities	21	304,610	340,191	-	-
Total non-current liabilities		1,474,019	1,545,739	-	-
Capital, reserves and non-controlling interests					
Share capital	26	909,831	909,831	909,831	909,831
Capital reserve	27	86,726	86,724	-	-
Revaluation reserve	28	-	17,788	-	-
Translation reserve		11,611	(152)	(2,153)	(10,452)
Statutory reserve	29	23,887	23,887	-	-
Retained earnings (Accumulated losses)		263,124	229,543	(66,187)	(298,051)
Equity attributable to equity holders of the Company		1,295,179	1,267,621	841,491	601,328
Non-controlling interests		(11,699)	2,678	-	-
Total equity		1,283,480	1,270,299	841,491	601,328
Total liabilities and equity		4,626,749	6,806,879	1,299,998	928,882

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	30	298,253	349,376
Cost of sales		(282,683)	(300,782)
Gross profit		15,570	48,594
Other operating income	31	285,165	105,464
Selling and distribution expenses		(6,295)	(23,045)
Administrative expenses		(48,189)	(110,781)
Other operating expenses	32	(10,614)	(33,735)
Finance costs	33	(180,636)	(152,143)
Profit (Loss) before tax		55,001	(165,646)
Income tax expense	34	(35,706)	(35,813)
Profit (Loss) for the year	35	19,295	(201,459)
Other comprehensive profit (loss), net of tax			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		11,674	(26,449)
Item that will not be reclassified subsequently to profit or loss			
Reversal of revaluation reserve on disposal of subsidiaries		(17,788)	-
Total comprehensive profit (loss) for the year		13,181	(227,908)
Profit (Loss) for the year attributable to:			
Owners of the Company		33,583	(192,852)
Non-controlling interests		(14,288)	(8,607)
		19,295	(201,459)
Total comprehensive profit (loss) attributable to:			
Owners of the Company		27,558	(220,020)
Non-controlling interests		(14,377)	(7,888)
		13,181	(227,908)
Earnings per share (in RMB cents)			
Basic and diluted	35	44.78	(43.49)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2017

	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, 2016	909,831	86,724	17,788	27,016	23,887	422,395	1,487,641	10,566	1,498,207
Total comprehensive loss for the year									
Loss for the year	-	-	-	-	-	(192,852)	(192,852)	(8,607)	(201,459)
Other comprehensive loss for the year	-	-	-	(27,168)	-	-	(27,168)	719	(26,449)
Total	-	-	-	(27,168)	-	(192,852)	(220,020)	(7,888)	(227,908)
Balance at December 31, 2016	909,831	86,724	17,788	(152)	23,887	229,543	1,267,621	2,678	1,270,299
Total comprehensive income for the year									
Profit for the year	-	2	-	-	-	33,581	33,583	(14,288)	19,295
Other comprehensive loss for the year	-	-	(17,788)	11,763	-	-	(6,025)	(89)	(6,114)
Total	-	2	(17,788)	11,763	-	33,581	27,558	(14,377)	13,181
Balance at December 31, 2017	909,831	86,726	-	11,611	23,887	263,124	1,295,179	(11,699)	1,283,480

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2017

	Share capital	Translation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
Balance at January 1, 2016	909,831	(37,600)	(286,847)	585,384
Total comprehensive income for the year				
Loss for the year	-	-	(11,204)	(11,204)
Other comprehensive income for the year	-	27,148	-	27,148
Total	-	27,148	(11,204)	15,944
Balance at December 31, 2016	909,831	(10,452)	(298,051)	601,328
Total comprehensive income for the year				
Profit for the year	-	-	231,864	231,864
Other comprehensive income for the year	-	8,299	-	8,299
Total	-	8,299	231,864	240,163
Balance at December 31, 2017	909,831	(2,153)	(66,187)	841,491

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2017

	Note	2017	2016
		RMB'000	RMB'000
Operating activities			
Profit (Loss) before tax		55,001	(165,646)
Adjustments for:			
Fair value loss (gain) on investment properties		7,838	(98,003)
Gain on disposal of subsidiaries		(183,269)	-
Allowance for doubtful debts		-	11,824
Provision for legal issue of contractual dispute		-	12,522
Unrealised exchange (gain) loss		(93,476)	60,533
Interest expense		180,636	152,143
Depreciation expense		2,659	2,683
Amortisation of prepaid leases		223	223
Loss on disposal of property, plant and equipment		98	-
Loss on disposal of investment properties		1,395	-
Interest income		(5,829)	(7,374)
Operating cash flows before movements in working capital		(34,724)	(31,095)
Trade and other receivables		73,272	68,455
Amount due from customers for contract works		(73,100)	(359)
Inventories		7	-
Development properties (Note A)		(299,361)	(826,390)
Properties held for sale		36,115	195,687
Trade and other payables		1,926	80,201
Amounts due from/ to related parties		(15,740)	(11,996)
Cash used in operations		(311,605)	(525,497)
Interest paid		(189,529)	(242,471)
Interest received		716	10,126
Income tax paid		(14,764)	(17,878)
Net cash used in operating activities		(515,182)	(775,720)
Investing activities			
Purchase of property, plant and equipment		(2,171)	(1,039)
Acquired a subsidiary		(20,249)	-
Deposit to acquire Plaza Rakyat project		(35,990)	-
Proceeds from recovery of defaulted loans from a bank	8	-	8,258
Purchase of insurance assets		(1,572)	(1,549)
Proceeds from disposal of investment properties		168,000	27,892
Disposal of subsidiaries, net of cash disposed of	41	965,432	-
Advance to joint venture	18	-	17,462
Addition to investment properties		(8,755)	(7,412)
Net cash from investing activities		1,064,695	43,612

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2017

	Note	2017	2016
		RMB'000	**RMB'000**
Financing activities			
Decrease in restricted cash		159,748	36,972
New bank loans raised		714,496	1,052,545
Other loans raised		391,472	593,109
Repayment of bank loans		(1,218,467)	(1,065,414)
Repayment of other loans		(628,181)	(132,503)
Repayment to amount due to former non-controlling interests		(20,880)	(5,000)
Advance from third parties		6,230	115,511
Advance from non-controlling interest		3,960	48,984
Net cash (used in) from financing activities		(591,622)	644,204
Net decrease in cash and cash equivalents		(42,109)	(87,904)
Cash and cash equivalents at beginning of year	6	88,448	177,424
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies		(173)	(1,072)
Cash and cash equivalents at end of year	6	46,166	88,448

Note A:

In 2015, the Group entered into sales and purchase agreement with former non-controlling interest party to acquire the 45% equity interest of subsidiary – Sihui Debao Jiangnan Mingju Development Co., Ltd ("Sihui") for consideration of RMB127,353,000. Concurrently, the Group entered into sales and purchase agreement with the former non-controlling interest party to dispose of its 50% equity interest in joint venture ("De Gang Jian") for a consideration of RMB233,753,000 and related interest income of RMB27,225,000 computed on the advance to De Gang Jian in 2014.

The consideration to acquire Sihui was settled by part from the consideration for the disposal of De Gang Jian of RMB73,353,000 and the remaining RMB33,120,000 (2016: RMB54,000,000) had yet to be paid by the Group as at December 31, 2017.

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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 RMB as majority of the Group's transactions are denominated in RMB.

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

The principal activities of its subsidiaries are described in Note 17 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, 2017 were authorised for issue by the Board of Directors on November 12, 2018.

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 Financial Reporting Standards in Singapore ("FRSs").

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 the 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 THE FINANCIAL STATEMENTS

December 31, 2017

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

ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS - On January 1, 2017, the Group and the Company 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 Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except for certain presentation improvements arising from Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*.

Adoption of a new financial reporting framework in 2018

In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after January 1, 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group and the Company will be adopting the new framework for the first time for financial year ending December 31, 2018 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the Group's and the Company's current accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below) and the election of certain transition options available under SFRS(I).

Management is considering electing the option to reset the translation reserve to zero as at date of transition, however, it will not result in material adjustments on transition to the new framework.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at December 31, 2018, they may impact the disclosures of estimated effects described below.

New SFRS(I) that may have impact

The following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application under the new SFRS(I) framework:

Effective for annual periods beginning on or after January 1, 2018

- SFRS(I) 9 Financial Instruments
- SFRS(I) 15 Revenue from Contracts with Customers
- SFRS(I) 1-40 Investment Property: Transfers of Investment Property

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 *Leases*

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

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) general hedge accounting; and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments 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 instruments and equity investments are measured at fair value through profit or loss (FVTPL) at the end of subsequent accounting periods. In addition, under SFRS(I) 9, 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, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be 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 the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. 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.

The adoption of SFRS(I) 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

Management anticipates that the initial application of the new SFRS(I) 9 will result in changes to the accounting policies relating to the impairment of financial assets. The Group will consider whether a lifetime or 12-month expected credit losses on financial assets should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets from initial recognition to the date of initial application of SFRS(I) 9. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimated impact to the financial statements of the Group in the period of initial adoption as the Group has yet to complete its detailed assessment.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 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; and

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

Under SFRS(I) 15, 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 SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

Management does not expect the adoption of the above SFRS(I) to have a material impact on the financial statements of the Group in the period of their initial adoption. However, additional disclosures for trade receivables and revenue may be required including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimated impact to the financial statements of the Group in the period of initial adoption as the Group has yet to complete its detailed assessment.

SFRS(I) 1-40 *Investment Property: Transfers of Investment Property*

The pronouncement:

- retains the requirement that a transfer into, or out of, investment property can be made when, and only when, evidence of a change of use of the property exists.

- clarifies that the list of events constituting evidence of a change of use has occurred are only examples.

Management has performed a detailed analysis of the pronouncement relevant to the Group and determined that there will be no material adjustments expected from the initial application, other than additional enhanced disclosures.

