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融通四方



DEBAO PROPERTY DEVELOPMENT LTD. ANNUAL REPORT 2012



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
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PRC 528200

德宝房地产开发有限公司

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DEVELOPMENT LTD.

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ANNUAL REPORT 2012

Expansion beyond the horizon

Green Beverly Hills Phase I



Corporate Information

Board of Directors

Yuan Le Sheng (Executive Chairman and CEO)
Zhang Mao (Executive Director)
He Ke Ping (Executive Director)
Zhong Yu Zhao (Executive Director)
Zheng Li Hua (Non-Executive Director)
Cheong Keng Chuan Alfred (Lead Independent Director)
Seetoh Kok Choi Watson (Independent Director)
(resigned w.e.f 31 March 2013)
He Guo Quan (Independent Director)

Audit Committee

Cheong Keng Chuan Alfred (Chairman)
Seetoh Kok Choi Watson
He Guo Quan

Nominating Committee

He Guo Quan (Chairman)
Cheong Keng Chuan Alfred
Seetoh Kok Choi Watson
Zheng Li Hua

Remuneration Committee

Seetoh Kok Choi Watson (Chairman)
Cheong Keng Chuan Alfred
He Guo Quan

Company Secretary

Janet Tan

Registered Office

1 Finlayson Green
#14-02
Singapore 049245
Tel: (65) 6513 3857
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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
#32-00 DBS Building Tower Two
Singapore 068809

Partner-in-charge

Jeremy Toh Yew Kuan
(appointed on 1 April, 2008)

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 Road, 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

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Sihui Project



Tianjin Project



Corporate Profile

Established in 2000, Debao Property Development Ltd. is an integrated property developer of quality integrated residential properties and commercial properties in Foshan City, Guangdong Province, the 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. Since October 2012, our tenth completed property development project, Shanshui Longpan Phase 1 (ii) Villas with a Gross Floor Area (GFA) of 36,000 sq m was officially handed over to buyers in batches. With this, our aggregate GFA for completed property development projects reached 1,017,000 sq m to date. Shanshui Longpan, our flagship project, with a GFA of approximately 910,000 sq m comprising landed villas, terrace dwellings and high rise apartments, has further strengthened our portfolio of large scale property developments and taken the Group to greater heights of achievement as a quality property developer. As at 28 February 2013, the Group has a total GFA of approximately 1.4 million sq m of properties under and held for future development. As part of our property investment business, we

hold selected commercial properties that we developed or bought for capital appreciation for recurring and stable rental income. We also provide management services for residential properties developed by us.

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

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

Apart from China development projects, the Group had on 5 July 2012 entered into a co-operation contract with GD Development Sdn Bhd in relation to the proposed development of the undivided freehold land measuring in an area approximately 19.62 acres into an integrated development known as Green Beverly Hills Phase 1 in Malaysia. Green Beverly Hills Phase 1 is proposed to be developed into a niche resort lifestyle township and will feature, inter alia, rich modernistic landscapes, bungalow units with natural lake views, condominium units and various living facilities. The Green Beverly Hills Phase 1 will be the first step for the Group to position it as an international developer.

Our corporate office building at Jiangnan Mingju Phase 5



Our Properties

As of 28 February 2013, we have completed 10 property development projects with an aggregate GFA of approximately 1,017,000 sq m, the latest being Shanshui Longpan Phase 1 (ii) Villas, which was officially handed over to buyers in October 2012.

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
Total		1,017,000	

As of 28 February 2013, we have a total GFA of approximately 1,434,000 sq m of properties under and held for future development, including our maiden overseas project in Malaysia, Green Beverly Hills Phase I.

Property Development Projects Under and Held for Future Development

Property Development	Location / Type of Development	Approximate Total GFA (sq m)	Status
1. Shanshui Longpan other Phases	Foshan/Multi-phases large-scale integrated township development	813,000	<ul style="list-style-type: none"> • Development in Progress • Expected date of completion in 2017
2. Green Beverly Hills Phase 1 (Joint Venture Project)	Malaysia (Nilai)/ Integrated development	110,000	<ul style="list-style-type: none"> • Development in Progress • Expected date of completion in 2015/2016
3. Sihui Project (Joint Venture Project)	Zhaoqing/Large-scale integrated development	162,000*	<ul style="list-style-type: none"> • Commencement of work by end of 2013 • Expected date of completion in 2017
4. Danzao Project	Foshan/Large-scale integrated development	250,000	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Reserved for future development
6. Shishan Project	Foshan/Mixed development	58,000	<ul style="list-style-type: none"> • Reserved for future development
Total		1,434,000	

* Revised

Corporate Milestones

2013 AND BEYOND

Shanshui Longpan other Phases

Approximate Total GFA (sq m) : 813,000

Location/Type of Development : Foshan/Multi-phases large-scale integrated township development

Green Beverly Hills Phase 1 (Joint Venture Project)

Approximate Total GFA (sq m) : 110,000

Location/Type of Development : Malaysia (Nilai)/Integrated development

Sihui Project (Joint Venture Project)

Approximate Total GFA (sq m) : 162,000

Location/Type of Development : Zhaoqing/Large-scale integrated development

Danzao Project

Approximate Total GFA (sq m) : 250,000

Location/Type of Development : Foshan/Large-scale integrated development

Adjacent Land to Foshan Longpan Holidays Resort Hotel

Approximate Total GFA (sq m) : 41,000

Location/Type of Development : Foshan/To develop ancillary building to Foshan Longpan Holidays Resort Hotel

Shishan Project

Approximate Total GFA (sq m) : 58,000

Location/Type of Development : Foshan/Mixed development

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 ¹	
	FY2012 (RMB'm)	FY2011 (RMB'm)	FY2012 (RMB'm)	FY2011 (RMB'm)
Revenue	125.7	447.0	125.7	447.0
Cost of Sales	(120.1)	(298.1)	(116.1)	(276.2)
Gross Profit	5.6	148.9	9.6	170.8
Net Profit (Loss) for the Year	(56.6)	54.5	(52.1)	67.9
Gross Profit Margin (%)	4.47	33.3	7.64	38.2
Profit (Loss) per Share ² – Basic (RMB fens)	(5.02)	4.85	(4.55)	6.04
Net Asset Value per Share at the End of the Year ³ (RMB fens)	101.2	108.2	81.2	87.7
Net Gearing Ratio ⁴ (%)	84.4	42.8	105.2	52.8
Net Cash (Used in) from Operating Activities	(167.7)	(330.4)	(167.7)	(330.4)
Net Cash (Used in) from Investing Activities	4.2	43.4	4.2	43.4
Net Cash from Financing Activities	138.8	173.3	138.8	173.3
Cash and Cash Equivalents at the End of the Year	119.8	143.9	119.8	143.9

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 RMB4.0 million with its associated tax of RMB1.0 million in FY2012. Excluding these non-cash items due to application of the SFRS 103, our Proforma Accounting net loss was RMB51.2 million for FY2012.

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 山水龙盘





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 2017



Green Beverly Hills Phase I

绿色比华丽山庄一期



Location	Malaysia (Nilai)
Type of Development	Integrated development
Approximate GFA (sqm)	110,000
Status	Development in Progress
	Expected date of completion in 2015/2016



Sihui Project 四会项目



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 2017



Tianjin Project 天津项目



Location	Tianjin
Type of Project	Redevelopment of leased heritage building for commercial and leisure mall
Approximate GFA (sqm)	42,000
Status	Commencement of work by mid of 2013 Expected date of completion in 2014



Chairman Statement

Going the Distance

Dear Shareholders,

FY2012 continued to be a challenging year for China's property sector. The global economic uncertainties continued to weigh down on China's growth, whose economy in 2012 was seen growing at one of its weakest pace since 1999.

Mirroring the lacklustre economy, the overall China property market in 2012 experienced lower property transaction volumes albeit at steady transacted prices. In Foshan, which has one of the highest home affordability ratios among the key cities in China, the picture was slightly different. Transaction volumes increased 6.0% in 2012 to hit 6.7203 million square meters (sq m), while average selling prices was 6.6% lower at RMB7,635 per sq m.

In the coming year, our operating environment will remain tough as buying restrictions and the tightening of credit control policies will continue to contain the growing momentum of China's property market. If weak global economic growth and domestic demand persist, market watchers believe that the Chinese government will not introduce another round of property control policies. This will provide some form breather for us.

Notwithstanding our impending challenges, we will remain focused in our property development business as this is where our expertise and track record lie. Our current pipeline, comprising three projects under development with gross floor area (GFA) of approximately 0.92 million sq m*¹ and approximately 0.51 million sq m* GFA of land held for future development, will provide us with visible business growth opportunities up to 2017.

At the same time, we will step up to lower our risk exposure by diversifying our earnings streams. We will continue to source for quality and commercially viable new land reserves not just in China, but overseas to strengthen our international profile. Apart from residential developments - our existing main driver, we will explore opportunities to develop retail malls and industrial buildings, as well as undertake tourism development projects, among others.



Landscape of Shanshui Longpan



Interior of Shanshui Longpan Villa



Water Feature of Shanshui Longpan

Pipeline of projects

In July 2012, we entered into a cooperation contract with GD Development Sdn Bhd (GD) to develop the land at Bandar Nilai Utama, District of Seremban, State of Negeri Sembilan, Malaysia (Green Beverly Hills Phase 1). Green Beverly Hills Phase 1, located close to the federal administrative center of Malaysia, Putrajaya Federal Territory, enjoys accessibility from Kuala Lumpur city center and is a 12-minute drive from Kuala Lumpur International Airport. It is also less than 15 minutes away by car from Cyberjaya, the silicon valley of Malaysia. Universities such as Inti International University, Nilai International University, Manipal International University, Islamic Science University of Malaysia and Islamic University College of Malaysia, including the newly announced Xiamen University first overseas campus (Malaysia Campus) etc are within close vicinity.

Green Beverly Hills Phase 1 will be developed into a niche resort lifestyle township and will feature rich modernistic landscapes, bungalow units with natural lake views, condominium units and various living facilities, among others.

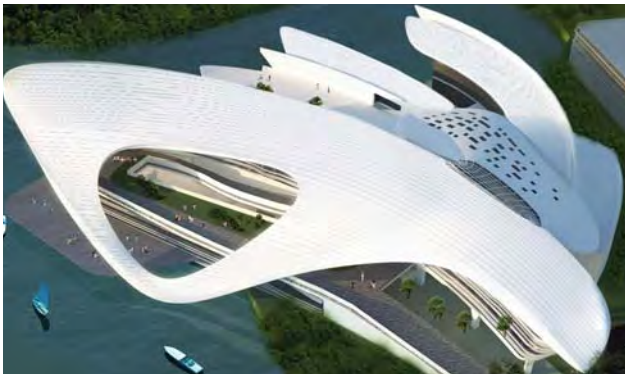
In China, we had successfully auctioned for an industrial land of 19,353.57 sq m, which includes two factory buildings, production equipment and inventory situated at Shishan Technology Industrial Park Zone A, Nanhai District in Foshan City. Strategically located, the property holds immense potential as it is opposite the announced Foshan West Transportation Hub, which will house Foshan Metro Lines 3 and 8, the intercity LRT, the city's public transport, as well as two high speed rail lines (Gui Guang Line and Nan Guang Line). We intend to redevelop the land and in the interim, lease out the factory to obtain rental income.

In terms of projects completion, we have handed over the completed units for Shanshui Longpan Phase I and Phase I(ii) in batches since October 2011 and October 2012 respectively. As for Jin Long Garden – South Zone (Phase 2), our 55% joint venture project, we have launched, in batches, over 80% of the GFA for pre-sales as at 31 December 2012. Some of the completed units have been handed over to buyers since July 2012. Our sales for our completed project Jiangnan Mingju Phases 5 and 6 are ongoing, left only with limited car park lots.

In terms of upcoming projects, we have commenced preparation works for Sihui Project – our maiden residential and shopping mall development project. With a GFA of 162,000 sq m*, this 55% joint venture project, estimated to be completed by 2017, will commence pre-sales by early of 2014.

Concurrently, plans are underway for us to lead a joint venture in Tianjin City to redevelop a heritage building located at Tianjin Heping District, Nanshi Hotels Street, into a hotel and shopping mall. Redevelopment works are scheduled to commence in the second quarter of 2013, with target completion by 2014. The project, with a net rentable area of approximately over 42,000 sq m, is expected to provide us with a sustainable leasing income for 20 years.

Meanwhile, pre-sales for Shanshui Longpan high-rise residential units are targeted to commence by early of 2014.



