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DEBAO PROPERTY
DEVELOPMENT LTD.

德宝房地产开发有限公司

STEADY DEVELOPMENT

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SIHUI CITY MALL

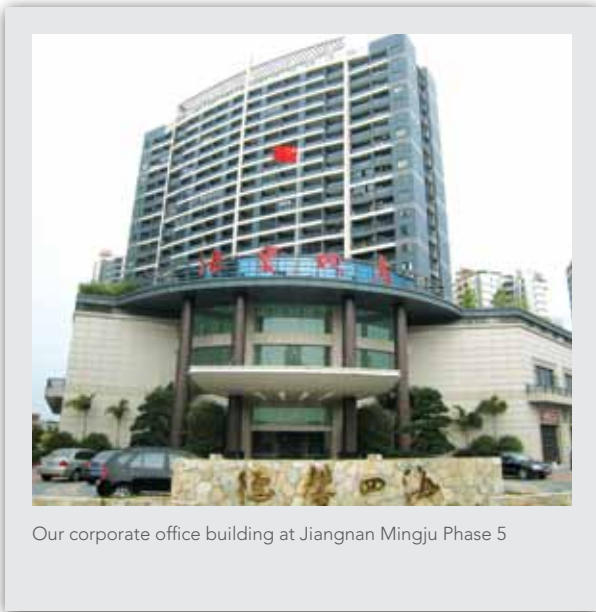


SHANSHUI LONGPAN HIGH RISES



TIANJIN BOULEVARD

CORPORATE PROFILE



02

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

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

Our business comprises four segments: property development, construction contract, property investment, and property management. 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 2014, 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 has been actively exploring and studying commercially viable new ventures and overseas development projects.

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

OUR PROPERTIES

As of 28 February 2014, 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 2014, we have a total GFA of approximately 1,407,000 sq m of properties under and held for future development.

Property Development Projects Under and Held for Future Development			
Property Development	Location / Type of Development	Approximate Total GFA (sq m)	Status
1. Shanshui Longpan other Phases	Foshan/Multi-phases large-scale Integrated township development	813,000	<ul style="list-style-type: none"> • Development in Progress • Expected date of completion in 2017
2. Sihui Project (Joint Venture Project)	Zhaoqing/Large-scale Integrated development	162,000	<ul style="list-style-type: none"> • Development in Progress • Expected date of completion in 2016
3. Danzao Project	Foshan/Large-scale integrated development	250,000	<ul style="list-style-type: none"> • Reserved for future development
4. 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
5. Shishan Project	Foshan/Mixed development	58,000	<ul style="list-style-type: none"> • Reserved for future development
6. Additional Sihui Project	Zhaoqing/Commercial Development	83,000	<ul style="list-style-type: none"> • Reserved for future development
Total		1,407,000	

CORPORATE MILESTONES

2014 AND BEYOND

Shanshui Longpan other Phases

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

Sihui Project (Joint Venture Project)

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

Danzao Project

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

Adjacent Land to Foshan Longpan Holidays Resort Hotel

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

Shishan Project

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

Additional Sihui Project

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

2012

Shanshui Longpan Phase 1(ii) Villas

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

Jin Long Garden South Zone (Joint Venture Project)

Approximate Total GFA (sq m) : 75,000
Location/Type of Development : Foshan/Multi-phases
integrated development

2011

Shanshui Longpan Phase 1 Villas

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

2010

Jiangnan Mingju Phases 5 and 6

Approximate Total GFA (sq m) : 165,000
Location/Type of Development : Foshan/Multi-phases
integrated development

2009

Jin Long Garden North Zone (Joint venture project)

Approximate Total GFA (sq m) : 45,000
Location/Type of Development : Foshan/Multi-phases
integrated development

2007

Jiangnan Mingju Phases 1 to 4

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

2004

Qing Hua Garden (Joint venture project)

Approximate Total GFA (sq m) : 78,000
Location/Type of Development : Foshan/Integrated
development

2002

Guicheng Industrial Park

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

2000

Debao Garden (Project by our predecessors)

Approximate Total GFA (sq m) : 68,000
Location/Type of Development : Foshan/Integrated
development

1998

Xinliwan Garden (Project by our predecessors)

Approximate Total GFA (sq m) : 91,000
Location/Type of Development : Foshan / Integrated
development

FINANCIAL HIGHLIGHTS

	Actual Consolidated Financial Statements		Proforma Consolidated Financial Statements ¹	
	FY2013 (RMB'm)	FY2012 (RMB'm)	FY2013 (RMB'm)	FY2012 (RMB'm)
Revenue	280.4	125.7	280.4	125.7
Cost of Sales	(165.6)	(120.1)	(159.5)	(116.1)
Gross Profit	114.8	5.6	120.9	9.6
Net Profit (Loss) for the Year	109.7	(56.6)	115.3	(51.2)
Gross Profit Margin (%)	40.95	4.47	43.10	7.64
Earnings (Losses) per Share ² – Basic (RMB fens)	7.81	(5.02)	8.31	(4.55)
Net Asset Value per Share at the End of the Year ³ (RMB fens)	112.4	101.2	93.6	81.2
Net Gearing Ratio ⁴ (%)	101.2	84.4	122.0	105.2
Net Cash (Used in) from Operating Activities	(264.6)	(167.7)	(264.6)	(167.7)
Net Cash (Used in) from Investing Activities	(57.5)	5.1	(57.5)	5.1
Net Cash from Financing Activities	278.9	137.9	278.9	137.9
Cash and Cash Equivalents at the End of the Year	76.2	119.8	76.2	119.8

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 RMB6.0 million with its associated tax of RMB1.5 million in FY2013. Excluding these non-cash items due to application of the SFRS 103, our Proforma Accounting net loss was RMB115.4 million for FY2013.

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

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

⁴ Net Gearing Ratio were computed before take in Restricted Cash





SHANSHUI LONGPAN

LOCATION	Foshan
TYPE OF DEVELOPMENT	Multi-phases large-scale integrated township development
APPROXIMATE GFA (SQM)	910,000
STATUS	Development in Progress Expected date of completion in 2017







SIHUI CITY MALL

LOCATION	Zhaoqing
TYPE OF DEVELOPMENT	Large-scale integrated development
APPROXIMATE GFA (SQM)	162,000
STATUS	Commencement of work by end of 2013 Expected date of completion in 2017

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 BOULEVARD

LOCATION	Tianjin
TYPE OF DEVELOPMENT	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

Dear Shareholders,

The global economy is moving towards stability, as recovery gains momentum. In spite of the Chinese government's tough policies aimed at ensuring the property market's stability and healthy development, we remain cautious but positive about China's long-term prospects as much of the country is still being urbanized.

This is particularly evident in Foshan where property prices improved year-on-year by 8% to about RMB8,250 per sqm while transaction volumes surged by as much as 20% to approximately 8 million sqm.

We believe this is due to Foshan being one of the cities in the PRC with the highest home affordability ratios, where its property owners are mostly owner-occupiers who hold their investments for the long-term.

Foshan is also home to industry giants such as Budweiser, Coca-Cola and Yeo Hiap Seng who located their manufacturing plants in Foshan's Beverage City, a business zone for the global beverage industry. Foshan also attracted the brand names of the international automotive industry such as Toyota, Honda, and Volkswagen AG who have based their operations there. Foshan is also well known for its furniture, lighting, home appliances, aluminium products and ceramic industries that support the city's burgeoning growth.

Since 2011, we have also diversified geographically to develop residential and commercial properties in Tianjin and Sihui City. Tianjin, one of China's four municipalities, has always been a key focus for developers and retailers looking to expand beyond the first-tier cities. Our shopping mall project, for instance, is located in the Heping district which is the largest retail precinct in Tianjin.

More recently, we invested in Sihui City, a county-level city in the west-central part of Guangdong Province, which is also poised for growth, thanks to its proximity to the twin metropolises of Guangzhou-Foshan.



Sihui City Mall

PIPELINE OF PROJECTS/UPDATES

As at 31 December 2013, the Group has three development projects with a total gross floor area ("GFA") of approximately 1.02 million sqm under development, while 0.39 million sqm is being held in our land bank for future development. Together, these provide the Group with a secure and visible pipeline of projects up to 2017. Notwithstanding, we will continue to source for quality and commercially viable land reserves in China and overseas for retail mall development, redevelopment of industrial land as well as tourism development projects.

