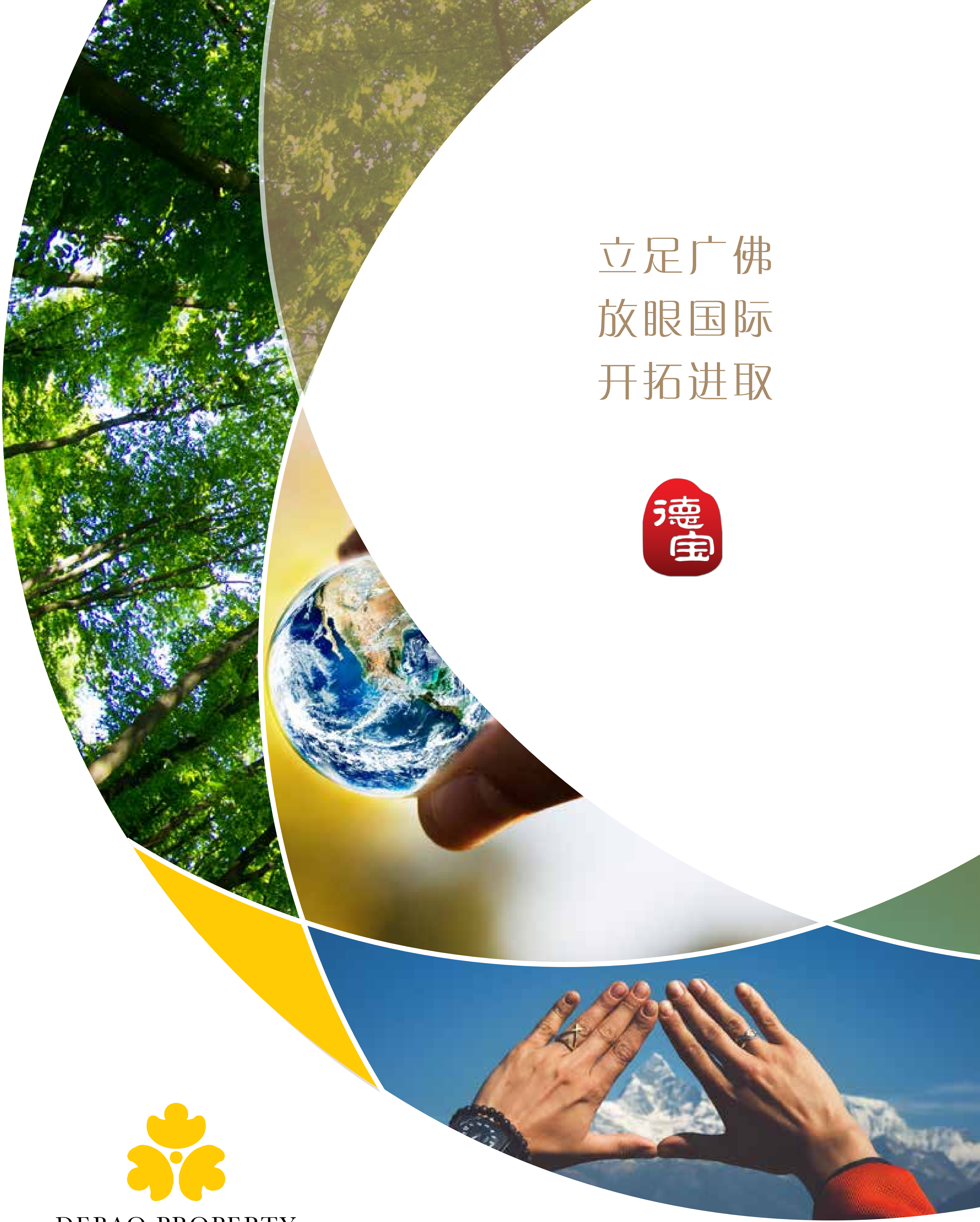
立足广佛
放眼国际
开拓进取



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

ANNUAL REPORT 2015

CONTENTS

Corporate Profile	1
Our Properties	2
Corporate Milestones	4
Financial Highlights	5
Chairman Statement	12
Board of Directors	18
Senior Management	20
Corporate Governance Report	21
Financial Statements	39
Statistics of Shareholdings	114
Notice of Annual General Meeting	116
Proxy Form	
Corporate Information	IBC

CORPORATE PROFILE

Our corporate office building at Jiangnan Mingju Phase 5

Established in 2000, Debao Property Development Ltd. (the "Company", together with its subsidiaries, the "Group") is an integrated property developer of quality integrated residential properties and commercial properties from Foshan City, Guangdong Province, the People's Republic of China ("PRC").

Our vertically integrated business model and operations enable us to carry out key aspects of property development, such as design, construction and marketing, in-house as well as manage the developments after completion.

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

Our business comprises four segments: property development, construction contract, property investment, and property management. In December 2014, our eleventh completed property development project, Sihui Project Block A Sihui City Mall , the first city mall in Sihui City with a gross floor area ("GFA") of 65,000 sq m was officially commenced business. And in November 2015, our twelfth completed property development project, Shanshui Longpan Phase 3(i) High-rise Flats No.1 to 6 with a gross floor area ("GFA") of 50,000 sq m was officially hander over to buyers in batches. With this, our aggregate GFA for completed property development projects reached 1,132,000 sq m to date. Shanshui Longpan, our flagship project, with a GFA of approximately 913,000 sqm comprising landed villas, terrace dwellings and high rise apartments, has further strengthened our portfolio of large scale property developments and taken the Group to greater heights of achievement as a quality property developer. As at 16 March 2016, the Group has a total GFA of approximately 2.4 million sqm of properties under and held for future development, including four projects in Malaysia. As part of our property investment business, we hold selected commercial properties that we developed or bought for capital appreciation for recurring and stable rental income. We also provide management services for residential properties developed by us.

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

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

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

Since 2012, the Group has extended its operations to Malaysia as part of its strategy to go globalization and build an international brand name in property development. As at the date of this annual report, we have four projects in Malaysia, especially the Plaza Rakyat Project, located in central Kuala Lumpur, when completed, will become the next most significant landmark of Kuala Lumpur after the Petronas Twin Towers.

OUR PROPERTIES

As of 16 March 2016, we have completed 12 property development projects with an aggregate GFA of approximately1,132,000 sq m, the latest being Shanshui Longpan Phase 3(i) High-rise Flats No.1 to 6, which had been handed over to buyer since November 2015..

COMPLETED PROPERTY DEVELOPMENT PROJECTS

	Property Development	Location / Type of Development	Approximate Total GFA (sq m)	Status
1	Xinliwan Garden (Project by Our Predecessors)	Foshan / Integrated development	91,000	Completed in September 1998
2	Debao Garden (Project by Our Predecessors)	Foshan / Integrated development	68,000	Completed in October 2000
3	Guicheng Industrial Park	Foshan / Integrated development	48,000	Completed in April 2002
4	Qing Hua Garden (Joint Venture Project)	Foshan / Integrated development	78,000	Completed in June 2004
5	Jiangnan Mingju Phases 1 to 4	Foshan / Multi-phases large-scale integrated development	350,000	Completed in October 2007
6	Jin Long Garden North Zone (Joint Venture Project)	Foshan / Multi-phases integrated development	45,000	Completed in December 2009
7	Jiangnan Mingju Phases 5 and 6	Foshan / Multi-phases integrated development	165,000	Completed in October 2010
8	Shanshui Longpan Phase I Villas	Foshan / Part of multi-phases large-scale integrated township development	61,000	Completed in October 2011
9	Jin Long Garden South Zone (Joint Venture Project)	Foshan/Multi-phases integrated development	75,000	Completed in July 2012
10	Shanshui Longpan Phase 1 (ii) Villas	Foshan/Part of multi-phases large-scale integrated township development	36,000	Completed in October 2012
11	Sihui Project Block A Sihui City Mall	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
	Total		**1,132,000**	

* as revised

As of 16 March 2016, we have a total GFA of approximately 2,403,000 sq m of properties under and held for future development.

PROPERTY DEVELOPMENT PROJECTS UNDER AND HELD FOR FUTURE DEVELOPMENT

Property Development	Location / Type of Development	Approximate Total GFA (sq m)	Status
1 Shanshui Longpan other Phases	Foshan/Multi-phases large-scale Integrated township development	808,000	• Development in Progress • Expected date of completion in 2018
2 Sihui Project Block B & C	Zhaoqing/Large-scale Integrated development	97,000	• Development in Progress • Expected date of completion in 2016
3 Tianjin Boulevard	Tianjin/Redevelopment of leased heritage building for commercial and leisure mall	46,000	• Development in Progress • Expected date of completion in 2016
4 Danzao Project	Foshan/Large-scale integrated development	250,000	• Reserved for future development
5 Adjacent Land to Foshan Longpan Holidays Resort Hotel	Foshan/To develop ancillary building to Foshan Longpan Holidays Resort Hotel	41,000	• Reserved for future development
6 Additional Sihui Project	Zhaoqing/Commercial Development	83,000	• Reserved for future development
7 Imbi Project	Kuala Lumpur/ Integrated development	128,000	• Development in progress • Expected date of completion in 2019
8 Kuchai Lama Project	Kuala Lumpur/ Integrated development	143,000	• Development in progress • Expected date of completion in 2019
9 Plaza Rakyat Project	Kuala Lumpur/ large-scale Integrated development	678,000	• Development in progress • Expected date of completion in 2022
10 Cheras Mukota Project	Selengor/ Integrated development	129,000	• Reserved for future development
Total		**2,403,000**	

CORPORATE MILESTONES

2016 AND BEYOND

SHANSHUI LONGPAN OTHER PHASES
Approximate Total GFA (sq m) : 808,000
Location/Type of Development : Foshan/Multi-phases large-scale integrated township development

SIHUI PROJECT
Approximate Total GFA (sq m) : 97,000
Location/Type of Development : Zhaoqing/Large-scale integrated development

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

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

ADJACENT LAND TO FOSHAN LONGPAN HOLIDAYS RESORT HOTEL
Approximate Total GFA (sq m) : 41,000
Location/Type of Development : Foshan/To develop ancillary building to Foshan Longpan Holidays Resort Hotel

ADDITIONAL SIHUI PROJECT
Approximate Total GFA (sq m) : 83,000
Location/Type of Development : Zhaoqing/Commercial development

PLAZA RAKYAT PROJECT
Approximate Total GFA (sq m) : 678,000
Location/Type of Development : Kuala Lumpur/ large-scale integrated 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 : 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 city mall

2012

SHANSHUI LONGPAN PHASE 1(II) VILLAS
Approximate Total GFA (sq m) : 36,000
Location/Type of Development : Foshan/Part of multi-phases large-scale integrated township development

JIN LONG GARDEN SOUTH ZONE (JOINT VENTURE PROJECT)
Approximate Total GFA (sq m) : 75,000
Location/Type of Development : Foshan/Multi-phases integrated development

2011

SHANSHUI LONGPAN PHASE 1 VILLAS
Approximate Total GFA (sq m) : 61,000
Location/Type of Development : Foshan/Part of multi-phases large-scale integrated township development

2010

JIANGNAN MINGJU PHASES 5 AND 6
Approximate Total GFA (sq m) : 165,000
Location/Type of Development : Foshan/Multi-phases integrated development

2009

JIN LONG GARDEN NORTH ZONE (JOINT VENTURE PROJECT)
Approximate Total GFA (sq m) : 45,000
Location/Type of Development : Foshan/Multi-phases integrated development

2007

JIANGNAN MINGJU PHASES 1 TO 4
Approximate Total GFA (sq m) : 350,000
Location/Type of Development : Foshan/Multi-phases large-scale integrated development

2004

QING HUA GARDEN (JOINT VENTURE PROJECT)
Approximate Total GFA (sq m) : 78,000
Location/Type of Development : Foshan/Integrated development

2002

GUICHENG INDUSTRIAL PARK
Approximate Total GFA (sq m) : 48,000
Location/Type of Development : Foshan/Integrated development

2000

DEBAO GARDEN (PROJECT BY OUR PREDECESSORS)
Approximate Total GFA (sq m) : 68,000
Location/Type of Development : Foshan/Integrated development

1998

XINLIWAN GARDEN (PROJECT BY OUR PREDECESSORS)
Approximate Total GFA (sq m) : 91,000
Location/Type of Development : Foshan/Integrated development

FINANCIAL HIGHLIGHTS

	Actual Consolidated Financial Statements		Proforma Consolidated Financial Statements	
	FY2015 (RMB'm)	FY2014 (RMB'm) (restated)	FY2015 (RMB'm)	FY2014 (RMB'm) (restated)
Revenue	280.4	149.7	280.4	149.7
Cost of Sales	(209.1)	(116.6)	(198.0)	(113.3)
Gross Profit	71.3	33.1	82.4	36.4
Net Profit for the year	26.2	321.8	34.7	324.5
Gross Profit Margin (%)	25.43	22.11	29.39	24.32
Earnings per Share[2]-Basic (RMB fens)	3.05	10.21	3.81	10.45
Net Asset Value per Share at the End of the Year[3] (RMB fen)	133.2	142.4	115.0	123.5
Net Gearing Ratio[4] (%)	168.1	126.7	194.6	146.1
Net Cash Used in Operating Activities	(472.8)	(396.4)	(472.8)	(396.4)
Net Cash from (Used in) Investing Activities	108.2	(341.7)	108.2	(341.7)
Net Cash from Financing Activities	415.4	737.9	415.4	737.9
Cash and Cash Equivalents at the End of the year	177.4	140.3	177.4	140.3

Notes:

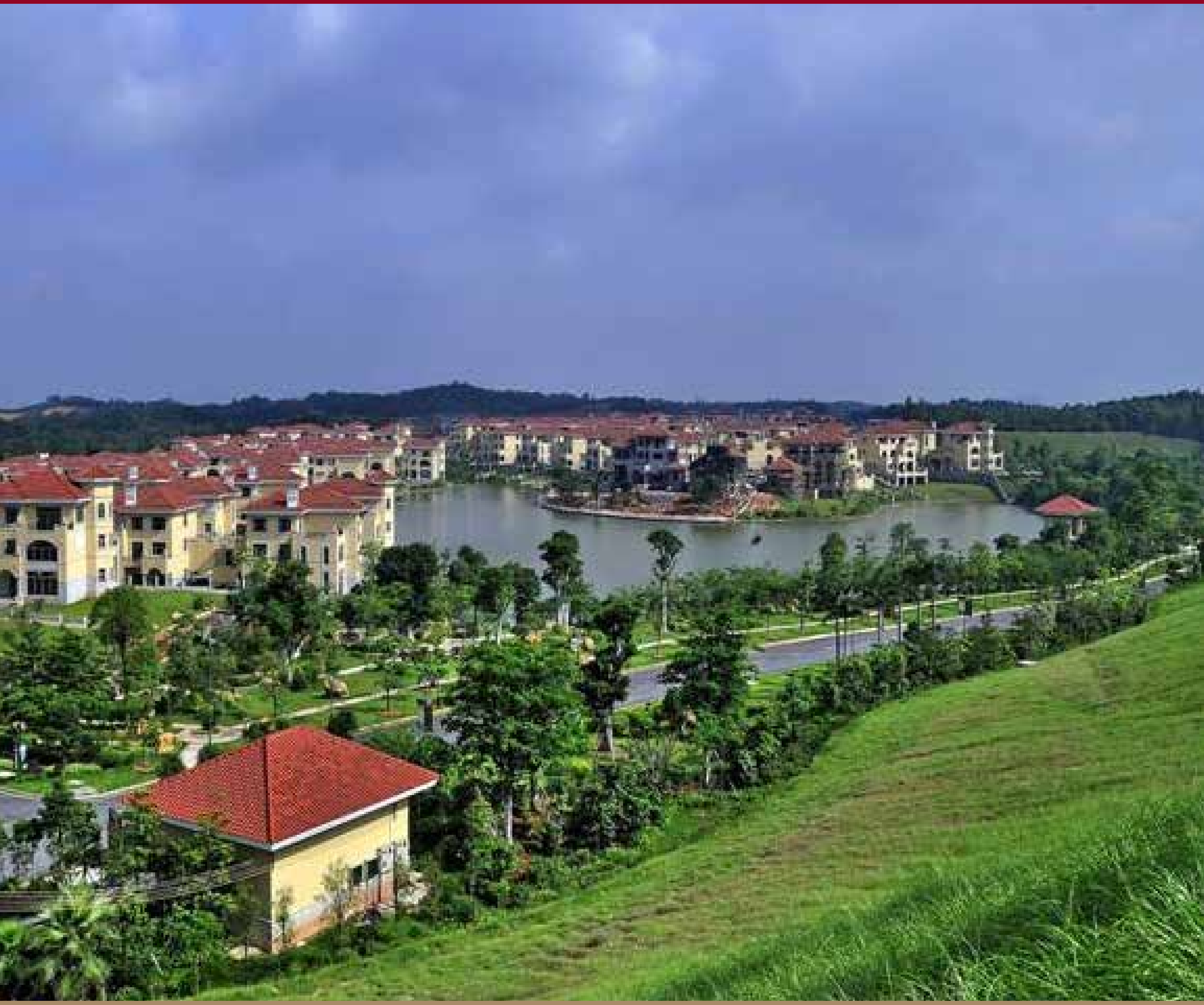
1 The application of the purchase method under the Singapore Financial Reporting Standards 103 (the "SFRS 103") for the acquisition of the PRC subsidiaries by the Group requires, inter alia, the development properties and properties held for sale by the respective PRC subsidiaries to be recorded at fair value at the respective dates of acquisition by the Group. Pursuant to the application of SFRS 103, the cost of property development sales had a fair value upward adjustment of RMB11.1 million with its associated tax of RMB2.8 million in FY2015. Excluding these non-cash items due to application of the SFRS 103, our Proforma Accounting net profit was RMB34.7 million for FY2015.

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

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

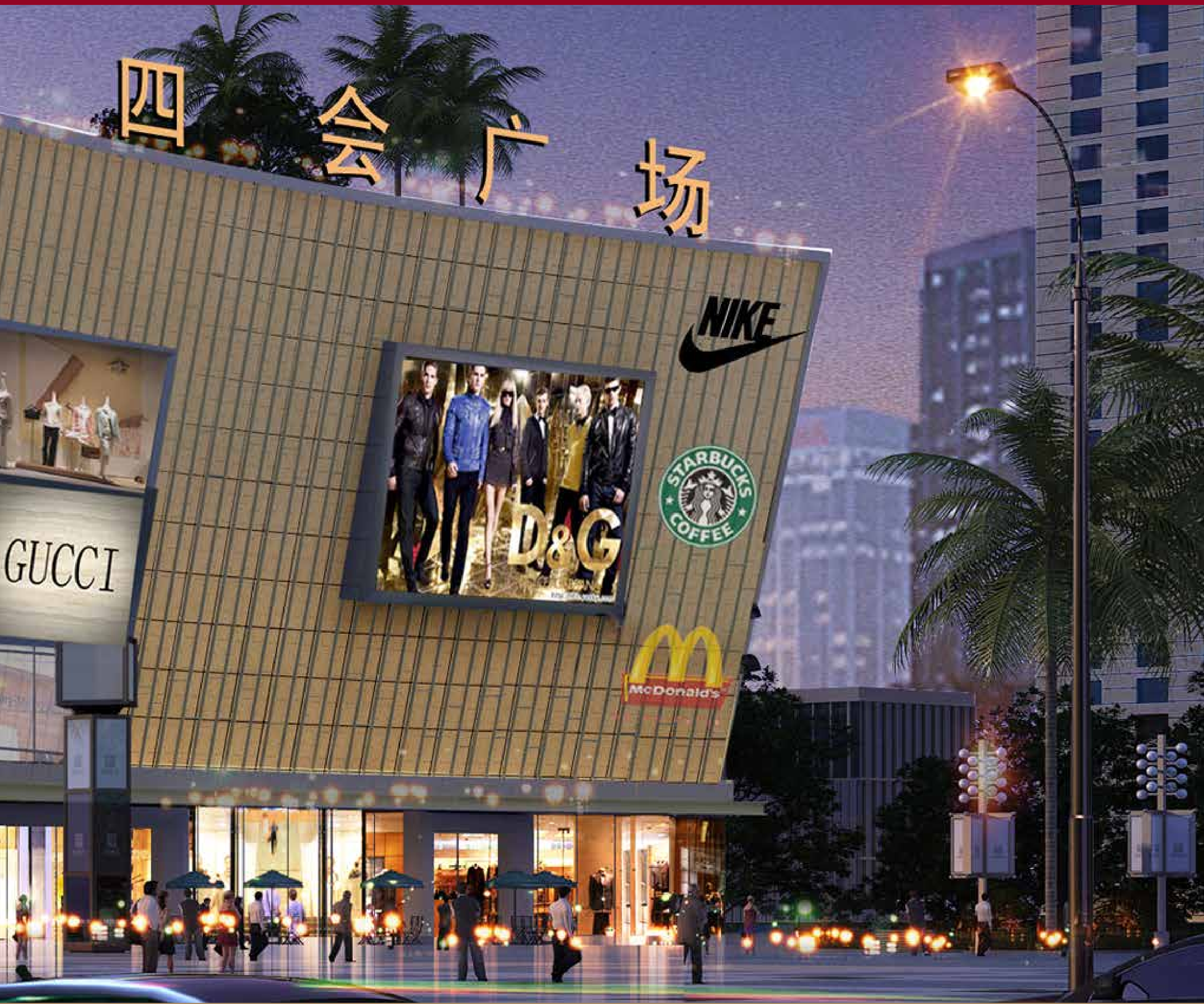
4 Net Gearing Ratio were computed before take in Restricted Cash

SHANSHUI LONGPAN



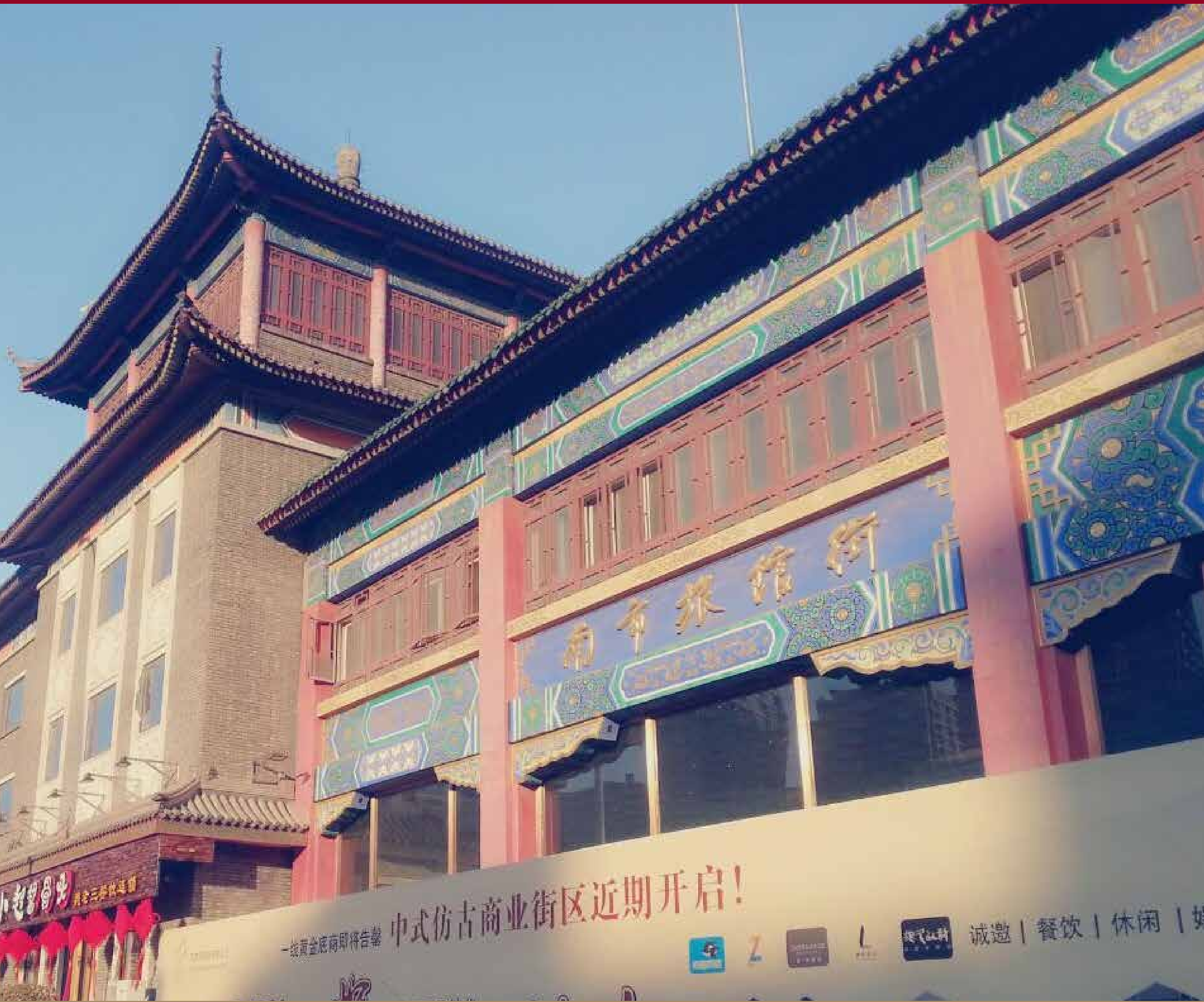
LOCATION	Foshan
TYPE OF DEVELOPMENT	Multi-phases large-scale integrated township development
APPROXIMATE GFA (SQM)	910,000
STATUS	Development in Progress Expected date of completion in 2018

SIHUI CITY MALL



LOCATION	Zhaoqing
TYPE OF DEVELOPMENT	Large-scale integrated development
APPROXIMATE GFA (SQM)	162,000
STATUS	Commencement of work by end of 2013 Expected date of completion in 2016

TIANJIN BOULEVARD



LOCATION	Tianjin
TYPE OF DEVELOPMENT	Redevelopment of leased heritage building for commercial and leisure mall
APPROXIMATE GFA (SQM)	46,000
STATUS	Commencement of work by mid of 2013 Expected date of completion in 2016

CHAIRMAN STATEMENT

Dear Shareholders,

Over the past year, the international and domestic environments faced by China in its development have been complicated and challenging. The global economy is recovering but the economy of China is slowing down. The increase of GDP was lower in 2015 compared with 2014 partly causing by the slowing down of property market. Chinese central government and local governments have taken some positive measures to stimulate resident's expenses on property in 2015 and aimed at ensuring the healthy development of property market.

In the coming year, downward pressure on China's economy has continued to mount, market watchers believe that the possibility for Chinese government to keep loose macro regulation and strengthen policy supports to stabilize the economy will increase, including further easing of monetary policy, a steady growth measures, etc. The Chinese property sector will be benefit from releasing liquidity. We still remain caution but positive about China's long-term prospects as much of the country is still being urbanized.

The property transaction volumes increased by 42% to approximately 12.2 million sqm while the prices improved year-on-year by 0.9% to about RMB8,563 per sqm of Foshan City in 2015.

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

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

PIPELINE OF PROJECTS/UPDATES

We are pleased that we successfully acquired three Malaysian subsidiaries through acquisition or subscription of shares, for the purposes of investment and development of four property development projects with land areas of 126,337 sq m and gross floor areas of 1,078,781 sq m. Thereinto the biggest one , Plaza Rakyat Project, is a mixed-use development project located in central Kuala Lumpur, with mature supporting facilities for life and commerce,

We believe that Plaza Rakyat, when completed, comprise a central business district, a five-star hotel, a budget hotel and a residential condominium area, will become the next most significant landmark of Kuala Lumpur after the Petronas Twin Towers. This 62% jointly controlled project, estimated to be completed by 2022, will commence pre-sale by early of 2017.

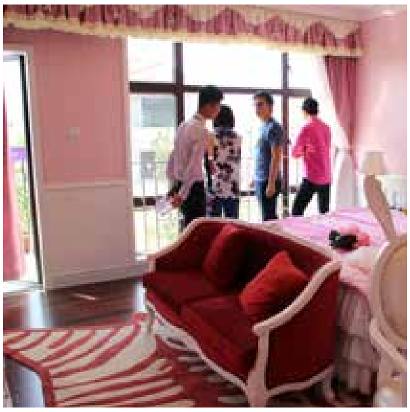
This 62% jointly controlled project, estimated to be completed by 2022, will commence pre-sale by early of 2017.

Our first commercial property, Sihui Shopping mall, had its grand opening in January 2015. Approximately 28,000 sqm has been sold, the rest with a net rentable area approximately over 73,000 sq m will provide us with a sustainable leasing income for 40 years. Our another shopping mall located in Tianjing is under construction and will be opening in 2016.

As at 31 December 2015, the Group has five development projects with a total gross floor area ("GFA") of approximately 1.90 million sqm under development, while approximately 0.19 million sqm is being held in our land bank for future development. Together, these provide the Group with a secure and visible pipeline of projects up to 2022.

Meanwhile, our villas at our Shanshui Longpan Phases 1, 1(ii) and 2(i), with a combined saleable GFA of approximately 148,000 sqm, as well as the Phase 3 of the high-rise apartments have been launched for pre-sales. Since October 2011 and 2012, we have handed over completed villas of the Phase 1 and Phase 1(ii) in batches, and since November 2015, we have also handed over completed high-rise apartments of the Phase 3 in batches.

The Group will continue to source for quality and commercially viable new ventures and developments both in China and overseas.



FINANCIAL REVIEW

In FY2015, the Group's revenue jumped 87% to RMB280.4 million.

The increase of revenue was due to a 341% increase in GFA sold - from 8,700 sq m in FY2014 to 38,400 sq m in FY2015 coupled with a 53% decrease in average selling prices ("ASP"). In addition, there was an increase in property management service income from Shanshui Longpan Phase 1 and Phase 1(ii) villas. However, the increase was partially offset by lower contributions from our construction segment which dipped RMB3.1 million due to the completion of Jin Long Garden, as well as rental income from the Group's investment properties.