Artist impression for Green Beverly Hills Phase I



Artist impression for Tianjin Project

Financial Review

Like many Chinese property developers, our financial performance was hit by a couple of factors including the economic slowdown, tough property cooling measures implemented by the government and rising costs.

In FY2012, our revenue declined 72% to RMB125.8 million due to lower GFA sold and recognised in the year, as a result of lower sales from Phases 5 and 6 of Jiangnan Mingju and Shanshui Longpan Phase 1. This was partially offset by higher average selling prices. Even when the general property transacted prices in Foshan city trended downwards in 2012, our average selling price increased from RMB11,000 per sq m to RMB11,700 per sq m due to the sales contribution from high end residential Shanshui Longpan development. Our lower revenue was also partially offset by higher revenue contribution from property rental and property management service income, as well as construction contracts.

Gross profit margin experienced a sharp decline from 33% in FY2011 to 4% in FY2012 due to a revision of budget for Shanshui Longpan construction cost of RMB39.1 million as a result of higher labour and construction costs. Without this revision, our overall gross profit margin would be higher at 36%.

Selling and distribution expenses increased 17% as we stepped up our marketing efforts for Shanshui Longpan Phase 1(ii), while administrative expenses rose 12% due to an increase in depreciation charges on plant and equipment of the newly completed Foshan Longpan Holidays Resort Hotel, higher staff costs and an increase in foreign exchange loss arising from the weaker Chinese Renminbi against the Singapore dollar.

With higher finance cost, partially offset by a lower income tax expenses and a profit contributed from the jointly controlled operation, Jin Long Garden of RMB65.8 million, we recorded a net loss of RMB56.6 million for FY2012.

The road ahead of us will undoubtedly remain challenging but rest assured that we will continue to work hard to raise our performance and approach expansion plans with prudence.

Words of Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to thank our Independent Director Mr Seetoh Kok Choi Watson who had stepped down from the Board. I thank him for his valuable contributions to the Group.

I would like to convey my appreciation to our team of dynamic staff for their commitment. Special thanks also go out to you, our valued shareholder, for placing your trust in us. I look forward to your continued support.

Yuan Le Sheng

Executive Chairman and CEO

¹ Including the joint venture project in Malaysia of 0.11 million sqm

* Revised figures

主席献词

尊敬的各位股东：

对于中国的房地产市场来说，2012年仍然是比较艰难的一年。受全球经济不确定因素的持续影响，2012年中国经济增长缓慢，是自1999年以来经济发展较弱的年份之一。

在经济低迷的背景下，2012年整个中国房地产市场的交易量都较低，而成交价则相对比较稳定。佛山作为中国拥有最高购房能力的主要城市之一，其房地产市场的状况则有所不同。2012年佛山房地产交易量同比增长了6.0%至672.03万平方米，而每平方米平均售价则同比减少了6.6%至人民币7,635元/平方米。

接下来的一年我们的经营环境依然严峻，因为限购和限贷政策会持续牵制着中国房地产市场增长的势头。市场观察者认为，若全球经济增长和国内需求持续减弱，中国政府将不会出台新一轮的房地产调控措施。这将会为我们带来喘息的空间。

尽管面临着挑战，我们将依然专注于房地产开发业务，因为这是我们的专业与业绩所在。目前我们的开发项目包括：三个总建筑面积约92万平方米*1的在建项目以及总建筑面积约51万平方米*的土地用于将来开发，这些项目和土地储备会在2017年之前为我们带来可观的业绩增长机会。

另外，我们会通过扩大经营范围、增加多种收入渠道以降低经营风险。我们不但会在中国国内还会在海外继续寻找高品质的、有商业可行性的、新的土地储备以增强我们的国际声誉。除了我们现在的主要经营范围——开发住宅项目之外，我们将会把经营范围拓宽至开发商场、旅游项目及改造工业用地等领域。

Exterior of Foshan Longpan Holidays Resort Hotel





Collection of Key for Jin Long Garden South Zone

集团的项目

2012年7月，我们与GD开发有限公司签订了一份合作合同以开发位于马来西亚森美兰州芙蓉区汝来市的一块土地（绿色比华丽山庄一期）。绿色比华丽山庄一期邻近马来西亚的联邦行政中心——布城联邦直辖区，可以很方便到达吉隆坡市中心，距离吉隆坡国际机场仅12分钟车程。从马来西亚的“硅谷”——赛城出发到达本项目也不超过15分钟车程。另外，本项目附近还有多家大学，如马来西亚英迪国际大学、马来西亚汝来国际大学、马来西亚马尼帕尔印度国际大学、马来西亚伊斯兰教理科大学、马来西亚伊斯兰教大学以及最新公布的厦门大学首个海外分校（马来西亚分校）。

绿色比华丽山庄一期将被开发成极具特色的城镇生活度假胜地——茂密的现代化园景、坐拥自然湖畔景观的别墅、多个共管单位及各式各样的生活配套设施。

我们在中国成功拍得了一块位于佛山市南海区狮山工业园A区的面积为19,353.57平方米的工业用地，其中包括两个厂房、一些生产设备及存货。因其位于即将兴建的佛山西站对面这一战略位置，该地块拥有极大的开发潜力。佛山地铁3号和8号线、广佛肇城际轻轨以及两条高铁线路（贵广高铁和南广高铁）都在佛山西站交汇。我们计划改造该地块，而在这期间把厂房出租以获取租赁收入。

在已完工项目方面，我们已分别于2011年10月及2012年10月把山水龙盘一期及一期二批别墅已完工单位交付业主使用。截至2012年12月31日，我们的合作开发项目（集团占55%的权益）锦隆花园南区（二期）超过80%的总建筑面积已推出预售。自2012年7月起，我们已把锦隆花园南区（二期）的部分完工单位交付业主使用。我们的已完工项目江南名居5、6期的销售仍在进行中，剩下的停车位已基本售罄。

在即将开发的项目方面，我们已着手我们的首个住宅与商场开发项目——四会项目的筹备工作。四会项目是我们的合作开发项目（集团占55%的权益），总建筑面积为16.2万平方米*，预计将于2017年完工，并于2014年初推出预售。

与此同时，我们计划通过合资形式把位于天津市和平区南市旅馆街的一栋传统建筑改造成旅馆与商场项目。改造工程计划于2013年第二季度启动，并于2014年完工。该项目的净可出租面积超过4.2万平方米，预计将为我们带来20年的持续性租金收入。

另外，山水龙盘高层住宅单位的预售计划于2014年初启动。



Scenery of Shanshui Longpan

财务数据

与许多中国房地产开发商一样，我们的财务数据受到一系列因素的影响，包括低迷的经济、政府出台的严厉的房地产打压措施以及各种上涨的成本。

2012财年，集团的主营业务收入为人民币1.258亿元，同比减少72%，其主要原因是本财年集团确认的销售收入有所减少，这主要归因于江南名居五、六期及山水龙盘一期可确认的销售收入有所减少。但我们获得了较高的平均售价，尽管2012年佛山房地产整体成交价有所下降，我们的平均售价从2011年的人民币11,000元/平方米升至2012年的人民币11,700元/平方米，主要由高端住宅项目山水龙盘的销售所贡献。而我们的物业租赁业务、物业管理业务以及建筑工程业务方面的收入都有所增加。

集团的毛利率从2011财年的33%减至2012财年的4%，主要原因是因人工成本及建筑成本的增加而导致本财年集团对山水龙盘建造成本预算作出了人民币0.391亿元的修正。剔除这个调整因素的影响，2012财年集团的总毛利率应为36%。

2012财年集团的销售费用同比增长了17%，主要原因是我们推销山水龙盘一期二批而使销售费用有所增加。而管理费用同比增长了12%，主要原因是固定资产（新近完工的佛山龙盘假日酒店）的摊销费用、员工的工资以及人民币兑新币的汇兑亏损都有所增加。

尽管所得税费用有所减少，且从锦隆花园项目获得了人民币6,580万元的合作项目利润分成，由于财务费用比较高，2012财年集团出现了人民币5,660万元的净亏损。

毫无疑问，我们前进的道路依然艰难，但可以肯定的是我们会继续努力提升业绩表现并审慎处理各项拓展计划。

感谢词

最后，藉此机会，我代表董事局感谢已离开董事局的独立董事司徒国才先生，感谢他对集团所作出的重大贡献。

同时，我还要感谢对集团作出了贡献的所有辛勤的员工。更重要的是，我要感谢各位尊贵的股东对集团一如既往的支持和信任。

袁乐生

董事长兼总裁

¹ 包括马来西亚合作开发项目的11万平方米

* 修改过的数据

Pool view of Foshan Longpan Holidays Resort Hotel





Board of directors

MR YUAN LE SHENG

Executive Chairman and CEO

(Date appointed to the Board: 20 August 2009)

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

MR ZHANG MAO

Executive Director

(Date appointed to the Board: 23 November 2009)

Mr Zhang is in charge of the development and engineering departments of our Group and oversees the development of property development projects of our Group such as Jin Long Garden and Jiangnan Mingju. Prior to joining our Group in November 2000, Mr Zhang joined Nanhai Guicheng Complex Property Development Co., Ltd as a manager of the engineering and development department from January 1996 to January 1998 and Nanhai Guicheng Debao Property Development Co., Ltd. as the assistant to general manager from January 1998 to November 2000. When our Group

was established in 2000, he was the assistant to the general manager and was appointed as the deputy managing director of our Group prior to his current appointment. From August 1983 to June 1993, Mr Zhang worked at the Ministry of Mechanical Engineering and Industry No. 8 Design Institute where he was a group leader in charge of construction structural design. From July 1993 to December 1995, he was the technical head of Guangdong Huizhou Construction Development Co., Ltd where he was responsible for overseeing construction work undertaken by the said company. Mr Zhang Mao obtained a degree in construction structural engineering at the Inner Mongolia Industrial University where he graduated in 1983. He was also certified as a Senior Engineer for Construction Projects in charge of Technical Management by the Human Resource Department of Guangdong Province in January 2001.

MR HE KE PING

Executive Director

(Date appointed to the Board: 23 November 2009)

Mr He is the overall in-charge of our Group's property management, maintenance and sales departments. Mr He has over 30 years of experience in the business, hotel and property development industries and has been involved in the property development industry since 1986. Mr He started his career as an accountant with Nanhai Supply and Marketing Cooperative in 1979. From June 1983 to October 1986, he was the finance manager of Nanhai Foreign Trade Cooperation Bureau. From November 1986 to June 2001, Mr He was the deputy head of business division and head of finance division of Nanhai Huangqi Development Co., Ltd where he was in charge of the sale and purchase of steel materials and vehicles as well as financial accounting and funds management. From July 2001 to June 2002 and from March 2003 to February 2004, Mr He was the manager of World Trade Textile City and Dajindi Departmental Store City respectively, where he was in charge of establishing and inviting tenders for each of the said companies. Mr He joined Debao Property as an assistant to the general manager in March 2004 and held various positions within our Group before being appointed to his current position. Mr He obtained a finance specialisation in 1979 from the Foshan Finance & Trade Cadre School.

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 17 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 Practising 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 Official List of the SGX-ST.

Board of directors (cont'd)

MR SEETOH KOK CHOI WATSON

Independent Director

(Date appointed to the Board: 17 December 2007)

(resigned w.e.f 31 March 2013)

Mr Seetoh has almost 30 years of experience in the financial industry and started his career as an accountant with Stal Astra Refrigeration SEA Pte Ltd in Singapore in 1983. Since then, he has held various financial positions with both local small and medium enterprises and foreign based multi-national corporations including Dyno Industries (S) Pte Ltd where he was the group accountant from 1984 to 1988. Dyno Industries (S) Pte Ltd manufactures formaldehyde as well as urea and phenol formaldehyde glues, alkyd and unsaturated polyester resins and expandable polystyrene with factories in Indonesia, Malaysia and Singapore. He was the vice president controller from 1992 to 1997 for the Stanley Works Asia Pacific Pte Ltd, a regional headquarter for Asia Pacific and regional distribution center for The Stanley Works, a company listed on the New York Stock Exchange. Mr Seetoh also held various senior financial positions in public companies in Singapore. He was the chief accountant of L&M Group Investment Ltd from 1988 to 1990, the group financial controller of Hartford Education Corporation Limited from 2001 to 2002 and the chief financial officer of Top Global Limited from 2002 to 2003, all of which are listed on the SGX-ST. Mr Seetoh joined M.C. Packaging (Pte.) Ltd, a company dealing in metal packing with operations in Singapore, Malaysia and the PRC, as a financial advisor in 2004 and was subsequently appointed as its group managing director in 2005, a position which he still holds to-date. Mr Seetoh passed the professional qualification examinations of the Association of Chartered and Certified Accountants, UK, in 1982 and was admitted as a fellow member of the Association of Chartered and Certified Accountant in 1991. He has also obtained a Master in Business Administration from the University of Western Sydney and an Advanced Professional Diploma in Business Innovation from Leeds Metropolitan University of UK. Mr Seetoh has resigned with effect from 31 March 2013.