Apart from our shopping mall project in Tianjin Heping district, we are pleased that our another shopping mall project has commenced construction, the mammoth Sihui City mall, which also includes residential apartments, sits on a 133,000 sqm land bank in the prime location of Sihui City which is adjacent to the Sihui local government office. With a GFA of 162,000 sq m, this 55% joint venture project is on track for completion in 2017, and has commenced pre-sales for commercial retail units at the end of 2013.

On 17 July 2013, we successfully tendered for what would be our second project in Sihui. This new land bank of 23,400 sqm is located next to the existing Sihui City Mall, which will complement and enhance Debao's presence in Sihui City.

Meanwhile, our villas at our Shanshui Longpan Phases 1 and 1(ii), with a combined saleable GFA of approximately 105,000 sqm, as well as the Phase 3 of the high-rise apartments have been launched for pre-sales. Since October 2011 and 2012, we have also handed over completed villas of the Phase 1 and Phase 1(ii) in batches.

On 12 December 2013, the Group announced a supplemental agreement in relation to our investment in Green Beverly Hills Phase 1 at Nilai, Malaysia, which essentially sees the fruitful conclusion of the cooperation with GD Development Sdn Bhd, and contributed RM20 million profit to the current financial year. Following the execution of the supplemental agreement, the Group will seek for other commercially viable ventures and developments in Malaysia.



Launching of Sihui commercial units



Launching of Sihui commercial units



Launching of Sihui commercial units



Launching of Sihui commercial units

FINANCIAL REVIEW

In FY2013, the Group's revenue jumped 123% to RMB280.4 million boosted by property development sales of Shanshui Longpan's landed properties in Phases 1 and 1(ii), which nearly doubled to RMB158.3 million.

The higher revenue was also due to a 23.9% increase in average selling prices coupled with a 133.8% surge in GFA sold - from 7,100 sqm in FY2012 to 16,600 sqm in FY2013. In addition, there was an increase in property management service income from Jiangnan Mingju's Phases 1 to 4 as well as rental income from the Group's investment properties. However, this was offset by lower contributions from our construction segment which dipped RMB10.7 million due to the completion of Jin Long Garden.

The higher ASP per sqm achieved contributed to the surge in the Group's overall gross profit margin surged from 4% in FY2012 to 41%.

The Group posted a net profit of RMB109.7 million reversing a net loss of RMB56.6 million in the year-ago period.

DIVIDEND

In view of our spectacular results and as a reward to all of our shareholders for your strong support, the Directors are pleased to propose a final tax-exempt ordinary cash dividend of 0.23 Singapore cents per ordinary share.

WORDS OF APPRECIATION

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

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

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

Yuan Le Sheng

Executive Chairman and CEO

主席献词

尊敬的各位股东：

全球经济正在快速恢复并逐步趋向稳定。尽管中国政府为确保房地产市场的稳健发展而出台了各种严厉政策，大部分地区仍会进行城市化建设，因此我们对中国房地产市场的前景仍然保持谨慎乐观的态度。

2013年，佛山房地产交易价格同比增长了8%至人民币8,250元，交易量则同比增长达20%至800万平方米。这足以证明佛山房地产市场的前景是乐观的。

我们认为，这是由于佛山是中国拥有最高购房力的城市之一，其大部分业主都是自住业主并将其房产作为长期投资项目。

佛山也是许多工业巨头如百威、可口可乐以及杨协成的生产基地，这些品牌把工厂建于佛山饮料城这个全球饮料业的商业区之一。另外，国际汽车品牌如丰田、本田及大众也已落户佛山。家具、灯饰、电器、铝制品及陶瓷等行业都是佛山的著名产业，促进了佛山经济的迅猛发展。

自2011年起，我们的业务实现了区域多样化——在天津市与四会市开发住宅与商业地产。天津市是中国四个直辖市之一，一直以来都受到众多开发商及零售商的青睐，成为除了一线城市以外的重要投资选择地区。而我们的商场项目位于和平区，该区域是天津市最大的零售商业区。

最近，我们在广东省中西部县城四会市投资项目，该地区邻近广佛地区，发展空间极大。



Shanshui Longpan High Rises



Tianjin Boulevard

项目最新情况

截至2014年12月31日，集团有两个总建筑面积约102万平方米的在建项目，另外有39万平方米的土地储备待开发。这些项目以及土地储备可在2017前为集团带来可靠及可预见的业绩增长机会。在这同时，集团会继续物色高品质、有商业可行性以及有利于集团发展的新地块，包括开发商场、旅游项目以及改造工业用地等对集团有利的项目。

除了位于天津市和平区的天津旅馆街这个商业项目之外，我们的另一个商业项目——四会广场也已动工建设。庞大的四会广场项目包括了公寓住宅，该项目占地面积133,000平方米，邻近四会政府办公大楼。我们在这个合作项目中占55%的权益，其总建筑面积达162,000平方米，预计2016年完工，商铺已自2013年底起推出预售。

2013年7月17日，我们成功拍下一块可能用于开发我们在四会市第二个项目的地块。该地块位于现有四会广场项目旁边，占地面积23,400平方米，开发该地块将有利于补充与增强德宝在四会市的市场份额。

另外，我们山水龙盘一期及一期二批别墅的可售面积合共105,000平方米，而3期高层单位也已推出预售。自2011年10月及2012年起，我们将一期及一期二批的完工别墅分批交付业主使用。

2013年12月12日，集团公布了一份与我们在马来西亚森美兰州汝来市的绿色比华丽山庄一期项目投资相关的补充协议，该协议对我们与GD开发有限公司的合作事宜画上了完满的句号，并在本财年为集团带来了2000万马来西亚令吉的收益。在执行完该补充协议之后，集团会在马来西亚物色其他有商业可行性的投资与开发项目。

财务数据

2013财年，集团的主营业务收入增加了123%至人民币2.804亿元，这是由山水龙盘一期及一期二批的销售收入所贡献的，其销售与去年相比接近翻了一倍至人民币1.583亿元。

收入增加的另一个原因是平均售价增加了23.9%且总销售面积增加了133.8%——从2012财年的7,100平方米增至2013财年的16,600平方米。另外，江南名居1-4期的物业管理收入以及集团的投资性物业的租赁收入都有所增加。然而，由于锦隆花园已完工，我们的建筑业务收入同比减少了人民币1,070万元。

每平方米平均售价的增加使集团的总体毛利率从2012财年的4%增至2013财年的41%。

与去年净亏人民币0.566亿元相比，我们今年扭亏为盈，实现了人民币1.097亿元的净利润。

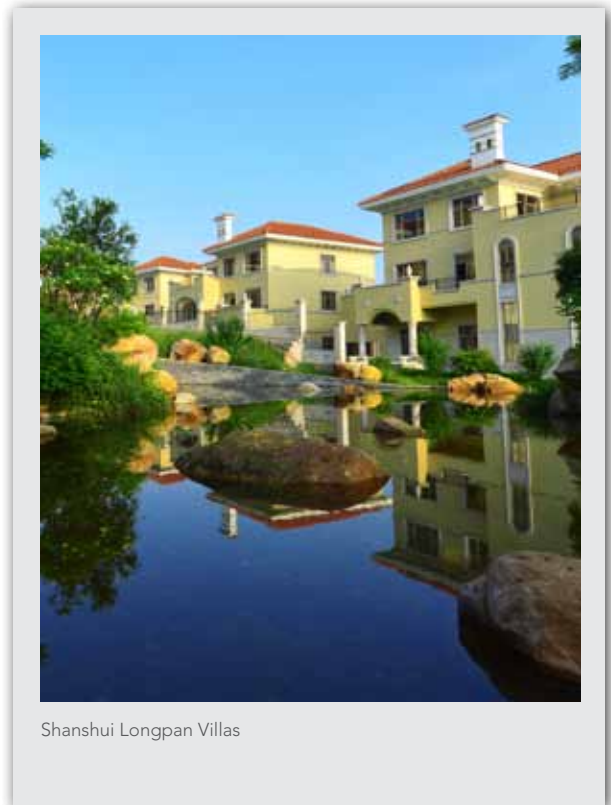
股息

本年度我们取得了可观的利润，同时作为对所有向我们提供强大支持的股东的回报，董事局建议发放每股普通股新币0.23仙的年终免税普通股现金股息。

感谢辞

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

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



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

袁乐生

董事长兼总裁

BOARD OF DIRECTORS

MR YUAN LE SHENG

Executive Chairman and CEO

(Date appointed to the Board: 20 August 2009)

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

MR ZHANG MAO

Executive Director

(Date appointed to the Board: 23 November 2009)

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

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

MR ZHONG YU ZHAO

Executive Director

(Date appointed to the Board: 23 November 2009)

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

MS ZHENG LI HUA

Non-executive Director

(Date appointed to the Board: 20 August 2009)

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

MR CHEONG KENG CHUAN ALFRED

Lead Independent Director

(Date appointed to the Board: 23 November 2009)

Mr Cheong is currently an executive director of Crowe Horwath First Trust LLP, a certified public accountants firm. He has over 18 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 Singapore Exchange Securities Trading Limited (the "SGX-ST").