In terms of gross profit margin, in FY2014, there was a revision of construction cost of RMB31.9 million for Jin Long Garden, a jointly controlled project which we held 55% stake, as a result of compensation for land cost caused by area difference between planning area and gross floor area. Excluding the revision of cost, our overall gross profit margin decreased from 43% in FY2014 to 25% in FY2015, as a result of a decrease in gross profit margin from property development sales due to a lower ASP per sqm derived from Phase 3 high-rise of Shanshui Longpan, the ASP per sqm was approximately RMB 14,000 per sqm and RMB 6,600 per sqm for 2014 and 2015 respectively.

The Group posted a net profit of RMB26.2 million comparing with RMB321.8 million in the year-ago period.

WORDS OF APPRECIATION

I would like to thank all of our directors on the Board for their counsel, contributions and cooperation, and to our management and staff for their hardwork and dedication.

Together, we have made great strides in Debao's strong positioning as a reputed integrated property developer of choice from China's Pearl River Delta and Southeast Asia.

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

YUAN LE SHENG
Executive Chairman and CEO

主席献词

尊敬的各位股东：

过去一年，中国发展面临的国际国内环境复杂严峻。全球经济正在复苏但中国经济增长却在放缓。相比2014年，2015年中国的GDP增长较为缓慢，部份原因来自于房地产市场的增速降低。在2015，中国中央政府和地方政府采取一些积极措施刺激居民的房地产消费以确保房地产市场健康发展。

在未来一年内，中国经济下行压力持续增大，市场观察人士认为，中国政府将维持宽松的宏观政策基调、加大政策支持力度，包括进一步放松货币政策、出台各项稳增长措施等，中国房地产行业将会得益于此。还有，中国的大部分地区仍会进行城市化建设，因此我们对中国房地产市场的前景仍然保持谨慎乐观的态度。

2015年佛山房地产交易量增加了42%至约1,216万平方米，交易价格逐年增加，与上年相比增加了0.9%至约人民币8,563每平方米。

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

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

项目最新情况

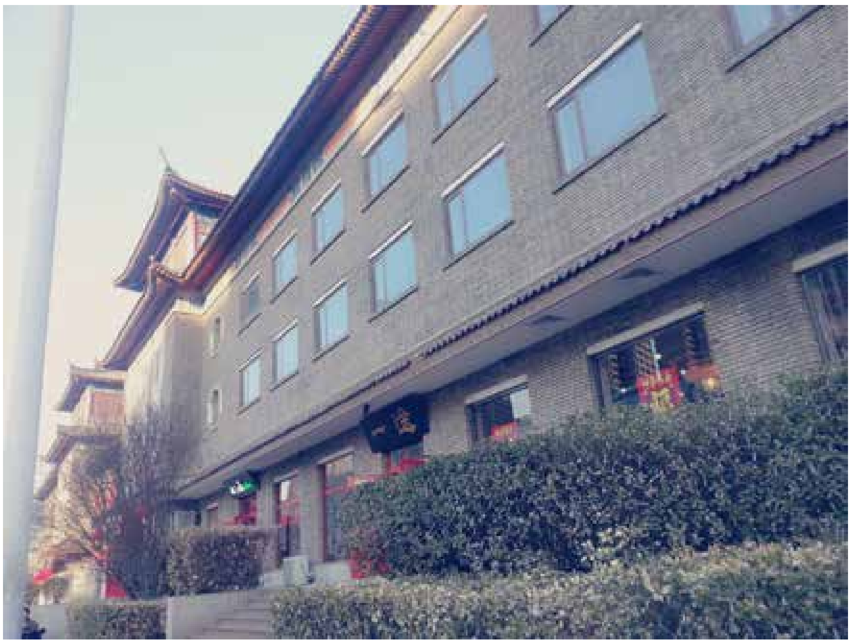
我们高兴的宣布，在2015年，我们用收购或认购股份的方式，成功在马来西亚收购了三间子公司，取得了四个项目的开发权，可开发土地总面积约为 126,337 平方米，预计总建筑面积约为1,078,781平方米，其中最大的人民广场项目位于吉隆坡市中心，拥有便利交通和优越的周边环境，是一个大型的综合开发项目，包括商业中心、五星级酒店和便利酒店及住宅，我们相信开发完成后该项目将会成为吉隆坡继双子塔之后的又一个地标性建筑。这个我们拥有62%权益的合营项目，估计将在2022年完工，将在2017年早期开始预售。

我们第一个商业物业四会购物中心已在2015年一月正式开业，已售大约28,000平方米，而剩余超过73,000平方米可出租面积将会为我们带来接近40年的可持续租赁收入。我们另一个位于天津在建设中的购物中心也将会在2016年正式开业。

截至2015年12月31日，集团有三个总建筑面积约190万平方米的在建项目，另外有约19万平方米的土地储备待开发。这些项目和土地准备可在2022年前为集团带来可靠及可预见的业绩增长机会。

同时，三水龙盘的别墅（一期一批，一期二批和二期一批），可售面积合共148,000平方米，而三期高层单位也推出预售。自2011年10月及2012年起，我们已将一期及一期二批的完工别墅分批交付业主使用，自2015年11月份起，我们已将三期完工的高层单位分批交付业主使用。

集团会继续在中国和海外物色其他有商业可行性的投资与开发项目。



财务数据

2015财年，集团的主营业务收入增加了87%至人民币2.80亿元。收入的增加是由于销售建筑面积增加341%，从2014财年的8,700平方米到2015财年的38,400平方米，而平均销售价格下降了53%。另外，山水龙盘一期一批和一期二批别墅的物业管理收入有所增加。然而，由于锦隆花园已完工，我们的建筑业务收入也减少了310万元，集团的投资性物业的租赁收入也有所减少。

关于集团的总体毛利率，集团占55%权益的合作项目，锦隆花园，因为规划面积和建筑面积差异导致补偿地价款而对2014财年的建造成本调增了3,190万元。不考虑该调整因素影响，山水龙盘三期高层单位平均售价较低使得房地产销售业务每平方米平均售价从2014财年的14,000元降至6,600元，从而使得集团的总体毛利率从2014财年的43%下降到25%。

与去年3.218亿元净利润相比，今年净利润为0.262亿元。

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、作出的贡献以及提供的帮助表示感谢，还要感谢我们辛勤的管理层及员工在这一年来作出的贡献。

同时，我们在使德宝成为中国珠三角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。

袁乐生
董事长兼总裁

BOARD OF DIRECTORS

MR YUAN LE SHENG

Executive Chairman and CEO

(Date appointed to the Board: 20 August 2009)

The founder of our Group, Mr Yuan, is involved in the overall management of our property development activities as well as the business of our Group and has been spearheading our expansion and growth. Mr Yuan is instrumental to our growth and development, responsible for our operations, marketing, public relations as well as formulating and implementing our business strategies and development plans. Mr Yuan has more than 22 years of experience in the construction and real estate development industries. Prior to the establishment of our Group, Mr Yuan was a researcher in the He Shun Town Committee, Nanhai District, from July 1984 to May 1988 and was the head of Nanhai Guicheng Town Judiciary Office from May 1988 to March 1992. From March 1992 to July 1995, Mr Yuan took on the position of the deputy general manager of Nanhai Guinan Property Development Limited where he was in charge of administration and development. From 1995 to 2000, Mr Yuan was a general manager of Nanhai Guicheng Complex Property Development Co., Ltd. Mr Yuan was certified as an assistant construction engineer under the Nanhai Construction Series Beginner's Professional Technical Qualification for Work by the Human Resource Bureau of Nanhai District in January 2002 and obtained a bachelor's degree in construction project management from the Hubei Engineering College in 2003.

MR ZHANG MAO

Executive Director

(Date appointed to the Board: 23 November 2009)

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

MR ZHONG YU ZHAO

Executive Director

(Date appointed to the Board: 23 November 2009)

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

MS ZHENG LI HUA

Non-executive Director

*(Date appointed to the Board:
20 August 2009)*

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

.

MR CHEONG KENG CHUAN ALFRED

Lead Independent Director

*(Date appointed to the Board:
23 November 2009)*

Mr Cheong is currently an executive director of Crowe Horwath First Trust LLP, a certified public accountants firm. He has over 21 years of experience in the audit and financial consulting services industry, including serving six years at the legacy Arthur Andersen from January 1996 to May 2001 and two years at Protiviti Pte Ltd from March 2003 to April 2005. Mr Cheong also has extensive experience in commercial financial management having held the post of regional financial manager at Linklaters Allen & Gledhill Pte Ltd, an international legal firm from June 2001 to May 2002 and as the financial controller of Aztech Systems Ltd., a public listed company in Singapore from June 2002 to October 2002. He holds a Bachelor's degree in Commerce (with majors in Accountancy and Economics) from Deakin University, Australia and is a certified practising member of Certified Practicing Accountants, Australia. Mr Cheong is currently an independent director and the chairman of the audit committees of 3 other public companies which are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

MR HE GUO QUAN

Independent Director

*(Date appointed to the Board:
23 November 2009)*

Mr He has over 18 years of experience in the audit and financial consulting services industry. Mr He joined Guangdong Zhengzhong Zhujiang Accounting Firm in 1997 as an auditor and held positions such as manager and senior manager before he was made a partner in the audit department in 2005, a position which he holds to-date. Mr He graduated from the Zhongnan University of Finance and Economics with a degree in International Accounting and is a member of the Chinese Institute of Certified Public Accountants and the Certified Public Accountants, Australia. Mr He is also certified as a Certified Internal Auditor by the Institute of Internal Auditors.

MR CHIA SENG HEE JACK

Independent Director

*(Date appointed to the Board:
1 May 2013)*

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

SENIOR MANAGEMENT

MS LU JIN MING
Deputy General Manager
(Project Development)

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

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

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

MS BU SHU ZHEN
Chief Financial Officer

Ms Bu is our Chief Financial Officer and joined our Group in October 2011. Ms Bu has more than 10 years experience in the audit and financial functions. Ms Bu oversees our Group's corporate development, financial reporting and investor relations matters. She was an audit assistant and subsequently audit senior with Deloitte Touche Tohmatsu Guangzhou from July 2006 to February 2010. Prior to joining our Group in October 2011, Ms Bu was the finance manager of Guangzhou Hongyuan Metal Resources Trading Co., Ltd from March 2010 to September 2011. Ms Bu joined the Group in October 2011 as Finance Manager supporting the Group CFO, a post she has held till March 2016. Ms Bu holds a Master of Management and a Bachelor of Management in Accounting from the Xiamen University. Ms Bu passed the professional qualification examinations of the Chinese Institute of Certified Public Accountants in 2004 and has been admitted as a member of Chinese Institute of Certified Public Accountants since December 2006. Ms Bu also passed the professional qualification examinations of The Institute of Internal Auditors in 2005 and has been admitted as a member of Institute of Internal Auditors, Guangdong Province since May 2007.

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.	The Company has complied with the principles and guidelines in the Code. Paragraphs listed below in this table refer to the corresponding paragraphs following this table.
	b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	The specific deviation from the Code is set out below: Guideline 2.2 of the Code states that independent directors of the Company ("**Independent Directors**") should make up at least half the Board of Directors of the Company ("**Board**" or "**Directors**") where the Chairman and the Chief Executive Officer ("**CEO**") is the same person. For the Company, the CEO and the Chairman is the same person. The current composition of the Board deviates from Guideline 2.2. Of a Board comprising of seven (7) members, three (3) are independent. In order to comply with Guideline 2.2, the size of the Board shall be reduced by one executive (1) Director in the ensuing financial year ended 31 December 2016 ("**FY2016**"), with the retirement of Ms Zheng Li Hua as a Director who will not be seeking re-election at the annual general meeting of the Company ("**AGM**") on 27 April 2016 ("**2016 AGM**").
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Refer to para 1.3

CORPORATE GOVERNANCE REPORT (cont'd)

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 (ii) Refer to para 4.4 – 4.7
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 – 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
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 – 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

CORPORATE GOVERNANCE REPORT (cont'd)

Guideline 2.3	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship.	Refer to para 1.2
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	N.A.
Guideline 2.4	Has any Independent Director served on the Board for more than nine years from the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	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 – 9.2
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Refer to para 9.1 and 9.2
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	Refer to para 9.1 and 9.2
Guideline 9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	Refer to para 9.1
Guideline 9.6	(a) Please describe how the remuneration received by executive Directors and key management personnel has been determined by the performance criteria.	Refer to para 9.3 – 9.6
	(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?	Refer to para 9.3 – 9.6
	(c) Were all of these performance conditions met? If not, what were the reasons?	Refer to para 9.6

CORPORATE GOVERNANCE REPORT (cont'd)

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?	Refer to para 15.2 Refer to para 15.2 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 14.2

CORPORATE GOVERNANCE REPORT (cont'd)

1. BOARD MATTERS

BOARD COMPOSITION AND CONDUCT OF ITS AFFAIRS

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

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

1.1 For the financial year ended 31 December 2015 ("**FY2015**"), the Board of Directors ("**Board**") comprised seven (7) Directors, of whom three (3) are Independent Directors.

Guideline 2.2 of the Code requires the Company to have at least half of the Board consisting of Independent Directors when the CEO and the Chairman are the same person. The Company notes that Guideline 2.2 will be in force from 1 May 2016 onwards. The Board notes that the current composition of the Board deviates from Guideline 2.2 for FY2015 and the deviation is such as the current size of the Board are in line with operational needs and the scale of the Company.

In order to comply with Guideline 2.2, the size of the Board shall be reduced by one (1) executive Director in FY2016, with the retirement of Ms Zheng Li Hua as a Director who will not be seeking re-election at the 2016 AGM.

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
Yuan Le Sheng	49	20 August 2009	20 April 2012	Executive Chairman and CEO	Nil
Zhang Mao	54	23 November 2009	24 April 2013	Executive Director	Nil
Zhong Yu Zhao	40	23 November 2009	24 April 2013	Executive Director	Nil
Zheng Lihua	51	20 August 2009	20 April 2012	Non-executive Director	Nil
Cheong Keng Chuan Alfred	47	23 November 2009	24 April 2013	Lead Independent Director	C&G Industrial Holdings Limited China Hongxing Sports Limited Sinotel Technologies Ltd

CORPORATE GOVERNANCE REPORT (cont'd)

Name of Director	Age	Date of first appointment	Date of last re-election	Designation	Past and Present Directorships held in the last three (3) years in other listed companies
Chia Seng Hee, Jack	55	1 May 2013	-	Independent Director	Combine Will International Holdings Limited China Hongcheng International Holdings Limited Dukang Distillers – Holdings Limited mm2 Asia Holdings Ltd Sunray Holdings Limited Shanghai Turbo Enterprises Limited
He Guo Quan	39	23 November 2009	20 April 2012	Independent Director	Nil

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

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.

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, and the rules and requirements of regulatory bodies.

CORPORATE GOVERNANCE REPORT (cont'd)

Matters requiring Board approval include:

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

2. quarterly, half yearly and full year announcements;

3. annual report and accounts;

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

5. strategic planning; and

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

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

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

^ : by invitation

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

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

CORPORATE GOVERNANCE REPORT (cont'd)

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. There were no appointments of new Directors in FY2015.