SFRS(I) 16 *Leases*

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

SFRS(I) 16 will take effect from financial years beginning on or after January 1, 2019. Management expects the adoption of the above SFRS(I) to have a material impact on the financial statements of the Group in the period of their initial adoption, in particular on prepaid leases, finance lease liabilities and amortisation of prepaid leases. It is currently impracticable to disclose any further information on the known or reasonably estimated impact to the financial statements of the Group in the period of initial adoption as the management has yet to complete its detailed assessment. The Group does not plan to early adopt SFRS(I) 16 for financial year ending December 31, 2018.

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:

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

- 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.

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. All amounts previously recognised in other comprehensive income in relation to that 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*, or when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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

BUSINESS COMBINATIONS - Acquisition of subsidiaries and businesses 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 re-measured 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 re-measured 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured 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.

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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

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.

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 *Non-current Assets Held for Sale and Discontinued Operations*. 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.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

<u>Interests in joint operations</u>

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.

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 statements of financial position when the Group becomes a party to the contractual provisions of the financial instrument.

<u>Effective interest method</u>

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 the 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 other than those financial statements at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

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 asset 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, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Insurance assets

Certain insurance policies held by the Group are classified as insurance assets and are stated at fair value. Fair value is determined in the manner described in Note 4 to the financial statements. Gains and losses arising from changes in fair value, impairment losses and foreign exchange gains and losses are recognised in profit or loss. The fair value of 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 monetary asset is recognised in profit or loss.

Available-for-sale financial asset

Available-for-sale financial asset are stated either at cost or 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 instruments 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 available-for-sale monetary asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and receivables

Trade and 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 considered to be 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 financial asset 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

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.

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 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.

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.

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.

Financial liabilities and equity instruments

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.

Trade and other payables

Trade 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

Bank 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 method unless the effect of discounting would be immaterial, in which case they are stated cost. Interest expense calculated using the effective interest method 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.

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.

NON-CURRENT ASSETS HELD FOR SALE - Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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 recognised 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 consolidated 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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

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 terms ranges from 40 to 50 years. The prepaid land rentals are amortised on a straight-line basis over the lease terms ranges from 18 to 20 years. The estimated useful lives and amortisation method are reviewed at the end of each year end, 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 projects, including attributable borrowings costs (see below).

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 indicator 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

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.

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 shareholders' rights 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 use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other 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 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other 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. 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 the reporting period. Except for investment properties measured using the 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.

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 (RMB) as majority of the Group's transactions are denominated in RMB.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate 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 at 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

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 those 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 RMB 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

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Financial statements have been prepared on a going concern basis

For the financial year ended December 31, 2017, the Group incurred operating loss before fair value loss on investment properties and gain on disposal of subsidiaries amounting to RMB156,136,000 (2016: RMB299,462,000) and net cash used in operating activities amounted to RMB515,182,000 (2016: RMB775,720,000).

In addition, the Group's operation is highly dependent on borrowings. As at December 31, 2017, the Group has bank and other loans amounting to RMB618,067,000 (2016: RMB2,100,501,000) (including RMB Nil (2016: RMB775,718,000) classified as liabilities directly associated with assets held for sale), which are due for settlement within the next twelve months. During the financial year, to support the Group's operating cash flows requirements, the Group obtained loans from individuals and other non-financial institutions amounting to RMB326,015,000 (2016: RMB506,872,000) and the outstanding balance of these loans as at December 31, 2017 is RMB344,810,000 (2016: RMB169,872,000), as disclosed in Note 23 to the financial statements. These loans bore average annual interest rate from 18% to 72% (2016: 18% to 106%) and incurred interest expense amounting to RMB74,615,000 (2016: RMB41,412,000).

Based on the assessment as set out in Note 4(b)(v), management is satisfied that the financial statements have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

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

In making the estimation, management considered the procedures that have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade and other 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 of such debts. Specific allowance is only made for trade and other receivables that are unlikely to be collected. In this regard, management is 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 to the financial statements.

Impairment of goodwill

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

The carrying amount of goodwill of the Group amounted to RMB4,192,000 (2016 : RMB4,192,000) as at December 31, 2017.

Corporate guarantees

The Group has corporate guarantees as disclosed in Note 40 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 21 and 34 to the financial statements, considered the provision of LAT to be adequate.

Valuation of investment properties

As disclosed in Note 16 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 on a valuation method which involves certain estimates. In relying on the valuation report, management has exercised their judgment and is satisfied that the valuation method is reflective of current market conditions and the estimation used are appropriate.

Carrying amounts of properties held for sale and development properties

The aggregate carrying amount of these properties totalled RMB1,235,453,000 (2016: RMB1,253,689,000) as at December 31, 2017, details are disclosed in Notes 11 and 12 to the financial statements respectively. They are stated at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

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 differs 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 21 and 34 to the financial statements respectively.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets				
Loans and receivables (including cash and cash equivalents)	1,090,693	674,998	1,298,969	920,075
Available-for-sale investment	1,300	1,300	-	-
Insurance assets	3,210	1,549	-	-
Financial liabilities				
Amortised cost	2,755,130	3,449,151	420,884	327,554

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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

(i) Foreign exchange risk management

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

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currency other than the Group entities' functional currency is as follow:

	Group			
	Assets		Liabilities	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
United States dollar	-	-	1,286,956	1,556,689

Foreign currency sensitivity

The sensitivity rate used when reporting foreign currency risk internally 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 foreign currency strengthens by 10% against the functional currency of the Group, profit before income tax will decrease (2016: loss will increase by):

	Group	
	2017	2016
	RMB'000	RMB'000
Impact of:		
United States dollar	128,696	155,669

If the relevant foreign currency weakens by 10% against the functional currency of the Group, the effects on profit or loss 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, 2017 would decrease by RMB1,336,000 (2016: RMB3,947,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

If interest rate had 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 THE FINANCIAL STATEMENTS

December 31, 2017

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

Further details of these equity investments can be found in Note 19 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 except for amount owing from Shengyu (BVI) Limited and Evergrande Real Estate Group Guangdong Real Estate Development Co., Ltd for the disposal of subsidiaries.

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 RMB652,955,000 (2016: RMB1,236,345,000) 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 disclosed in Note 40 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 to the financial statements.

(v) Liquidity risk management

For the financial year ended December 31, 2017, the Group incurred operating loss before fair value loss on investment properties and gain on disposal of subsidiaries amounting to RMB156,136,000 (2016: RMB299,462,000) and cash used in operating activities amounted to RMB515,182,000 (2016: RMB775,720,000).

In addition, the Group's operation is highly dependent on borrowings. As at December 31, 2017, the Group has bank and other loans amounting to RMB618,067,000 (2016: RMB2,100,501,000) (including RMB Nil (2016: RMB775,718,000) classified as liabilities directly associated with assets held for sale), which are due for settlement within the next twelve months. During the financial year, to support the Group's operating cash flows requirements, the Group obtained loans from individuals and other non-financial institutions amounting to RMB326,015,000 (2016: RMB506,872,000) and the outstanding balance of these loans as at December 31, 2017 is RMB344,810,000 (2016: RMB169,872,000), as disclosed in Note 23 to the financial statements. These loans bore average annual interest rate from 18% to 72% (2016: 18% to 106%) and incurred interest expense amounting to RMB74,615,000 (2016: RMB41,412,000).

The financial statements have been prepared on a going concern on the following bases:

- Management expects the remaining cash consideration from the disposal of subsidiaries, as disclosed in Note 41 to the financial statements, amounting to RMB391,638,000 to be received in various tranches from February 2018 to October 2018 is sufficient to support its short-term cash flows requirement and obligations;

- Management has obtained an approved long term bank loan facility amounting to RMB330,000,000 and RMB236,000,000 was received subsequent to the year end;

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

- Management is confident to obtain the banks' approval for roll-over of the loans and extension of the credit facilities through pledging of the Group's assets after considering management's relationship with banks, the PRC Government's policies on property market and the conditions of property market in China; and

- Management 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 flows to meet its cash flows requirement and obligations.

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 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						
2017						
Non-interest bearing		966,141	-	-	-	966,141
Fixed interest rate instruments:						
- Advances from non-controlling interests	6	16,340	-	-	-	16,340
- Other loans	30 - 33.6	588,995	1,176,792	-	(417,967)	1,347,820
- Long term payables	6.55	35,700	61,600	185,570	(105,282)	177,588
Variable interest rate instruments	1.65 - 5.71	236,419	10,880	70,602	(50,660)	267,241
		1,843,595	1,249,272	256,172	(573,909)	2,775,130
2016						
Non-interest bearing		891,805	-	-	-	891,805
Fixed interest rate instruments:						
- Advances from non-controlling interests	6	16,340	-	-	-	16,340
- Other loans	5.22 - 79.2	673,485	1,358,021	-	(457,988)	1,573,518
- Long term payables	6.55	31,668	60,900	200,970	(115,393)	178,145
Variable interest rate instruments	1.66 - 7.1	802,653	8,332	-	(21,642)	789,343
		2,415,951	1,427,253	200,970	(595,023)	3,449,151

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

The maximum amount that the Group could be forced to settle under financial guarantee contracts, if the full guaranteed amount is claimed by the counterparty to the guarantee, is RMB652,955,000 (2016: RMB1,236,345,000). The earliest period that the guarantee could be called is within 1 year (2016: 1 year) from the end of the reporting period. As mentioned in Note 40 to the financial statements, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

The non-derivative financial liabilities of the Company are repayable on demand or due within 1 year.

Non-derivative financial assets

The non-derivative financial assets of the Group and Company are repayable on demand except for RMB10,000,000 (2016: RMB10,000,000) of deposit paid, as disclosed in Note 8 to the financial statements, classified as non-current.

(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 2017 RMB'000	Fair value as at 2016 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Group						
Insurance assets	3,210	1,549	Level 2	Confirmation from the insurer on the cash surrender value	N/A	N/A

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 due to relatively short-term maturity of these financial instruments with the exception of long-term interest bearing loans. Management is of the opinion that the carrying amounts of the long-term interest bearing loans approximate their fair value due to the interest rate charged is approximate to market interest rate.

(c) Capital 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, and 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 23 to the financial statements and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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

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 23 to the financial statements, less cash and bank balances as disclosed in Notes 6 and 7 to the financial statements, respectively.