MR HE GUO QUAN

Independent Director

(Date appointed to the Board: 23 November 2009)

Mr He has over 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.

MR CHIA SENG HEE JACK

Independent Director

(Date appointed to the Board: 1 May 2013)

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

SENIOR MANAGEMENT

MR TAM KIN BOR

Chief Financial Officer

Mr Tam is our Chief Financial Officer and joined our Group in May 2013. Mr Tam has more than 17 years of working experience in assurance and finance sector. Mr Tam oversees our Group's corporate development, financial reporting and investor relations matters. From 1997 to 2000, Mr Tam was an audit staff and then an audit senior with Ernst & Young Hong Kong and was involved in the audit of a number of listed companies and financial institutes. From 2000 to 2007, he was an audit senior and then a senior manager with Ernst & Young China Beijing. He was a seasoned advisor for both sell side and buy side in a number of major transactions in the finance sector in China. Mr Tam joined Deutsche Bank where he worked as a vice president from 2007 to 2010, responsible for direct investment of the bank. Prior to joining our Group in May 2013, Mr Tam worked on engagement basis as an investment consultant. Mr Tam is a certified practising member of Certified Practising Accountants, Australia since 2000, and a member of the Hong Kong Institute of Certified Public Accountants since 2003.

MS LU JIN MING

Deputy General Manager (Project Development)

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

MR YANG QI MAN

Deputy General Manager (Sihui City Project)

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

MS BU SHU ZHEN

Finance Manager

Ms Bu is our Finance Manager and joined our Group in October 2011. Ms Bu has more than 8 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.

CORPORATE GOVERNANCE REPORT

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

1. BOARD MATTERS

BOARD COMPOSITION AND CONDUCT OF ITS AFFAIRS

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

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

For the financial year ended 31 December 2013, the Board of Directors (the "Board" or the "Directors") comprised of seven (7) 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	47	20 August 2009	20 April 2012	Executive Chairman and Chief Executive Officer ("CEO")	Nil
Zhang Mao	52	23 November 2009	24 April 2013	Executive Director	Nil
Zhong Yu Zhao	38	23 November 2009	24 April 2013	Executive Director	Nil
Zheng Lihua	49	20 August 2009	20 April 2012	Non-executive Director	Nil
Cheong Keng Chuan Alfred	45	23 November 2009	24 April 2013	Lead Independent Director	C&G Industrial Holdings Limited China Hongxing Sports Limited Sinotel Technologies Ltd

CORPORATE GOVERNANCE REPORT (cont'd)

Name of Director	Age	Date of first appointment	Date of last re-election	Designation	Past and Present Directorships held in the last three (3) years in other listed companies
Chia Seng Hee, Jack	53	1 May 2013	-	Independent Director	Combine Will International Holdings Limited China Hongcheng International Holdings Limited Sunray Holdings Limited [Delisted on 1 April 2014] Shanghai Turbo Enterprises Limited Dukang Distillers Holdings Limited
He Guo Quan	37	23 November 2009	20 April 2012	Independent Director	Nil

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 the shareholders of the Company (the "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, Nominating Committee and Remuneration Committee. These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

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	2	^2	1	^1
Zhang Mao	4	4	4	^4	2	^2	1	^1
He Ke Ping (resigned on 11 April 2013)	4	1	4	^1	2	^1	1	^1
Zhong Yu Zhao	4	4	4	^4	2	^2	1	^1
Zheng Lihua	4	4	4	^4	2	^2	1	1
Cheong Keng Chuan Alfred	4	4	4	4	2	2	1	1
Chia Seng Hee, Jack	4	3	4	3	2	1	1	0
He Guo Quan	4	4	4	4	2	2	1	1
Seetoh Kok Choi Watson (resigned on 31 March 2013)	4	0	4	0	2	0	1	0

^ : by invitation

CORPORATE GOVERNANCE REPORT (cont'd)

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 its 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.

CHAIRMAN AND CEO

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

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 directors to the Board.

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

For the financial year ended 31 December 2013, the NC of the Company comprised of the following members:

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

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

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 Yuan Le Sheng, Mr He Guo Quan and Mdm Zheng Lihua 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.

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

ACCESS TO INFORMATION

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

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.

CORPORATE GOVERNANCE REPORT (cont'd)

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. Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

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 2013, the Remuneration Committee (the "RC") comprised of the following Directors, all of whom are Non-Executive and Independent Directors.

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

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

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

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

LEVEL AND MIX OF REMUNERATION

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

The Company has entered into a service agreement with the Executive Chairman and CEO, under which, terms of his employment are stipulated. The initial term of employment is for a period of three (3) years from 12 April 2013. The service agreement of the Executive Chairman and CEO may be terminated by either party to the service agreement giving to the other three (3) months' prior written notice or an amount equivalent to three (3) months' salary in lieu of notice. All Executive Directors do not receive Directors' fees.

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 / her own remuneration.

DISCLOSURE ON REMUNERATION

Principle 9: Every 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 2013 is as follows:

	Salary (%)	Performance-based incentive (%)	Bonus (%)	Benefit (%)	Director's fee (%)	Total (%)
(a) Directors						
<u>Above S\$1,500,000 but below S\$2,000,000</u>						
Yuan Le Sheng	30	64	4	2	-	100
<u>Above S\$250,000 but below S\$500,000</u>						
Zhang Mao	47	38	9	6	-	100
Zhong Yu Zhao	47	38	9	6	-	100
<u>Below S\$250,000</u>						
He Ke Ping	93	-	-	7	-	100
Cheong Keng Chuan Alfred	-	-	-	-	100	100
Chia Seng Hee, Jack	-	-	-	-	100	100
He Guo Quan	-	-	-	-	100	100

CORPORATE GOVERNANCE REPORT (cont'd)

	Salary (%)	Performance-based incentive (%)	Bonus (%)	Benefit (%)	Director's fee (%)	Total (%)
(b) Key Executives						
Below S\$250,000						
Tam Kin Bor	88	-	12	-	-	100
Lu Jin Ming	39	44	11	6	-	100
Yang Qi Man	39	44	11	6	-	100
Bu Shu Zhen	85	-	7	8	-	100
(c) Employees related to Directors						
Below S\$150,000						
Zheng Xiong Xian ⁽¹⁾	93	-	-	7	-	100
Yang Hui Yan ⁽²⁾	75	-	-	25	-	100
Yuan Jian Sheng ⁽³⁾	67	-	19	14	-	100
Fang Zai Ming ⁽⁴⁾	80	-	17	3	-	100
Zheng Xiong Wei ⁽⁵⁾	88	-	7	5	-	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.

To maintain confidentiality the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company not to fully disclose the remuneration of each individual Director and key executive.

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 2013, the aggregate remuneration of the five (5) employees who are related to our Directors amounted to approximately RMB644,000 (equivalent to approximately S\$131,000). 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises the need and is responsible for maintaining a system of risk management and internal controls and processes to safeguard shareholders' interests and the Group's assets. The AC monitors the effectiveness of the risk management and internal control systems and procedures and will ensure that a review of the effectiveness of the Company's internal controls is conducted annually or when the AC deems necessary.

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.

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.

AUDIT COMMITTEE (THE "AC")

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

For the financial year ended 31 December 2013, 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 Chia Seng Hee, Jack
Mr He Guo Quan

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

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;

CORPORATE GOVERNANCE REPORT (cont'd)

- (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 2013, the Company paid SGD434,000 to Deloitte & Touche LLP, Singapore and overseas practice of Deloitte & Touche Tohmatsu for its statutory audit services. The AC, having reviewed the range and value of non-audit services provided by the external auditors, Deloitte & Touche LLP, during the year which amounted to S\$10,000 or 2.3% of the audit fees, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC recommended that Deloitte & Touche LLP, Singapore and overseas practice of Deloitte & Touche Tohmatsu be nominated for re-appointment as auditors at the forthcoming AGM.