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 of the Company ("Management") to gain a better understanding of the Group's business operations.

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

CHAIRMAN AND CEO

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

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

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

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

3.4 The Executive Chairman and CEO set 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 Executive Chairman and CEO also ensure that procedures are adopted to comply with the Code and ensure effective communication with Shareholders.

BOARD MEMBERSHIP AND PERFORMANCE

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

4.1 For FY2015, the NC of the Company comprised the following members:

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

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

CORPORATE GOVERNANCE REPORT (cont'd)

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

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

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

4.3 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.

4.4 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.

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.

4.5 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 AGM .

4.6 A retiring Director is eligible for re-election by the Shareholders at the AGM. The NC has recommended to the Board the re-appointment of Mr Yuan Le Sheng, Mr He Guo Quan and Mr Chia Seng Hee, Jack. The Board has accepted the NC's recommendation and the three (3) retiring Directors have offered themselves for re-election.

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

4.8 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 regulations and business needs.

CORPORATE GOVERNANCE REPORT (cont'd)

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

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

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

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

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

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

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

ACCESS TO INFORMATION

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

6.1 Board members are provided with complete, adequate information in a timely manner, including quarterly Management reports and from all relevant information on material events and transactions, from time to time, to enable them to be fully cognisant of the decisions and actions of the 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 fulfil her/his duties and responsibilities as a Director.

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

CORPORATE GOVERNANCE REPORT (cont'd)

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 For FY2015, the RC comprised the following Directors, all of whom are Non-Executive and Independent Directors:

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

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

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

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

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

7.2 All aspects of remuneration, including but not limited to 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 FY2015.

LEVEL AND MIX OF REMUNERATION

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

8.1 The Company had entered into service agreements with the Executive Chairman and 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 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 No individual Director is involved in the fixing of his / her own remuneration.

CORPORATE GOVERNANCE REPORT (cont'd)

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.

9.1 The remuneration of the Company's Directors, top key executives and employees related to the Directors for FY2015 is as follows:

Table of remuneration

	Salary (%)	Performance-based incentive (%)	Bonus (%)	Benefit (%)	Director's fee (%)	Total (%)
(a) Directors						
Above S$2,000,000 but below S$2,500,000						
Yuan Le Sheng	22	74	3	1	-	100
Above S$250,000 but below S$500,000						
Zhang Mao	45	42	8	5	-	100
Zhong Yu Zhao	45	42	8	5	-	100
Below S$250,000						
Zheng Lihua	-	-	-	-	100	100
Cheong Keng Chuan Alfred	-	-	-	-	100	100
Chia Seng Hee, Jack	-	-	-	-	100	100
He Guo Quan	-	-	-	-	100	100
(b) Key Executives						
Above S$250,000 but below S$500,000						
Yang Qi Man	37	47	10	6	-	100
Lu Jin Ming	38	49	10	3	-	100
Below S$250,000						
Tian Shu Guang	95	-	-	5	-	100
Bu Shu Zhen	79	-	3	18	-	100
Wu Shao Mei	93	-	-	7	-	100
(c) Employees related to Directors						
Above S$50,000 but below S$100,000						
Yuan Jian Sheng(1)	49	-	36	15	-	100
Zheng Xiong Xian(4)	65	-	6	29	-	100
Below S$50,000						
Fang Zai Ming(2)	79	-	18	3	-	100
Zheng Xiong Wei(3)	92	-	-	8	-	100

CORPORATE GOVERNANCE REPORT (cont'd)

Notes:

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

9.2 The Board would like to clarify that given the confidentiality and commercial sensitivity attached to remuneration matters, the remuneration of each individual Director and the CEO and the aggregate remuneration paid to the Company's top five (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.

9.5 For FY2015, the aggregate remuneration of the four (4) employees who are related to our Directors amounted to approximately RMB653,000 (equivalent to approximately S$143,000). The total remuneration of these employees will be reviewed annually by the RC to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility. In the event that a member of our RC is related to the employee under review, he will abstain from the review.

9.6 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 executives 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 FY2015.

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.

CORPORATE GOVERNANCE REPORT (cont'd)

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

10.4 The Management provides explanation and information to the Board 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.

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 Yuan Le Sheng and the Finance Manager, Bu Shuzhen, 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 For FY2015, the AC comprised 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 Chia Seng Hee, Jack
Mr He Guo Quan

CORPORATE GOVERNANCE REPORT (cont'd)

12.2 Messrs Cheong Keng Chuan Alfred, Chia Seng Hee, Jack and He Guo Quan 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

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 FY2015, the Company paid S$448,000 to Deloitte & Touche LLP and its overseas member firm for its statutory audit services. The AC, having reviewed the range and value of non-audit services provided by the external auditors, Deloitte & Touche LLP, during the year which amounted to S$10,000 or 2.3% of the audit fees, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC recommended that Deloitte & Touche LLP be nominated for re-appointment as auditors at the forthcoming AGM.

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

12.8 In FY2015, the AC was kept abreast by the external auditors of changes to accounting standards and issues which have a direct impact on financial statements.

CORPORATE GOVERNANCE REPORT (cont'd)

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.

4. COMMUNICATION WITH SHAREHOLDERS

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

14.1 The Board is mindful of its obligation to release timely and fair disclosure of material information and does not practise selective disclosure. In line with continuous disclosure obligations of the Company 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 The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

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

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

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

15.3 All Shareholders 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.

CORPORATE GOVERNANCE REPORT (cont'd)

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.

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 AGM to ensure a greater level of shareholder participation. The Board views the AGM as the principal forum for dialogue with Shareholders, being an opportunity for Shareholders to raise issues and ask the Directors or the Management questions regarding the Group and its operations. In the event that a Shareholder cannot attend the AGM, 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.

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

16.3 The Company practices having separate resolutions at general meetings on each distinct issue and will make available minutes of general meetings to Shareholders upon their request. 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.

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 Yu Xin	823,664[1]	-

Notes:

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

CORPORATE GOVERNANCE REPORT (cont'd)

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 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 Executive Chairman and CEO or any Directors or controlling Shareholders subsisted at the end of the financial year or had been entered into since the end of the previous financial year.

8. TREASURY SHARES

20 There are no treasury shares held by the Company as at the end of FY2015.

Financial Contents

Directors' statement	40
Independent auditors' report	43
Statements of financial position	45
Consolidated statement of profit or loss and other comprehensive income	47
Statements of changes in equity	49
Consolidated statement of cash flows	51
Notes to financial statements	53

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, 2015.

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 45 to 113 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, 2015 and of 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, 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 Le Sheng
Zhang Mao
Zhong Yu Zhao
Zheng Lihua
Cheong Keng Chuan Alfred
Chia Seng Hee Jack
He Guo Quan

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

DIRECTORS' STATEMENT (cont'd)

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

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

4 SHARE OPTIONS

(a) Options to take up unissued shares

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

(b) Options exercised

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

(c) Unissued shares under option

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

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 Jackand Mr He Guo Quan. The Audit Committee has met every quarter to review the following, where relevant, with the executive directors and external auditors of the Company:

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

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

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

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

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

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

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

DIRECTORS' STATEMENT (cont'd)

5 AUDIT COMMITTEE (cont'd)

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Yuan Le Sheng

Zhang Mao

April 6, 2016

INDEPENDENT AUDITORS' REPORT

To the Members of Debao Property Development Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Debao Property Development Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 113.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT (cont'd)

To the Members of Debao Property Development Ltd.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2015 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

April 6, 2016

STATEMENTS OF FINANCIAL POSITION

December 31, 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	6	177,424	140,322	37	47
Restricted cash	7	401,751	324,762	–	–
Trade and other receivables	8	380,012	444,604	–	–
Amount due from related parties - non trade	5	7,064	3,934	–	–
Amount due from subsidiaries	5 & 17	–	–	610,154	652,659
Amount due from customers for contract works	9	590	1,447	–	–
Inventories	10	262	247	–	–
Properties held for sale	11	459,610	430,952	–	–
Development properties	12	2,005,554	1,708,435	–	–
Prepaid leases	13	223	223	–	–
Dividends receivable		–	–	21,572	22,038
		3,432,490	3,054,926	631,763	674,744
Asset classified as held for sales	14	35,000	–	–	–
Total current assets		3,467,490	3,054,926	631,763	674,744
Non-current assets					
Trade and other receivables	8	156,135	20,000	–	–
Prepaid leases	13	4,587	4,808	–	–
Property, plant and equipment	15	22,838	25,922	–	–
Investment properties	16	2,441,955	2,001,707	–	–
Investment in subsidiaries	17	–	–	1,815	1,815
Joint venture	18	17,462	235,621	–	–
Available-for-sale investments	19	1,300	1,800	–	–
Deferred tax assets	20	10,223	10,223	–	–
Goodwill	21	4,192	4,192	–	–
Total non-current assets		2,658,692	2,304,273	1,815	1,815
Total assets		6,126,182	5,359,199	633,578	676,559

STATEMENTS OF FINANCIAL POSITION (cont'd)

December 31, 2015

	Note	Group 2015 RMB'000	Group 2014 RMB'000	Company 2015 RMB'000	Company 2014 RMB'000
LIABILITIES AND EQUITY					
Current liabilities					
Bank and other loans	22	1,356,615	1,335,527	–	–
Trade and other payables	23	1,239,120	808,188	694	8,963
Long term payables	24	22,297	19,538	–	–
Amount due to related parties	5	36,887	131,370	–	–
Amount due to subsidiaries	5 & 17	–	–	47,500	34,946
Tax payables		78,623	112,580	–	–
Total current liabilities		2,733,542	2,407,203	48,194	43,909
Non-current liabilities					
Bank and other loans	22	1,339,036	834,526	–	–
Trade and other payables	23	–	20,663	–	–
Long term payables	24	156,158	157,869	–	–
Deferred tax liabilities	20	399,239	337,230	–	–
Total non-current liabilities		1,894,433	1,350,288	–	–
Capital, reserves and non-controlling interests					
Share capital	25	909,831	909,831	909,831	909,831
Capital reserve	26	86,724	396	–	–
Revaluation reserve	27	17,788	17,788	–	–
Translation reserve		27,016	17,254	(37,600)	(24,355)
Statutory reserve	28	23,887	23,887	–	–
Retained earnings (Accumulated losses)		422,395	400,165	(286,847)	(252,826)
Equity attributable to equity holders of the Company		1,487,641	1,369,321	585,384	632,650
Non-controlling interests		10,566	232,387	–	–
Total equity		1,498,207	1,601,708	585,384	632,650
Total liabilities and equity		6,126,182	5,359,199	633,578	676,559

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2015

	Note	2015 RMB'000	2014 RMB'000
Revenue	29	280,359	149,670
Cost of sales		(209,119)	(116,595)
Gross profit		71,240	33,075
Other operating income	30	311,990	688,277
Selling and distribution expenses		(22,817)	(30,851)
Administrative expenses		(110,844)	(64,380)
Other operating expenses	31	(48,172)	(14,019)
Finance costs	32	(98,552)	(108,588)
Profit before tax		102,845	503,514
Income tax expense	33	(76,694)	(181,760)
Profit for the year	34	26,151	321,754
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		9,762	15,433
Total comprehensive income for the year		35,913	337,187

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)

Year ended December 31, 2015

	Note	2015 RMB'000	2014 RMB'000
Profit for the year attributable to:			
Owners of the Company		34,291	114,886
Non-controlling interests		(8,140)	206,868
		26,151	321,754
Total comprehensive income attributable to:			
Owners of the Company		44,053	130,319
Non-controlling interests		(8,140)	206,868
		35,913	337,187
Earnings per share (in RMB cents)			
Basic and diluted	35	3.05	10.21

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2015

	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, 2014	909,831	396	17,788	1,821	23,887	285,279	1,239,002	25,519	1,264,521
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	114,886	114,886	206,868	321,754
Other comprehensive income for the year	–	–	–	15,433	–	–	15,433	–	15,433
Total	–	–	–	15,433	–	114,886	130,319	206,868	337,187
Balance at December 31, 2014	909,831	396	17,788	17,254	23,887	400,165	1,369,321	232,387	1,601,708
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	34,291	34,291	(8,140)	26,151
Other comprehensive income for the year	–	–	–	9,762	–	–	9,762	–	9,762
Total	–	–	–	9,762	–	34,291	44,053	(8,140)	35,913
Transaction with owners, recognised directly in equity									
Dividends (Note 40)	–	–	–	–	–	(12,061)	(12,061)	–	(12,061)
Effects of acquiring non-controlling interests in a subsidiary (Note 26)	–	86,328	–	–	–	–	86,328	(213,681)	(127,353)
Total	–	86,328	–	–	–	(12,061)	74,267	(213,681)	35,913
Balance at December 31, 2015	909,831	86,724	17,788	27,016	23,887	422,395	1,487,641	10,566	1,498,207

STATEMENTS OF CHANGES IN EQUITY (cont'd)

Year ended December 31, 2015

	Share capital RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Company				
Balance at January 1, 2014	909,831	(12,429)	(245,208)	652,194
Total comprehensive income for the year				
Loss for the year	–	–	(7,618)	(7,618)
Other comprehensive income for the year	–	(11,926)	–	(11,926)
Total	–	(11,926)	(7,618)	(19,544)
Balance at December 31, 2014	909,831	(24,355)	(252,826)	632,650
Total comprehensive income for the year				
Loss for the year	–	–	(21,960)	(21,960)
Other comprehensive income for the year	–	(13,245)	–	(13,245)
Total	–	(13,245)	(21,960)	(35,205)
Dividends, representing total transaction with owners, recognised directly in equity (Note 40)	–	–	(12,061)	(12,061)
Balance at December 31, 2015	909,831	(37,600)	(286,847)	585,384

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2015

	2015	2014
	RMB'000	RMB'000
Operating activities		
Profit before tax	102,845	503,514
Adjustments for:		
Fair value gain on investment properties	(273,745)	(675,674)
Loss on disposal of property, plant and equipment	526	–
Unrealised exchange loss	42,487	21,288
Impairment loss on investment in defaulted bank loans	44,415	14,019
Interest expense	98,552	108,588
Depreciation expense	3,129	3,184
Amortisation of prepaid leases	221	223
Impairment loss on investment property classified as held for sales	2,000	–
Interest income	(38,104)	(11,769)
Operating cash flows before movements in working capital	(17,674)	(36,627)
Trade and other receivables	9,795	(108,135)
Amount due from customers for contract works	857	10,405
Inventories	(15)	2
Development properties	(407,382)	(452,647)
Properties held for sale	149,001	64,974
Trade and other payables (Note A)	240,511	369,158
Amounts due from / to related parties	(3,130)	34,169
Cash used in operations	(28,037)	(118,701)
Interest paid	(290,972)	(239,374)
Interest received	34,657	11,733
Income tax paid	(42,268)	(50,045)
Net cash used in operating activities	(326,620)	(396,387)

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

Year ended December 31, 2015

	Note	2015 RMB'000	2014 RMB'000
Investing activities			
Purchase of property, plant and equipment		(571)	(1,652)
Deposit to acquire Plaza Rakyat Project	8	(146,135)	–
Proceeds from disposal (Payment for purchase) of defaulted loans from a bank	8	31,858	(67,000)
Interest received		–	36
Proceeds from disposal of available-for-sale investments		500	–
Proceeds from disposal of joint venture (Note A)		160,400	–
Advance to joint venture	18	(17,462)	(235,621)
Addition to investment properties		(66,539)	(37,480)
Net cash used in investing activities		(37,949)	(341,717)
Financing activities			
Amounts due from related parties		–	1,764
Increase in restricted cash		(76,989)	(56,607)
Dividend paid	40	(12,061)	–
New bank loans raised		1,213,310	157,481
Other loans raised		1,025,537	1,119,973
Repayment of bank loans		(996,728)	(378,726)
Repayment of other loans		(737,692)	(106,000)
Net cash from financing activities		415,377	737,885
Net increase (decrease) in cash and cash equivalents		50,808	(219)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(13,706)	(682)
Cash and cash equivalents at beginning of year	6	140,322	141,223
Cash and cash equivalents at end of year	6	177,424	140,322

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 RMB233,750,000 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 RMB54,000,000 had yet to be paid by the Group as at December 31, 2015.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. GENERAL

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

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

The principal activities of its subsidiaries are described in Note 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, 2015 were authorised for issue by the Board of Directors on April 6, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS - On January 1, 2015, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, management anticipates that the adoption of the FRSs, INT FRSs and amendments to FRS issued but only effective in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except as disclosed below:

FRS 115 *Revenue from Contracts with Customers*

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

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

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

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

FRS 115 will take effect from financial years beginning on or after January 1, 2018. The Group is currently evaluating the impact of the changes in the period of initial adoption

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2015 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

Key requirements of FRS 109:

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

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

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

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

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

FRS 109 will take effect from financial years beginning on or after January 1, 2018. The Group is currently evaluating the impact of the changes in the period of initial adoption.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

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

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

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

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

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

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

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

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

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

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

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

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

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

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

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

<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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

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

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

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

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

Effective interest method

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

Financial assets

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

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

Cash and cash equivalents

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

Available-for-sale financial assets

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

Trade payables and other payables

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

Bank loans and other loans

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

Financial guarantee contract

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

Derecognition of financial liabilities

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

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.