MR HE GUO QUAN

Independent Director

(Date appointed to the Board: 23 November 2009)

Mr He has over 15 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.

Shanshui Longpan Villas

Senior Management

MR CHONG CHEE HOONG

Chief Financial Officer

Mr Chong is our Chief Financial Officer and joined our Group in March 2009. Mr Chong has more than 16 years of working experience in assurance practice and corporate management. Mr Chong oversees our Group's corporate development, financial reporting and investor relations matters. From January 1998 to December 2000, he was an audit senior with KPMG, Kuala Lumpur and was an audit senior associate and subsequently audit manager with PricewaterhouseCoopers, Singapore, from December 2000 to September 2004. Mr Chong joined Deloitte & Touche Singapore as an audit manager from October 2004 to May 2005. During his time in audit, Mr Chong was involved in the audit of several property and construction companies. From May 2005 to March 2008, Mr Chong was the senior manager of corporate development and finance for Memory Devices Limited, a company then listed on the SGX-ST, where he was in charge of handling corporate development and affairs matters. Prior to joining our Group in March 2009, Mr Chong worked on an engagement basis as a corporate development consultant. Mr Chong passed the professional qualification examinations of the Association of Chartered Certified Accountants, UK, in 1997 and has been admitted as a fellow member of The Association of Chartered Certified Accountants, UK, since 2005.

MS LU JIN MING

Deputy General Manager (Project Development)

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

MR YANG QI MAN

Deputy General Manager (New Project Management)

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

MS BU SHU ZHEN

Finance Manager

Ms Bu is our Finance Manager and joined our Group in October 2011. Ms Bu has more than 7 years experience in the audit and financial functions. She is in charge of the preparation of our Group's financial statements and financial reporting and is also responsible for our Group's internal controls and systems compliance review. She was an audit assistant and subsequently audit senior with Deloitte Touche Tohmatsu Guangzhou from July 2006 to February 2010. Prior to joining our Group in October 2011, Ms Bu was the finance manager of Guangzhou Hongyuan Metal Resources Trading Co., Ltd from March 2010 to September 2011. Ms Bu holds a Master of Management and a Bachelor of Management in Accounting from the Xiamen University. Ms Bu passed the professional qualification examinations of the Chinese Institute of Certified Public Accountants in 2004 and has been admitted as a member of Chinese Institute of Certified Public Accountants since December 2006. Ms Bu also passed the professional qualification examinations of The Institute of Internal Auditors in 2005 and has been admitted as a member of Institute of Internal Auditors, Guangdong Province since May 2007.



Night view of Foshan Longpan Holidays Resort Hotel



Corporate Governance Report

Debao Property Development Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) remain committed to maintaining high corporate governance standards and sound corporate practices in accordance with the Code of Corporate Governance 2005 (the “Code”). This report sets out the corporate governance practices of the Company with specific reference to the principles of the Code.

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. No individual or small group of individuals should be allowed to dominate the Board’s decision making.

For the financial year ended 31 December 2012, the Board of Directors (the “Board”) comprised of eight (8) Directors, of whom three (3) are independent Directors. 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	46	20 August 2009	20 April 2012	Executive Chairman and Chief Executive Officer (“CEO”)	Nil
Zhang Mao	51	23 November 2009	27 April 2011	Executive Director	Nil
He Ke Ping	51	23 November 2009	25 May 2010	Executive Director	Nil
Zhong Yu Zhao	37	23 November 2009	27 April 2011	Executive Director	Nil
Zheng Lihua	48	20 August 2009	20 April 2012	Non-executive Director	Nil
Cheong Keng Chuan Alfred	44	23 November 2009	25 May 2010	Lead Independent Director	C&G Industrial Holdings Limited China Hongxing Sports Limited Sinotel Technologies Ltd
Seetoh Kok Choi Watson	55	17 December 2007	27 April 2011	Independent Director	Nil
He Guo Quan	36	23 November 2009	20 April 2012	Independent Director	Nil

Corporate Governance Report (cont'd)

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

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

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

Matters requiring Board approval include:

- corporate policies, strategies and objectives of the Company;
- quarterly, half yearly and full year announcements;
- annual report and accounts;
- major payments, acquisitions, investments and disposal of assets;
- strategic planning; and
- 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.

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.

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

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

Name of Directors	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	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 [^]	1	1 [^]	1	1 [^]
Zhang Mao	4	4	4	4 [^]	1	1 [^]	1	1 [^]
He Ke Ping	4	4	4	4 [^]	1	1 [^]	1	1 [^]
Zhong Yu Zhao	4	4	4	4 [^]	1	1 [^]	1	1 [^]
Zheng Lihua	4	3	4	3 [^]	1	1 [^]	1	1
Cheong Keng Chuan Alfred	4	4	4	4	1	1	1	1
Seetoh Kok Choi Watson	4	3	4	3	1	1	1	0
He Guo Quan	4	3	4	3	1	1	1	1

[^] by invitation

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.

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

Training for Directors

A formal letter has been sent to each Director, upon his appointment, setting out the Director's statutory duties and obligations. All Directors receive appropriate training to develop individual skills as required. 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. Directors also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of the Group's business operations. The Board as a whole is updated regularly on risk management, corporate governance and key changes in the relevant regulatory requirements and accounting standards.

Corporate Governance Report (cont'd)

CHAIRMAN AND CEO

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

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

The Executive Chairman and CEO sets the agenda for the Board meetings and exercises control over quality, quantity and timeliness of the flow of information between the management of the Company and the Board. The Executive Chairman and CEO also ensures 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.

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.

For the financial year ended 31 December 2012, the NC of the Company comprised of the following members:

Mr He Guo Quan (Chairman)
Mr Cheong Keng Chuan Alfred
Mr Seetoh Kok Choi Watson
Mdm Zheng Lihua

Messrs He Guo Quan, Cheong Keng Chuan Alfred and Seetoh Kok Choi Watson are our Independent Directors and Mdm Zheng Lihua is our Non-Executive Director.

Mr Seetoh Kok Choi Watson has resigned with effect from 31 March 2013. The Board is in the process of identifying a new candidate for the position of an independent Director to replace Mr Seetoh Kok Choi Watson as NC member and will make the appropriate announcement of the new appointment in due course.

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.

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. 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.

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

Presently, the Articles of Association of the Company provides that one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation at every annual general meeting ("AGM"). A retiring Director is eligible for re-election by the Shareholders at the AGM. The NC has recommended the re-appointment of Mr Cheong Keng Chuan Alfred, Mr Zhang Mao and Mr Zhong Yu Zhao at the forthcoming AGM. The Board has accepted the NC's recommendation and the three (3) retiring Directors have offered themselves for re-election.

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.

ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

Board members are provided with complete, adequate information in a timely manner, including quarterly management reports and from all relevant information on material events and transactions, from time to time, to enable them to be fully cognisant of the decisions and actions of the Group's management team. Detailed Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from management on financial, business and corporate issues and are normally circulated in advance of each meeting to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

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

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.

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.

For the financial year ended 31 December 2012, the RC comprised of the following Directors, all of whom are Non-Executive and Independent Directors.

Mr Seetoh Kok Choi Watson (Chairman)
Mr Cheong Keng Chuan Alfred
Mr He Guo Quan

Corporate Governance Report (cont'd)

Mr Seetoh Kok Choi Watson has resigned with effect from 31 March 2013 and Mr He Guo Quan has taken over the role as RC Chairman. The Board is in the process of identifying new candidate for the position of an independent Director to replace Mr Seetoh Kok Choi Watson as RC member and will make the appropriate announcement of the new appointment in due course.

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;
3. determining the contents of any service contract proposed to be entered into by the Company with a director or executive officer; and
4. approving and reviewing succession plans for key positions.

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

LEVEL AND MIX OF REMUNERATION

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of the executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The Company had entered into service agreements with the Executive Directors. The service agreements cover the terms of employment, salaries and other benefits. Executive Directors do not receive Directors' fees.

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.

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

DISCLOSURE ON REUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The remuneration of the Company's Directors, top key executives and employees related to the Directors for the financial year ended 31 December 2012 is as follows:

	Salary (%)	Performance-based incentive (%)	Bonus (%)	Benefit (%)	Director's fee (%)	Total (%)
(a) Directors						
<u>Above S\$250,000 but below S\$500,000</u>						
Yuan Le Sheng	82	-	15	3	-	100
<u>Below S\$250,000</u>						
Zhang Mao	78	-	17	5	-	100
Zhong Yu Zhao	78	-	17	5	-	100
He Ke Ping	81	-	14	5	-	100
<u>Below S\$250,000</u>						
Zheng Lihua	-	-	-	-	100	100
Cheong Keng Chuan Alfred	-	-	-	-	100	100
Seetoh Kok Choi Watson	-	-	-	-	100	100
He Guo Quan	-	-	-	-	100	100
(b) Key Executives						
<u>Below S\$250,000</u>						
Chong Chee Hoong	90	-	10	-	-	100
Lu Jin Ming	75	-	20	5	-	100
Yang Qi Man	79	-	16	5	-	100
Bu Shu Zhen	92	-	8	-	-	100
(c) Employees related to Directors						
<u>Below S\$150,000</u>						
Zheng Xiong Xian ⁽¹⁾	56	-	33	11	-	100
Yang Hui Yan ⁽²⁾	80	-	16	4	-	100
Yuan Jian Sheng ⁽³⁾	79	-	20	1	-	100
Fang Zai Ming ⁽⁴⁾	57	-	41	2	-	100
Zheng Xiong Wei ⁽⁵⁾	83	-	15	2	-	100

Notes:

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

Corporate Governance Report (cont'd)

The basis of determining the remuneration of these related employees is the same as the basis of determining the remuneration of other unrelated employees. For the current financial year ended 31 December 2012, the aggregate remuneration of the five (5) employees who are related to our Directors amounted to approximately RMB 776,000 (equivalent to approximately S\$154,000). 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.

3. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

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

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

AUDIT COMMITTEE

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

For the financial year ended 31 December 2012, the AC comprised of 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 Seetoh Kok Choi Watson
Mr He Guo Quan

Messrs Cheong Keng Chuan Alfred, Seetoh Kok Choi Watson and He Guo Quan have accounting or related financial management background. The NC is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

Mr Seetoh Kok Choi Watson has resigned with effect from 31 March 2013. The Board is in the process of identifying new candidate for the position of an independent Director to replace Mr Seetoh Kok Choi Watson as AC member and will make the appropriate announcement of the new appointment in due course.

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

1. review with the internal and external auditors the scope and results of audit and its cost effectiveness. Where the external auditors also provide non-audit services to the Company, the AC will keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
2. review the interim and annual financial statements and any significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company as well as any formal announcements relating to the Company's financial performance before the submission of the same to the Board;
3. conduct an annual review of the effectiveness and adequacy of the Company's internal controls and procedures with the management and the external auditors;

4. ensure and be satisfied with the adequacy and effectiveness of the internal audit function;
5. nominate persons as internal and external auditors, review their appointment or re-appointment as well as matters relating to their remuneration, resignation or dismissal, and recommending the same to the Board;
6. review the independence of the internal and external auditors annually;
7. meet with external and internal auditors without the presence of the Company's management at least annually and review the co-operation given by the Company's officers to external and internal auditors;
8. meet with other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC; and
9. review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and to ensure that suitable arrangements are in place for the independent investigation of such matters and that appropriate follow-up action shall be taken.

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.

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

In respect of the audit for the financial year ended 31 December 2012, the Company paid S\$343,000 to Deloitte & Touche LLP 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 2.9% 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.

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

INTERNAL CONTROLS

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board recognises the need and is responsible for maintaining a system of internal controls and processes to safeguard shareholders' investments and the Group's assets. The AC monitors the effectiveness of the 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.

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

Corporate Governance Report (cont'd)

The Board of Directors and the AC review the adequacy of the Group's internal controls, including financial, operational and compliance risks. Based on the review conducted, the Board of Directors and the AC are of the opinion that, in the absence of any evidence to the contrary, the system of internal controls in place is adequate in meeting the current scope of the Group's business operations.