The AC is satisfied that the Company has complied with Rule 712, Rule 715 and Rule 717 of the Listing Manual in relation to its auditing firms.

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and 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 treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

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

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, 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 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 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.

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

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 (1) or two (2) proxies to attend and vote on his behalf.

The Chairmen of the various Board 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.

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

CORPORATE GOVERNANCE REPORT (cont'd)

5. INTERESTED PERSON TRANSACTIONS

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 Xin	752,949 ⁽¹⁾	-

Notes:

- 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 (3) quarters of its financial year and during the one (1) month preceding, and up to the time of announcement of, the Company's results for the full financial year.

7. MATERIAL CONTRACTS

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 2013.

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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, 2013.

1 DIRECTORS

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

Yuan Le Sheng
Zhang Mao
Zhong Yu Zhao
Zheng Lihua
Cheong Keng Chuan Alfred
Chia Seng Hee Jack (Appointed on May 1, 2013)
He Guo Quan

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of director and company in which interest is held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Ordinary shares of the Company				
Zheng Lihua	–	–	607,359,978	607,374,978
Yuan Le Sheng	16,578,000	16,593,000	590,781,978	590,781,978
Zhong Yu Zhao	1,010,000	1,525,000	–	–
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, 2014 were the same as at December 31, 2013.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

5 SHARE OPTIONS

(a) Options to take up unissued shares

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

(b) Options exercised

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

(c) Unissued shares under option

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

6 AUDIT COMMITTEE

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

- a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- b) the Group's financial and operating results and accounting policies;
- c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;
- d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- e) the co-operation and assistance given by the management to the Group's external auditors; and
- f) the re-appointment of the external auditors of the Group.

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.

REPORT OF THE DIRECTORS (cont'd)

7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Yuan Le Sheng

Zhang Mao

April 9, 2014

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 40 to 103 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, 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Yuan Le Sheng

Zhang Mao

April 9, 2014

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, 2013, and 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 information, as set out on pages 40 to 103.

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, 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

April 9, 2014

STATEMENTS OF FINANCIAL POSITION

December 31, 2013

	Note	Group		Company	
		2013	2012	2013	2012
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	6	76,168	119,817	48	–
Restricted cash	7	268,155	276,062	–	–
Trade and other receivables	8	179,723	48,562	–	–
Amount due from related parties - non trade	5	5,698	855	–	–
Amount due from subsidiaries	5 & 16	–	–	672,587	661,157
Amount due from customers for contract works	9	11,852	18,304	–	–
Inventories	10	249	246	–	–
Properties held for sale	11	391,354	530,456	–	–
Development properties	12	1,611,940	1,197,714	–	–
Prepaid leases	13	223	977	–	–
Dividends receivable		–	–	22,458	–
Total current assets		2,545,362	2,192,993	695,093	661,157
Non-current assets					
Prepaid leases	13	5,031	36,292	–	–
Property, plant and equipment	14	27,454	148,932	–	–
Investment properties	15	957,032	338,380	–	–
Investment in subsidiaries	16	–	–	1,018	1,018
Investment in jointly controlled operation	17	24,513	47,241	–	–
Trade and other receivables	8	10,000	–	–	–
Available-for-sale investments	18	1,800	1,800	–	–
Deferred tax assets	19	9,871	11,409	–	–
Contributions to project	20	–	20,000	–	–
Goodwill	21	4,192	–	–	–
Total non-current assets		1,039,893	604,054	1,018	1,018
Total assets		3,585,255	2,797,047	696,111	662,175

STATEMENTS OF FINANCIAL POSITION

December 31, 2013

	Note	Group		Company	
		2013	2012	2013	2012
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES AND EQUITY					
Current liabilities					
Bank and other loans	22	951,211	895,421	–	–
Trade and other payables	23	430,227	375,325	9,063	1,998
Long term payables – current portion	24	12,442	–	–	–
Amount due to related parties	5	97,201	9,535	–	–
Amount due to subsidiaries	5 & 16	–	–	34,854	14,699
Tax payables		72,114	67,241	–	–
Total current liabilities		1,563,195	1,347,522	43,917	16,697
Non-current liabilities					
Bank and other loans	22	404,826	185,372	–	–
Trade and other payables	23	20,663	–	–	–
Long term payables	24	159,590	–	–	–
Deferred tax liabilities	19	172,460	125,722	–	–
Total non-current liabilities		757,539	311,094	–	–
Capital, reserves and non-controlling interests					
Share capital	25	909,831	909,831	909,831	909,831
Capital reserve	26	396	396	–	–
Revaluation reserve	27	17,788	–	–	–
Translation reserve		1,821	2,901	(12,429)	28,609
Statutory reserve	28	23,887	23,887	–	–
Retained earnings (Accumulated losses)		285,279	197,361	(245,208)	(292,962)
Equity attributable to equity holders of the Company		1,239,002	1,134,376	652,194	645,478
Non-controlling interests		25,519	4,055	–	–
Total equity		1,264,521	1,138,431	652,194	645,478
Total liabilities and equity		3,585,255	2,797,047	696,111	662,175

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2013

	Note	2013 RMB'000	2012 RMB'000
Revenue	29	280,383	125,757
Cost of sales		(165,553)	(120,140)
Gross profit		114,830	5,617
Other operating income	30	199,352	8,772
Selling and distribution expenses		(18,378)	(7,723)
Administrative expenses		(53,611)	(47,985)
Other operating expenses		(3,131)	–
Share of a jointly controlled operation profit	17	25,962	65,796
Finance costs	31	(98,395)	(73,353)
Profit (Loss) before tax		166,629	(48,876)
Income tax expense	32	(56,937)	(7,679)
Profit (Loss) for the year	33	109,692	(56,555)
Other comprehensive income, net of tax			
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Revaluation of prepaid leases and building on transfer to investment property	15 & 27	23,716	–
Income tax relating to components of other comprehensive income that will not be reclassified subsequently	15 & 27	(5,928)	–
		17,788	–
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange differences on translation of foreign operations		(1,080)	366
Total comprehensive income (loss) for the year		126,400	(56,189)
Profit (Loss) for the year attributable to:			
Owners of the Company		87,918	(56,523)
Non-controlling interests		21,774	(32)
		109,692	(56,555)
Total comprehensive income (loss) attributable to:			
Owners of the Company		104,626	(56,157)
Non-controlling interests		21,774	(32)
		126,400	(56,189)
Earnings (Losses) per share (in RMB cents)			
Basic and diluted	35	7.81	(5.02)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2013

	Note	Share capital	Capital reserve	Revaluation reserve	Translation reserve	Statutory reserve	Retained earnings	Attributable to equity holders of the Company	Non-	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group										
Balance at January 1, 2012		909,831	–	–	2,535	23,887	280,546	1,216,799	483	1,217,282
Total comprehensive income (loss) for the year										
Loss for the year		–	–	–	–	–	(56,523)	(56,523)	(32)	(56,555)
Other comprehensive income for the year		–	–	–	366	–	–	366	–	366
Total		–	–	–	366	–	(56,523)	(56,157)	(32)	(56,189)
Transactions with owners, recognised directly in equity										
Appropriations 16 & 26		–	396	–	–	–	–	396	(396)	–
Dividends 34		–	–	–	–	–	(26,662)	(26,662)	–	(26,662)
Effect from partial disposal of interest in a subsidiary		–	–	–	–	–	–	–	4,000	4,000
Total		–	396	–	–	–	(26,662)	(26,266)	3,604	(22,662)
Balance at December 31, 2012		909,831	396	–	2,901	23,887	197,361	1,134,376	4,055	1,138,431

STATEMENTS OF CHANGES IN EQUITY (cont'd)

Year ended December 31, 2013

	Note	Share capital	Capital reserve	Revaluation reserve	Translation reserve	Statutory reserve	Retained earnings	Attributable to equity holders of the Company	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group										
Balance at December 31, 2012		909,831	396	–	2,901	23,887	197,361	1,134,376	4,055	1,138,431
Total comprehensive income (loss) for the year										
Profit for the year		–	–	–	–	–	87,918	87,918	21,774	109,692
Other comprehensive income for the year		–	–	17,788	(1,080)	–	–	16,708	–	16,708
Total		–	–	17,788	(1,080)	–	87,918	104,626	21,774	126,400
Transactions with owners, recognised directly in equity										
Non-controlling interests arising from incorporation of a subsidiary		–	–	–	–	–	–	–	640	640
Non-controlling interests arising from acquisition of a subsidiary	40	–	–	–	–	–	–	–	(950)	(950)
Total		–	–	–	–	–	–	–	(310)	(310)
Balance at December 31, 2013		909,831	396	17,788	1,821	23,887	285,279	1,239,002	25,519	1,264,521