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

The Group as lessor

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

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

The Group as lessee

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

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.

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

2. SUMMARY OF SIGINFICANT 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 shareholder's right to receive payment have been established.

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

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

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying the entity's accounting policies

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

<u>Financial statements have been prepared on a going concern</u>

The Group's operation is highly dependent on borrowings. For the financial year ended December 31, 2015, the Group was not able to generate operating cash flows and cash used in operating activities was dependent on borrowings. In addition, as at December 31, 2015 the Group has bank and other loans amounting to RMB1,356,615,000, which are due for settlement within the next twelve months. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Based on the assessment as set out in Note 4b (v), management is satisfied that the financial statements have been prepared on a going concern basis

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.

<u>Trade and other receivables</u>

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

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

Impairment of goodwill

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

The carrying amount of goodwill of the Group amounted to RMB4,192,000 (2014: RMB4,192,000) as at December 31, 2015.

Corporate guarantees

The Group has corporate guarantees as disclosed in Note 39 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 20 and 33, 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 this on a method of valuation which involves certain estimates. In relying on the valuation report, management has exercised their judgment and is satisfied that the method of valuation is reflective of current market conditions and the estimates used are appropriate.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

Carrying amounts of properties held for sale and development properties

The aggregate carrying amount of these properties totalled RMB2,465,164,000 as at December 31, 2015 (2014 : RMB2,139,387,000), details of which are disclosed in Notes 11 and 12 respectively. They are stated at lower of cost and net realisable value.

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

Income tax

Significant estimate is involved in determining the provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome differ from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Information about the deferred tax and income tax expenses are disclosed in Notes 20 and 33.

Useful lives of property, plant and equipment

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

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets				
Loans and receivables (including cash and cash equivalents)	880,714	820,426	631,763	674,744
Available-for-sale financial assets	1,300	1,800	–	–
Financial liabilities				
Amortised cost	4,149,691	3,307,325	48,194	43,909

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

(b) Financial risk management policies and objectives

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

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

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

(i) Foreign exchange risk management

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

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

	Assets		**Liabilities**	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
United States dollar	–	–	745,331	452,935

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

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

	2015	**2014**
	RMB'000	**RMB'000**
Impact of:		
United States dollar	74,535	45,294

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

(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, 2015 would decrease by RMB4,261,000 (2014 : RMB3,877,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

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

(iii) Equity price risk management

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

Further details of these equity investments can be found in Note 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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

(iv) Credit risk management

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

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

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

The Group's maximum exposure to credit risk comprise (i) the sum of the carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for losses; and (ii) credit risk relating to guarantees of approximatelyRMB1,099,919,000 (2014 : RMB953,077,000) to banks for the benefit of the Group's customers in respect of mortgage loans provided by the banks to these customers for the purchase of the Group's development properties, as elaborated in Note 39 to the financial statements.

The Group places its cash with reputable financial institutions.

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

(v) Liquidity risk management

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

The Group's operation is highly dependent on borrowings. For the financial year ended December 31, 2015, the Group was not able to generate operating cash flows and cash used in operating activities was dependent on borrowings. In addition, as at December 31, 2015 the Group has bank and other loans amounting to RMB1,356,615,000, which are due for settlement within the next twelve months. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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

- Management is confident to obtain the banks' approval for roll over of the loans and extension of credit facilities through pledging of the Group's assets 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 flow to meet its cash flow requirement and obligations.

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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5years	Adjustment	Total
	% (per annum)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
2015						
Non-interest bearing	–	1,248,272	–	–	–	1,248,272
Fixed interest rate instruments:						
- Advance deposit from the sales of properties	7	20,663	–	–	–	20,663
- Advances from non-controlling interests	6	6,650	–	–	–	6,650
- Other loans	6–36	684,566	1,627,784	–	(468,827)	1,843,523
- Long term payables	6	28,336	59,500	216,370	(125,751)	178,455
Variable interest rate instruments	1.44–8.4	873,600	12,679	–	(34,151)	852,128
		2,862,087	1,699,963	216,370	(628,729)	4,149,691
2014						
Non-interest bearing	–	932,552	–	–	–	932,552
Fixed interest rate instruments:						
- Advance deposit from the sales of properties instruments	7	1,548	21,361	–	(2,246)	20,663
- Advances from non-controlling interests	6	6,650	–	–	–	6,650
- Other loans	5.23–24	688,556	939,018	–	(232,848)	1,394,726
- Long term payables	6	23,336	58,100	231,770	(135,799)	177,407
Variable interest rate instruments	6-15.17	759,719	35,811	–	(20,203)	775,327
		2,412,361	1,054,290	231,770	(391,096)	3,307,325

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS 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 counterparties to the guarantee, is RMB1,099,919,000 (2014 : RMB953,077,000). The earliest period that the guarantee could be called is within 1 year (2014 : 1 year) from the end of the reporting period. As mentioned in Note 39, 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 RMB156,135,000 (2014 : RMB20,000,000) of deposit paid (Note 8) 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 2015	Fair value as at 2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	RMB'000	RMB'000				
Group						
Available-for-sales investments	–	500	Level 1	Quoted bid prices in an active market	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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

(c) Capital risk management policies and objectives

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

The capital structure of the Group consists of debt which includes the borrowings disclosed in Note 22 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.

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Total borrowings	2,695,651	2,170,053
Total equity	1,498,207	1,601,708
Gross gearing (times)	1.80	1.35
Net borrowings	2,116,476	1,704,969
Total equity	1,498,207	1,601,708
Net gearing (times)	1.41	1.06

5. RELATED COMPANY TRANSACTIONS AND OTHER RELATED PARTY TRANSACTIONS

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

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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

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

	Group	
	2015	2014
	RMB'000	RMB'000
Rental income earned from a close family member of a director	3,711	3,700

Compensation of directors and key management personnel

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

	Group	
	2015	2014
	RMB'000	RMB'000
Short-term benefits	18,928	8,302

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

6. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks	177,312	140,204	37	47
Cash on hand	112	118	–	–
	177,424	140,322	37	47

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

Cash and cash equivalents which are denominated in RMB amounting to RMB76,467,000 (2014 : RMB91,270,000) are not freely convertible to foreign currencies.

7. RESTRICTED CASH

Restricted cash comprises RMB359,200,000 (2014: RMB297,500,000) fixed deposits pledged for bank loan and RMB42,551,000 (2014: RMB10,092,000) security deposit for the development of properties which bears average effective interest rate of 3% (2014 : 3.3%) per annum and for a tenure of approximately 360 days (2014 : 360 days). The remaining RMB Nil (2014 : RMB17,170,000) of restricted cash are restricted bank balance.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables - outside parties	99,262	43,219	–	–
Other receivables	91,933	89,580	–	–
	191,195	132,799	–	–
Deposits paid	30,099	28,207	–	–
Prepayments	16,143	1,317	–	–
Deposit to acquire Plaza Rakyat Project	146,135	–	–	–
Advance to non-controlling interests	–	27,000	–	–
Advance to an outside party	46,871	45,000	–	–
Payment to a financial institution	–	32,424	–	–
Payment to a bank	8,258	84,531	–	–
Prepayment to a developer	15,679	53,504	–	–
Tax prepayment	23,741	20,417	–	–
Prepaid expense	58,026	39,405	–	–
	536,147	464,604	–	–
Less: Deposit paid classified as non-current	(156,135)	(20,000)	–	–
Current portion	380,012	444,604	–	–

The average credit period on trade receivables is 60 to 180 days (2014 : 60 to 180 days). No interest is charged on the outstanding receivables.

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

The allowance for doubtful debts was determined by reference to past default experience. No allowance for doubtful debts was recognised in 2015 and 2014.

The deposits paid of RMB30,099,000 (2014 : RMB28,207,000) consists of RMB20,000,000 (2014 : 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 (2014 : RMB20,000,000) of deposits paid for a project, RMB10,000,000 (2014 : RMB20,000,000) 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.

Deposit to acquire Plaza Rakyat Project amounting to RMB146,135,000 (2014 : RMBNil) is for the acquisition of 82% equity interest of Profit Consortium Sdn Bhd ("PCSB") and 5 parcels of land that PCSB had entered into a sale and purchase agreements with Datuk Bandar Kuala Lumpur ("DBKL") as at December 31, 2015 (Note 41). This deposit has been presented as non-current assets on the consolidated statements of financial position.

In 2014, advance to non-controlling interests bore interest of 9.9% annually, was unsecured and repayable on demand.

Advance to an outside party amounting to RMB46,871,000 (2014 : RMB45,000,000) represents the total advance to a former joint venture partner – De Gang Jian to purchase the land (Note 18). These advance are unsecured, interest-free and repayable on demand. Management has not recognised any allowances as the amount is recoverable.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

8. TRADE AND OTHER RECEIVABLES (cont'd)

In 2014, the payment to a financial institution amounting RMB32,424,000 is in relation to payment for purchase of a loan due from a third party to the financial institution. The amount has been collected by the Group in 2015. This payment is part of the arrangement for obtaining a loan of RMB548,589,000 from the financial institution in 2014 (Note 22).

The payment to a bank amounting RMB98,550,000 in 2014 is in relation to payment/payable for purchase of certain defaulted loans from a bank owing to the bank by third parties at a consideration of RMB98,550,000. The securities pledged for these loans which were assigned to the Group consist of inventories, carparks, office building and prepaid leases of the third parties. During the year, RMB31,858,000 (2014 : RMB Nil) was recovered from the disposal of some of the underlying secured assets at an auction. Management carried out a review of its recoverable amount. The review led to an impairment loss of RMB44,415,000 (2014 : RMB14,019,000) in the profit or loss for the year. The recoverable amount of RMB8,258,000 (2014 : RMB84,531,000) was determined based on the minimum bid price received for the remaining underlying pledged assets (2014 : fair value of the securities pledged).

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 title of certain properties was transferred to the Group and amount of RMB29,948,000 was reclassified to properties held for sales, 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. 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 RMB27,036,000 (2014 : RMB19,113,000) which are past due at the end of the reporting period for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances except as disclosed below.

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

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

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Not past due and not impaired	164,159	140,686	–	–
Past due but not impaired	27,036	19,113	–	–
	191,195	159,799	–	–

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

8. TRADE AND OTHER RECEIVABLES (cont'd)

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

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 3 months	1,857	3,508	–	–
3 months to 6 months	2,325	1,732	–	–
6 months to 12 months	4,055	13,158[1]	–	–
Over 12 months	18,799[1]	715	–	–
	27,036	19,113	–	–

[1] An amount of RMB13,591,000 (2014 : RMB12,183,000) is secured by the debtor's equipment and a guarantee by a third party contractor amounting to RMB3,000,000 (2014 : RMB3,000,000).

9. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORKS

	Group	
	2015	2014
	RMB'000	RMB'000
Contracts-in-progress at the end of the reporting period:		
Amounts due from contract customers	590	1,447
Contract costs incurred plus recognised profits	113,220	164,752
Less: Progress billings	(112,630)	(163,305)
	590	1,447

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

10. INVENTORIES

	Group	
	2015	2014
	RMB'000	RMB'000
Consumables	262	247

11. PROPERTIES HELD FOR SALE

	Group	
	2015	2014
	RMB'000	RMB'000
Cost	459,610	430,952

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

11. PROPERTIES HELD FOR SALE (cont'd)

During the year, properties with a carrying amount of RMB147,710,000 (2014 : RMB104,572,000) were transferred from development properties.

The Group has pledged properties held for sales with a carrying amount of approximately RMB170,020,000 (2014 : RMB73,806,000) to secure banking facilities granted to the Group (Note 22).

12. DEVELOPMENT PROPERTIES

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
At cost:		
Properties under development	1,639,312	1,487,110
Land purchase	366,242	221,325
	2,005,554	1,708,435

Development properties of RMB560,624,000 (2014 : RMB786,727,000) are pledged to banks to secure loans granted to the Group as at December 31, 2015 (See Note 22).

Particulars of the properties under development are as follows:

Description	Type of development	Approximate total gross floor area (square metre)	Expected date of completion
Shanshui Longpan[(i)]	Integrated residential and commercial property	808,000	Multiphases, completion in 3 to 4 years timeframe
Shanshui Fangao Project[(i)]	Integrated residential and commercial property	41,000	Reserved for future development
Sihui Project[(ii)]	Integrated residential and commercial property	76,000	December 2016
Additional to Sihui Project[(ii)]	Commercial property	83,000	Reserved for future development
Imbi Project[(iii)]	Integrated residential and commercial property	128,000	December 2019

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

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

(iii) These properties under development are located at Kuala Lumpur, People's Malaysia.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

12. DEVELOPMENT PROPERTIES (cont'd)

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

	Group 2015 RMB'000	Group 2014 RMB'000
Depreciation capitalised during the year	18	35
Interest expense capitalised during the year (Note 32)	145,321	73,850

The weighted average rate of capitalisation of the interest expenses for the year ended December 31, 2015 is 13.00% (2014 : 12.90%) per annum.

As at December 31, 2015, development properties of RMB420,652,000 (2014 : RMB843,744,000) 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.