INTERNAL AUDIT

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

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:

- 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;
- assess if operations of the business processes under review are conducted efficiently and effectively; and
- identify and recommend improvement to internal control procedures, where required.

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

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 engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board is mindful of its obligation to release timely and fair disclosure of material information and does not practise selective disclosure. In line with continuous disclosure obligations of the Company in line with the Listing Manual and the Companies Act, Cap. 50, 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.

Price-sensitive announcements including interim and full-year results are released through SGXNET within the mandatory period. All Shareholders of the Company receive the Annual Report and notice of AGM, together with explanatory notes or a circular on items of special business, at least fourteen (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.

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

The Chairmen of various committees will be available 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.

5. INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that 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 disclosed below, there are no other interested person transactions during the financial year under review:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interest person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transaction less than S\$100,000)
Name of interested person	S\$	S\$
Zhong Yu Zeng	210,977 ⁽¹⁾	-
Zhong Yu Xin	346,245 ⁽²⁾	-

Notes:

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

6. DEALINGS IN SECURITIES

The Group has adopted an internal code of conduct on dealings in the Company's securities by all Directors and employees of the Group. The code of conduct relates to, inter alia, insider trading prohibitions under the Securities and Future Act, Cap 289, 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

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

There are no treasury shares held by the Company as at the end of the financial year ended 31 December 2012.

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Report of the Directors

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2012.

1 DIRECTORS

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

Yuan Le Sheng
Zhang Mao
He Ke Ping
Zhong Yu Zhao
Zheng Lihua
Cheong Keng Chuan Alfred
Seetoh Kok Choi Watson
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	–	–	620,300,232	607,359,978
Yuan Le Sheng	14,370,000	16,578,000	605,930,232	590,781,978
Zhong Yu Zhao	1,010,000	1,010,000	–	–
He Ke Ping	101,000	101,000	–	–
Zhang Mao	–	–	1,212,000	1,212,000

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

The director's interests in the shares of the Company at January 21, 2013 were the same as at December 31, 2012.

Report of the Directors (cont'd)

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

5 SHARE OPTIONS

(a) Options to take up unissued shares

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

(b) Options exercised

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

(c) Unissued shares under option

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

6 AUDIT COMMITTEE

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

- a) the audit plans and 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.

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

7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Yuan Le Sheng

Zhang Mao

March 26, 2013

Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 43 to 96 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2012 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Yuan Le Sheng

Zhang Mao

March 26, 2013

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, 2012, the statement of 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 notes, as set out on pages 43 to 96.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Independent Auditors' Report (cont'd)

To the Members of Debao Property Development Ltd.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2012 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

Singapore
March 26, 2013

Statements of Financial Position

	Note	Group			Company	
		December 31, 2012	December 31, 2011	January 1, 2011	December 31, 2012	December 31, 2011
		RMB'000	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000	RMB'000
ASSETS						
Current assets						
Cash and cash equivalents	6	119,817	143,905	258,058	–	–
Restricted cash	7	276,062	21,420	120	–	–
Trade and other receivables	8	48,562	209,983	38,990	–	–
Amount due from related parties - non trade	5	855	–	–	–	–
Amount due from subsidiaries	5 & 16	–	–	–	661,157	626,477
Amount due from customers for contract works	9	18,304	8,709	30,157	–	–
Inventories	10	246	147	1,143	–	–
Properties held for sale	11	530,456	299,366	109,178	–	–
Development properties	12	1,197,714	1,252,664	1,549,500	–	–
Land use rights	13	977	1,095	93	–	–
Dividends receivable		–	–	–	–	34,126
Total current assets		2,192,993	1,937,289	1,987,239	661,157	660,603
Non-current assets						
Land use rights	13	36,292	38,075	3,845	–	–
Property, plant and equipment	14	148,932	154,141	32,693	–	–
Investment properties	15	338,380	240,680	233,463	–	–
Investment in subsidiaries	16	–	–	–	1,018	–
Investment in jointly controlled operation	17	47,241	36,445	75,989	–	–
Other investments	18	1,800	1,800	1,800	–	–
Deferred tax assets	19	11,409	15,042	20,488	–	–
Other non-current asset	20	–	–	3,000	–	–
Contributions to project	21	20,000	–	–	–	–
Total non-current assets		604,054	486,183	371,278	1,018	–
Total assets		2,797,047	2,423,472	2,358,517	662,175	660,603
LIABILITIES AND EQUITY						
Current liabilities						
Bank and other loans	22	895,421	472,908	343,540	–	–
Trade and other payables	23	375,325	317,734	523,144	1,998	1,868
Amount due to directors	5	9,535	2,964	174	–	–
Amount due to subsidiaries	5 & 16	–	–	–	14,699	14,517
Tax payables		67,241	99,617	77,965	–	–
Total current liabilities		1,347,522	893,223	944,823	16,697	16,385
Non-current liabilities						
Bank and other loans	22	185,372	191,799	129,841	–	–
Deferred tax liabilities	19	125,722	121,168	123,260	–	–
Total non-current liabilities		311,094	312,967	253,101	–	–
Capital, reserves and non-controlling interests						
Share capital	24	909,831	909,831	909,831	909,831	909,831
Capital reserve	25	396	–	–	–	–
Translation reserve		2,901	2,535	866	28,609	(3,841)
Statutory reserve	26	23,887	23,887	19,036	–	–
Retained earnings (Accumulated losses)		197,361	280,546	230,860	(292,962)	(261,772)
Equity attributable to equity holders of the Company		1,134,376	1,216,799	1,160,593	645,478	644,218
Non-controlling interest		4,055	483	–	–	–
Total equity		1,138,431	1,217,282	1,160,593	645,478	644,218
Total liabilities and equity		2,797,047	2,423,472	2,358,517	662,175	660,603

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

	Note	2012 RMB'000	2011 RMB'000 (Restated)
Revenue	27	125,757	447,003
Cost of sales		<u>(120,140)</u>	<u>(298,139)</u>
Gross profit		5,617	148,864
Other income	28	2,866	67,548
Selling and distribution expenses		(7,723)	(6,608)
Administrative expenses		(47,985)	(42,753)
Share of a jointly controlled operation profit (loss)	17	65,796	(2,335)
Change in fair value of investment properties	15	5,906	8,591
Finance costs	29	<u>(73,353)</u>	<u>(50,908)</u>
(Loss) Profit before tax	30	(48,876)	122,399
Income tax expense	31	<u>(7,679)</u>	<u>(67,879)</u>
(Loss) Profit for the year		(56,555)	54,520
Other comprehensive income, net of tax			
Exchange differences on translation of foreign operations, net of tax		<u>366</u>	<u>1,669</u>
Total comprehensive (loss) income for the year		<u>(56,189)</u>	<u>56,189</u>
(Loss) Profit for the year attributable to:			
Owner of the Company		(56,523)	54,537
Non-controlling interest		<u>(32)</u>	<u>(17)</u>
		<u>(56,555)</u>	<u>54,520</u>
Total comprehensive (loss) income attributable to:			
Owner of the Company		(56,157)	56,206
Non-controlling interest		<u>(32)</u>	<u>(17)</u>
		<u>(56,189)</u>	<u>56,189</u>
(Losses) Earnings per share (in RMB cents)			
Basic and diluted	33	<u>(5.02)</u>	<u>4.85</u>

See accompanying notes to financial statements.

Statements of Changes in Equity

	Note	Share capital	Capital reserve	Statutory reserve	Translation reserve	Retained earnings	Attributable to equity holders of the Company	Non-controlling interest	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group									
Balance at January 1, 2011		909,831	–	19,036	866	243,635	1,173,368	–	1,173,368
Effects of adopting amendments to FRS 12	38	–	–	–	–	(12,775)	(12,775)	–	(12,775)
Balance at January 1, 2011 as restated		909,831	–	19,036	866	230,860	1,160,593	–	1,160,593
Total comprehensive income for the year, as restated		–	–	–	1,669	54,537	56,206	(17)	56,189
Appropriations	25	–	–	4,851	–	(4,851)	–	–	–
Non-controlling interests arising from incorporation of subsidiary		–	–	–	–	–	–	500	500
Balance at December 31, 2011		909,831	–	23,887	2,535	280,546	1,216,799	483	1,217,282
Total comprehensive income (loss) for the year		–	–	–	366	(56,523)	(56,157)	(32)	(56,189)
Appropriations	16	–	396	–	–	–	396	(396)	–
Dividends	32	–	–	–	–	(26,662)	(26,662)	–	(26,662)
Contributions from non-controlling interests		–	–	–	–	–	–	4,000	4,000
Balance at December 31, 2012		909,831	396	23,887	2,901	197,361	1,134,376	4,055	1,138,431

Statements of Changes in Equity (cont'd)

	Note	Share capital RMB'000	Accumulated losses RMB'000	Translation reserve RMB'000	Total RMB'000
Company					
Balance at January 1, 2011		909,831	(289,336)	30,791	651,286
Total comprehensive income (loss) for the year		–	27,564	(34,632)	(7,068)
Balance at December 31, 2011		909,831	(261,772)	(3,841)	644,218
Total comprehensive (loss) income for the year		–	(4,528)	32,450	27,922
Dividends	32	–	(26,662)	–	(26,662)
Balance at December 31, 2012		909,831	(292,962)	28,609	645,478

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

	2012	2011
	RMB'000	RMB'000
Operating activities		
(Loss) Profit before tax	(48,876)	122,399
Adjustments for:		
Fair value gain on investment properties	(5,906)	(8,591)
Writeback of doubtful debts	–	(200)
Interest expense	73,353	50,908
Depreciation	9,978	5,718
Amortisation of land use right	847	595
Gain on disposal of an investment property	–	(8,227)
Gain on disposal of plant and equipment	(34)	–
Dividend income	–	(145)
Interest income	(926)	(1,620)
Share of a jointly controlled operation (profit) loss	(65,796)	2,335
Operating cash flows before movements in working capital	(37,360)	163,172
Trade and other receivables	(21,325)	(172,007)
Development properties	(349,416)	(77,746)
Properties held for sale	315,156	48,845
Amount due from customers for contract works	(9,595)	21,448
Amounts due to directors	6,571	–
Inventories	(99)	996
Trade and other payables	49,991	(203,974)
Cash used in operations	(46,077)	(219,266)
Interest paid	(90,200)	(73,398)
Interest received	630	880
Income tax paid	(32,093)	(38,660)
Net cash used in operating activities	(167,740)	(330,444)

Consolidated Statement of Cash Flows (cont'd)

	Note	2012 RMB'000	2011 RMB'000
Investing activities			
Amounts due from related parties		(855)	–
Profit distribution from a jointly controlled operation		55,000	–
Repayment from a jointly controlled operation		–	29,328
Purchases of property, plant and equipment		(991)	(4,954)
Interest received		296	8,621
Proceeds on disposal of investment properties		–	12,493
Proceeds on disposal of plant and equipment		34	–
Dividend received		–	145
Addition in investment properties		(29,280)	(2,226)
Contributions to project		(20,000)	–
Net cash from investing activities		<u>4,204</u>	<u>43,407</u>
Financing activities			
Placement of restricted fixed deposit		(254,642)	(21,300)
Amounts due to related parties		–	2,790
Proceed from minority interest contribution		4,000	500
Proceeds from bank loans		560,050	248,130
Proceeds from other loans		53,088	128,822
Repayment of bank loans		(67,052)	(179,104)
Repayment of other loans		(130,000)	(6,523)
Dividends paid		(26,662)	–
Net cash from financing activities		<u>138,782</u>	<u>173,315</u>
Net decrease in cash and cash equivalents		(24,754)	(113,722)
Effects of exchange rate changes on the balance of cash held in foreign currencies		666	(431)
Cash and cash equivalents at beginning of year	6	<u>143,905</u>	<u>258,058</u>
Cash and cash equivalents at end of year	6	<u>119,817</u>	<u>143,905</u>

See accompanying notes to financial statements.

Notes to Financial Statements

1. GENERAL

The Company (Registration No. 200715053Z) is incorporated in Singapore on August 16, 2007 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 1 Finlayson Green #14-02, Singapore 049246. The financial statements are expressed in Chinese Renminbi ("RMB"). The presentation currency is Renminbi as majority of the Group's transactions are denominated in Renminbi.

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

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2012 were authorised for issue by the Board of Directors on March 26, 2013.

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").