	Group	
	2017	2016
	RMB'000	RMB'000
Total borrowings	1,634,667	3,151,065
Total equity	1,283,480	1,270,299
Gross gearing (times)	1.27	2.48
Net borrowings	1,383,470	2,697,838
Total equity	1,283,480	1,270,299
Net gearing (times)	1.08	2.12

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 Lesheng and his spouse, Madam Zheng Lihua, 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.

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

	Group	
	2017	2016
	RMB'000	RMB'000
Rental income earned from a close family member of a director	2,085	2,576

Compensation of directors and key management personnel

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

	Group	
	2017	2016
	RMB'000	RMB'000
Short-term benefits	9,502	11,167

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

6. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks	45,957	88,235	100	38
Cash on hand	209	213	-	-
	46,166	88,448	100	38

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 and held in China amounting to RMB44,150,000 (2016: RMB78,064,000) are not freely convertible to foreign currencies.

7. RESTRICTED CASH

Restricted cash comprises RMB205,031,000 (2016**:** RMB364,779,000) fixed deposits pledged for bank loans for the development of properties which bears average effective interest rate of 0.35% to 4.35% (2016: 3% to 4.13%) per annum and for a tenure of approximately 360 days (2016: 360 days).

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables - outside parties	67,789	47,032	-	-
Less: Allowance for doubtful debts	(11,824)	(11,824)	-	-
	55,965	35,208	-	-
Other receivables	203,298	91,528	-	-
Other receivables from disposal of subsidiaries (Note 41)	391,638	-	391,562	-
Deposits paid	23,143	26,484	-	-
Prepayments	1,331	9,140	-	-
Deposit to acquire Plaza Rakyat Project	144,441	108,451	-	-
Advance to an outside party	46,871	46,871	-	-
Prepayment to a developer	14,964	16,054	-	-
Tax prepayment	28,060	17,769	-	-
Prepaid expenses	18,738	18,767	1	6,992
	928,449	370,272	391,563	6,992
Less: Deposit paid classified as non-current	(10,000)	(10,000)	-	-
Current portion	918,449	360,272	391,563	6,992

The credit period on trade receivables ranges from 60 to 180 days (2016: 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

8. TRADE AND OTHER RECEIVABLES (cont'd)

In 2017, the Group entered into a sales and purchase agreement to dispose of certain subsidiaries (Note 41). The receivables amounting to RMB391,638,000 represents the remaining proceeds from the disposal of subsidiaries.

The deposits paid of RMB23,143,000 (2016: RMB26,484,000) consists of RMB20,000,000 (2016: RMB20,000,000) 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 (2016: RMB20,000,000) of deposits paid for a project, RMB10,000,000 (2016: 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.

Refundable deposit to acquire Plaza Rakyat Project amounting to RMB144,441,000 (2016: RMB108,451,000) is for the acquisition of 5 parcels of land that Profit Consortium Sdn. Bhd. ("PCSB") had entered into a sale and purchase agreements with Datuk Bandar Kuala Lumpur. The acquisition of 5 parcels of land is expected to be completed in 2018 and hence, the deposit has been presented as current (2016: current).

In 2014, the Group entered into a joint venture agreement with outside parties to register De Gang Jian for property development. In 2015, the Group entered into sales and purchase agreement to dispose of De Gang Jian. Advance to an outside party amounting to RMB46,871,000 (2016: RMB46,871,000) represents the total advance to a former joint venture partner – De Gang Jian to purchase the land for the joint venture in 2014. These advance are unsecured, interest-free and repayable on demand. Management has not recognised any allowances as there has not been a significant change in credit quality.

In 2014, the prepayment to a developer of RMB53,504,000 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. In 2015, the titles of certain properties were transferred to the Group and amount of RMB29,948,000 was reclassified to properties held for sale, and amount of RMB7,877,000 arose from the translation of foreign operation into the Group's presentation currency, was recognised in foreign currency translation reserve. The remaining properties had not been reclassified to properties held for sale as the title had not been transferred to the Group as at December 31, 2017. Decrease in prepayment amounting to RMB1,090,000 (2016: increase of RMB375,000) arose from the translation of foreign operation into the Group's presentation currency. 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 RMB125,664,000 (2016: RMB24,102,000) which are past due at the end of the reporting period for which the Group has not recognised as an allowance for doubtful receivables 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 recognised 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	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Not past due and not impaired	530,704	102,312	311,563	-
Past due but not impaired	120,197	24,424	80,000	-
	650,901	126,736	391,563	-
Impaired receivables – collectively assessed (1)	11,824	11,824	-	-
Less: Allowance for doubtful debts	(11,824)	(11,824)	-	-
Total trade and other receivables, net	650,901	126,736	391,563	-

(1) These amount is stated before allowance for doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

8. TRADE AND OTHER RECEIVABLES (cont'd)

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

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 3 months	14,487	9,932	-	-
3 months to 6 months	92,071	4,207	80,000	-
6 months to 12 months	3,090	4,100	-	-
Over 12 months	10,549	6,185	-	-
	120,197	24,424	80,000	-

Movement in allowance for doubtful debts

	Group
	RMB'000
Balance at beginning and end of the year	11,824

9. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORKS

Contracts-in-progress at the end of the reporting period:

	Group	
	2017	2016
	RMB'000	RMB'000
Amounts due from contract customers	73,489	949
Contract costs incurred plus recognised profits	1,296,381	1,207,630
Less: Progress billings	(1,222,892)	(1,206,681)
	73,489	949

As of December 31, 2017, retention monies held by customers for contract work amounted to RMB13,821,000 (2016: RMB Nil).

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

10. INVENTORIES

	Group	
	2017	2016
	RMB'000	RMB'000
Consumables	255	262

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

11. PROPERTIES HELD FOR SALE

	Group	
	2017	2016
	RMB'000	RMB'000
At cost	140,644	190,384

During the year, properties with a carrying amount of RMB8,409,000 (2016: RMB270,539,000) were transferred from development properties.

The Group has pledged properties held for sales with a carrying amount of approximately RMB5,348,000 (2016: RMB5,427,000) to secure banking facilities granted to the Group (Note 23).

12. DEVELOPMENT PROPERTIES

	Group	
	2017	2016
	RMB'000	RMB'000
At cost:		
Properties under development	42,484	50,396
Land purchase	1,052,325	1,012,909
	1,094,809	1,063,305

Development properties of RMB207,103,000 (2016: RMB207,103,000) are pledged to banks to secure loans granted to the Group as at December 31, 2017 (Note 23).

Particulars of the properties under development are as follows:

Description	Type of development	Approximate total gross floor area (square metre)	Expected date of completion
Sihui Project – Phase II [(i)]	Integrated residential and commercial property	100,000	2019
Imbi Project [(ii)]	Integrated residential and commercial property	210,000	2021

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

(ii) These properties under development are located at Kuala Lumpur, Malaysia.

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

	Group	
	2017	2016
	RMB'000	RMB'000
Depreciation capitalised during the year	-	17
Interest expenses capitalised during the year (Note 33)	101,905	182,232

The weighted average rate of capitalisation of the interest expenses for the year ended December 31, 2017 is 9.92% (2016: 13%) per annum.

As at December 31, 2017, development properties of RMB886,500,000 (2016: RMB929,073,000) 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 THE FINANCIAL STATEMENTS

December 31, 2017

13. PREPAID LEASES

Group	**Prepaid land rentals**	**Prepaid leases**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Cost:			
At January 1, 2016, December 31, 2016 and December 31, 2017	2,625	2,973	5,598
Accumulated amortisation:			
At January 1, 2016	282	506	788
Amortisation for the year	142	81	223
At December 31, 2016	424	587	1,011
Amortisation for the year	142	81	223
At December 31, 2017	566	668	1,234
Carrying amount:			
At December 31, 2017	2,059	2,305	4,364
At December 31, 2016	2,201	2,386	4,587
Amount to be amortised:			
At December 31, 2017			
Current	142	81	223
Non-current	1,917	2,224	4,141
At December 31, 2016			
Current	142	81	223
Non-current	2,059	2,305	4,364

The Group has prepaid leases in the People's Republic of China ("PRC") where the Group's PRC corporate office and administrative facilities reside. The prepaid leases for the PRC corporate office have a remaining tenure of 29 years (2016: 30 years).

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 14 to 16 years (2016: 15 to 17 years).

14. ASSET CLASSIFIED AS HELD FOR SALE

(1) In December 2016, the Group was committed to a plan to dispose of an investment property located at Qiaodan Road North, Danzao Town, Nanhai District, Foshan City, Guangdong Province, PRC. Negotiations with a buyer has subsequently taken place. The carrying amount of this investment property amounting to RMB180,000,000 had been classified as held for sale and presented separately in the statement of financial position as at December 31, 2016 as it was expected to be sold within twelve months. On January 11, 2017, the Group entered into sale and purchase agreement with a buyer to dispose of this investment property for consideration of RMB182,000,000. The disposal was completed during the year.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

14. ASSET CLASSIFIED AS HELD FOR SALE (cont'd)

(2) Also on November 8, 2016, the Group entered into sale and purchase agreements with two buyers to dispose of its subsidiaries -Infinity Real Estate Holdings Pte Ltd, Foshan Sanshui Nengrun Property Development Co., Ltd, and Foshan Sanshui Fangao Land Co., Ltd ("Disposed Subsidiaries") for cash consideration of RMB2,023,000,000. The disposal was approved by the shareholders of the Company at the extraordinary general meeting held on January 26, 2017. Management assessed that the disposal was expected to be completed within twelve months and the conditions precedent to the disposal have been met with formalities to be finalised. Accordingly, the assets and liabilities of the Disposed Subsidiaries had been classified as held for sale and was presented separately in the statement of financial position as at December 31, 2016. The disposal was completed during the year.

The Disposed Subsidiaries were not part of single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. Accordingly, the financial performance of Disposed Subsidiaries was not presented as discontinued operations.

The consideration for the disposal of Disposed Subsidiaries was RMB2,023,000,000, which exceeded the net carrying amount of the Disposed Subsidiaries' assets and liabilities and, accordingly, no impairment loss had been recognised as at December 31, 2016.