13. PREPAID LEASES

	Group Prepaid land rentals RMB'000	 Prepaid leases RMB'000	 Total RMB'000
Cost:			
At January 1, 2014, December 31, 2014 and December 31, 2015	2,625	2,973	5,598
Accumulated amortisation:			
At January 1, 2014	–	344	344
Amortisation for the year	141	82	223
At December 31, 2014	141	426	567
Amortisation for the year	141	80	221
At December 31, 2015	282	506	788
Carrying amount:			
At December 31, 2015	2,343	2,467	4,810
At December 31, 2014	2,484	2,547	5,031

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

13. PREPAID LEASES (cont'd)

	Group		
	Prepaid land rentals	Prepaid leases	Total
	RMB'000	RMB'000	RMB'000
Amount to be amortised:			
At December 31, 2015			
Current	142	81	223
Non-current	2,201	2,386	4,587
At December 31, 2014			
Current	141	82	223
Non-current	2,341	2,467	4,808

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 31 years (2014 : 32 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 16 to 18 years (2014:17 to 19 years).

14. ASSET CLASSIFIED AS HELD FOR SALE

On June 5, 2015, the Group entered sale and purchase agreement (the "SPA") and a supplemental agreement with an interested party to dispose of an investment property consisting of land located at No 7 Xingye East Road, Shishan Town, Nanhai District, Foshan City, Guangdong Province, PRC, together with the properties built on the land (the "land and property"), for consideration of RMB35,000,000. This is classified as asset held for sale as the process to discharge the land and property that were pledged to secure the loans, is yet to be completed as at December 31, 2015.

The consideration amount is lower than the carrying amount of the land and property of RMB37,000,000. Accordingly, an impairment loss of RMB2,000,000 was recognised in other operating expenses (Note 31).

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, 2014	28,988	5,650	10,051	2,605	47,294
Additions	76	–	877	699	1,652
Disposal	–	–	(112)	(17)	(129)
At December 31, 2014	29,064	5,650	10,816	3,287	48,817
Additions	–	–	54	517	571
Disposal	–	–	(605)	(126)	(731)
At December 31, 2015	29,064	5,650	10,265	3,678	48,657

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Group				
	Building	Plant and machinery	Motor vehicles	Equipment, furniture and fixtures	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:					
At January 1, 2014	5,990	5,330	7,021	1,499	19,840
Charge for the year	1,547	209	1,090	338	3,184
Disposal	–	–	(112)	(17)	(129)
At December 31, 2014	7,537	5,539	7,999	1,820	22,895
Charge for the year	1,434	93	1,243	359	3,129
Disposal	–	–	(121)	(84)	(205)
At December 31, 2015	9,971	5,632	9,121	2,095	25,819
Carrying amount:					
At December 31, 2015	20,093	18	1,144	1,583	22,838
At December 31, 2014	21,527	111	2,817	1,467	25,922

The Group has pledged land and buildings with a carrying amount of approximately RMB20,039,000 (2014 : RMB21,473,000) to secure banking facilities granted to the Group (Note 22).

16. INVESTMENT PROPERTIES

	Group	
	2015	2014
	RMB'000	RMB'000
At beginning of year	2,001,707	957,032
Transferred from development properties (Note 12)	136,964	325,430
Land and properties reclassified as held for sales (Note 14)	(37,000)	–
Purchases during the year	66,539	43,571
Increase in fair value recorded in profit or loss	273,745	675,674
At end of year	2,441,955	2,001,707

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. (2014 : Cushman & Wakefield Valuation Advisory Services (HK) Ltd.), the independent valuers, who have an appropriate recognised professional qualification. The valuations were arrived at by reference to market evidence of transaction prices for similar properties and the rental income of the properties, and were performed in accordance with Hong Kong Institute of Surveyors Valuation Standards on Properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to RMB23,766,000 (2014 : RMB18,395,000). Direct operating expenses arising on the investment properties in the year amounted to RMB3,019,000 (2014 : RMB3,526,000).

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

16. INVESTMENT PROPERTIES (cont'd)

In 2014, the Group completed the Block A of commercial building under Sihui Project (Note 12) and classified it to investment property due to commencement of operating leases to third parties.

In 2015, the Group completed the Block B and Block C of commercial property under Sihui Project (Note 12) and a commercial property under Shanshui Longpan (Note 12) and classified them to investment properties due to commencement of operating leases to third parties.

As at December 31, 2015, the Group has pledged investment properties with carrying amount of RMB1,803,245,000 (2014 : RMB1,593,398,000) to secure loans granted to the Group (See Note 22).

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	
	2015	**2014**
	RMB'000	**RMB'000**
Fair valuation of investment property under operating lease	214,000	180,000
Add: Long term payables (Note 24)	178,455	177,407
Adjusted fair valuation of investment property under operating lease	392,455	357,407

Details of the Group's investment properties and information about the fair value hierarchy as at December 31, 2015 and 2014 are as follows:

	Level 1	**Level 2**	**Level 3**	**Fair value as at December 31, 2015**
	$'000	**$'000**	**$'000**	**$'000**
Investment properties	–	–	2,441,955	2,441,955

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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, 2015 RMB'000	Valuation technique(s)	Significant unobservable input(s)	Range
Investment properties	2,441,955	Direct comparison approach	price per square meter[(1)]	RMB600 - RMB17,500
		Income capitalisation approach	market rent per square meter per month [(1)]	RMB15 - RMB200
			capitalisation rate [(2)]	4.5% - 8.7%

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

(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 FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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 park spaces	Debao Garden, Nanhai District, Foshan City Guangdong Province	The property is held under a land use terms with the latest expiry on August 16, 2068	Tenanted
Various retail shop units Phases I to 4, Jiangnan Mingju	No. 39 Nanyi Road, Nanhai District, Foshan City Guangdong Province	The property is held under a land use term expiring on September 24, 2072	Tenanted
Industrial project	Industrial Avenue, Danzao Town Nanhai District, Foshan City Guangdong Province	The property is held under a land use term expiring on December 27, 2061	Tenanted
Xinliwan Garden[a]	Haibei Road Nanhai District, Foshan City, Guangdong Province	The property is held under a land use term expiring on April 9, 2063	Tenanted
Longpan Hotel building	Baini Town, Sanshui District, Foshan City, Guangdong Province	The property is held under a land use term expiring on March 20, 2047	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 [b] 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
Longpan Phase 3 club[b]	Baini Town, Sanshui District, Foshan City, Guangdong Province	The property is held under a land use term expiring on March 20, 2047	Tenanted

Notes:

[a] Acquired in current year
[b] Transferred from development properties during the year.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

17. INVESTMENT IN SUBSIDIARIES

	Company 2015 RMB'000	Company 2014 RMB'000
Unquoted equity shares, at cost	797	797
Advance to subsidiary	1,018	1,018
	1,815	1,815

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

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

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest 2015 %	Proportion of ownership interest 2014 %	Proportion of voting power held 2015 %	Proportion of voting power held 2014 %	Principal activity
Held by the Company						
Dynamic Real Estate Holdings Pte. Ltd. (1)	Singapore	100	100	100	100	Investment holding
Derong Real Estate Holdings Pte. Ltd. (1)	Singapore	100	100	100	100	Investment holding
Infinity Real Estate Holdings Pte. Ltd. (1)	Singapore	100	100	100	100	Investment holding
Pavillion Treasures Land and Development Sdn. Bhd. (2)	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) (4)	Malaysia	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)	PRC	100	100	100	100	Property development

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

17. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2015	2014	2015	2014	
		%	%	%	%	
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)] [(5)]	PRC	100	55	100	55	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 FINANCIAL STATEMENTS (cont'd)

December 31, 2015

17. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2015	2014	2015	2014	
		%	%	%	%	
<u>Held by Foshan Nanhai Renovation Services Co., Ltd</u>						
Foshan Sanshui Fangao Land Co., Ltd. [2]	PRC	100	100	100	100	Property development
<u>Held by Guangdong Debao Land Co., Ltd</u>						
Guangxi Hezhou Deneng Mining Co., Ltd· [2]	PRC	68	68	68	68	Mining
<u>Held by Foshan Nanhai Shun Mao Public Utilities Engineering Co., Ltd</u>						
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
<u>Held by Debao Property Development (HK) Limited</u>						
Deao Investment Company Limited [2] [3] PRC	100	–	100	–	–	Investment holding
Elite Starhill Sdn Bhd[2] [4] Malaysia	100	–	100	–	–	Property development

[1] Audited by Deloitte & Touche LLP, Singapore.
[2] Audited/Reviewed by Deloitte Touche Tohmatsu, Guangzhou.
[3] Incorporated during the financial year.
[4] Acquired during the financial year.
[5] During the year, the Group acquired the remaining 45% equity interest of subsidiary. The Group applied to the SGX for a waiver of the requirement to seek shareholders' approval on September 18, 2015. Management concluded that this transaction was completed and accounted in 2015 as all conditions precedent of the agreement were executed and Mr Yuan Le Sheng, the major shareholder owned more than 50% voting right in the Group, had approved this transaction in 2015. The waiver of this transaction was approved by the SGX on January 29, 2016.

The consideration of above acquisition amounting to RMB127,353,000 was settled by part from the consideration for the disposal of De Gang Jian of RMB73,353,000 and the remaining RMB54,000,000 had yet to be paid by the Group as at December 31, 2015.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

17. INVESTMENT IN SUBSIDIARIES (cont'd)

The following schedule shows the effects of changes in the Group's ownership interest in a subsidiary that did not result in change of control, on the equity attributable to owners of the parent:

	Group	
	2015	2014
	RMB'000	RMB'000
Amount paid on changes in ownership interest in subsidiary	127,353	–
Non-controlling interest acquired	213,681	–
Difference recognised in equity reserves (Note 26)	86,328	–

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	
		2015	2014
Investment holding	Singapore	3	3
Investment holding	PRC	2	1
Property development and investment	Malaysia	3	1
Investment property holding and Development	PRC	2	1
Property development, general trade and investment	Hong Kong	1	1
Property development	PRC	4	4
Property management	PRC	1	1
Construction	PRC	1	1
Public utilities engineering	PRC	1	1
Sales and distribution of construction Materials	PRC	2	2
Landscaping services	PRC	1	1
Renovation services	PRC	1	1
		22	18
Investment property holding and Development	PRC	–	1
Mining	PRC	1	1
Property development	PRC	1	1
		2	3

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

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		Profit (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015	2014	2015	2014
				RMB'000	RMB'000	RMB'000	RMB'000
Sihui Debao Jiangnan Mingju Development Co., Ltd	PRC	–	45%	(2,711)	214,195	–	216,390
Tianjin Hotel Street Co., Ltd	PRC	42.2%	42.2%	(4,974)	(6,963)	10,938	15,914
Guangxi Hezhou Deneng Mining Co., Ltd	PRC	32%	32%	(455)	(364)	(372)	83
				(8,140)	206,868	10,566	232,387

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

17. INVESTMENT IN SUBSIDIARIES (cont'd)

	Sihui Debao Jiangnan Mingju Development Co., Ltd		Tianjin Hotel Street Co., Ltd		Guangxi Hezhou Deneng Mining Co., Ltd	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	–	767,151	7,741	2,506	5,998	2,549
Non-current assets	–	1,006,823	392,538	357,498	2,474	2,675
Current liabilities	–	(750,195)	(186,672)	(133,776)	(9,635)	(4,965)
Non-current liabilities	–	(542,914)	(187,686)	(188,520)	–	–
Equity attributable to owners of the Company	–	264,475	14,983	21,794	(791)	176
Non-controlling interests	–	216,390	10,938	15,914	(372)	83

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

17. INVESTMENT IN SUBSIDIARIES (cont'd)

	Sihui Debao Jiangnan Mingju Development Co., Ltd		Tianjin Hotel Street Co., Ltd		Guangxi Hezhou Deneng Mining Co., Ltd	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	–	1,325	–	–	8	–
Other operating income	–	642,176	3,510	158	137	–
Expenses	–	(167,513)	(15,297)	(16,657)	(1,551)	(1,138)
Profit (Loss) for the year	–	475,988	(11,787)	(16,499)	(1,422)	(1,138)
Profit (Loss) attributable to owners of the company	–	261,793	(6,813)	(9,536)	(967)	(774)
Profit (Loss) attributable to the non-controlling interests	–	214,195	(4,974)	(6,963)	(455)	(364)
Profit (Loss) for the year	–	475,988	(11,787)	(16,499)	(1,422)	(1,138)
Other comprehensive income	–	–	–	–	–	–
Other comprehensive income attributable to owners of the Company	–	–	–	–	–	–
Other comprehensive income attributable to non-controlling interests	–	–	–	–	–	–
Total comprehensive income attributable to owners of the Company	–	261,793	(6,813)	(9,536)	(967)	(774)
Total comprehensive income attributable to non-controlling interests	–	214,195	(4,974)	(6,963)	(455)	(364)
Total comprehensive income for the year	–	475,988	(11,787)	(16,499)	(1,422)	(1,138)
Net cash inflow (outflow) from operating activities	–	(482,760)	31,261	20,465	(3,263)	(4,592)
Net cash inflow (outflow) from investing activities	–	(364)	(31,539)	(26,190)	–	(69)
Net cash inflow from financing activities	–	488,496	–	4,899	4,347	3,860
Net cash inflow (outflow)	–	5,372	(278)	(826)	1,084	(801)

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

18. JOINT VENTURE

	Group	
	2015	2014
	RMB'000	RMB'000
Cost of investment in joint venture	*	–
Share of post-acquisition profit	–	–
Advance to joint venture	17,462	235,621
Total	17,462	235,621

* Less than thousand of RMB

Foshan De Gang Jian Investment Co., Ltd ("De Gang Jian")

In 2014, the Group entered into a joint venture agreement with outside parties to register De Gang Jian for property development. The Group and the joint venture partners have not contributed to the share capital of De Gang Jian and it had yet to commence operation as at December 31, 2014. The advance to the De Gang Jian represented the Group's proportionate contribution to purchase of lands for the joint venture.

In 2015, the Group entered into a sale and purchase agreement to dispose of its 50% equity interest in De Gang Jian (Note 17).

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 MYR1. Poly Ritz had yet to commence operation as at December 31, 2015. The advance to joint venture amounting to RMB17,462,000 is for the purpose to purchase a land.

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

Name of joint venture	Country of incorporation and operation	Proportion of ownership interest		Principal activity
		2015	2014	
		%	%	
Foshan De Gang Jian Investment Co., Ltd.	PRC	–	50	Property development and investment, sale and rental of properties, property consultation services, interior decoration services, and sale of construction and decoration materials
Poly Ritz Green (Malaysia) Sdn. Bhd.	Malaysia	50	–	Property investment and development

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

18. JOINT VENTURE (cont'd)

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 INVESTMENTS

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Unquoted equity shares, at cost	1,300	1,300
Quoted equity shares, at fair value	–	500
	1,300	1,800

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

In 2014, quoted investment pertains to ordinary shares of Agriculture Bank of China. The investment was stated at fair value based on quoted closing market prices on the last market day of the financial year.