	Note	Share capital	Accumulated losses	Translation reserve	Total
		RMB'000	RMB'000	RMB'000	RMB'000
<u>Company</u>					
Balance at January 1, 2012		909,831	(261,772)	(3,841)	644,218
Total comprehensive income (loss) for the year					
Loss for the year		–	(4,528)	–	(4,528)
Other comprehensive income for the year		–	–	32,450	32,450
Total		–	(4,528)	32,450	27,922
Transactions with owners, recognised directly in equity					
Dividends	34	–	(26,662)	–	(26,662)
Balance at December 31, 2012		909,831	(292,962)	28,609	645,478
Total comprehensive income (loss) for the year					
Profit for the year		–	47,754	–	47,754
Other comprehensive income for the year		–	–	(41,038)	(41,038)
Total		–	47,754	(41,038)	6,716
Balance at December 31, 2013		909,831	(245,208)	(12,429)	652,194

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2013

	Note	2013	2012
		RMB'000	RMB'000
Operating activities			
Profit (Loss) before tax		166,629	(48,876)
Adjustments for:			
Fair value gain on investment properties		(147,332)	(5,906)
Investment income		(37,897)	–
Gain on disposal of subsidiary		(2,542)	–
Interest expense		98,395	73,353
Depreciation expense		3,757	9,978
Amortisation of prepaid leases		82	847
Gain on disposal of plant and equipment		–	(34)
Interest income		(9,270)	(926)
Share of a jointly controlled operation profit		(25,962)	(65,796)
Operating cash flows before movements in working capital		45,860	(37,360)
Trade and other receivables		(75,883)	(21,325)
Amount due from customers for contract works		6,452	(9,595)
Inventories		(3)	(99)
Development properties		(388,377)	(349,416)
Properties held for sale		139,102	315,156
Trade and other payables		39,230	49,991
Amounts due to related parties		87,666	6,571
Cash used in operations		(145,953)	(46,077)
Interest paid		(110,605)	(90,200)
Interest received		9,004	630
Income tax paid		(17,091)	(32,093)
Net cash used in operating activities		(264,645)	(167,740)

	Note	2013 RMB'000	2012 RMB'000
Investing activities			
Profit distribution from a jointly controlled operation	17	45,692	55,000
Repayment of interest from a jointly controlled operation	17	2,998	–
Acquisition of a subsidiary	40	(2,871)	–
Purchase of property, plant and equipment		(1,261)	(991)
Prepayment for purchase of defaulted loans from a bank	8	(21,550)	–
Interest received		266	296
Payment for prepaid leases		(2,625)	–
Proceeds from disposal of plant and equipment		–	34
Proceeds from disposal of a subsidiary	41	989	–
Addition in investment properties		(79,153)	(29,280)
Contributions to project		–	(20,000)
Net cash (used in) from investing activities		(57,515)	5,059
Financing activities			
Amounts due from related parties		(4,843)	(855)
Decrease (Increase) in restricted cash		7,907	(254,642)
Proceeds from non-controlling interests		640	4,000
New bank loans raised		365,800	560,050
Other loans raised		177,263	53,088
Repayment of bank loans		(170,877)	(67,052)
Repayment of other loans		(96,942)	(130,000)
Dividends paid		–	(26,662)
Net cash from financing activities		278,948	137,927
Net decrease in cash and cash equivalents		(43,212)	(24,754)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(437)	666
Cash and cash equivalents at beginning of year	6	119,817	143,905
Cash and cash equivalents at end of year	6	76,168	119,817

Non-cash transaction

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

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

1. GENERAL

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

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

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2013 were authorised for issue by the Board of Directors on April 9, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2013, the Company and Group adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Company’s and Group’s accounting policies and has no material effect on the amounts reported for the current or prior financial years except as disclosed below:

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to FRS 1 Presentation of Items of Other Comprehensive Income retrospectively for the first time in the current year. Under the amendments to FRS 1, the Group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

FRS 113 Fair Value Measurement

The Group has applied FRS 113 for the first time in the current year. FRS 113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of FRS 113 apply to both financial instrument items and non-financial assets for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of FRS 102 Share-based Payment, leasing transactions that are within the scope of FRS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FRS 113 includes extensive disclosure requirements, although specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard.

Consequently the Group has not made any new disclosures required by FRS 113 for the comparative period.

Other than the additional disclosures, the application of FRS 113 has not had any material impact on the amounts recognised in the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

- 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
- Amendments to FRS 110 Consolidated Financial Statements – Investment Entities
- FRS 110, FRS 111, FRS 112 *Transition Guidance*
- Amendments to FRS 32 *Financial Instruments: Presentation*
- Amendments to FRS 36 *Impairment of Assets*

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

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

FRS 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*.

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 the 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 retrospective application subject to transitional provisions.

Taking into account the new definition of control and the additional guidance on control set out in FRS 110, management anticipates that the application of FRS 110 will not have a material impact on the accounting for the Group's ownership interest in its subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 venturer 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 retrospective application subject to transitional provisions.

Management is currently evaluating the assessment of classification of the investment in joint ventures under the FRS 111.

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 estimating the extent of additional disclosures needed.

Amendments to FRS 32 Financial Instruments: Presentation

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

The amendments to FRS 32 are effective for annual periods beginning on or after January 1, 2014 with retrospective application required.

The management does not anticipate that the application of these amendments to FRS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Amendments to FRS 36 Impairment of Assets

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or cash-generating unit (CGU) to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when such asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal, such as the level of 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined, and where the fair value measurements are at Level 2 or 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique, key assumptions used including discount rate(s) used.

Upon adoption of the amendments to FRS 36, the Group expects additional disclosures arising from any asset impairment loss or reversals, and where their respective recoverable amounts are determined based on fair value less costs of disposal.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

JOINTLY CONTROLLED OPERATIONS - A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are not recognised unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Effective interest method

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

Financial assets

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

Cash and cash equivalents

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

Available-for-sale financial assets

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

Loans and receivables

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments

Derecognition of financial assets

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

Classification as debt or equity

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

Equity instruments

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

Trade payables and other payables

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

Bank loans and other loans

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

Financial guarantee contract

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

The Group as lessor

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Group as lessee

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

- (i) Revenue from properties development for sale is recognised when the legal title passed to the buyer or when the equitable interest in the property vests in the buyer upon release of the handover notice of the respective property to the buyer, whichever is earlier. Payments received from buyers prior to this stage are recorded as advances from customers for sales of properties and are classified as current liabilities.
- (ii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.
- (iii) Dividend income from investments is recognised when the shareholder's right to receive payment have been established.
- (iv) Property management service fee income is recognised when the service is completed.
- (v) The Group's policy for recognition of revenue from operating leases is described above.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

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

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying the entity's accounting policies

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

Key sources of estimation uncertainty

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

Trade and other receivables

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

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

Impairment of goodwill

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

The carrying amount of goodwill of the Group amounted to RMB4,192,000 (2012:Nil) as at December 31, 2013

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Corporate guarantees

The Group has corporate guarantees as disclosed in Note 39 to the financial statements. The determination of the probability of the counterparties claiming under the guarantees requires judgement. Based on expectations at the end of the reporting period, management considers that it is more likely than not that no amount will be payable under the arrangement.

Land Appreciation Tax ("LAT")

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

Management, as disclosed in Notes 19 and 32, 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, management has exercised their judgment and is satisfied that the method of valuation is reflective of current market conditions and the estimates used are appropriate.

Carrying amounts of properties held for sale and development properties

The aggregate carrying amount of these properties totalled RMB2,003,294,000 as at December 31, 2013 (2012 : RMB1,728,170,000), details of which are disclosed in Notes 11 and 12 respectively. They are stated at lower of cost and net realisable value.

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

Income tax

Significant estimate is involved in determining the provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome differ from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Information about the deferred tax and income tax expenses are disclosed in Notes 19 and 32.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Useful lives of property, plant and equipment

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

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

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

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	473,134	419,991	695,093	661,157
Available-for-sale financial assets	1,800	1,800	–	–
Financial liabilities				
Amortised cost	2,093,047	1,224,629	43,917	16,697

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

(b) *Financial risk management policies and objectives*

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. Management is responsible for the overall financial risk management covering specific areas. These risks include market risk (including 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.