The major class of assets and liabilities comprising the assets classified as held for sale were as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade and other receivables	-	121,366	-	-
Development properties	-	1,585,716	-	-
Properties held for sale	-	344,077	-	-
Property, plant and equipment	-	235	-	-
Investment properties	-	601,000	-	-
Investment in subsidiaries	-	-	-	787
Total assets classified as held for sale	-	2,652,394	-	787
Bank and other loans	-	775,718	-	-
Trade and other payables	-	631,431	-	-
Deferred tax liabilities	-	95,933	-	-
Total liabilities associated with assets classified as held for sale	-	1,503,082	-	-
Net assets	-	1,149,312	-	787

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

15. 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, 2016	29,064	5,650	10,265	3,678	48,657
Additions	-	-	303	736	1,039
Disposals	-	-	(330)	-	(330)
Reclassified as assets held for sale (Note 14)	-	(1,014)	(899)	(863)	(2,776)
At December 31, 2016	29,064	4,636	9,339	3,551	46,590
Additions	-	-	1,125	1,046	2,171
Disposals	-	-	(183)	(130)	(313)
At December 31, 2017	29,064	4,636	10,281	4,467	48,448
Accumulated depreciation:					
At January 1, 2016	8,971	5,632	9,121	2,095	25,819
Charge for the year	1,474	1	772	436	2,683
Disposals	-	-	(330)	-	(330)
Reclassified as assets held for sales (Note 14)	-	(1,014)	(869)	(658)	(2,541)
At December 31, 2016	10,445	4,619	8,694	1,873	25,631
Charge for the year	1,504	4	614	537	2,659
Disposals	-	-	(183)	(32)	(215)
At December 31, 2017	11,949	4,623	9,125	2,378	28,075
Carrying amount:					
At December 31, 2017	17,115	13	1,156	2,089	20,373
At December 31, 2016	18,619	17	645	1,678	20,959

The Group has pledged land and buildings with a carrying amount of approximately RMB24,626,000 (2017: RMB18,590,000) to secure banking facilities granted to the Group (Note 23).

16. INVESTMENT PROPERTIES

	Group	
	2017	2016
	RMB'000	RMB'000
At beginning of year	2,005,846	2,441,955
Transferred from development properties (Note 12)	5,982	66,705
Transferred from properties held for sale (Note 11)	30,665	-
Reclassified as held for sale (Note 14)	-	(601,000)
Additions during the year	8,755	12,205
Disposals during the year	(1,344)	(12,022)
(Decrease) Increase in fair value recorded in profit or loss (Note 31)	(7,838)	98,003
At end of year	2,042,066	2,005,846

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

16. INVESTMENT PROPERTIES (cont'd)

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 Colliers International (Hong Kong) Limited, 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 RMB15,010,000 (2016: RMB16,833,000). Direct operating expenses arising on the investment properties in the year amounted to RMB1,170,000 (2016: RMB1,858,000).

In 2015, the Group completed the Block B and Block C of commercial property under Sihui Project (Note 12) and classified to investment properties due to commencement of operating leases to third parties. In 2017 and 2016, the transfer from development properties represents the commercial property under Sihui Project due to commencement of operating leases to third parties.

As at December 31, 2017, the Group has pledged investment properties with carrying amount of RMB233,706,000 (2016: RMB1,575,318,000) to secure loans granted to the Group (Note 23).

In 2013, the Group acquired an entity 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.

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

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Fair value of investment property under operating lease	217,000	225,000
Add: Long term payables (Note 25)	177,588	178,145
Adjusted fair value of investment property under operating lease	394,588	403,145

Details of the Group's investment properties and information about the fair value hierarchy as at December 31, 2017 and 2016 are as follows:

	Level 1	**Level 2**	**Level 3**	**Fair value as at December 31, 2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Investment properties	-	-	2,042,066	2,042,066

	Level 1	**Level 2**	**Level 3**	**Fair value as at December 31, 2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Investment properties	-	-	2,005,846	2,005,846

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

16. INVESTMENT PROPERTIES (cont'd)

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

Description	Fair value as at December 31	Valuation technique(s)	Significant unobservable input(s)	unobservable Range
	RMB'000			
2017				
Investment properties	2,042,066	Direct comparison approach	price per square meter [1]	RMB6,200 - RMB30,000
		Income capitalisation approach	market rent per square meter per month [1]	RMB18 - RMB141
			capitalisation rate [2]	4.5% - 10%
2016				
Investment properties	2,005,846	Direct comparison approach	price per square meter [1]	RMB6,300 - RMB31,000
		Income capitalisation approach	market rent per square meter per month [1]	RMB15 - RMB270
			capitalisation rate [2]	4.5% - 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

16. INVESTMENT PROPERTIES (cont'd)

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 expiring 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 expiring on December 31, 2052	Tenanted
An office unit and 15 retail shop units and 10 car parking 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 1 to 4, Jiangnan Mingju	No. 39 Nanyi Road, Nanhai District, Foshan City Guangdong Province	The property is held under a land use term expiring on September 24, 2072	Tenanted
Xinliwan Garden	Haibei Road Nanhai District, Foshan City, Guangdong Province	The property is held under a land use term expiring on April 9, 2063	Tenanted
Tianjin Hotel Street Building	Nanshi Hotel Street, Heping District, Tianjin City	The property is held under a lease term expiring on June 30, 2033	Renovation in progress
Sihui Project Block A Sihui Shopping Mall	Sihui, Zhaoqing City, Guangdong Province	The property is held under a land use term expiring on December 30, 2052	Tenanted
Sihui Project Block B&C retail shop units	Sihui, Zhaoqing City, Guangdong Province	The property is held under a land use term expiring on December 30, 2052	Tenanted
Green Beverly Hills Sky bungalows	Nilai, Negeri Sembilan, Malaysia	The property is held under freehold land	Tenanted

17. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	**2016**
	RMB'000	**RMB'000**
Unquoted equity shares, at cost	10	797
Advance to subsidiary	1,018	1,018
	1,028	1,815
Reclassified as held for sale	-	(787)
	1,028	1,028

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

17. 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 interest and operation	Proportion of ownership Interest		Proportion of voting power held		Principal activity
		2017 %	2016 %	2017 %	2016 %	
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) (5)	Singapore	-	100	-	100	Investment holding
Pavillion Treasures Land and Development Sdn. Bhd. (2) (3)	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 (2)	Hong Kong	100	100	100	100	Property development, general trade and investment
Million Goldyear Sdn. Bhd. (2) (3) (4)	Malaysia	100	100	100	100	Property investment 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) (5)	PRC	-	100	-	100	Property development
Held by Pavillion Treasures Land and Development Sdn. Bhd.						
Profit Consortium Sdn. Bhd. (2) (3) (4)	Malaysia	62	62	62	62	Property development

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

17. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation interest and operation	Proportion of ownership Interest 2017 %	Proportion of ownership Interest 2016 %	Proportion of voting power held 2017 %	Proportion of voting power held 2016 %	Principal activity
Held by the Company (cont'd)						
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
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	100	100	100	100	Investment property holding and development
Tianjin Hotel Street Co., Ltd. [(2)]	PRC	57.8	57.8	57.8	57.8	Investment property holding
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 THE FINANCIAL STATEMENTS

December 31, 2017

17. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation interest and operation	Proportion of ownership Interest		Proportion of voting power held		Principal activity
		2017 %	2016 %	2017 %	2016 %	
Held by the Company (cont'd)						
Held by Foshan Nanhai Renovation Services Co., Ltd.						
Foshan Sanshui Fangao Land Co., Ltd. (2) (5)	PRC	-	100	-	100	Property development
Held by Guangdong Debao Land Co., Ltd.	PRC	68	68	68	68	
Guangxi Hezhou Deneng Mining Co., Ltd. (2)						Mining, yet to commence operation
Held by Foshan Nanhai Shun Mao Public Utilities Engineering Co., Ltd						
Foshan Nanhai Deqiang Trading Co., Ltd (2)	PRC	100	100	100	100	Sales and distribution of construction materials
Foshan Nanhai Shichu Investment Co., Ltd (2)	PRC	100	100	100	100	Investment holding
Held by Debao Property Development (HK) Limited						
Deao Investment Company Limited (2)	PRC	100	100	100	100	Investment holding
Elite Starhill Sdn. Bhd. (3)	Malaysia	100	100	100	100	Property development

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

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

(3) Audited by Deloitte PLT, Malaysia in 2017.

(4) Acquired in 2016.

(5) Classified as held for sale in 2016 (Note 14). The disposal was completed during the year.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

17. 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	
		2017	2016
Investment holding	Singapore	2	3
Investment holding	PRC	2	2
Property development and investment	Malaysia	3	3
Investment property holding and development	PRC	2	2
Property development, general trade and investment	Hong Kong	1	1
Property development	PRC	2	4
Property management	PRC	1	1
Construction	PRC	1	1
Public utilities engineering	PRC	1	1
Sales and distribution of construction materials	PRC	2	2
Landscaping services	PRC	1	1
Renovation services	PRC	1	1
		19	22

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2017	2016
Property development	Malaysia	1	1
Mining	PRC	1	1
Investment property development	PRC	1	1
		3	3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

17. 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		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
				RMB'000	RMB'000	RMB'000	RMB'000
Tianjin Hotel Street Co., Ltd.	PRC	42.2%	42.2%	(11,152)	(6,596)	(6,809)	4,342
Guangxi Hezhou Deneng Mining Co., Ltd	PRC	32%	32%	(399)	(343)	(1,115)	(715)
Profit Consortium Sdn. Bhd.	Malaysia	38%	38%	(2,737)	(1,668)	(3,775)	(949)
				(14,288)	(8,607)	(11,699)	2,678