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group and the Company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2012. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

Amendments to FRS 12 *Income Taxes – Deferred Taxes: Recovery of Underlying Assets*

The amendments to FRS 12 introduce an exception to the principle when deferred tax assets or deferred tax liabilities arise from:

- investment property measured using the fair value model in FRS 40 *Investment Property*; and
- investment property acquired in a business combination if it is subsequently measured using the fair value model in FRS 40.

Previously, the Group measures deferred tax assets and deferred tax liabilities arising from investment properties to reflect the tax consequences that would follow from the manner in which the Group expects to recover the carrying amount of its investment properties (which may differ depending on whether the recovery is from use or from sale or from both). Such manner of recovery was based on estimates of future transactions based on current intention.

Notes to Financial Statements (cont'd)

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

The amendments introduce a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale. The effects of adoption of FRS 12 on current year's financial statements and effects of retrospective application on the amounts reported in 2011 and 2010 are described in Note 38.

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

- Amendments to FRS 1 *Presentation of Financial Statements - Amendments relating to Presentation of Items of Other Comprehensive Income*
- FRS 27 (Revised) *Separate Financial Statements*
- FRS 28 (Revised) *Investments in Associates and Joint Ventures*
- FRS 110 *Consolidated Financial Statements*
- FRS 111 *Joint Arrangements*
- FRS 112 *Disclosure of Interests in Other Entities*
- FRS 113 *Fair Value Measurement*
- Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosure - Offsetting Financial Assets and Financial Liabilities*

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

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

Amendments to FRS 1 *Presentation of Financial Statements - Amendments relating to Presentation of Items of Other Comprehensive Income ("OCI")*

The amendment on Other Comprehensive Income ("OCI") presentation will require the Group to present in separate groupings, OCI items that might be recycled i.e., reclassified to profit or loss (e.g. those arising from foreign currency translation) and those items that would not be recycled. The tax effects recognised for the OCI items would also be captured in the respective grouping, although there is a choice to present OCI items before tax or net of tax.

Changes arising from these amendments to FRS 1 will take effect from financial years beginning on or after July 1, 2012, with full retrospective application.

The Group is currently evaluating the effects of FRS 1 on its OCI in the period of initial adoption, if any.

FRS 110 *Consolidated Financial Statements* and FRS 27 *Separate Financial Statements*

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation - Special Purpose Entities*.

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

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with full retrospective application subject to transitional provisions.

The Group is currently evaluating the effects of FRS 110 on its investments in the period of initial adoption, if any.

FRS 111 *Joint Arrangements and FRS 28 Investments in Associates and Joint Ventures*

FRS 111 supersedes FRS 31 *Interests in Joint Ventures* and INT FRS 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*.

FRS 111 classifies a joint arrangement as either a joint operation or a joint venture based on the parties' rights and obligations under the arrangement. The existence of a separate legal vehicle is no longer the key factor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

The joint venture should use the equity method under the revised FRS 28 *Investments in Associates and Joint Ventures* to account for a joint venture. The option to use proportionate consolidation method has been removed. For joint operations, the Group directly recognises its rights to the assets, liabilities, revenues and expenses of the investee in accordance with applicable FRSs.

FRS 111 will take effect from financial years beginning on or after January 1, 2014, with full retrospective application subject to transitional provisions.

When the Group adopts FRS 111, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. For arrangements that are joint ventures and were previously proportionately consolidated as jointly controlled entities, the Group will have to adopt equity accounting.

The Group is currently evaluating the effects of FRS 111 on its jointly controlled entity in the period of initial adoption, if any.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after January 1, 2014, and the Group is currently evaluating the extent of additional disclosures needed, if any.

Notes to Financial Statements (cont'd)

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

FRS 113 Fair Value Measurement

FRS 113 is a single new standard that applies to both financial and non-financial items. It replaces the guidance on fair value measurement and related disclosures in other standards, with the exception of measurement dealt with under FRS 102 *Share-based Payment*, FRS 17 *Leases*, net realisable value in FRS 2 *Inventories* and value-in-use in FRS 36 *Impairment of Assets*.

FRS 113 provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, but does not change in the requirements in other standards regarding which items should be measured or disclosed at fair value.

The disclosure requirements in FRS 113 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under FRS 107 *Financial Instruments: Disclosures* will be extended by FRS 113 to cover all assets and liabilities within its scope.

FRS 113 will be effective prospectively from annual periods beginning on or after January 1, 2013.

Comparative information is not required for periods before initial application.

The Group is currently evaluating the effects of FRS 113 in the period of initial adoption, if any.

Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 107 require entities to disclose information about rights of set-off and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to FRS 107 are required for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to FRS 32 are effective for annual periods beginning on or after January 1, 2014 with retrospective application required.

The Group is currently evaluating the effects of FRS 32 and 107 in the period of initial adoption, if any.

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 (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control 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 subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal 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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Notes to Financial Statements (cont'd)

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

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.
- 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.

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

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.

JOINTLY CONTROLLED OPERATIONS - When the Group undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the statement of financial position of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the profit or loss when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

The investment in jointly control operations is incorporated in the Group's financial statements using the equity method of accounting. Under the equity method, investment in jointly controlled operations is adjusted for changes in the Group's share of the jointly controlled operations, less any impairment

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 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.

Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows 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.

Financial assets

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.

Notes to Financial Statements (cont'd)

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 when the Group's right to receive payments 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 rate method, except for short-term receivables when the recognition of interest would be 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 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 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.

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

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. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade 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.

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 investment 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 reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

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)

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

Trade, other payables and amount due to related parties and subsidiaries

Trade, other payables and amount due to a director and subsidiaries are initially measured at fair value, net of transaction costs, 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 at cost.

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).

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.

INVENTORIES - Inventories are measured at the lower of cost (weighted averaged method) and net realisable value. Costs includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. 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.

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

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

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

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

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

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.

Notes to Financial Statements (cont'd)

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

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.

LAND USE RIGHTS - Land use rights 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 (2011 : 40 to 50 years). The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

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

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

IMPAIRMENT OF TANGIBLE ASSETS AND INTANGIBLE ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and intangible 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.

Intangible assets with infinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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 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) Maintenance service fee income from maintenance work that is performed over a short duration 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)

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

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

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

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

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

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.

2. SUMMARY OF SIGNIFICANT 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. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely 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 the 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 in. 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)

2. SUMMARY OF SIGNIFICANT 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 on 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. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

Deferred tax relating to land appreciation tax

Management has evaluated the amendments to FRS12 *Deferred Tax: Recovery of Underlying Assets* and concluded that most of the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to FRS 12 is not rebutted. The effects of retrospective application on the amounts reported in 2011 and 2010 are described in Note 38.

Accordingly, the Group recognised the deferred tax on changes in fair value of the Group's investment property portfolios in PRC taking into account the land appreciation tax and enterprise income tax payable upon sales of those investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use and hence only the enterprise income tax effects were taken into account.

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.

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

Trade and other receivables

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

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

Corporate guarantees

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

Details of corporate guarantees are disclosed in Note 37 to the financial statements.

Land Appreciation Tax ("LAT")

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

The management, as disclosed in Note 19 and 31, considered the provision of LAT to be adequate.

Valuation of investment properties

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

Carrying amounts of properties held for sale and development properties

The aggregate carrying amount of these properties totalled RMB1,728,170,000 as at December 31, 2012 (2011 : RMB1,552,030,000), 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.

Notes to Financial Statements (cont'd)

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

Development cost

The estimated total development costs are based on contracted amounts, and in respect of amounts not contracted for, management estimates the amounts to be incurred based on actual costs incurred for comparable projects. Such estimates are adjusted based on actual amount incurred when the project is completed. Accordingly, additional construction cost of RMB39,067,000 was recorded in 2012 arising from higher labour cost and construction work cost arising from a revision of budget for a development project.

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	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	419,991	209,322	661,157	660,603
Available-for-sale financial assets	1,800	1,800	–	–
Financial liabilities				
Amortised cost	1,224,629	799,836	16,697	16,385

(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 currency risk, fair value interest rate risk and 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.

Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group's transactions are largely denominated in Renminbi and has limited exposure to foreign exchange risk. The Group does not enter into derivative foreign exchange contracts and foreign currency borrowings to hedge its foreign exchange risk.

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

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

No sensitivity analysis is presented as management does not expect any reasonable changes in foreign exchange rates to have a significant impact on the results of the Group.

(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 rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended December 31, 2012 would decrease/increase by RMB5,404,000 (2011 : decrease/increase by RMB3,324,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and

The Company's profit and loss is not affected by the changes in interest rates and are measured at amortised cost.

(iii) Equity price risk management

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

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

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

(iv) Credit risk management

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

Notes to Financial Statements (cont'd)

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

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

(iv) Credit risk management (cont'd)

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

The Group's maximum exposure to credit risk comprise (i) the sum of the carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for losses; and (ii) credit risk relating to guarantees of approximately RMB860,111,000 (2011 : RMB951,564,000) to banks for the benefit of the Group's customers in respect of mortgage loans provided by the banks to these customers for the purchase of the Group's development properties, as elaborated in Note 37 to the financial statements.

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

(v) Liquidity risk management

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

The Group has bank and other loans amounting to RMB895,421,000 (Note 22) which are due for settlement during the financial year ending December 31, 2013. 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.

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

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

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

(v) Liquidity risk management (cont'd)

Group

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(per annum)					
2012						
Non-interest bearing	–	143,836	–	–	–	143,836
Variable interest rate instruments	5.6–18.43	943,542	207,132	16,615	(86,496)	1,080,793
		1,087,378	207,132	16,615	(86,496)	1,224,629
2011						
Non-interest bearing	–	135,129	–	–	–	135,129
Variable interest rate instruments	5.8–18.0	519,990	180,618	25,673	(61,574)	664,707
		655,119	180,618	25,673	(61,574)	799,836

Company

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(per annum)					
2012						
Non-interest bearing	–	16,697	–	–	–	16,697
		16,697	–	–	–	16,697
2011						
Non-interest bearing	–	16,385	–	–	–	16,385
		16,385	–	–	–	16,385

Non-derivative financial assets

The non-derivative financial assets of the Group are repayable on demand or current.

Notes to Financial Statements (cont'd)

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

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

(vi) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables including amount due from subsidiaries, related parties and customers for contract works and trade and other payables including amount due to subsidiaries and director approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quoted for similar instruments; and
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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

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

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

The fair value of the quoted investment and unquoted investment (Note 18) are classified as level 1 and level 3 respectively in the fair value hierarchy described above.

(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.

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 as disclosed in Note 24, 25 and 26.

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. Management also ensure that the Group maintains gearing ratios within a set range to comply with the loan covenants imposed by banks. 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.

The management's strategy remained unchanged from 2011.

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)

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:

	2012	Group 2011
	RMB'000	RMB'000
Advance from directors for sale of properties	6,571	–
Repayment of director loans to a director during the year	–	6,523
Revenue from property development		
- directors and close family members of directors and key managements	–	4,754
Rental income		
- a close family member of a director	2,900	2,970
Construction revenue		
- a jointly controlled operation	2,485	16,875
Interest expense		
- a director	–	385
Proceeds on disposal of an investment property		
- to a director	–	12,493

Compensation of directors and key management personnel

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

	2012	Group 2011
	RMB'000	RMB'000
Short-term benefits	7,781	7,354

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	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	119,710	143,828	–	–
Cash on hand	107	77	–	–
	119,817	143,905	–	–

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 RMB104,717,000 (2011 : RMB136,098,000) are not freely convertible to foreign currencies.

7. RESTRICTED CASH

Restricted cash comprises RMB266.1 million (2011 : RMB10.4 million) fixed deposits pledged for bank loan and RMB10.0 million security deposit for the development of a property (2011 : RMB11.0 million as share application money for its subsidiary to be established). The fixed deposits pledged for bank loan bears average effective interest rate of 3% (2011 : 3.50%) per annum and for a tenure of approximately 360 days (2011 : 360 days).

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables - outside parties	15,304	18,806	–	–
Trade receivables - director and close family member of a director (Note 5)	–	355	–	–
Other receivables	4,953	8,052	–	–
	20,257	27,213	–	–
Advance to contractors	61	4,911	–	–
Deposits paid	3,000	3,000	–	–
Prepayment of land cost	–	162,423	–	–
Tax prepayment	11,956	–	–	–
Prepaid expense	13,288	12,436	–	–
	48,562	209,983	–	–

The average credit period on trade receivables is 60 to 180 days (2011 : 60 to 180 days). No interest is charged on the outstanding receivables.

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.