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(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.

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 rate had been 50 basis points higher and all other variables were held constant, the Group's profit for the year ended December 31, 2013 would decrease by RMB6,780,000 (2012 : Group's loss for the year increase by RMB5,404,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

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

(iii) Equity price risk management

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

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

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(iv) Credit risk management

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

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

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

The Group's maximum exposure to credit risk comprise (i) the sum of the carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for losses; and (ii) credit risk relating to guarantees of approximately RMB864,028,000 (2012 : RMB860,111,000) to banks for the benefit of the Group's customers in respect of mortgage loans provided by the banks to these customers for the purchase of the Group's development properties, as elaborated in Note 39 to the financial statements.

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 RMB951,211,000 (2013 : RMB895,421,000) (Note 22) which are due for settlement during the financial year ending December 31, 2014. 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.

Subsequent to the end of the reporting period, the Group entered into a loan agreement on April 4, 2014 with a third party company, Famous Way Properties Limited, for a proposed loan of US\$50 million (Note 42).

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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS 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)					
2013						
Non-interest bearing	-	544,315	-	-	-	544,315
Fixed interest rate instruments	7	1,434	22,909	-	(3,680)	20,663
Long term payables (Fixed rate)	6	14,000	56,700	247,170	(145,838)	172,032
Variable interest rate instruments	6-18	1,029,523	436,838	7,001	(117,325)	1,356,037
		<u>1,589,272</u>	<u>516,447</u>	<u>254,171</u>	<u>(266,843)</u>	<u>2,093,047</u>
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
		<u>1,087,378</u>	<u>207,132</u>	<u>16,615</u>	<u>(86,496)</u>	<u>1,224,629</u>

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)					
2013						
Non-interest bearing	-	43,917	-	-	-	43,917
		<u>43,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,917</u>
2012						
Non-interest bearing	-	16,697	-	-	-	16,697
		<u>16,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,697</u>

The maximum amount that the Group could be forced to settle under financial guarantee contracts, if the full guaranteed amount is claimed by the counterparties to the guarantee, is RMB864,028,000 (2012 : RMB986,911,000). The earliest period that the guarantee could be called is within 1 year (2012 : 1 year) from the end of the reporting period. As mentioned in Note 39, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

Non-derivative financial assets

The non-derivative financial assets of the Group and Company are repayable on demand except for RMB10,000,000 of deposit paid (Note 8) classified as non-current. The deposit paid will be refunded when the project is completed. The project is expected to be completed approximately three years from the end of the reporting period.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(vi) Fair value of financial assets and financial liabilities

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

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2013	2012				
	RMB'000	RMB'000				
<u>Group</u>						
Available-for-sale investment	500	500	Level 1	Quoted bid prices in an active market	N/A	N/A

Company

The Company had no financial assets or liabilities carried at fair value in 2012 and 2013.

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

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

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

(c) Capital risk management policies and objectives

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

The capital structure of the Group consists of debt which includes the borrowings disclosed in Note 22 and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

Management's strategy remained unchanged from the prior year.

The Group monitors capital based on the Group's gross gearing and net gearing. The Group's gross gearing is calculated as total borrowings divided by total equity. Net borrowings are calculated as total borrowings as disclosed in Note 22, less cash and bank balances as disclosed in Note 6 and 7 to the financial statements.

	Group	
	2013	2012
	RMB'000	RMB'000
Total borrowings	1,356,037	1,080,793
Total equity	1,264,521	1,138,431
Gross gearing (times)	1.07	0.95
Net borrowings	1,011,714	684,914
Total equity	1,264,521	1,138,431
Net gearing (times)	0.80	0.60

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.

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

	Group	
	2013	2012
	RMB'000	RMB'000
Advance from directors for sale of properties	356	6,571
Revenue from sale of properties		
- directors and close family members of directors and key management	14,150	-
Rental income		
- a close family member of a director	3,700	2,900
Construction revenue		
- a jointly controlled operation	1,144	2,485

5. RELATED COMPANY TRANSACTIONS AND OTHER RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of directors and key management personnel

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

	Group	
	2013	2012
	RMB'000	RMB'000
Short-term benefits	14,692	7,781

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	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	76,025	119,710	48	-
Cash on hand	143	107	-	-
	76,168	119,817	48	-

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

Cash and cash equivalents which are denominated in RMB amounting to RMB67,734,000 (2012 : RMB104,717,000) are not freely convertible to foreign currencies.

7. RESTRICTED CASH

Restricted cash comprises RMB249,756,000 (2012: RMB266,100,000) fixed deposits pledged for bank loan and RMB14,899,000 (2012: RMB10,000,000) security deposit for the development of properties which bears average effective interest rate of 3% (2012 : 3%) per annum and for a tenure of approximately 360 days (2012 : 360 days). The remaining RMB3,500,000 (2012 : RMBNil) of restricted cash are restricted bank balance.

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables - outside parties	47,355	15,304	-	-
Other receivables	23,827	4,953	-	-
	71,182	20,257	-	-
Advance to contractors	-	61	-	-
Deposits paid	28,190	3,000	-	-
Prepayment	187	-	-	-
Prepayment to a bank	21,550	-	-	-
Prepayment to a developer	55,323	-	-	-
Tax prepayment	9,957	11,956	-	-
Prepaid expense	3,334	13,288	-	-
	189,723	48,562	-	-
Less: Deposit paid classified as non-current	(10,000)	-	-	-
Current portion	179,723	48,562	-	-

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

8. TRADE AND OTHER RECEIVABLES (cont'd)

The average credit period on trade receivables is 60 to 180 days (2012 : 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.

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

The prepayment to a bank amounting RMB21,550,000 (2012: RMBNil) is in relation to downpayment for purchase of certain defaulted loans from a bank owing to the bank by third parties at a consideration of RMB86,995,800. The securities pledged for these loans which were assigned to the Group consist of inventories, carparks, office building and prepaid leases of the third parties. Management is of the view that there is no indicator of impairment over the prepayment to a bank considering the fair value of the securities pledged. Management considers that the carrying amount of the prepayment to a bank approximates its fair value.

The prepayment to a developer of RMB55,323,000 (2012: RMBNil) pertains to the purchase of investment properties from GD Development Sdn Bhd ("GD") arising from the early termination of a project (Note 20). The investment properties are located at Bandar Nilai Utama, District of Seremban, State of Negri Sembilan, Malaysia. The purchase is recorded as a prepayment as the title of the properties has not been transferred to the Group at the end of the reporting period. Management considers that the carrying amount of the prepayment to a developer approximates its fair value.

Tax prepayment consists mainly of prepayment for business tax.

Included in the trade receivables balance are debtors with a carrying amount of RMB11,199,000 (2012 : RMB15,987,000) 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 as management is of the view that these receivables are recoverable.

8. TRADE AND OTHER RECEIVABLES (cont'd)

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

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Not past due and not impaired	59,983	4,270	-	-
Past due but not impaired	11,199	15,987	-	-
	71,182	20,257	-	-

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

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 3 months	10,022	-	-	-
3 months to 6 months	-	-	-	-
6 months to 12 months	726	14,897	-	-
Over 12 months	451	1,090	-	-
	11,199	15,987	-	-

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9. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORKS

	Group	
	2013	2012
	RMB'000	RMB'000
Contracts-in-progress at the end of the reporting period:		
Amounts due from contract customers	11,852	18,304
Contract costs incurred plus recognised profits	162,010	149,740
Less: Progress billings	(150,158)	(131,436)
	11,852	18,304

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

10. INVENTORIES

	Group	
	2013	2012
	RMB'000	RMB'000
Consumables	249	246

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

11. PROPERTIES HELD FOR SALE

	Group	
	2013	2012
	RMB'000	RMB'000
Cost	391,354	530,456

During the year, properties with a carrying amount of RMB22,677,000 (2012 : RMB184,912,000) were transferred from development properties.

12. DEVELOPMENT PROPERTIES

	Group	
	2013	2012
	RMB'000	RMB'000
At cost:		
Properties under development	1,390,688	1,025,085
Land purchase	221,252	172,629
	1,611,940	1,197,714

Prepaid leases of RMB603,006,000 (2012 : RMB375,689,000) included in development properties are pledged to banks to secure loans granted to the Group as at December 31, 2013 (See Note 22).