	Tianjin Hotel Street Co., Ltd.		Guangxi Hezhou Deneng Mining Co., Ltd		Profit Consortium Sdn. Bhd.	
	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	17,125	11,675	3,746	4,917	1,028,130	173,460
Non-current assets	394,654	403,219	2,129	2,301	7	9
Current liabilities	(248,285)	(218,729)	(9,358)	(9,454)	(1,038,071)	(175,966)
Non-current liabilities	(179,630)	(185,875)	-	-	-	-
Equity attributable to owners of the Company	(9,327)	5,948	(2,368)	(1,521)	(6,159)	(1,548)
Non-controlling interests	(6,809)	4,342	(1,115)	(715)	(3,775)	(949)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

17. INVESTMENT IN SUBSIDIARIES (cont'd)

	Tianjin Hotel Street Co., Ltd.		Guangxi Hezhou Deneng Mining Co., Ltd		Profit Consortium Sdn. Bhd.	
	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	-	-	-	-	-	-
Other operating income	-	-	115	254	-	-
Expenses	(26,426)	(15,631)	(1,362)	(1,327)	(6,805)	(4,389)
Loss for the year	(26,426)	(15,631)	(1,247)	(1,073)	(6,805)	(4,389)
Loss attributable to owners of the Company	(15,275)	(9,035)	(847)	(730)	(4,219)	(2,721)
Loss attributable to the non-controlling interests	(11,151)	(6,596)	(400)	(343)	(2,586)	(1,668)
Loss for the year	(26,426)	(15,631)	(1,247)	(1,073)	(6,805)	(4,389)
Other comprehensive (loss) income attributable to owners of the Company	-	-	-	-	(392)	1,173
Other comprehensive (loss) income attributable to non- controlling interests	-	-	-	-	(240)	719
Other comprehensive (loss) income for the year	-	-	-	-	(632)	1,892
Total comprehensive loss attributable to owners of the Company	(15,275)	(9,035)	(847)	(730)	(4,611)	(1,548)
Total comprehensive loss attributable to non- controlling interests	(11,151)	(6,596)	(400)	(343)	(2,826)	(949)
Total comprehensive loss for the year	(26,426)	(15,631)	(1,247)	(1,073)	(7,437)	(2,497)
Net cash inflow (outflow) from operating activities	16,524	10,645	1	(201)	46	(1,867)
Net cash (outflow) inflow investing activities	(16,392)	(10,690)	-	-	-	1,882
Net cash outflow from financing activities	-	-	(281)	(663)	-	-
Net cash inflow (outflow)	132	(45)	(280)	(864)	46	15

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

18. JOINT VENTURE

	Group 2017 RMB'000	Group 2016 RMB'000
Cost of investment in joint venture	*	*

* Less than thousand of RMB.

Poly Ritz Green (Malaysia) Sdn. Bhd. ("Poly Ritz")

In 2015, the Group entered into a joint venture agreement with an outside party to acquire 50% of the issued and paid up share capital of Poly Ritz for a consideration of RM1. Poly Ritz had yet to commence operation as at December 31, 2017.

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 2017 %	Proportion of ownership interest 2016 %	Principal activity
Poly Ritz Green (Malaysia) Sdn. Bhd.	Malaysia	50	50	Property investment and development

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.

The above joint controlled operation is 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).

19. AVAILABLE-FOR-SALE INVESTMENT

	Group 2017 RMB'000	Group 2016 RMB'000
Unquoted equity shares	1,300	1,300

Unquoted investment consists of:

Investment in Foshan Nanhai Rural Credit Union

Represents an investment in 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

20. INSURANCE ASSETS

	Group 2017 RMB'000	Group 2016 RMB'000
Life insurance policies at fair value:		
Balance at beginning of year	1,549	-
Additions	1,572	1,549
Exchange difference	89	-
Balance at end of year	3,210	1,549

The life insurance policy relates to life insurances purchased by two key management personnel of a subsidiary. The total insured amount of the two contracts (2016: two contracts) are RMB9,630,000 (2016: RMB9,294,000). The contracts will mature in 2045, or death of the insured person whichever is earlier. At the time of death of the insured person, 100% of the insured amount will be payable to the Group.

At the end of reporting period, the cash surrender value of key management personnel life insurance policies is RMB3,210,000 (2016: RMB1,549,000).

The fair value of investment linked life insurance policies is based on the total cash surrender value of the contracts stated in the annual statements of these policies (Level 2).

21. DEFERRED TAX

	Group 2017 RMB'000	Group 2016 RMB'000
Deferred tax liabilities	(304,610)	(340,191)
Deferred tax assets	17,309	16,922
	(287,301)	(323,269)

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

	Fair value in investment properties RMB'000	Fair value adjustment in development properties (Note) RMB'000	Fair value adjustment in 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, 2016	(331,031)	(65,508)	(1,286)	36,108	(16,920)	(10,379)	(389,016)
(Charge) Credit to profit or loss for the year (Note 34)	(32,642)	522	-	8,407	(9,911)	3,438	(30,186)
Reclassified to held for sale (Note 14)	120,799	(9,784)	-	(28,524)	2,832	10,610	95,933
Balance at December 31, 2016	(242,874)	(74,770)	(1,286)	15,991	(23,999)	3,669	(323,269)
Credit to profit or loss for the year (Note 34)	3,686	9,888	-	10,667	10,498	1,229	35,968
Balance at December 31, 2017	(239,188)	(64,882)	(1,286)	26,658	(13,501)	4,898	(287,301)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

21. DEFERRED TAX (cont'd)

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

Note: Deferred tax arising on the fair value adjustment in 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 RMB715,746,000 (2016: RMB848,080,000). 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 RMB71,575,000 (2016: RMB84,808,000) relating to the undistributed earnings has not been recognised. No deferred tax has been recognised for the Group's investment in the joint venture as it has yet to commence operations.

22. 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.

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 cash flows forecasts and extrapolates cash flows for the following twenty years based on estimated growth rate of 5% (2016: 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% (2016: 9%) per annum.

As at December 31, 2017 and 2016, 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.

23. BANK AND OTHER LOANS

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Total other loans [(a)]	1,367,426	2,226,806	-	-
Other loans associated with assets classified as held for sale	-	(633,718)	-	-
	1,367,426	1,593,088	-	-
Total bank loans [(b)]	267,241	924,259	-	-
Bank loans associated with assets classified as held for sale	-	(142,000)	-	-
	267,241	782,259	-	-
Less: Amount due for settlement within 12 months (shown under current liabilities)	(618,067)	(1,324,783)	-	-
Amount due for settlement after 12 months	1,016,600	1,050,564	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

23. BANK AND OTHER LOANS (cont'd)

The Group has principal bank and other loans as follows:

(a) Loans from a lender amounting to RMB978,000,000 (2016: RMB1,580,500,000) with an effective interest rate from 9.92% to 12.94% (2016: 9.92% to 14.00%) per annum and is secured by a director of the Group (2016: is secured by a director of the Group and subsidiaries, properties held for sale, development properties, land use rights of the Group and investment properties). The current portion of this loan amounted to RMB Nil (2016: RMB538,000,000) is repayable in 2017, while the non-current portion of this loan amounted to RMB978,000,000 (2016: RMB1,042,500,000). In 2016, RMB132,000,000 is repayable in 2018 and has been classified as liabilities directly associated with assets held for sale (Note 14).

A loan from a lender amounting to RMB25,010,000 (2016: RMB Nil) with an effective interest rate of 15.00% per annum, is secured by a director of the Group and repayable in 2018.

A loan from a lender amounting to RMB12,486,000 (2016: RMB12,486,000) is interest free, unsecured and repayable on demand.

A loan from a lender amounting to RMB7,120,000 (2016: RMB Nil) is interest free, unsecured and repayable in 2018 (2016: Nil).

A loan from a lender amounting to RMB20,841,000 (2016: RMB Nil) with an effective interest rate of 20.00% per annum, is secured by a subsidiary and was repaid in 2017.

Loans were raised together with a contractor for a total of RMB112,419,000 with an interest rates ranging from 7% to prime rate, repayable within one (1) to ten (10) years, secured by certain land use rights. RMB98,169,000 was repaid in 2017. In 2016, RMB98,169,000 has been advanced to the Group and are repayable on demand.

A loan from a lender amounting to RMB Nil (2016: RMB347,500,000) with an effective interest rate of 15% per annum, was secured by a director of the Group and his shares in the Company and subsidiaries and was fully repaid in 2017 (2016: repayable in 2017).

A loan from a lender amounting to RMB Nil (2016: RMB18,279,000) with an effective interest rate of 18% per annum, was secured by investment properties and was fully repaid in 2017 (2016: repayable in 2017).

Loans from a lender amounting to RMB60,000,000 as at December 31, 2015 with an effective interest rate of 14.5% per annum, secured by land use rights of the Group, guaranteed by Company and a director of the Group and investment properties, was fully repaid in 2016.

A loan from a lender amounting to RMB49,200,000 as at December 31, 2015 with an effective interest rate of 14.54% per annum, secured by land use rights of the Group, guaranteed a director of the Group and properties held for sale, was fully repaid in 2016.

During the financial year, to support the Group's operating cash flows requirements, the Group obtained loans from individuals and other non-financial institutions amounting to RMB326,015,000 (2016: RMB506,872,000). These loans bore average annual interest rate from 18% to 72% (2016: 18% to 106%) and incurred interest expense amounting to RMB74,615,000 (2016: RMB41,412,000). Management assessed and concluded that these parties are not related to the Group. The outstanding balance of these loans as at December 31, 2017 is RMB344,810,000 (2016: RMB169,872,000) are either guaranteed by a subsidiary, secured over properties held for sale, land use rights or investment properties of the Group, and repayable within the next twelve months.

(b) Loans from a lender amounting to RMB40,000,000 (2016: RMB87,000,000) with an effective interest rate at 5.22% (2016: 5.00% to 5.22%) per annum, is secured by directors of the Group and subsidiaries, restricted cash and cash equivalents and land use rights of the Group and repayable in 2018 (2016: repayable in 2017).

Loans from a lender amounting to RMB9,950,000 (2016: RMB219,300,000) with an effective interest rate at 4.35% (2016: 4.35% to 6.22%) per annum, is secured by restricted cash (2016: secured by directors of the Group and subsidiaries, restricted cash and cash equivalents and investment properties) and repayable in 2018 (2016: repayable in 2017).