Notes to Financial Statements (cont'd)

8. TRADE AND OTHER RECEIVABLES (cont'd)

Included in the trade receivables balance are debtors with a carrying amount of RMB15,987,000 (2011 : RMB1,355,000) 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.

The Group's other receivables are interest-free, repayable on demand and unsecured. The Group has not made any allowance except as stated below as the 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	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Not past due and not impaired	4,270	25,858	–	–
Past due but not impaired	15,987	1,355	–	–
	20,257	27,213	–	–

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

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 3 months	–	211	–	–
3 months to 6 months	–	5	–	–
6 months to 12 months	14,897	958	–	–
Over 12 months	1,090	181	–	–
	15,987	1,355	–	–

9. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORKS

	Group	
	2012	2011
	RMB'000	RMB'000
Contracts-in-progress at the end of the reporting period:		
Amounts due from contract customers	18,304	8,709
Contract costs incurred plus recognised profits	625,089	567,319
Less: Progress billings	(606,785)	(558,610)
	18,304	8,709

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

10. INVENTORIES

	Group	
	2012	2011
	RMB'000	RMB'000
Consumables	246	147

11. PROPERTIES HELD FOR SALE

	Group	
	2012	2011
	RMB'000	RMB'000
Cost	530,456	299,366

During the year, properties with a carrying amount of RMB787,304,000 were transferred from development properties.

12. DEVELOPMENT PROPERTIES

	Group	
	2012	2011
	RMB'000	RMB'000
At cost:		
Properties under development	1,025,085	1,202,171
Land purchase	172,629	50,493
	<u>1,197,714</u>	<u>1,252,664</u>

Land use rights of RMB375,689,000 (2011 : RMB350,494,000) included in development properties are pledged to banks to secure loans granted to the Group as at December 31, 2012 (See Note 22).

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

	Group	
	2012	2011
	RMB'000	RMB'000
Depreciation capitalised during the year	98	242
Interest expense capitalised during the year (Note 29)	<u>34,720</u>	<u>22,490</u>

The weighted average rate of capitalisation of the interest expenses for the year ended December 31, 2012 is 5.6% to 17.38% (2011 : 6.44% to 18.03%) per annum.

As at December 31, 2012, development properties of RMB818,032,000 (2011 : RMB363,039,000) are expected to be recovered after more than twelve months, but have been classified as current because they are expected to be realised in the normal operating cycle.

Notes to Financial Statements (cont'd)

13. LAND USE RIGHTS

	Group	
	2012	2011
	RMB'000	RMB'000
Cost:		
At January 1	40,192	4,365
Transferred to development property	(1,392)	–
Transferred from development property	–	35,827
At December 31	38,800	40,192
Accumulated amortisation:		
At January 1	1,022	427
Amortisation for the year	847	595
Transferred to development property	(338)	–
At December 31	1,531	1,022
Net carrying amount	37,269	39,170
Amount to be amortised:		
Current	977	1,095
Non-current	36,292	38,075

The Group has land use rights in People's Republic of China (PRC) where the Group's PRC corporate office and administrative facilities reside. The land use rights have a remaining tenure of 34 to 40 years (2011 : 35 to 41 years).

14. PROPERTY, PLANT AND EQUIPMENT

	Group				Total
	Building	Plant and machinery	Motor vehicles	Equipment, furniture and fixtures	
	RMB'000	RMB'000	RMB'000	RMB'000	
Cost:					
At January 1, 2011	30,981	5,477	5,529	1,144	43,131
Transferred from development properties	122,212	–	–	–	122,212
Additions	955	94	3,580	325	4,954
At December 31, 2011	154,148	5,571	9,109	1,469	170,297
Transferred from development properties	3,778	–	–	–	3,778
Additions	–	70	763	158	991
Disposal	–	–	(427)	–	(427)
At December 31, 2012	157,926	5,641	9,445	1,627	174,639

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

	Group				Total RMB'000
	Building	Plant and machinery	Motor vehicles	Equipment, furniture and fixtures	
	RMB'000	RMB'000	RMB'000	RMB'000	
Accumulated depreciation:					
At January 1, 2011	1,790	3,603	4,455	590	10,438
Charge for the year	4,028	762	711	217	5,718
At December 31, 2011	5,818	4,365	5,166	807	16,156
Charge for the year	8,094	627	1,008	249	9,978
Disposal	–	–	(427)	–	(427)
At December 31, 2012	13,912	4,992	5,747	1,056	25,707
Carrying amount:					
At December 31, 2012	144,014	649	3,698	571	148,932
At December 31, 2011	148,330	1,206	3,943	662	154,141

The Group has pledged land and buildings having a carrying amount of approximately RMB141,088,000 (2011: RMB130,180,000) to secure banking facilities granted to the Group.

Details of the building are as follows:

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

15. INVESTMENT PROPERTIES

	Group	
	2012 RMB'000	2011 RMB'000
At beginning of year	240,680	233,463
Transferred from development properties	60,489	–
Transferred from property held for sales	2,025	–
Purchase during the year	29,280	2,226
Disposal during the year	–	(3,600)
Increase in fair value	5,906	8,591
At end of year	338,380	240,680

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 CB Richard Ellis Limited Hong Kong, 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.

Notes to Financial Statements (cont'd)

15. INVESTMENT PROPERTIES (cont'd)

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to RMB11,770,000 (2011 : RMB9,089,000). Direct operating expenses arising on the investment properties in the year amounted to RMB2,589,000 (2011 : RMB1,152,000).

The Group has pledged the investment properties with a carrying value of RMB275,024,000 (2011 : RMB206,680,000) to secure loans granted to the Group on December 31, 2012 (See Note 22).

Details of the investment properties are as follows:

Description	Location	Title	Details of occupancy
Debao Hotel Complex	No. 136 Nanhai Avenue South Nanhai District, Foshan City Guangdong Province	The property is held under a land use term to be expired on April 6, 2046	Tenanted
Underground car parking spaces	Yitong Commercial Building Nanhai District, Foshan City Guangdong Province	The property is held under a land use term to be expired on December 31, 2052	Tenanted
An office unit and 15 retail shop units and 10 car park spaces	Debao Garden, Nanhai District, Foshan City Guangdong Province	The property is held under a land use terms with the latest expiry on August 16, 2068	Tenanted
Various retail shop units Phases I to 4, Jiangnan Mingju	No. 39 Nanyi Road, Nanhai District, Foshan City Guangdong Province	The property is held under a land use term to be expired on September 24, 2072	Tenanted
Industrial project	Industrial Avenue, Danzao Town Nanhai District, Foshan City Guangdong Province	The property is held under a land use term to be expired on December 27, 2061	Tenanted
Industrial project	Xingye east Road, Shishan Town Nanhai District, Foshan City Guangdong Province	The property is held under a land use term to be expired on April 27, 2053	Tenanted

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2012	2011
	RMB'000	RMB'000
Unquoted equity shares at cost	—*	—*
Advance to subsidiary	1,018	—
	<u>1,018</u>	<u>—</u>

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

16. INVESTMENT IN SUBSIDIARIES (cont'd)

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

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2012	2011	2012	2011	
		%	%	%	%	
Dynamic 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
Derong Real Estate Holdings Pte. Ltd. ⁽¹⁾	Singapore	100	100	100	100	Investment holding
Pavillion Treasures Land and Development Sdn. Bhd. ⁽⁴⁾	Malaysia	100	–	100	–	Property development and investment
Foshan Nanhai Guiyu Property Management Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Property management
Foshan Nanhai Jiangnan Mingju Property Development Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Property development
Foshan Nanhai Guihe Construction Engineering Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Construction
Foshan Nanhai Debao Property Development Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Investment property holding and development
Foshan Sanshui Nengrun Property Development Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Property development
Foshan Nanhai Yi Tian Procurement and Trading Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Sales and distribution of construction materials
Foshan Nanhai Shun Mao Public Utilities Engineering Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Public utilities engineering
Sihui Debao Jiangnan Mingju Development Co., Ltd. ⁽²⁾⁽⁵⁾	PRC	55	95	55	95	Investment property holding and development
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
Foshan Sanshui Shanshui Longpan Hotel Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Currently dormant
Foshan Sanshui Fangao Land Co., Ltd. ⁽²⁾⁽³⁾	PRC	100	–	100	–	Property development
Guangdong Debao Land Co., Ltd. ⁽²⁾⁽³⁾	PRC	100	–	100	–	Property development

Notes to Financial Statements (cont'd)

16. INVESTMENT IN SUBSIDIARIES (cont'd)

- (1) Audited/Reviewed by Deloitte & Touche LLP, Singapore.
- (2) Audited/Reviewed by Deloitte Touche Tohmatsu, Guangzhou for consolidation purpose.
- (3) During the financial year, the company was newly incorporated.
- (4) During the financial year, a dormant company was acquired, at a consideration of RM2.
- (5) During the financial year, the company disposed 40% interest in the subsidiary to a third party. The following schedule shows the effects of changes in the Group's ownership interest in the subsidiary that did not result in change of control, on the equity attributable to owners of the parent:

	2012	2011
	RMB'000	RMB'000
Proceeds received	4,000	–
Non-controlling interest acquired	(3,604)	–
Difference recognised in capital reserve	396	–

17. JOINTLY CONTROLLED OPERATION

The Group has 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 related expenses are only the overhead expenses of those staff involved in the project and are already recorded in the Group's profit or loss. The jointly controlled operation is audited by Deloitte Touche Tohmatsu, Guangzhou for consolidation purpose.

	Group	
	2012	2011
	RMB'000	RMB'000
Loans and contributions	13,727	13,727
Interest receivable	13,784	13,784
Share of result of a jointly controlled operation	74,730	8,934
Profit distribution	(55,000)	–
Total	47,241	36,445

Loans and contributions and interest receivable are unsecured and repayable when the project is completed. Loans are interest-bearing at a rate ranging from 6.732% to 10.2% (2011 : 6.732% to 10.2%) per annum in 2012.

18. OTHER INVESTMENTS

	Group	
	2012	2011
	RMB'000	RMB'000
Unquoted equity investment, at cost	1,300	1,300
Quoted equity investment, at fair value	500	500
	<u>1,800</u>	<u>1,800</u>

Unquoted investment pertains to 1,300,000 shares of Foshan Nanhai Rural Credit Union at RMB1 each. The management of the Group is of the view that the fair value of unquoted share cannot be measured reliably as the range of reasonable fair value estimates is significant (level 3). Accordingly, the investment is stated at cost.

Quoted investment pertains to ordinary shares of Agriculture Bank of China. The investment is stated at fair value based on quoted closing market prices on the last market day of the financial year (level 1).

19. DEFERRED TAX

	Group	
	2012	2011
	RMB'000	RMB'000 (Restated)
Deferred tax liabilities	(125,722)	(121,168)
Deferred tax assets	<u>11,409</u>	<u>15,042</u>

Notes to Financial Statements (cont'd)

19. 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)	Unrealised income	Land appreciation tax	Withholding tax	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011 as restated	(36,484)	(77,609)	(1,286)	25,827	(11,387)	-	(1,833)	(102,772)
(Charge) Credit to profit or loss for the year	(2,616)	4,436	-	(1,980)	397	(1,500)	(2,091)	(3,354)
Balance at December 31, 2011	(39,100)	(73,173)	(1,286)	23,847	(10,990)	(1,500)	(3,924)	(106,126)
(Charge) Credit to profit or loss for the year	(1,272)	1,127	-	(741)	(6,975)	1,500	(1,826)	(8,187)
Balance at December 31, 2012	(40,372)	(72,046)	(1,286)	23,106	(17,965)	-	(5,750)	(114,313)

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.

20. OTHER NON-CURRENT ASSET

In 2010, other non-current asset represented the deposit paid to PRC government to guarantee the construction of properties will be performed in accordance with the local regulations. It will be released after 5 years from the commencement of construction. The management was of the view that the carrying amount of the deposit approximated its fair value. As at December 31, 2011, the amount had been transferred to trade and other receivables as it would be released within the next twelve months.

21. CONTRIBUTIONS TO PROJECT

On July 5, 2012 and July 23, 2012, the Group entered into a project co-operation contract and supplemental co-operation contract respectively with a third party, GD Development Sdn Bhd ("GD") in relation to the development of land at Bandar Nilai Utama, District of Seremban, State of Negri Sembilan, Malaysia for housing and commercial purpose. Debao Property Development Ltd is appointed as an authorised agent to market and sell the Phase 1 of the Project.