20. DEFERRED TAX

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Deferred tax liabilities	(399,239)	(337,230)
Deferred tax assets	10,223	10,223
	(389,016)	(327,007)

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

20. DEFERRED TAX (cont'd)

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

	Change in fair value of investment properties	Change in fair value of development properties (Note)	Changes in fair value of properties held for sale (Note)	Advance receipts from customer	Land appreciation tax	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2014	(90,713)	(69,170)	(1,286)	20,805	(16,729)	(5,496)	(162,589)
(Charge) Credit to profit or loss for the year (Note 33)	(166,953)	872	–	8,143	(4,632)	(1,848)	(164,418)
Balance at December 31, 2014	(257,666)	(68,298)	(1,286)	28,948	(21,361)	(7,344)	(327,007)
(Charge) Credit to profit or loss for the year (Note 33)	(73,365)	2,790	–	7,160	4,441	(3,035)	(62,009)
Balance at December 31, 2015	(331,031)	(65,508)	(1,286)	36,108	(16,920)	(10,379)	(389,016)

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

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

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is RMB889,674,000 (2014 : RMB773,384,000). 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 RMB88,967,000 (2014 : RMB77,338,000) 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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

21. 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 cashflow forecasts and extrapolates cash flow for the following twenty years based on estimated growth rate of 5% (2014 : 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% (2014 : 9%) per annum.

As at December 31, 2015 and 2014, management is of the view that any reasonably possible change to the key assumptions applied is not likely to be material to the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

22. BANK AND OTHER LOANS

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Other loans[a]	1,758,522	1,449,507	–	–
Bank loans[b]	937,128	720,546	–	–
	2,695,651	2,170,053	–	–
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,356,615)	(1,335,527)	–	–
Amount due for settlement after 12 months	1,339,036	834,526	–	–

The Group has principal bank and other loans as follows:

(a) Loans were raised together with a contractor for a total of RMB116,574,000 (2014: RMB210,533,000) with an interest rates ranging from 7% to prime rate, repayable within one (1) to ten (10) years, secured by certain land use rights and an investment property of the Group as well as guaranteed by a director of the Group. RMB98,369,000 (2014: RMB183,704,000) has been advanced to the Group and are repayable on demand.

A loan amounting to RMB70,000,000 as at December 31, 2014 with effective interest rate of approximately 17.38% per annum secured by certain prepaid leases of the Group and guaranteed by a director of the Group, was repaid during 2015.

Another loan amounting to RMB142,918,000 as at December 31, 2014 with an effective interest rate of approximately 5.23% per annum secured by restricted cash and cash equivalents of RMB157,500,000, was repaid during 2015.

Another loan amounting to RMB60,000,000 (2014: RMB84,000,000) with an effective interest rate of approximately 14.50% (2014: 14.50%) per annum, is repayable in 2016 (2014 : repayable in 2015), secured by land use rights of the Group and guaranteed by a director of the Group. The current portion of this loan amounted to RMB60,000,000 (2014: RMB24,000,000) is repayable in twelve (12) months, while the non-current portion of this loan amounted to RMBNil (2014: RMB60,000,000).

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

22. BANK AND OTHER LOANS (cont'd)

Another loan amounting to RMB384,000,000 (2014: RMB548,589,000) with an effective interest rate of approximately 12.78% (2014: 12.70%) per annum, is repayable from 2016 to 2017 (2014 : repayable from 2015 to 2017), secured by land use rights and property under development of the Group. The current portion of this loan amounted to RMB54,859,000 (2014: RMB164,577,000) is repayable in twelve (12) months, while the non-current portion of this loan amounted to RMB329,141,000 (2014: RMB384,012,000). The Group is also required to purchase a loan due from a third party to the lender (Note 8) as part of the loan arrangement.

Another loan amounting to RMB324,735,000 (2014: RMB310,017,000) with an effective interest rate of approximately 15% (2014: 15%) per annum, is repayable in 2017 (2014 : 2017), secured by a director of the Group and his shares in the Company and a subsidiary.

Another loan amounting to RMB18,279,000 (2014 : RMB18,279,000) with an effective interest rate of 18% (2014 : 18%) per annum, is repayable in 2016 (2014 : repayable in 2015) and unsecured.

Another loan amounting to RMB29,520,000 (2014: RMB10,000,000) with an effective interest rate of 26.4% to 36% (2014: 24%) per annum, is repayable in 2016 (2014 : repayable in 2015) and guaranteed by a subsidiary of the Group (2014 : unsecured).

A new loan raised in 2015 amounting to RMB220,000,000 with an effective interest rate of approximately 14% per annum, is repayable from 2016 to 2018, secured by land use rights and investment property of the Group. The current portion of this loan amounted to RMB66,000,000 is repayable in 2016, while the non-current portion of this loan amounted to RMB154,000,000.

A new loan raised in 2015 amounting to RMB49,842,000 with an effective interest rate of 18% to 24% per annum, is repayable in 2016 and guaranteed by a subsidiary of the Group.

A new loan raised in 2015 amounting to RMB519,578,000 with an effective interest rate of approximately 8% per annum, is repayable in 2020, secured over the shares of certain subsidiaries of the Group, and guaranteed by a director of the Group.

A new loan raised in 2015 amounting to RMB5,000,000 with an effective interest rate of 24% per annum, is repayable in 2016 and unsecured.

(b) Bank loans amounting to RMB15,098,000 (2014: RMB38,546,000) with an interest rate of 6.55% (2014: 6.55%) per annum, are repayable from 2016 to 2019 (2014 : repayable from 2015 to 2019), secured by certain investment properties and land use rights as well as guaranteed by certain directors of the Group. The current portion of these loans amounted to RMB3,517,000 (2014: RMB7,249,000) are repayable in 2016, while the non-current portion of these loans amounted to RMB11,582,000 (2014: RMB31,297,000).

Bank loan amounting to RMB100,000,000 as at December 31, 2014 with an effective interest rate of 7% per annum repayable upon demand and secured by certain prepaid leases of the Group, was repaid in 2015.

Bank loan amounting to RMB30,000,000 as at December 31, 2014 with an interest rate from 7.80 % to 8.28% per annum secured by investment property of the Group and guaranteed by a director of the Group, was repaid during 2015.

Bank loan amounting to RMB85,000,000 as at December 31, 2014 with an interest rate of 7% per annum secured by land use rights of the Group and guaranteed by a director of the Group, was repaid during 2015.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

22. BANK AND OTHER LOANS (cont'd)

Bank loan amounting to RMB50,000,000 as at December 31, 2014 with an interest rate of 7% per annum secured by land use rights and investment property of the Group, as well as guaranteed by a director of the Group, was repaid during 2015

Bank loan amounting to RMB45,000,000 as at December 31, 2014 with an interest rate of 8.40% per annum secured by land use rights of the Group and guaranteed by directors of the Group, was repaid during 2015.

Bank loan amounting to RMB58,000,000 as at December 31, 2014 with an interest rate of 6% to 6.30% per annum secured by land use rights of the Group and guaranteed by a director of the Group, was repaid during 2015.

Bank loan amounting to RMB129,500,000 as at December 31, 2014 with an interest rate of 6% per annum secured by certain land use rights and property of the Group and restricted cash and cash equivalents of RMB80,000,000, was repaid during 2015.

Bank loan amounting to RMB75,000,000 as at December 31, 2014 with an interest rate from: 6.72% to 7.80% per annum secured by land use rights and restricted cash and cash equivalents of RMB17,170,000, was repaid during 2015.

Bank loan amounting to RMB27,000,000 as at December 31, 2014 with an interest rate of 6% per annum secured by land use rights, investment property of the Group and guaranteed by a director of the Group, was repaid during 2015.

Bank loan amounting to RMB72,500,000 as at December 31, 2014 with an interest rate of 6% to 6.15% per annum secured by land use rights of the Group and restricted cash and cash equivalents of RMB50,000,000, was repaid during 2015.

Bank loan amounting to RMB10,000,000 as at December 31, 2014 with an interest rate of 6.15% per annum secured by restricted cash and cash equivalents of RMB10,000,000, was repaid during 2015.

Bank loan raised in 2015 amounting to RMB100,000,000 with an effective interest rate of 5% per annum, is repayable upon demand and secured by certain prepaid leases of the Group.

Bank loan raised in 2015 amounting to RMB25,000,000 with an interest rate from 4.85% to 5.10 per annum, is repayable in 2016, secured by investment property of the Group.

Bank loan raised in 2015 amounting to RMB85,000,000 with an interest rate of 5.66% per annum, is repayable in 2016, secured by land use rights of the Group and guaranteed by a director of the Group.

Bank loan raised in 2015 amounting to RMB38,000,000 with an interest rate of 7% per annum, is repayable in 2016, secured by land use rights and investment property of the Group, as well as guaranteed by a director of the Group.

Bank loan raised in 2015 amounting to RMB50,000,000 bears an interest rate of 5.10% per annum, is repayable in 2016, secured by property held for sales and restricted cash and cash equivalents of RMB15,000,000.

Bank loan raised in 2015 amounting to RMB69,300,000 with an interest rate of 7% per annum, is repayable in 2016, secured by land use rights and investment properties of the Group.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

22. BANK AND OTHER LOANS (cont'd)

Bank loan raised in 2015 amounting to RMB24,000,000 with an interest rate of 8.50% per annum, is repayable in 2016, secured by property held for sales and restricted cash and cash equivalents of RMB7,200,000 and guaranteed by certain subsidiaries of the Group.

Bank loan raised in 2015 amounting to RMB107,462,000 with an interest rate of 3.16% to 3.24% per annum, is repayable in 2016 and secured by restricted cash and cash equivalents of RMB107,000,000.

Bank loan raised in 2015 amounting to RMB32,600,000 with an interest rate of 5.10% to 6.30% per annum, is repayable in 2016, secured by land use rights of the Group and restricted cash and cash equivalents of RMB4,000,000.

Bank loan raised in 2015 amounting to RMB80,000,000 with an interest rate of 6.12% to 7.49% per annum, is repayable in 2016 and secured by land use rights of the Group.

Bank loan raised in 2015 amounting to RMB101,317,000 with an interest rate of 2.34% per annum, is repayable in 2016 and secured by restricted cash and cash equivalents of RMB106,000,000.

Bank loan raised in 2015 amounting to RMB209,350,000 with an interest rate from 4.85% to 7.01% is repayable in 2016, secured by certain land use rights and property of the Group and restricted cash and cash equivalents of RMB120,000,000.

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

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

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (outside parties)	409,485	343,421	–	–
Advance receipt from the sales of properties	446,450	144,345	–	–
Other taxes payable	38,943	31,180	–	–
Accrued expenses	27,089	18,872	694	8,963
Deposits received	15,272	9,658	–	–
Payroll payable	7,351	6,135	–	–
Other payables	46,301	90,723	–	–
Amount due to former non-controlling interests	173,930	–		
Advance deposit from the sales of properties	22,119	144,606	–	–
Advances from non-controlling interests	51,758	39,555	–	–
Advances from customers	422	356	–	–
	1,239,120	828,851	694	8,963
Less: Advance deposit from the sales of properties classified as non-current	–	(20,663)	–	–
Current portion	1,239,120	808,188	694	8,963

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

23. TRADE AND OTHER PAYABLES (cont'd)

The average credit period granted by suppliers ranges from 30 days to 180 days (2014 : 30 days to 180 days). No interest is charged on the trade payables.

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

Advance deposit from the sales of properties amounting to RMB20,663,000 (2014 : RMB20,663,000) pertains to sale of properties to customers which bear interest of 7% (2014 : 7%) per annum where the customers can demand the Group to buy back the properties within one month after three years from the date of the agreement at the price that the customers had purchased from the Group. Consequently, no revenue is recognised for these sales of properties and this advance deposit from the sales of the properties is classified as current (2014 : non-current). The remaining advance deposit from the sale of properties amounting to RMB1,456,000 (2014 : RMB123,943,000) pertains to deposit received from customers before entering into sales and purchase agreement with the customers.

Advances from non-controlling interests pertain to contribution to ongoing property development projects to be used for working capital purpose. Advances from non-controlling interests amounting to RMB6,650,000 (2014 : RMB6,650,000) bear interest of 6% (2014 : 6%) annually while the remaining RMB45,108,000 (2014 : RMB32,905,000) of advances from non-controlling interests is interest free.

Amount due to former non-controlling interests amounting to RMB119,930,000 represents the advance received for working capital to Sihui's projects, which is interest free and repayable on demand. In 2014, this amount of RMB97,750,000 was presented as amount due to related parties in the statement of financial position. The remaining amount of RMB54,000,000 (2014 : RMBNil) represents the consideration to acquire Sihui, which had yet been paid by the Group as at December 31, 2015 (Note 17).

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

24. LONG TERM PAYABLES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable under long term payables:				
Within one year	28,336	23,336	22,297	19,538
In the second to fifth years inclusive	59,500	58,100	40,004	41,605
More than 5 years	216,370	231,770	116,154	116,264
	304,206	313,206	178,455	177,407
Less: Future finance charges	(125,751)	(135,799)	NA	NA
Present value of lease obligations	178,455	177,407	178,455	177,407
Less: Amount due for settlement within 12 months (shown under current liabilities)			(22,297)	(19,538)
Amount due for settlement after 12 months			156,158	157,869

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

24. LONG TERM PAYABLES (cont'd)

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 18 years (2014 :19 years). For the year ended December 31, 2015, the effective borrowing rate is 6% per annum (2014 : 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.

25. SHARE CAPITAL

	Group and Company			
	2015	2014	2015	2014
	No of ordinary shares		RMB'000	RMB'000
Issued and paid up:				
At beginning and end of year	1,125,000,000	1,125,000,000	909,831	909,831

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

26. CAPITAL RESERVE

The capital reserve represents the effects of changes in ownership interests in subsidiaries that did not result in change of control. 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 RMB127,350,000. The difference between the consideration and the non-controlling interest acquired amounting to RMB86,328,000 was recognised in capital reserve (Note 17).

27. REVALUATION RESERVE

The property revaluation reserve relate to the difference arising from the revaluation of the carrying amount to the fair value of owner-occupied prepaid leases and building at the date of their transfer from property, plant and equipment to investment property.

28. 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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

29. REVENUE

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Revenue from:		
Construction contracts	–	2,814
Property development	239,417	116,235
Property rental income	23,766	18,395
Property management service income	17,176	12,226
	280,359	149,670

30. OTHER OPERATING INCOME

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Interest income	38,104	11,769
Change in fair value of investment properties	273,745	675,674
Sundry income	140	834
	311,990	688,277

31. OTHER OPERATING EXPENSES

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Impairment loss on:		
Investment in defaulted bank loan (Note 8)	44,415	14,019
Investment property classified as held for sales (Note 14)	2,000	–
Other expenses	1,757	–
	48,172	14,019

32. FINANCE COSTS

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Interest on bank and other loans	272,963	185,139
Less: Amount capitalised as cost of development properties (Note 12)	(145,321)	(73,850)
Less: Amount capitalised as cost of investment properties	(29,090)	(2,701)
	98,552	108,588

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

33. INCOME TAX EXPENSE

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Enterprise income tax		
Current	11,115	8,680
Land appreciation tax		
Current	3,570	8,662
Deferred tax		
Enterprise income tax	66,450	159,786
Land appreciation tax	(4,441)	4,632
	62,009	164,418
	76,694	181,760

Domestic income tax of the Company is calculated at 17% (2014 : 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.