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

23. BANK AND OTHER LOANS (cont'd)

Loans from a lender amounting to RMB38,600,000 (2016: RMB266,005,000) with an effective interest rate from 6.86% to 7.35% (2016: 4.94% to 5.67%) per annum, is secured by a director of the Group and subsidiaries, land use rights of the Group, property, plant and equipment and investment properties and repayable in 2032 to 2035 (2016: repayable in 2017).

Loans from a lender amounting to RMB163,691,000 (2016: RMB140,050,000) with an effective interest rate from 3.00% to 3.30% (2016: 1.90%) per annum, is secured by restricted cash and cash equivalents and repayable in 2018 (2016: repayable in 2017).

Loans from a lender amounting to RMB15,000,000 (2016: RMB Nil) with an effective interest rate at 5.66% (2016: Nil) per annum, is secured by a director of the Group and subsidiaries, land use rights of the Group and repayable in 2018.

Loans from a lender amounting to RMB Nil (2016: RMB46,401,000) with an effective interest rate from 4.99% to 6.07% (2016: 4.99% to 6.07%) per annum and was secured by a director of the Group and subsidiaries, restricted cash and cash equivalents and investment properties was fully repaid in 2017. In 2016, the current portion of this loan amounted to RMB38,337,000 was repayable in twelve months, while the non-current portion of this loan amounted to RMB8,064,000.

Loans from a lender amounting to RMB Nil (2016: RMB27,500,000) with an effective interest rate from 4.44% to 5.27% (2016: 4.44% to 5.27%) per annum, was secured by restricted cash and cash equivalents and land use rights of the Group and was fully repaid in 2017 (2016: repayable in 2017).

Loan from a lender amounting to RMB Nil (2016: RMB58,000,000) with an effective interest rate at 17.40% (2016: 17.40%) per annum, was secured by land use rights of the Group and was fully repaid in 2017 (2016: repayable in 2017).

Loans from a lender amounting to RMB Nil (2016: RMB24,500,000) with an effective interest rate from 4.85% to 5.10% (2016: 4.85% to 5.10%) per annum, was secured by a director of the Group and subsidiary, land use rights of the Group and investment properties and was fully repaid in 2017 (2016: repayable in 2017).

Loan from a lender amounting to RMB Nil (2016: RMB5,000,000) with an effective interest rate at 5.00% (2016: 5.00%) per annum, was unsecured and fully repaid in 2017.

Loans from a lender amounting to RMB Nil (2016: RMB12,000,000) with an effective interest rate at 4.35% (2016: 4.35%) per annum, was secured by restricted cash and cash equivalents and was fully repaid in 2017 (2016: repayable in 2017).

Loans from a lender amounting to RMB Nil (2016: RMB38,503,000) with an effective interest rate from 1.65% to 1.69% (2016: 1.65% to 1.69%) per annum, was secured by restricted cash and cash equivalents and was fully repaid in 2017 (2016: repayable in 2017).

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	January 1, 2017	Financing cash flows [(i)]	Foreign exchange movement	Other changes [(ii)]	December 31, 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank and other loans	2,375,347	(740,680)	-	-	1,634,667

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

23. BANK AND OTHER LOANS (cont'd)

(i) The cash flows make up the net amount of proceeds from issuance of notes payable and repayments of notes payable in the consolidated statement of cash flows.

(ii) Other changes include interest accruals, payments and amortisation of transaction costs.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (outside parties)	242,501	360,982	-	-
Advance receipt from the sales of properties	112,699	114,576	-	-
Other taxes payable	27,264	27,798	-	-
Accrued expenses	77,219	31,009	865	774
Deposits received	6,776	11,425	-	-
Payroll payable	7,769	5,987	-	-
Other payables	184,250	39,578	81,736	-
Amount due to former non-controlling interests	148,050	168,930	-	-
Provision for legal issue of contractual dispute	7,103	12,522	-	-
Payable for acquisition of subsidiary	23,441	43,690	-	-
Advances from third parties	121,741	115,511	-	-
Advances from non-controlling interests	104,702	100,742	-	-
Advances from customers	6,059	6,079	-	-
	1,069,574	1,038,829	82,601	774
Less: Advance deposit from the sales of properties classified as non-current	-	(259)	-	-
Current portion	1,069,574	1,038,570	82,601	774

The credit period granted by suppliers ranges from 30 days to 180 days (2016: 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.

Included in other payables of the Group and the Company amounting to RMB81,736,000 (2016: RMB Nil) relates to provision for penalty for the disposal of subsidiaries.

Included in amount due to former non-controlling interests, of which amounting to RMB114,930,000 (2016: RMB114,930,000) represents the advance received for working capital to Sihui's projects, which is interest free and repayable on demand. The remaining balance amounting to RMB33,120,000 (2016: RMB54,000,000) represents the consideration to acquire Sihui in 2015, which has yet to be fully paid by the Group as at December 31, 2017.

On March 13, 2004, the Group entered into joint agreement ("agreement") with third parties to jointly develop 77.94 acres of land, which was owned by the third parties. In return, the Group agreed to let those third parties have first right to purchase of certain properties once completed. In 2015, the third parties brought a legal suit against the Group for non-compliance with the agreement for selling the properties without providing the third parties with the first right to purchase. The court ruled that the Group need to compensate third parties for damage of RMB12,522,000.

Payable for acquisition of subsidiary represents the remaining consideration to acquire Profit Consortium Sdn. Bhd., which has yet to be paid by the Group as at December 31, 2017 and 2016.

Advances from third parties were used for working capital purpose, which are unsecured and interest free.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

24. TRADE AND OTHER PAYABLES (cont'd)

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 RMB16,340,000 (2016 : RMB16,340,000) bear interest of 6% (2016 : 6%) annually while the remaining RMB88,362,000 (2016: RMB84,402,000) of advances from non-controlling interests is interest free. This includes a balance of RM3,000,000 (RMB4,715,700) (2016: RMB Nil) for a payment made by a minority shareholder of a subsidiary to a political party in Malaysia.

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

25. LONG TERM PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
<u>**Group**</u>				
Amounts payable under finance leases:				
Within one year	35,700	31,668	24,779	23,420
In the second to fifth years inclusive	61,600	60,900	36,577	38,487
More than 5 years	185,570	200,970	116,232	116,238
	282,870	293,538	177,588	178,145
Less: Future finance charges	(105,282)	(115,393)	N/A	N/A
Present value of lease obligations	177,588	178,145	177,588	178,145
Less: Amount due for settlement within 12 months			(24,779)	(23,420)
Amount due for settlement after 12 months			152,809	154,725

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 16 years (2016: 17 years). For the year ended December 31, 2017, the effective borrowing rate is 6% per annum (2016: 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.

26. SHARE CAPITAL

	Group and Company			
	2017	**2016**	**2017**	**2016**
	No of ordinary shares		**RMB'000**	**RMB'000**
Issued and paid up:				
At beginning of year	74,999,688	1,125,000,000	909,831	909,831
Effects of share consolidation	-	(1,050,000,312)	-	-
At end of year	74,999,688	74,999,688	909,831	909,831

In 2016, the Company undertaken a share consolidation exercise to consolidate every fifteen ordinary shares into 1 ordinary share.

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 THE FINANCIAL STATEMENTS

December 31, 2017

27. CAPITAL RESERVE

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

28. REVALUATION RESERVE

The property revaluation reserve relates 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.

29. 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.

30. REVENUE

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

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Revenue from:		
Property development	31,310	305,928
Sales of investment properties	179,950	11,502
Construction contracts	54,372	-
Property rental income	15,010	16,833
Property management service income	17,611	15,113
	298,253	349,376

31. OTHER OPERATING INCOME

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Interest income	5,829	7,374
Change in fair value of investment properties (Note 16)	-	98,003
Sundry income	2,591	87
Gain on disposal of subsidiaries (Note 41)	183,269	-
Net foreign exchange gain	93,476	-
	285,165	105,464

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

32. OTHER OPERATING EXPENSES

	Group	
	2017	2016
	RMB'000	RMB'000
Allowance for doubtful debts (Note 8)	-	11,824
Provision for legal issue of contractual dispute (Note 24)	-	12,522
Penalty charged for late payment of the consideration to acquire land	-	5,429
Change in fair value of investment properties (Note 16)	7,838	-
Other expenses	2,776	3,960
	10,614	33,735

33. FINANCE COSTS

	Group	
	2017	2016
	RMB'000	RMB'000
Interest on bank and other loans	282,940	343,429
Less: Amount capitalised as cost of development properties (Note 12)	(101,905)	(182,232)
Less: Amount capitalised as cost of investment properties	(399)	(9,054)
	180,636	152,143

34. INCOME TAX EXPENSE

	Group	
	2017	2016
	RMB'000	RMB'000
Enterprise income tax		
Current	61,099	3,122
Land appreciation tax		
Current	10,575	2,505
Deferred tax		
Enterprise income tax	(25,470)	20,275
Land appreciation tax	(10,498)	9,911
	(35,968)	30,186
	35,706	35,813

Domestic income tax of the Company is calculated at 17% (2016: 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.

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.

Under the PRC tax laws and regulations, income from sale of properties in the PRC is subject to Land Appreciation Tax ("LAT") at progressive rates between 30% to 60% of the appreciation value corresponding with appreciation in values ranging from brackets of more than 20% to the top tier bracket of more than 200%.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

34. INCOME TAX EXPENSE (cont'd)

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

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Profit (Loss) before tax	55,001	(165,646)
Income tax at PRC statutory rate of 25% (2016: 25%)	13,750	(41,412)
Tax effect of:		
Expense not deductible for tax purpose	5,882	57,942
Income not taxable for tax purpose	(670)	(2,673)
Land appreciation tax	9,090	1,879
Effect of different tax rates	(10,520)	(10,075)
Effect of tax loss not recognised	22,076	32,456
Effect of utilisation of tax losses	(3,902)	-
Others	-	(2,304)
Tax expense for the year	35,706	35,813

Subject to the agreement by the tax authorities at the end of the reporting period, the Group has unutilised tax losses amounting to RMB273,125,000 (2016: RMB200,429,000) which are available for offsetting against future taxable income. No deferred tax asset has been recognised in the financial statements due to the unpredictability of future profit stream.