The Group has invested and paid out a sum of 10 million Malaysia Ringgit ("RMB20 million") ("Phase 1 Project Financing") on August 1, 2012 as part of the terms of the contract. GD undertakes to the Group that the Group shall receive a profit distribution of at least 20 million Malaysian Ringgit or 50% of the profit before tax for Phase 1 of the Project (whichever is higher). The profit distribution is payable on a date failing no later than six months after the issuance of the certificate of completion and compliance of Phase 1 of the Project ("Completion date"), or on such earlier date as the parties agree upon. The remaining unsold units at the end of the six months from the Completion date will be distributed to the Company and GD equally based on the prevailing sales price of the said units provided that the Phase 1 Land Cost have been paid or unsold units have been allocated for final settlement of the Phase 1 Land Cost and the Phase 1 Project Financing has been settled.

The Group has significant influence in the development project with GD. Significant influence is the power to participate in the financial and operating policy decisions of the project but is not control or joint control over the project.

The results of the project are incorporated in the Group's financial statements using the equity method of accounting. Under the equity method, contributions to the project are carried in the consolidated statement of financial position at cost and adjusted for changes in the Group's share of the results of the project, less any impairment. Losses of the project in excess of the Group's contributions to the project are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the project.

22. BANK AND OTHER LOANS

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Other loans ^(a)	353,944	430,856	–	–
Bank loans ^(b)	726,849	233,851	–	–
	1,080,793	664,707	–	–
Less: Amount due for settlement within 12 months (shown under current liabilities)	(895,421)	(472,908)	–	–
Amount due for settlement after 12 months	185,372	191,799	–	–

Notes to Financial Statements (cont'd)

22. BANK AND OTHER LOANS (cont'd)

The Group has principal bank and other loans as follows:

- (a) The loan of RMB Nil (2011 : RMB 50,000,000) with interest rate of Nil (2011 : 16%) per annum is repayable in 2012 and secured by certain land use rights and guaranteed by a director of the Group.

Loans were raised via a third party contractor from a bank for a total of RMB195,174,000 (2011 : RMB180,954,000) with interest rates ranging from prime rate to 120% on prime rate. They were secured by certain land use rights and an investment property of the Group with carrying amounts of RMB113,563,000 and RMB87,000,000 respectively as well as guaranteed by directors of the Group. RMB117,002,000 (2011 : RMB105,856,000) had been advanced to the Group and recorded as other loans disclosed above, of which approximately RMB31,302,000 (2011 : RMB20,157,000) has been used to pay interest. The loans are repayable on demand.

Loan was raised via a third party contractor from a bank of RMB 35,000,000 with interest rate of 7.87% per annum, are repayable in 2013 and secured by certain land use rights and property of the Group. RMB28,942,000 has been advanced to the Group.

A loan amounting to RMB140,000,000 (2011 : RMB200,000,000) with effective interest rate of approximately 17.38% (2011 : 17% to 19%) per annum, repayable from June 2014 to 2015 and secured by certain land use rights of the Group. The current portion of these loans amounted to RMB Nil (2011 : RMB60,000,000), while the non-current portion of these loans amounted to RMB 140,000,000(2011 : RMB140,000,000).

Another loan amounting to RMB68,000,000 (2011 : RMB75,000,000) with effective interest rate of approximately 9.56% (2011 : 9.22%) per annum, repayable by end of 2013.

- (b) Bank loans amounting to RMB Nil (2011 : RMB28,440,000) with an effective interest rate of 7.2% to 7.87% (2011 : 5.88%) per annum has been repaid in 2012 and were secured by land use rights as well as guaranteed by certain directors of the Group.

Bank loans amounting to RMB51,799,000 (2011 : RMB57,851,000) with an effective interest rate of 6.55% to 7.05% (2011 : 6.14%) per annum are repayable from 2013 to 2019 and are 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 RMB6,427,000 (2011 : RMB6,052,000) and are repayable in twelve months.

Bank loan amounting to RMB100,000,000 (2011 : RMB100,000,000) with an effective interest rate of 6.15% to 6.65% (2011 : 6.1%) per annum are repayable upon demand and secured by certain land use rights of the Group.

Bank loan amounting to RMB16,000,000 (2011 : RMB16,000,000) with interest rate of 8.53% (2011 : 6.10%) per annum, are repayable in 2013 and were secured by certain properties of a contractor.

Bank loan amounting to RMB Nil (2011 : RMB10,000,000) with interest rate of 6.71%(2011 : 6.4% to 6.71%) per annum, has been repaid in 2012 and were secured by restricted cash and cash equivalents of RMB10,350,000.

Bank loan amounting to RMB Nil (2011 : RMB21,560,000) with interest rate of 7.20% to 7.87% (2011 : 8.85%) per annum, has been repaid in 2012 and were secured by certain land use rights and guaranteed by directors of the Group.

22. BANK AND OTHER LOANS (cont'd)

New bank loan raised in 2012 of RMB104,200,000 with interest rate of 6.56% to 7.87% per annum, are repayable in 2013, secured by certain land use rights and property of the Group and restricted cash and cash equivalents of RMB 60,000,000.

New bank loan raised in 2012 of RMB12,000,000 with interest rate of 7.80% to 8.53% per annum, are repayable in 2013, and were secured by investment property of the Group.

New bank loan raised in 2012 of RMB40,000,000 with interest rate of 7.22% to 7.87% per annum, are repayable in 2013, secured by investment properties of the Group and restricted cash and cash equivalents of RMB10,000,000.

New bank loan raised in 2012 of RMB14,000,000 with interest rate of 8.53% per annum, are repayable in 2013, secured by land use rights of the Group.

New bank loan raised in 2012 of RMB21,950,000 with interest rate of 7.80% to 8.53% per annum, are repayable in 2013, secured by land use rights of the Group and restricted cash and cash equivalents of RMB10,140,000, as well as guaranteed by two directors of the Group.

New bank loan raised in 2012 of RMB135,000,000 with interest rate of 6.16% to 7.80% per annum, are repayable in 2013, secured by land use rights of the Group and restricted cash and cash equivalents of RMB66,770,000.

New bank loan raised in 2012 of RMB42,000,000 with interest rate of 7.80% per annum, are repayable in 2013, secured by land use rights of the Group and restricted cash and cash equivalents of RMB15,550,000.

New bank loan raised in 2012 of RMB10,000,000 with interest rate of 6.16% to 7.80% per annum, are repayable in 2013, secured by land use rights of the Group and restricted cash and cash equivalents of RMB 5,200,000.

New bank loan raised in 2012 of RMB159,500,000 with interest rate of 6.16% to 6.44% per annum, are repayable in 2013, secured by land use rights of the Group and restricted cash and cash equivalents of RMB93,551,600.

Discounted bill of RMB20,400,000 issued in 2012 will be matured in 2013 with interest rate of 5.64%, secured by restricted cash and cash equivalents of RMB20,400,000.

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.

Notes to Financial Statements (cont'd)

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (outside parties)	87,095	114,553	–	–
Advance receipt from the sales of properties	201,411	153,578	–	–
Other taxes payable	27,621	25,888	–	–
Accrued expenses	11,674	5,757	1,998	1,698
Deposits received	8,126	2,446	–	–
Payroll payable	3,637	5,773	–	170
Other payables	19,493	9,394	–	–
Advance from non-controlling interest	15,950	–	–	–
Advance from customers	318	345	–	–
	<u>375,325</u>	<u>317,734</u>	<u>1,998</u>	<u>1,868</u>

The average credit period granted by suppliers ranges from 30 days to 180 days (2011 : 30 days to 180 days). No interest is charged on the trade payables

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

24. SHARE CAPITAL

	Group and Company			
	2012	2012	2011	2011
	No of shares	RMB'000	No of shares	RMB'000
Issued and fully paid:				
At beginning and end of year	<u>1,125,000,000</u>	<u>909,831</u>	<u>1,125,000,000</u>	<u>909,831</u>

Fully paid up ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

25. CAPITAL RESERVE

The capital reserve represents the effects of changes in ownership interests in a subsidiary that did not result in a change of control (see Note 16).

26. 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.

27. REVENUE

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

	Group	
	2012	2011
	RMB'000	RMB'000
Revenue from:		
Construction contracts	22,712	17,032
Property development	83,038	413,787
Property rental income	11,770	9,089
Property management service income	7,857	7,095
Others	380	–
	125,757	447,003

28. OTHER INCOME

	Group	
	2012	2011
	RMB'000	RMB'000
Interest income	926	1,620
Dividend income	–	145
Gain on disposal of development properties	–	57,229
Doubtful debt written back	–	200
Gain on disposal of an investment property	–	8,227
Gain on disposal of property, plant and equipment	34	–
Sundry income	1,906	127
	2,866	67,548

Notes to Financial Statements (cont'd)

29. FINANCE COSTS

	Group	
	2012	2011
	RMB'000	RMB'000
Interest on bank and other loans	108,073	73,398
Less: Amount capitalised as cost of development properties (Note 12)	(34,720)	(22,490)
	73,353	50,908

30. (LOSS) PROFIT BEFORE TAX

(Loss) Profit before tax has been arrived at after charging (crediting):

	Group	
	2012	2011
	RMB'000	RMB'000
Directors' remuneration		
- of the Company	1,045	1,122
- of the subsidiaries	4,091	3,834
Total directors' remuneration	5,136	4,956
Employee benefits expense (including directors' remuneration)	23,730	35,753
Cost of defined contribution included in employee benefits	1,421	1,351
Depreciation of plant and equipment	9,978	5,718
Amortisation of land use rights	847	595
Net foreign exchange gains	(1,020)	(971)
Cost of completed properties for sale recognised as expenses	113,573	291,711
Audit fees:		
- paid to auditor of the Company	480	488
- paid to other auditors	1,366	1,399
Total audit fee	1,846	1,887
Non-audit fees:		
- paid to auditor of the Company	50	51

31. INCOME TAX EXPENSE

	Group	
	2012	2011
	RMB'000	RMB'000 (Restated)
Enterprise income tax		
Current	2,710	34,950
Land appreciation tax		
Current	7,632	29,575
Overprovision in prior years	(14,650)	–
	(7,018)	29,575
Withholding tax		
Current	3,800	–
Deferred tax		
Enterprise income tax	6,377	713
Land appreciation tax	3,310	1,141
Withholding tax	(1,500)	1,500
	8,187	3,354
	7,679	67,879

Domestic income tax of the Company is calculated at 17% (2011 : 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 (losses) profits as follows:

	Group	
	2012	2011
	RMB'000	RMB'000 (Restated)
(Loss) Profit before tax	(48,876)	122,399
Income tax at PRC statutory rate of 25% (2011 : 25%)	(12,219)	30,600
Tax effect of:		
Expense not deductible for tax purpose	17,247	11,865
Income not taxable for tax purpose	(16,449)	(34)
Land appreciation tax	(1,954)	23,322
Effect of tax loss not recognised	18,736	–
Withholding tax incurred	2,300	1,500
Others	18	626
Tax expense for the year	7,679	67,879

Notes to Financial Statements (cont'd)

31. INCOME TAX EXPENSE (cont'd)

Subject to the agreement by the tax authorities at the end of the reporting period, the Group has unutilised tax losses of RMB74,944,000 (2011 : Nil) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit stream.

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 RMB496,589,000. 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 RMB49,658,900 relating to the undistributed earnings has not been recognised.

32. DIVIDENDS

In 2012, with respect to the financial year ended December 31, 2011, the Company paid a final dividend (tax exempt) of 2.39 RMB fens (equivalent to 0.465 Singapore cents) per ordinary share on the outstanding shares of the Company totalling RMB26.662 million (equivalent to S\$5.2 million).

33. (LOSSES) 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:

	2012	2011
	RMB'000	RMB'000 (Restated)
(Losses) Earnings		
(Losses) Earnings for the purpose of basic and diluted (losses) earnings per share [(losses) profit for the year attributable to equity holders of the Company]	(56,523)	54,537
	Number of shares	
	2012	2011
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,125,000,000	1,125,000,000

34. SEGMENT INFORMATION

The Group's reportable operating segments are as follows:

- (i) Property development: Development of residential, commercial and other properties.
- (ii) Construction contract: Building structural projects and interior works for our jointly controlled operations and third parties.