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Profit before tax	102,845	503,514
Income tax at PRC statutory rate of 25% (2014 : 25%)	25,711	125,879
Tax effect of:		
Expense not deductible for tax purpose	59,394	39,622
Income not taxable for tax purpose	(5,195)	(6,453)
Land appreciation tax	2,678	6,497
Effect of different tax rates	(4,054)	(3,392)
Effect of tax loss not recognised	2,044	13,591
Others	(3,884)	6,016
Tax expense for the year	76,694	181,760

Subject to the agreement by the tax authorities at the end of the reporting period, the Group has unutilised tax losses of RMB70,604,000 (2014 : RMB62,429,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit stream.

Deferred tax benefits from unutilised tax losses is RMB17,651,000 (2014 : RMB15,607,000)

34. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group	
	2015	2014
	RMB'000	RMB'000
Directors' remuneration		
- of the Company	12,820	3,387
- of the subsidiaries	2,531	2,564
Total directors' remuneration	15,351	5,951
Employee benefits expense (including directors' remuneration)	30,727	28,898
Cost of defined contribution included in employee benefits	2,881	2,009
Depreciation expense	3,129	3,184
Amortisation of prepaid leases	221	223
Net foreign exchange loss	52,029	21,725
Cost of completed properties for sale recognised as expenses	189,544	104,674
Audit fees:		
- paid to auditor of the Company	394	583
- paid to other auditors	1,825	1,500
Total audit fee	2,219	2,083
Non-audit fees:		
- paid to auditor of the Company	49	49

35. 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:

	2015	2014
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	34,291	114,886

	Number of shares	
	2015	2014
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,125,000,000	1,125,000,000

There are no dilutive potential ordinary shares for 2015 and 2014.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

36. SEGMENT INFORMATION

The Group's reportable operating segments are as follows:

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

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

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

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

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

The Group's operations are 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 RMB'000	Construction contracts RMB'000	Property investment RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Total RMB'000
2015						
Revenue						
External revenue	239,417	–	23,766	17,176	–	280,359
Inter-segment revenue	–	211,186	–	2,008	(213,194)	–
	239,417	211,186	23,766	19,184	(213,194)	280,359
Results						
Segment profit (loss)	(56,079)	(15,938)	276,952	(3,538)	–	201,397
Finance costs						(98,552)
Profit before tax						102,845
Income tax expense						(76,694)
Profit for the year						26,151
2014						
Revenue						
External revenue	116,235	2,814	18,395	12,226	–	149,670
Inter-segment revenue	–	246,185	–	989	(247,174)	–
	116,235	248,999	18,395	13,215	(247,174)	149,670

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

36. SEGMENT INFORMATION (cont'd)

	Property development	Construction contracts	Property investment	Others	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results						
Segment profit (loss)	(45,897)	(8,336)	671,511	(5,176)	–	612,102
Finance costs						(108,588)
Profit before tax						503,514
Income tax expense						(181,760)
Profit for the year						321,754

Segment profit (loss) represents the profit (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

	2015	2014
	RMB'000	RMB'000
Property development	3,120,698	2,620,409
Construction contracts	467,323	613,068
Property investment	2,497,100	2,095,723
Others	41,061	29,999
Consolidated total assets	6,126,182	5,359,199

Segments liabilities

	2015	2014
	RMB'000	RMB'000
Property development	2,949,327	2,810,894
Construction contracts	887,540	543,631
Property investment	624,219	393,706
Others	166,889	9,260
Consolidated total liabilities	4,627,975	3,757,491

All assets and liabilities are allocated to reportable segments.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

36. SEGMENT INFORMATION (cont'd)

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Property development	2,978	3,155	140	587
Construction contracts	170	239	54	205
Property investment	–	–	66,594	44,210
Others	202	13	322	221
Total	3,350	3,407	67,110	45,223

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

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2015	2014
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	14,367	15,243

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

	Group	
	2015	2014
	RMB'000	RMB'000
Within one year	14,296	14,320
In the second to fifth year inclusive	60,766	59,480
After five years	225,175	241,121
	300,237	314,921

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

The Group as lessor

The Group rent out its investment properties in People's Republic of China under operating lease. Property rental income earned during the year was RMB23,766,000 (2014 : RMB18,395,000). Direct operating expenses arising on the investment properties in the year amounted to RMB3,019,000 (2014 : RMB3,526,000).

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2015

37. 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	
	2015	2014
	RMB'000	RMB'000
Within one year	12,356	19,339
In the second to fifth year inclusive	42,972	74,373
After five years	78,928	51,451
	134,256	145,163

38. CAPITAL COMMITMENTS

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

	Group	
	2015	2014
	RMB'000	RMB'000
Construction of properties	607,447	292,954

39. 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 22(a), the contingent liabilities of the Group were as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Guarantees given to banks in connection with faciliaties	1,099,919	953,077

The Group arranges with various domestic banks in the PRC to provide loans and mortgage facilities to the properties purchasers prior to completion. In line with some consumer banking practices in the PRC, these banks require the Group to provide guarantees in respect of these loans including the principal, interest and other incidental costs, should the purchasers default 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 FINANCIAL STATEMENTS (cont'd)

December 31, 2015

39. CONTINGENT LIABILITIES (cont'd)

Legal issue of contractual dispute

On May 13, 2004, the Group entered into joint agreement ("agreement") with third parties to jointly develop 77.94 arces of land, which was owned by the third parties. In return, the Group agreed to let those third parties have first right of 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 has ruled that the Group would need to compensate third parties for damage of RMB12,522,000.

The Group appealed this ruling to the intermediate court. Due to the unclarity of essential facts, the case has been returned to the original court to retrial. As of the date of financial statements, the court's retrial has yet to be convened.

40. DIVIDENDS

During the year, the company paid a dividend of SGD0.023 per share (total dividend RMB12,061,000) in respect of the financial year ended December 31, 2013.

41. EVENT AFTER REPORTING PERIOD

Value Added Tax ("VAT")

In March, 2016, The fourth session of the Twelfth National People's Congress in China approved the full roll-out plan of the VAT reform, confirming that from 1 May 2016, the VAT reform will be rolled out to cover construction, real estate, financial service and lifestyle service sectors. On the same day, officials from the Tax Policy Department of the Ministry of Finance (MOF) and the Goods and Services Tax Department of the State Administration of Taxation (SAT) issued "The notification of working on the full roll-out plan of the VAT reform "(Tax[2016]32).

From 1 May 2016, the Group will pay VAT instead of business tax in China

Subscription of shares in Profit Consortium Sdn Bhd

On November 29, 2015, the Company's wholly owned subsidiary – Pavillion Treasures Land and Development Sdn Bhd ("Pavillion") entered into a subscription agreement with Profit Consortium Sdn Bhd ("PCSB") and Gabungan Tiasa Sdn Bhd ("GTSB"). Pursuant to the subscription agreement, PCSB shall allot and issue to Pavillion 4,646,666 new callable ordinary shares, which represents 82% of the share capital of PCSB ("Subscription Shares") at an aggregate consideration of RM88,000,000 and Pavillion shall subscribe to the Subscription Shares ("Subscription"). Pursuant to the Subscription, PCSB will become a subsidiary of the Company.

The net asset value of PCSB attributable to the subscription shares is RM966,000, based on the audited financial statements of PCSB as at December 31, 2014. PCSB had on October 30, 2015 entered into a sale and purchase agreement with Datuk Bandar Kuala Lumpur ("DBKL") to acquire 5 parcels of land ("Plaza Rakyat Project"). The consideration for the acquisition of Plaza Rakyat Project is RM 700,000,000 of which RM 70,000,000 had been paid by PCSB to DBKL as at December 31, 2015.

On March 2, 2016, Pavillion entered into a supplemental agreement with PCSB and GTSB which provides that the above subscription agreement is subject to the approval of the Board and shareholders of the Company.

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2016

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	52	5.56	48,209	0.00
1,001 - 10,000	351	37.54	1,492,400	0.13
10,001 - 1,000,000	499	53.37	71,747,316	6.38
1,000,001 AND ABOVE	33	3.53	1,051,712,075	93.49
TOTAL	**935**	**100.00**	**1,125,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	BILLION EQUITY HOLDINGS LIMITED	568,805,234	50.56
2	UOB KAY HIAN PRIVATE LIMITED	203,558,157	18.09
3	PHILLIP SECURITIES PTE LTD	81,157,987	7.21
4	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	23,464,600	2.09
5	PRIDE CAPITAL INVESTMENT HOLDINGS LIMITED	21,976,744	1.95
6	WU KWOK HUNG	21,215,827	1.89
7	RAFFLES NOMINEES (PTE) LIMITED	21,011,200	1.87
8	YUAN LE SHENG	16,593,000	1.47
9	YANG JINZHONG	11,595,366	1.03
10	OCBC SECURITIES PRIVATE LIMITED	10,120,400	0.90
11	CITIBANK NOMINEES SINGAPORE PTE LTD	9,935,222	0.88
12	THAM KENG CHUEN	6,666,744	0.59
13	POW KIM HOO	6,660,183	0.59
14	CHUA HONG THUAN	6,039,744	0.54
15	BANK OF SINGAPORE NOMINEES PTE. LTD.	5,062,171	0.45
16	JANE KIMBERLY NG BEE KIOK	4,251,700	0.38
17	SKYLIGHT ENTERPRISES GROUP LIMITED	4,151,163	0.37
18	DBS NOMINEES (PRIVATE) LIMITED	3,262,300	0.29
19	AW CHEOK HUAT	2,997,022	0.27
20	LEE YU CHUAN	2,705,600	0.24
	TOTAL	**1,031,230,364**	**91.66**

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2016

SHARE CAPITAL

Issued and paid up share capital	:	S$143,750,000.00
Issued and fully paid-up	:	1,125,000,000
Class of Shares	:	Ordinary shares of S$1.00 each
Number of Treasury Shares held	:	Nil
Voting rights	:	One vote per share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 16 March 2016, 38.81% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2016

Name of Substantial Shareholder	Direct Interest	%	Deemed Interest	%
Yuan Le Sheng	16,593,000[1]	1.47	590,781,978[1]	52.51
Zheng Lihua	-	-	607,374,978[1]	53.98
Billion Equity Holdings Limited	568,805,234[1]	50.56	-	-
Phillip Securities Pte Ltd	81,157,987	7.21	-	-

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

Note:

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Room 332, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore, 039593,, on Wednesday, 27 April 2016 at 2.00 p.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 2015 and the Directors' Statement and the Auditors' Report thereon.	**Resolution 1**
2.	To approve Directors' fees of RMB 765,027 (equivalent to S$167,000) for the financial year ending 31 December 2016, payable half yearly in arrears.	**Resolution 2**
3.	To re-elect the following Directors retiring by rotation pursuant to Article 93 of the Company's Constitution:-	**Resolution 3**
	(i) Mr Yuan Le Sheng	**Resolution 3(i)**
	(ii) Mr He Guo Quan	**Resolution 3(ii)**
	(iii) Mr Chia Seng Hee, Jack *(See Explanatory Note)*	**Resolution 3(iii)**
4.	To note the retirement of Ms Zheng Li Hua as a Director pursuant to Article 94 of the Company's Constitution who will not be seeking for re-election.	
5.	To re-appoint Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration.	**Resolution 4**

SPECIAL BUSINESS

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

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

6. That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**") and Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors to:- **Resolution 5**

   (a) allot and issue shares in the Company; and

   (b) issue convertible securities and any shares in the Company pursuant to convertible securities,

   (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) in the Company to be issued pursuant to such authority shall not exceed fifty per cent. (50%) of the issued share capital of the Company for the time being (excluding treasury shares) and that the aggregate number of shares in the Company to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed twenty per cent. (20%) of the issued share capital of the Company for the time being (excluding treasury shares). Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

   For the purposes of this Resolution and Rule 806(3) of the Listing Manual, the percentage of issued share capital is based on the issued share capital of the Company at the time this Resolution is passed after adjusting for:-

   (i) new shares arising from the conversion or exercise of convertible securities;

   (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and

   (iii) any subsequent consolidation or subdivision of shares.

   (See Explanatory Note)

OTHER BUSINESS

7. To transact any other business.

BY ORDER OF THE BOARD

Janet Tan
Company Secretary
Date: 12 April 2016

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Explanatory Notes:

Resolution 3(ii)

Mr He Guo Quan, Chairman of the Nominating Committee and a member of each of the Audit Committee and Remuneration Committee, will continue in office as Chairman of the Nominating Committee and a member of each of the Audit Committee and Remuneration Committee upon his re-election as a Director of the Company, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Detailed information on Mr He Guo Quan can be found under the "Board of Directors" section in the Company's Annual Report. There are no relationships (including immediate family relationships) between Mr He Guo Quan and the other Directors, the Company and its ten per cent. (10%) shareholder.

Resolution 3(iii)

Mr Chia Seng Hee, Jack, Chairman of the Remuneration Committee and a member of each of the Audit Committee and Nominating Committee, will continue in office as Chairman of the Remuneration Committee and a member of each of the Audit Committee and Nominating Committee upon his re-election as a Director of the Company, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Detailed information on Mr Chia Seng Hee, Jack can be found under the "Board of Directors" section in the Company's Annual Report. There are no relationships (including immediate family relationships) between Mr Chia Seng Hee, Jack and the other Directors, the Company and its ten per cent. (10%) shareholder.

Resolution 5

The Ordinary Resolution No. 5, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the issued share of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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 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.

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 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.

3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office, 80 Raffles Place, #32-01 UOB Plaza 1, Singapore 048624, not less than forty-eight (48) hours before the time for 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.

This page has been intentionally left blank.

This page has been intentionally left blank.

This page has been intentionally left blank.

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 2015 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 (delete as appropriate)

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 Room 332, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore, 039593, on Wednesday, 27 April 2016 at 2.00 p.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 and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2015 together with the Directors' Statement and Auditors' Report thereon.		
2	To approve Directors' fees of RMB 765,027 (equivalent to S$167,000) for the financial year ending 31 December 2016, payable half yearly in arrears.		
3 (i)	To re-elect Mr Yuan Le Sheng retiring by rotation under Article 93 of the Company's Constitution and who, being eligible, offers himself for re-election, as a Director of the Company.		
3 (ii)	To re-elect Mr He Guo Quan retiring by rotation under Article 93 of the Company's Constitution and who, being eligible, offers himself for re-election, as a Director of the Company.		
3 (iii)	To re-elect Mr Chia Seng Hee, Jack retiring under Article 93 of the Company's Constitution and who, being eligible, offers himself for re-election, as a Director of the Company.		
4	To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.		
	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 ________________ 2016

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

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

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

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 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 48 hours before the time appointed for the holding of the AGM.

5. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be either under its seal or under the hand of its attorney duly authorised.

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 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Janet Tan

REGISTERED OFFICE

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

SHARE REGISTRAR

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

PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

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

PARTNER-IN-CHARGE

Tsia Chee Wah
(appointed on 24 April 2013)

PRINCIPAL BANKERS

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

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

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

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

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