Deferred tax benefits from unutilised tax losses is RMB68,281,000 (2016: RMB50,107,000).

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

35. PROFIT (LOSS) FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group 2017	Group 2016
	RMB'000	RMB'000
Directors' remuneration		
- directors' fees	817	803
- other emoluments		
- of the Company	2,500	5,213
- of the subsidiaries	2,929	2,673
Total directors' remuneration	6,246	8,689
Employee benefits expense (including directors' remuneration)	28,593	31,679
Cost of defined contribution included in employee benefits	2,457	3,361
Depreciation expense	2,659	2,683
Amortisation of prepaid leases	223	223
Net foreign exchange (gain) loss	(93,476)	61,226
Cost of completed properties for sale recognised as expenses	210,415	279,720
Loss on disposal of property, plant and equipment	98	-
Audit fees:		
- paid to auditor of the Company	613	499
- paid to other auditors	1,971	1,845
Total audit fee	2,584	2,344
Non-audit fees:		
- paid to auditor of the Company	64	52

36. 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:

	2017	2016
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	33,583	(192,852)

	Number of shares 2017	Number of shares 2016
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	74,999,688	443,424,000

Basic and diluted earnings per ordinary share for the Group are divided by the current period weighted average number of shares of 74,999,688 (2016: 443,424,000 after share consolidation).

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

37. 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; and

(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 mainly located in the PRC, hence no analysis by geographical area of operation is provided.

Segment revenue and results

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

	Property development	Sales of investment properties	Construction contracts	Property investment	Others	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2017							
Revenue							
External revenue	31,310	179,950	54,372	15,010	17,611	-	298,253
Inter-segment revenue	-	-	984	-	-	(984)	-
	31,310	179,950	55,356	15,010	17,611	(984)	298,253
Results							
Segment profit (loss)	(18,925)	(1,395)	4,583	(22,863)	(2,508)	-	(41,108)
Gain on disposal of subsidiaries	183,269	-	-	-	-	-	183,269
Net foreign exchange gain	93,476	-	-	-	-	-	93,476
Finance costs							(180,636)
Profit before tax							55,001
Income tax expense							(35,706)
Profit for the year							19,295

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

37. SEGMENT INFORMATION (cont'd)

	Property development	Sales of investment properties	Construction contracts	Property investment	Others	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2017							
Revenue							
External revenue	305,928	11,502	-	16,833	15,113	-	349,376
Inter-segment revenue	6,309	-	120,321	-	1,148	(127,778)	-
	312,237	11,502	120,321	16,833	16,261	(127,778)	349,376
Results							
Segment (loss) profit	60,502	(520)	6,371	6,962	(1,246)	-	72,069
Allowance for doubtful debts	-	-	-	(11,824)	-	-	(11,824)
Provision for legal issue of contractual dispute	-	-	-	(12,522)	-	-	(12,522)
Net foreign exchange loss	(61,226)	-	-	-	-	-	(61,226)
Finance costs							(152,143)
Loss before tax							(165,646)
Income tax expense							(35,813)
Loss for the year							(201,459)

Segment loss represents the loss 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.

Segments assets

	2017	2016
	RMB'000	RMB'000
Property development	1,224,243	5,257,798
Construction contracts	1,602,649	571,506
Property investment	1,525,213	935,860
Others	274,644	41,715
Consolidated total assets	4,626,749	6,806,879

Segments liabilities

	2017	2016
	RMB'000	RMB'000
Property development	163,804	3,810,292
Construction contracts	1,728,724	1,024,057
Property investment	1,142,241	502,155
Others	308,500	200,076
Consolidated total assets	3,343,269	5,536,580

All assets and liabilities are allocated to reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

37. SEGMENT INFORMATION (cont'd)

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Property development	996	2,554	1,174	55
Construction contracts	109	68	-	17
Property investment	1,605	-	954	13,172
Others	172	284	8,798	-
Total	2,882	2,906	10,926	13,244

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

38. OPERATING LEASE ARRANGEMENTS

As lessee

	Group	
	2017	2016
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	14,000	15,281

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

	Group	
	2017	2016
	RMB'000	RMB'000
Within one year	14,700	14,296
In the second to fifth year inclusive	61,600	62,196
After five years	185,570	209,450
	261,870	285,942

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.

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 RMB15,010,000 (2016: RMB16,833,000). Direct operating expenses arising on the investment properties in the year amounted to RMB1,170,000 (2016: RMB1,858,000).

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

38. OPERATING LEASE ARRANGEMENTS (cont'd)

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

	Group	
	2017	2016
	RMB'000	RMB'000
Within one year	18,104	18,289
In the second to fifth year inclusive	55,346	57,364
After five years	74,929	85,491
	148,379	161,144

39. COMMITMENTS

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

	Group	
	2017	2016
	RMB'000	RMB'000
Acquisition of lands [1]	978,989	976,059
Construction of properties	3,090	184,610
	982,079	1,160,669

(1) On November 29, 2015, the Company's wholly owned subsidiary entered into an agreement to acquire 62% of equity interest of Profit Consortium Sdn. Bhd. ("PCSB"). The acquisition was approved in the shareholder meeting held on April 27, 2016 and PCSB was accounted as a subsidiary of the Company in 2016 (Note 17). Accordingly, the sale and purchase agreement entered into by PCSB relating to the acquisition of 5 parcels of land ("Plaza Rakyat Project"), in which the remaining consideration amounting to RMB978,989,000 (equivalent to RM610,000,000) (2016: RMB976,059,000 (equivalent to RM630,000,000)) had yet to paid as at December 31, 2017, was disclosed as commitments of the Group.

40. 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 23(a), the contingent liabilities of the Group were as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Guarantees given to banks in connection with facilities	652,955	1,236,345

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 certain 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

41. DISPOSAL OF SUBSIDIARIES

On November 8, 2016, the Group entered into a sale and purchase agreement with buyers to dispose of its subsidiaries, Infinity Real Estate Holdings Pte Ltd, Foshan Sanshui Nengrun Property Development Co., Ltd, and Foshan Sanshui Fangao Land Co., Ltd (Disposed Subsidiaries). The disposal was approved by the shareholders of the Company at the extraordinary general meeting held on January 26, 2017 (Note 14).

The transfer of equity interest of Disposed Subsidiaries to the buyers was completed on March 10, 2017.

The aggregate cash consideration for the disposal of Disposed Subsidiaries of RMB2,023,000,000 is due in various tranches from January 2017 to October 2018.

Carrying amounts of net assets over which control was lost:

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Current assets		
Trade and other receivables	121,366	-
Development properties	1,585,716	-
Properties held for sales	344,077	-
Total current assets	2,051,159	-
Non-current assets		
Property, plant and equipment	235	-
Investment properties	421,000	-
Total non-current assets	421,235	-
Total assets	2,472,394	-
Current liabilities		
Bank and other loans	775,718	-
Trade and other payables	631,431	-
Total current liabilities	1,407,149	-
Non-current liability		
Deferred tax liabilities	95,933	-
Total liabilities	1,503,082	-
Net assets	**969,312**	**-**
Consideration received/receivables		
Cash	965,432	-
Deferred consideration (Note 8)	391,638	-
Other consideration [i]	665,930	-
Total consideration	2,023,000	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

41. DISPOSAL OF SUBSIDIARIES

	Group	
	2017	2016
	RMB'000	RMB'000
Gain on disposal		
Total consideration	2,023,000	-
Net assets derecognised	(969,312)	-
Other consideration (i)	(665,930)	-
Others (ii)	(204,489)	-
	183,269	-

(i) Other consideration represents settlement on behalf of the Group's bank and other loans.

(ii) This represents payment on behalf the Group's trade payables amounting to RMB165,667,000. The remaining balance consist of payment for administrative expenses incurred after the completion date.

The gain on disposal of the subsidiaries is recorded as part of profit for the year in the statement of profit or loss and other comprehensive income.

	Group	
	2017	2016
	RMB'000	RMB'000
Net cash inflow arising on disposal		
Cash consideration received	965,432	-

The deferred consideration will be settled in cash by the purchasers on or before September 30, 2018.

42. EVENT AFTER REPORTING PERIOD

(a) Executive Chairman and Chief Executive Officer of the Group, Mr Yuan Le Sheng, ("CEO") assisting in investigations on a China Official

As announced by the Group on October 25, 2016, the CEO of the Group was, on October 16, 2016, requested by the People's Procuratorate of Nanhai District, Foshan City, Guangdong Province, the People's Republic of China ("Procurator") to assist in an investigation on a Chinese official of Foshan City.

The CEO represented that the focus of the investigation was on the transactions related to a construction contract, which was awarded by the subsidiary of the Group to a construction company owned by this Chinese official. Management had assessed whether the award of the construction contract was in accordance with the Group's policies and processes and the pricing term was comparable with market rate. Management concluded that such awarded construction contract was in compliance with the Group's policies and processes and the price was comparable to market rate. The Sanshui Project was disposed of by the Group on March 10, 2017.

In February 2018, the Guangdong Province, Foshan City, Nanhai District People's Court concluded that Foshan Nanhai Debao Property Development Co., Ltd, a subsidiary of the Group, through Mr Yuan Le Sheng, returned the favour of the Chinese Official by giving cash gifts and gifts totalling RMB 2,700,000 between 2008 to 2012.

Accordingly, Foshan Nanhai Debao Property Development Co., Ltd has been found guilty of bribery and fined RMB 2,000,000.

Mr Yuan Le Sheng, as legal representative of Foshan Nanhai Debao Property Development Co., Ltd, has been sentenced to either an imprisonment of two (2) years or three (3) years of probation in lieu of imprisonment.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

42. EVENT AFTER REPORTING PERIOD (cont'd)

(b) Subsequent to the end of the financial year, on March 1, 2018, the directors of the Company proposed a tax-exempt one-tier final dividend of SGD0.02 per ordinary share totalling SGD1,499,994 (equivalent to RMB7,317,000) be paid for the financial year ended December 31, 2017. This is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been accrued as a liability in the financial statements.