Particulars of the properties under development are as follows:

Description	Type of development	Approximate total gross floor area (square metre)	Expected date of completion
Shanshui Longpan ⁽ⁱ⁾	Integrated residential and commercial property	813,000	Multiphases, completion in 4 to 5 years timeframe
Sanshui Fangao Project ⁽ⁱ⁾	Integrated residential and commercial property	41,000	Reserved for future development
Shishan Project ⁽ⁱ⁾	Integrated residential and commercial property	58,000	Reserved for future development
Sihui Project ⁽ⁱⁱ⁾	Integrated residential and commercial property	245,000	December 2016
Danzao Project ⁽ⁱ⁾	Integrated residential and commercial property	250,000	Reserved for future development

⁽ⁱ⁾ These properties under development are located at Foshan City, Guangdong Province.

⁽ⁱⁱ⁾ These properties under development are located at Zhaoqing.

12. DEVELOPMENT PROPERTIES (CONT'D)

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

	Group	
	2013	2012
	RMB'000	RMB'000
Depreciation capitalised during the year	46	98
Interest expense capitalised during the year (Note 31)	28,595	34,720

The weighted average rate of capitalisation of the interest expenses for the year ended December 31, 2013 is 14.80% (2012 : 15.91%) per annum.

As at December 31, 2013, development properties of RMB552,645,000 (2012 : RMB818,032,000) are expected to be recovered after more than twelve months, but have been classified as current because they are expected to be realised in the normal operating cycle.

13. PREPAID LEASES

	Group		
	Prepaid land rentals	Prepaid leases	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At January 1, 2012	-	40,192	40,192
Transferred to development property	-	(1,392)	(1,392)
At December 31, 2012	-	38,800	38,800
Transferred to investment property (Note 15)	-	(35,827)	(35,827)
Addition in current year	2,625	-	2,625
At December 31, 2013	2,625	2,973	5,598
Accumulated amortisation:			
At January 1, 2012	-	1,022	1,022
Amortisation for the year	-	847	847
Transferred to development property	-	(338)	(338)
At December 31, 2012	-	1,531	1,531
Amortisation for the year	-	82	82
Transferred to investment property (Note 15)	-	(1,269)	(1,269)
At December 31, 2013	-	344	344
Carrying amount:			
At December 31, 2013	2,625	2,629	5,254
At December 31, 2012	-	37,269	37,269

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

13. PREPAID LEASES (CONT'D)

	Group		Total
	Prepaid land rentals	Prepaid leases	
	RMB'000	RMB'000	RMB'000
Amount to be amortised:			
At December 31, 2013			
Current	142	81	223
Non-current	2,483	2,548	5,031
At December 31, 2012			
Current	-	977	977
Non-current	-	36,292	36,292

The Group has prepaid leases in the People's Republic of China ("PRC") where the Group's PRC corporate office and administrative facilities reside and prepaid leases for a hotel. The prepaid leases for the PRC corporate office have a remaining tenure of 33 years (2012 : 34 years). In 2013, the hotel was rented out to a third party and consequently, the prepaid leases for the hotel was transferred to an investment property.

The prepaid land rentals for mine represent land use rights for mine, under operating lease arrangement before mining concession is obtained. The prepaid land rentals for a mine have a remaining tenure of 18 to 20 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	RMB'000
Cost:					
At January 1, 2012	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
Additions from acquisition of subsidiary	32	9	200	255	496
Additions	125	-	406	730	1,261
Transferred to investment property	(129,095)	-	-	-	(129,095)
Disposal	-	-	-	(7)	(7)
At December 31, 2013	28,988	5,650	10,051	2,605	47,294
Accumulated depreciation:					
At January 1, 2012	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
Additions from acquisition of subsidiary	3	2	150	169	324
Charge for the year	2,067	336	1,124	276	3,803
Transferred to investment property	(9,992)	-	-	-	(9,992)
Disposal	-	-	-	(2)	(2)
At December 31, 2013	5,990	5,330	7,021	1,499	19,840

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Group				Total
	Building	Plant and machinery	Motor vehicles	Equipment, furniture and fixtures	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount:					
At December 31, 2013	22,998	320	3,030	1,106	27,454
At December 31, 2012	144,014	649	3,698	571	148,932

The Group has pledged land and buildings with a carrying amount of approximately RMB23,923,000 (2012 : RMB141,088,000) to secure banking facilities granted to the Group (Note 22).

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

Details of the building are as follows:

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

* Transferred to investment property in 2013

15. INVESTMENT PROPERTIES

	Group	
	2013	2012
	RMB'000	RMB'000
At beginning of year	338,380	240,680
Transferred from development properties	2,792	60,489
Transferred from property, plant and equipment (Note 14)	119,103	2,025
Transferred from prepaid leases (Note 13)	34,558	-
Additions from acquisition of subsidiary (Note 40)	211,998	-
Purchases during the year	79,153	29,280
Increase in fair value recorded in revaluation reserve	23,716	-
Increase in fair value recorded in profit or loss	147,332	5,906
At end of year	957,032	338,380

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

15. INVESTMENT PROPERTIES (CONT'D)

The fair values of the Group's investment properties at the end of reporting period have been arrived at on the basis of open market valuation carried out at the end of reporting period by 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. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to RMB17,004,000 (2012 : RMB11,770,000). Direct operating expenses arising on the investment properties in the year amounted to RMB5,525,000 (2012 : RMB2,589,000).

As at December 31, 2013, the Group has pledged investment properties with carrying amount of RMB558,663,000 (2012 : RMB275,024,000) to secure loans granted to the Group (See Note 22).

During the year, the Group acquired an entity (Note 40) which has an operating lease for a property. Management has assessed and concluded that the property be classified as an investment property held under an operating lease.

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

	Group	
	2013	2012
	RMB'000	RMB'000
Fair valuation of investment property under operating lease	160,400	-
Add: Long term payables (Note 24)	172,032	-
Adjusted fair valuation of investment property under operating lease	332,432	-

Details of the Group's investment properties and information about the fair value hierarchy as at December 31, 2013 are as follows:

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

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

15. INVESTMENT PROPERTIES (CONT'D)

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

Description	Fair value as at December 31, 2013	Valuation technique(s)	Significant unobservable input(s)	Range	
	RMB'000				
Investment properties	957,032	Direct comparison approach	price per square meter ⁽¹⁾	RMB600 - RMB28,500	
			Income capitalisation approach	market rent per square meter per month ⁽¹⁾	RMB50 – RMB798
			capitalisation rate ⁽²⁾	5% - 10%	

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

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

15. INVESTMENT PROPERTIES (CONT'D)

Description	Location	Title	Details of occupancy
Longpan Hotel building ^(a)	Baini Town, Sanshui District, Foshan City, Guangdong Province	The property is held under a land use term to be expired on March 20, 2047	Tenanted
Tianjin Hotel Street ^(b) Building	Nanshi Hotel Street, Heping District, Tianjin City	The property is held under a lease term to be expired on June 30, 2033	Renovation in progress

Notes:

^(a) Transferred from property, plant and equipment during the year.

^(b) Arising from acquisition of subsidiary during the year.

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2013	2012
	RMB'000	RMB'000
Unquoted equity shares at cost	- *	- *
Advance to subsidiary	1,018	1,018
	1,018	1,018

* 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.