34. SEGMENT INFORMATION (cont'd)

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

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

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

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

Segment revenue and results

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

	Property development	Construction contracts	Property investment	Others	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2012						
Revenue						
External revenue	83,038	22,712	11,770	8,237	–	125,757
Inter-segment revenue	–	39,872	–	468	(40,340)	–
	83,038	62,584	11,770	8,705	(40,340)	125,757
Results						
Segment profit (loss)	35,086	470	(2,947)	(8,132)	–	24,477
Finance costs						(73,353)
Loss before tax						(48,876)
Income tax expense						(7,679)
Loss for the year						(56,555)
2011						
Revenue						
External revenue	413,787	17,032	9,089	7,095	–	447,003
Inter-segment revenue	–	122,214	–	322	(122,536)	–
	413,787	139,246	9,089	7,417	(122,536)	447,003
Results						
Segment profit	96,701	2,718	72,275	1,613	–	173,307
Finance costs						(50,908)
Profit before tax						122,399
Income tax expense						(67,879)
Profit for the year						54,520

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

Notes to Financial Statements (cont'd)

34. SEGMENT INFORMATION (cont'd)

Segments assets

	2012	2011
	RMB'000	RMB'000
Property development	2,036,329	1,924,038
Construction contracts	295,145	157,342
Property investment	308,280	240,680
Others	157,293	101,412
Consolidated total assets	<u>2,797,047</u>	<u>2,423,472</u>

Segments liabilities

	2012	2011
	RMB'000	RMB'000
		(Restated)
Property development	1,240,892	947,710
Construction contracts	383,445	204,651
Property investment	30,332	49,837
Others	3,947	3,992
Consolidated total liabilities	<u>1,658,616</u>	<u>1,206,190</u>

All assets and liabilities are allocated to reportable segments.

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Property development	10,208	5,685	4,705	162,922
Construction contracts	597	613	50	57
Others	20	15	14	14
Total	<u>10,825</u>	<u>6,313</u>	<u>4,769</u>	<u>162,993</u>

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

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2012	2011
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	–	60

Operating lease payments in 2011 represent rentals payable by the Group for certain of its office premises.

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 RMB11,770,000 (2011 : RMB9,089,000). Direct operating expense on the investment properties in the year amounted to RMB2,589,000 (2011 : RMB1,152,000).

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

	Group	
	2012	2011
	RMB'000	RMB'000
Within one year	16,936	11,323
In the second to fifth years inclusive	70,936	37,135
After five years	67,203	62,789
	<u>155,075</u>	<u>111,247</u>

36. CAPITAL COMMITMENTS

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

	Group	
	2012	2011
	RMB'000	RMB'000
Jointly controlled operation	–	5,705
Construction of properties	207,516	242,514

Notes to Financial Statements (cont'd)

37. CONTINGENT LIABILITIES

At the end of the reporting period, other than the assets pledged to secure a bank loan via a third party contractor as disclosed in Note 22(a), the contingent liabilities of the Group were as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to third parties	986,911	915,564

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

38. ADOPTION OF AMENDMENTS TO FRS 12

Prior year adjustments have been made to the consolidated statement of financial position, statement of comprehensive income and statement of changes in equity of the Group for the financial year ended December 31, 2011 and 2010 respectively as a result of the adoption of the amendments to FRS 12 *Income Taxes – Deferred Taxes: Recovery of Underlying Assets* on January 1, 2012 as described in Note 2.

Under the amendments to FRS 12, investment properties that are measured using the fair value model in accordance with FRS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to FRS 12, management reviewed the Group's investment property portfolios and concluded that most of the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to FRS 12 is not rebutted. The change in accounting policies is applied retrospectively.

As a result, the Group recognised the deferred tax on changes in fair value of the Group's investment property portfolios in the PRC taking into account the land appreciation tax and enterprise income tax payable upon sales of those investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use and hence only the enterprise income tax effects were taken into account.

38. ADOPTION OF AMENDMENTS TO FRS 12 (cont'd)

As a result, certain line items have been amended in the consolidated statement of financial position, statement of comprehensive income and statement of changes in equity of the Group, and the related notes to the financial statements.

The followings are the effects of retrospective application:

	As previously reported	Group Restatements	As restated
	RMB'000	RMB'000	RMB'000
Statement of financial position – January 1, 2011			
Deferred tax liabilities	110,485	12,775	123,260
Retained earnings	243,635	(12,775)	230,860
Statement of comprehensive income – January 1, 2011			
Income tax expenses	80,358	12,775	93,133
Losses per share (in RMB cents)	(10.45)	(1.14)	(11.59)
Statement of changes in equity – January 1, 2011			
Attributable to equity holders of the Company	1,173,368	(12,775)	1,160,593
Statement of financial position – December 31, 2011			
Deferred tax liabilities	107,252	13,916	121,168
Retained earnings	294,462	(13,916)	280,546
Statement of comprehensive income – December 31, 2011			
Income tax expenses	66,738	1,141	67,879
Earnings per share (in RMB cents)	4.95	(0.10)	4.85
Statement of changes in equity – December 31, 2011			
Attributable to equity holders of the Company	1,230,715	(13,916)	1,216,799

Notes to Financial Statements (cont'd)

38. ADOPTION OF AMENDMENTS TO FRS 12 (cont'd)

Details of the financial effects on current year's financial statements arising from adoption of accounting policy are as follows:

	Before adoption of accounting policy	Group Adjusted	As reported
	RMB'000	RMB'000	RMB'000
Statement of financial position – December 31, 2012			
Deferred tax liabilities	122,412	3,310	125,722
Retained earnings	200,671	(3,310)	197,361
Statement of comprehensive income – December 31, 2012			
Income tax expenses	4,369	3,310	7,679
Losses per share (in RMB cents)	4.73	0.29	5.02
Statement of changes in equity – December 31, 2012			
Attributable to equity holders of the Company	1,137,686	(3,310)	1,134,376

39. EVENTS AFTER THE REPORTING PERIOD

The Company's wholly-owned subsidiary, Foshan Nanhai Debao Property Development Co., Ltd, has entered into a share acquisition and project investment agreement (the "Investment Agreement") with third parties on October 18, 2012 for:

- A. the acquisition of 68% of the shareholdings (the "Acquisition") in Tianjin Hotel Street Co., Ltd. (the "Investment Company"), a company incorporated in the People's Republic of China from third parties; and
- B. the investment into a redevelopment project involving the redevelopment of a heritage building located at Tianjin Heping District, Nanshi Hotels Street (the "Heritage Building") into a hotel and shopping mall in Tianjin, the People's Republic of China (the "Investment").

The Investment Agreement will be effective upon payment of the first instalment payment of the Capital Injection being RMB3.2 million. The said first instalment was paid on January 23, 2013.

Statistics of Shareholdings

As at 13 March 2013

Number of shares : 1,125,000,000
 Class of shares : ordinary shares
 Voting rights : one vote per share
 Treasury shares : NIL

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	4	0.50	1,049	0.00
1,000 – 10,000	457	57.34	1,833,000	0.16
10,001 – 1,000,000	309	38.77	32,846,305	2.92
1,000,001 AND ABOVE	27	3.39	1,090,319,646	96.92
TOTAL	797	100.00	1,125,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	UOB KAY HIAN PTE LTD	597,769,981	53.14
2	BILLION EQUITY HOLDINGS LIMITED	276,828,490	24.61
3	ALLIED ASSET HOLDINGS LIMITED	34,786,100	3.09
4	GLOBAL ACE ENTERPRISES LIMITED	23,190,734	2.06
5	WU KWOK HUNG	21,730,827	1.93
6	UNITED OVERSEAS BANK NOMINEES (PTE) LTD	12,177,000	1.08
7	DBS NOMINEES PTE LTD	11,790,000	1.05
8	YANG JINZHONG	11,595,366	1.03
9	PRIDE CAPITAL INVESTMENT HOLDINGS LIMITED	10,988,372	0.98
10	SHARJAH ASSET MANAGEMENT LLC	8,598,245	0.76
11	HONG LEONG FINANCE NOMINEES PTE LTD	8,230,122	0.73
12	HSBC (SINGAPORE) NOMINEES PTE LTD	7,533,366	0.67
13	LYN HIAN WOON	6,929,245	0.62
14	THAM KENG CHUEN	6,666,744	0.59
15	POW KIM HOO	6,660,183	0.59
16	CHUA HONG THUAN	6,039,744	0.54
17	3VS1 ASIA GROWTH FUND LTD	5,798,183	0.52
18	PHILLIP SECURITIES PTE LTD	5,001,122	0.44
19	SKYLIGHT ENTERPRISES GROUP	4,651,163	0.41
20	MAYBANK KIM ENG SECURITIES PTE LTD	3,920,000	0.35
	TOTAL	1,070,884,987	95.19

Statistics of Shareholdings (cont'd)

As at 13 March 2013

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Substantial Shareholders				
Yuan Le Sheng	16,578,000 ⁽¹⁾	1.47	590,781,978 ⁽¹⁾	52.51
Zheng Lihua	-	-	607,359,978 ⁽¹⁾	53.98
Billion Equity Holdings Limited	568,805,234 ⁽¹⁾⁽²⁾	50.56	-	-
East Hero Trading Limited	92,047,511 ⁽³⁾	8.18	-	-
Other Shareholder				
Pride Capital Investment Holdings Limited	21,976,744 ⁽¹⁾⁽⁴⁾	1.95	-	-

Notes:

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

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

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 interest 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 interest in the Company.

(2) 291,976,744 shares are held in the name of UOB Kay Hian Pte Ltd as nominee for Billion Equity Holdings Limited.

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

(4) 10,988,372 shares are held in the name of UOB Kay Hian Pte Ltd as nominee for Pride Capital Investment Holdings Limited.

SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 37.84 % of the issued ordinary shares of the Company is held in the hands of the public. Therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited which requires at least 10% of a listed issuer's equity securities to be held by the public is complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Debao Property Development Ltd. (the "Company") will be held at M Hotel Singapore, 81 Anson Road, Singapore, 079908 on Wednesday, 24 April 2013 at 4.00 pm for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2012 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Article 93 of the Company's Articles of Association.

Mr Cheong Keng Chuan Alfred **(Resolution 2)**
Mr Zhong Yu Zhao **(Resolution 3)**
Mr Zhang Mao **(Resolution 4)**

Mr Cheong Keng Chuan Alfred will, upon re-election as Director of the Company, remain as Lead Independent Director, a member of the Remuneration and Nominating Committees and Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
3. To approve the payment of Directors' Fees of RMB 1,044,927 (equivalent to S\$ 207,000) for the year ended 31 December 2012 (2011: RMB 1,122,007 (equivalent to S\$218,342)). **(Resolution 5)**
4. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

6. Authority to allot and issue shares up to 50 per cent. (50%) of issued capital

"That, pursuant to Section 161 of the Companies Act and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors to:

- (a) allot and issue shares in the Company; and
- (b) issue convertible securities and any shares in the Company pursuant to convertible securities

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

Notice of Annual General Meeting (cont'd)

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

- (i) new shares arising from the conversion or exercise of convertible securities;
- (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and
- (iii) any subsequent consolidation or subdivision of shares." **[See Explanatory Note]** **(Resolution 7)**

By Order of the Board

Janet Tan

Company Secretary

Singapore, 8 April 2013

Explanatory Note:

The Ordinary Resolution 7 proposed in item 6 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the issued share of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a Member of the Company.
2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy must be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than forty-eight hours (48) before the time for holding the Annual General Meeting.

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DEBAO PROPERTY DEVELOPMENT LTD.

(Registration No. 200715053Z)

(Incorporated in Singapore on 16 AUGUST 2007)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT

1. For investors who have used their CPF monies to buy shares in Debao Property Development Ltd, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____ (Name) NRIC/Passport 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 (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings %

or failing *him/her, the Chairman of the meeting as my/our proxy to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at M Hotel Singapore, 81 Anson Road, Singapore, 079908 on Wednesday, 24 April 2013 at 4.00 pm (the "Meeting") and any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting.

No.	Resolutions relating to:	For	Against
1.	Directors' Report and Accounts for the financial year ended 31 December 2012		
2.	Re-election of Mr Cheong Keng Chuan Alfred		
3.	Re-election of Mr Zhong Yu Zhao		
4.	Re-election of Mr Zhang Mao		
5.	Approval of Directors' fees amounting to RMB 1,044,927 (equivalent to S\$ 207,000) for the financial year ended 31 December 2012		
6.	Re-appointment of Deloitte & Touche LLP as Auditors		
7.	Authority to allot and issue new shares		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting).

Dated this _____ day of _____ 2013

Signature(s) of Member(s) or,
Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

Total number of Shares in:	Number of Shares Held:
(a) CDP Register	
(b) Register of Members	



Notes:

1. A member should insert the total number of shares held by him. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by the member.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than forty-eight hours (48) before the time appointed for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
6. Where an instrument appointing a proxy is signed on behalf of the appointor by his attorney, the letter of 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 Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

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 in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.