(c) On April 19, 2018, Mr Yuan Le Sheng has tendered his resignation as the Executive Chairman and Chief Executive Officer of the Company.

(d) On April 19, 2018, the Nominating Committee has recommended the appointment of Mr Yuan Jiajun as an Executive Director of the Company, and the Board of Directors has approved his appointment based on his qualifications and working experience.

(e) On April 19, 2018, the Nominating Committee has recommended the appointment of Mr Zhong Yuzhao as the Chief Executive Officer of the Company, and the Board of Directors has approved his appointment based on his qualifications and working experience.

(f) On June 28, 2018 and July 10, 2018, various accounting books and records of a subsidiary, Profit Consortium Sdn. Bhd., including journal vouchers, bank statements, and payment application forms for the financial years 2016 to 2018, were collected by the Malaysian Anti-Corruption Commission ("MACC"), also known as Suruhanjaya Pencegahan Rasuah Malaysia.

(g) In October 2018, the Group Chief Financial Officer of the Company has tendered his resignation.

STATISTICS OF SHAREHOLDINGS
AS AT 8 NOVEMBER 2018

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	74	8.75	4,148	0.01
100 - 1,000	354	41.84	113,946	0.15
1,001 - 10,000	269	31.80	1,111,789	1.48
10,001 - 1,000,000	141	16.67	9,896,253	13.19
1,000,001 AND ABOVE	8	0.94	63,873,552	85.17
TOTAL	**846**	**100.00**	**74,999,688**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	BILLION EQUITY HOLDINGS LIMITED	37,920,348	50.56
2	UOB KAY HIAN PRIVATE LIMITED	13,291,473	17.72
3	PHILLIP SECURITIES PTE LTD	5,414,363	7.22
4	PRIDE CAPITAL INVESTMENT HOLDINGS LIMITED	1,825,894	2.43
5	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,633,380	2.14
6	WU KWOK HUNG	1,414,388	1.89
7	RAFFLES NOMINEES (PTE) LIMITED	1,297,506	1.73
8	YUAN LE SHENG	1,106,200	1.47
9	OCBC SECURITIES PRIVATE LIMITED	787,790	1.05
10	ATMA SINGH S/O NAND SINGH	484,800	0.65
11	CITIBANK NOMINEES SINGAPORE PTE LTD	450,652	0.60
12	THAM KENG CHUEN	444,449	0.59
13	POW KIM HOO	444,012	0.59
14	MAYBANK KIM ENG SECURITIES PTE. LTD.	403,065	0.54
15	CHUA FENG CI JANE	402,649	0.54
16	ABN AMRO CLEARING BANK N.V.	328,673	0.44
17	TAN ENG HONG	305,166	0.41
18	JANE KIMBERLY NG BEE KIOK	283,446	0.38
19	SKYLIGHT ENTERPRISES GROUP LIMITED	271,344	0.36
20	DALJIT SINGH S/O SUNDAR SINGH	257,300	0.34
	TOTAL	**68,736,898**	**91.65**

STATISTICS OF SHAREHOLDINGS

AS AT 8 NOVEMBER 2018

SHARE CAPITAL

Issued and paid-up share capital	:	S$143,750,000.00
Issued and fully paid-up	:	74,999,688
Class of Shares	:	Ordinary shares
Voting rights	:	One vote per share
Number of Treasury Shares held	:	Nil
Number of Subsidiary holdings	:	Nil

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 8 November 2018, 38.53% 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 8 NOVEMBER 2018

Name of Substantial Shareholder	Direct Interest	%	Deemed Interest	%
Yuan Le Sheng	1,106,200 (1)	1.47	37,920,348 (1)	50.56
Billion Equity Holdings Limited	37,920,348 (1)	50.56	-	-

Note:

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624, on Friday, 30 November 2018 at 10.00 a.m., for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' Statement and the Auditors' Report thereon. **Resolution 1**

2. To declare a first and final dividend of 2.00 Singapore cents per ordinary share (one-tier tax-exempt) for the financial year ended 31 December 2017. **Resolution 2**

3. To approve Directors' fees of RMB 817,398 (equivalent to S$167,000) for the financial year ending 31 December 2018, payable half yearly in arrears. **Resolution 3**

4. To note the retirement of Mr Cheong Keng Chuan Alfred who is retiring as a Director pursuant to Article 93 of the Company's Constitution.

5. To note the retirement of Mr He Guoquan who is retiring as a Director pursuant to Article 93 of the Company's Constitution.

6. To re-elect Mr Yuan Jiajun, a Director retiring pursuant to Article 92 of the Company's Constitution. **Resolution 4**
   [See Explanatory Note (i)]

7. To note that Messrs Deloitte & Touche has expressed that they will not seek re-appointment as auditors of the Company.
   [See Explanatory Note (ii)]

SPECIAL BUSINESS

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

8. That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore 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 subsidiary holdings) 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 and subsidiary holding). 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

For the purposes of this Resolution and Rule 806(3) of the Listing Manual of the SGX-ST, 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 of the SGX-ST; and

(iii) any subsequent consolidation or subdivision of shares.

[See Explanatory Note (iii)]

OTHER BUSINESS

7. To transact any other business.

BY ORDER OF THE BOARD

Janet Tan
Company Secretary

15 November 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Yuan Jiajun will, upon his re-election as a Director of the Company, remain as an Executive Director of the Company.

(ii) Messrs Deloitte & Touche has expressed that they will not be seeking re-appointment as auditors of this Annual General Meeting. The Company will convene an Extraordinary General Meeting to appoint new auditors.

(iii) 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 of the Company (other than a Relevant Intermediary as defined in Note 2 below) entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his or her stead. A proxy need not be a member of the Company and where a member appoints two (2) proxies, he or she shall specify the proportion of his or her shareholding to be represented by each proxy in the instrument appointing the proxies. 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.

2. A member of the Company who is a Relevant Intermediary entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend and vote in his or her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. A proxy need not be a member of the Company and where a member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

   "**Relevant Intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

NOTICE OF ANNUAL GENERAL MEETING

(c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

3. The instrument appointing a proxy or proxies must be under the hand of 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 executed either under its common seal or under the hand of its attorney or duly authorised officer.

4. 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 forty-eight (48) hours before the time appointed for the holding the Annual General Meeting.

PERSONAL DATA PRIVACY:

By attending the Annual General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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.

DEBAO PROPERTY DEVELOPMENT LTD.
(Company Registration No.: 200715053Z)
(Incorporated in the Republic of Singapore)

PROXY FORM

ANNUAL GENERAL MEETING

IMPORTANT
1. For investors who have used their CPF monies to buy ordinary shares in the capital of Debao Property Development Ltd., this 2017 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.
3. CPF Investors who wish to attend and vote at the Annual General Meeting should contact their CPF Approved Nominees.

I/We*, ______________________________ NRIC/ Passport/ Co. Reg. No.* ____________________

of ____ (Address)

being a member/members* of DEBAO PROPERTY DEVELOPMENT LTD. (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings %

and/or failing him/her*

Name	Address	NRIC/Passport No.	Proportion of Shareholdings %

or failing him/her*, the Chairman of the Annual General Meeting (the "**AGM**") of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf at the AGM of the Company to be held at 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624 on Friday, 30 November 2018 at 10.00 a.m., and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/their* discretion, as he/they* will on any other matters arising at the AGM.

All resolutions put to the vote of the AGM shall be decided by the way of poll.

* *Delete as appropriate.*

No.	Ordinary Resolutions	Number of Votes For**	Number of Votes Against**
	Ordinary Business		
1	To receive, consider and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' Statement and Auditors' Report thereon.		
2	To declare a first and final dividend of 2.00 Singapore cents per ordinary share (one-tier tax-exempt) for the financial year ended 31 December 2017.		
3	To approve Directors' fees of RMB 817,398 (equivalent to S$167,000) for the financial year ending 31 December 2018, payable half yearly in arrears.		
4	To re-elect Mr Yuan Jiajun, a Director retiring pursuant to Article 92 of the Company's Constitution.		
	Special Business		
5	To authorise the Directors to allot and issue new shares.		

** If you wish to exercise all your votes "**For**" or "**Against**", please indicate with a "**X**" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ____________ day of ____________________ 2018

____
Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

Total number of Shares Held	
CDP Register	
Member's Register	
TOTAL	

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 81SF of the Securities and Futures Act, Chapter 289 of Singapore), 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 (other than a Relevant Intermediary as defined in Note 3 below) entitled to attend and vote at the AGM of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company and where a member appoints two (2) proxies, 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.

3. A member of the Company who is a Relevant Intermediary entitled to attend and vote at the AGM of the Company is entitled to appoint more than two (2) proxies to attend and vote in his or her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. A proxy need not be a member of the Company and where a member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

   "**Relevant Intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. 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 forty-eight (48) hours before the time appointed for the holding of the AGM.

5. The instrument appointing a proxy or proxies must be under the hand of 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 common seal or under the hand of its attorney or duly authorised officer.

6. 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 AGM, 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 seventy-two (72) hours before the time appointed for holding the AGM, 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.

This page has been intentionally left blank.

This page has been intentionally left blank.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Zhong Yuzhao (Executive Director and CEO)
Zhang Mao (Executive Director)
Yuan Jiajun (Executive Director)
Cheong Keng Chuan Alfred (Lead Independent Director)
He Guoquan (Independent Director)
Jack Chia Seng Hee (Independent Director)

AUDIT COMMITTEE
Cheong Keng Chuan Alfred (Chairman)
He Guoquan
Jack Chia Seng Hee

NOMINATING COMMITTEE
He Guoquan (Chairman)
Cheong Keng Chuan Alfred
Jack Chia Seng Hee

REMUNERATION COMMITTEE
Jack Chia Seng Hee (Chairman)
Cheong Keng Chuan Alfred
He Guoquan

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

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