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

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2013	2012	2013	2012	
		%	%	%	%	
<u>Held by the Company</u>						
Dynamic Real Estate Holdings Pte. Ltd. ⁽¹⁾	Singapore	100	100	100	100	Investment holding
Derong Real Estate Holdings Pte. Ltd. ⁽¹⁾	Singapore	100	100	100	100	Investment holding
Infinity Real Estate Holdings Pte. Ltd. ⁽¹⁾	Singapore	100	100	100	100	Investment holding
Pavillion Treasures Land and Development Sdn. Bhd. ⁽⁶⁾	Malaysia	100	100	100	100	Property development and investment

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2013 %	2012 %	2013 %	2012 %	
<u>Held by Dynamic Real Estate Holdings Pte. Ltd.</u>						
Foshan Nanhai Jiangnan Mingju Property Development Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Property development
<u>Held by Derong Real Estate Holdings Pte. Ltd.</u>						
Foshan Nanhai Debao Property Development Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Investment property holding and development
<u>Held by Infinity Real Estate Holdings Pte. Ltd.</u>						
Foshan Sanshui Nengrun Property Development Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Property development
<u>Held by Foshan Nanhai Jiangnan Mingju Property Development Co., Ltd.</u>						
Foshan Nanhai Guiyu Property Management Co., Ltd ⁽²⁾	PRC	100	100	100	100	Property management
Foshan Nanhai Guihe Construction Engineering Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Construction
<u>Held by Foshan Nanhai Debao Property Development Co., Ltd</u>						
Sihui Debao Jiangnan Mingju Development Co., Ltd. ^{(2) (7)}	PRC	55	55	55	55	Investment property holding and development
Tianjin Hotel Street Co., Ltd. ^{(2) (4)}	PRC	57.8	-	57.8	-	Property development
<u>Held by Foshan Nanhai Guiyu Property Management Co., Ltd</u>						
Foshan Nanhai Shun Mao Public Utilities Engineering Co., Ltd ⁽²⁾	PRC	100	100	100	100	Public utilities engineering

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2013 %	2012 %	2013 %	2012 %	
<u>Held by Foshan Nanhai Guihe Construction Engineering Co., Ltd</u>						
Foshan Nanhai Yi Tian Procurement and Trading Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Sales and distribution of construction materials
<u>Held by Foshan Nanhai Yi Tian Procurement and Trading Co., Ltd</u>						
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
<u>Held by Foshan Nanhai Yuzhi Landscaping Services Co., Ltd</u>						
Guangdong Debao Land Co., Ltd. ⁽²⁾ (50% held by Foshan Nanhai Fangao Renovation Services Co., Ltd.)	PRC	100	100	100	100	Property development
<u>Held by Foshan Nanhai Renovation Services Co., Ltd</u>						
Foshan Sanshui Shanshui Longpan Hotel Co., Ltd. ^{(2) (5)}	PRC	-	100	-	100	Currently dormant
Foshan Sanshui Fangao Land Co., Ltd. ⁽²⁾	PRC	100	100	100	100	Property development
<u>Held by Guangdong Debao Land Co., Ltd</u>						
Guangxi Hezhou Deneng Mining Co., Ltd. ^{(2) (3)}	PRC	68	-	68	-	Property development

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

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

⁽³⁾ Incorporated during the financial year.

⁽⁴⁾ During the financial year, 57.8% interest was acquired at a consideration of RMB2,890,000 (Note 40).

⁽⁵⁾ Foshan Sanshui Shanshui Longpan Hotel was disposed of during the year (Note 41).

⁽⁶⁾ Audited by Deloitte & Touche LLP, Singapore for consolidation purpose.

⁽⁷⁾ In 2012, 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:

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

	2013	2012
	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 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.

	Group	
	2013	2012
	RMB'000	RMB'000
Contributions	13,727	13,727
Interest receivable – deemed cost	10,786	13,784
	24,513	27,511
Cumulative share of result of a jointly controlled operation	19,730	8,934
Current year share of result	25,962	65,796
Profit distribution	(45,692)	(55,000)
	-	19,730
Total	24,513	47,241

Contributions and interest receivable are unsecured and repayable when the project is completed. The project was completed in 2012.

18. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013	2012
	RMB'000	RMB'000
Unquoted equity shares, at cost	1,300	1,300
Quoted equity shares, at fair value	500	500
	1,800	1,800

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

19. DEFERRED TAX

	Group	
	2013	2012
	RMB'000	RMB'000
Deferred tax liabilities	(172,460)	(125,722)
Deferred tax assets	9,871	11,409
	<u>(162,589)</u>	<u>(114,313)</u>

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

	Change in fair value of investment properties	Change in fair value of development properties (Note)	Changes in fair value of properties held for sale (Note)	Advance receipts from customer	Land appreciation tax	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2012	(39,100)	(73,173)	(1,286)	23,847	(10,990)	(3,924)	(104,626)
(Charge) Credit to profit or loss for the year	(1,477)	1,127	-	(741)	(6,975)	(1,621)	(9,687)
Balance at December 31, 2012	(40,577)	(72,046)	(1,286)	23,106	(17,965)	(5,545)	(114,313)
Charge to other comprehensive income for the year	(5,928)	-	-	-	-	-	(5,928)
(Charge) Credit to profit or loss for the year	(36,833)	2,876	-	(2,301)	1,236	49	(34,973)
Acquisition of subsidiary (Note 40)	(7,375)	-	-	-	-	-	(7,375)
Balance at December 31, 2013	<u>(90,713)</u>	<u>(69,170)</u>	<u>(1,286)</u>	<u>20,805</u>	<u>(16,729)</u>	<u>(5,496)</u>	<u>(162,589)</u>

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

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

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is RMB311,680,000 (2012 : RMB244,948,000). 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 RMB31,168,000 (2012 : RMB24,494,800) relating to the undistributed earnings has not been recognised.

20. 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 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 had 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 were 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.

On December 10, 2013, the Group entered into a supplemental agreement with GD whereby they agreed to terminate the development project with GD in December 2013. Pursuant to the terms of the project co-operation contract and supplemental co-operation contract dated July 5, 2012 and July 23, 2012 respectively, the investment amount of 10 million Malaysian Ringgit and profit distribution of 20 million Malaysian Ringgit totalling 30 million Malaysian Ringgit (equivalent to RMB55.3 million) were returned by transferring units of the properties of the development project with GD to the Group. Consequently, RM20 million (equivalent to RMB37.9 million) was recognised as investment income. The properties purchased from GD are recorded as a prepayment to a developer (Note 8) as the title of the properties has not been transferred to the Group at the end of the reporting period.

21. GOODWILL

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

The goodwill has been allocated to Tianjin Hotel Street Co., Ltd's CGU within the property investment segment (Note 40).

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

21 GOODWILL (CONT'D)

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

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

As at December 31, 2013, management is of the view that any reasonably possible change to the key assumptions applied is not likely to be material to the consolidated financial statements.

22. BANK AND OTHER LOANS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Other loans ^(a)	434,265	353,944	-	-
Bank loans ^(b)	921,772	726,849	-	-
	1,356,037	1,080,793	-	-
Less: Amount due for settlement within 12 months (shown under current liabilities)	(951,211)	(895,421)	-	-
Amount due for settlement after 12 months	404,826	185,372	-	-

The Group has principal bank and other loans as follows:

^(a) Loans were raised via a third party contractor from a bank for a total of RMB191,694,000 (2012 : RMB195,174,000) with interest rates ranging from prime rate to 120% on prime rate. They were secured by certain prepaid leases and an investment property of the Group with carrying amounts of RMB113,563,000 (2012 : RMB113,563,000) and RMB87,000,000 (2012 : RMB87,000,000) respectively as well as guaranteed by directors of the Group. RMB135,967,000 (2012 : RMB112,954,000) had been advanced to the Group and recorded as other loans disclosed above, of which approximately RMB44,977,000 (2012 : RMB31,302,000) has been used to pay interest. The loans are repayable on demand.

Bank loans raised together with a contractor of RMB35,000,000 in 2012 with an interest rate of 7.87% per annum, has been repaid in 2013 and was secured by certain prepaid leases and property of the Group.

A loan amounting to RMB140,000,000 (2012 : RMB140,000,000) with effective interest rate of approximately 17.38% (2012 : 17.38%) per annum, repayable from June 2014 to 2015 and secured by certain prepaid leases of the Group. The current portion of these loans amounted to RMB70,000,000 (2012 : RMB Nil), while the non-current portion of these loans amounted to RMB70,000,000 (2012 : RMB140,000,000).

22. BANK AND OTHER LOANS (CONT'D)

A new loan was raised in 2013 of RMB120,000,000 with an effective interest rate of approximately 15.80% per annum, repayable from August 2014 to 2015, secured by prepaid leases of the Group and guaranteed by a director of the Group and restricted cash and cash equivalents of RMB736,000. The current portion of these loans amounted to RMB36,000,000 are repayable in twelve (12) months, while the non-current portion of these loans amounted to RMB84,000,000.

Another new loan raised in 2013 with an aggregate amount of RMB20,019,000 bears an interest rate of 7% per annum, are repayable in 2014, secured by prepaid leases and investment property of the Group.

There is an additional bank loan being obtained during the financial year amounting to RMB18,279,000 with an effective interest rate of 18% per annum, are repayable in 2015 and unsecured.

A loan in 2012 amounting to RMB68,000,000 with effective interest rate of approximately 9.56% per annum, has been repaid during the year.

- (b) Bank loans amounting to RMB45,372,000 (2012 : RMB51,799,000) with an effective interest rate of 6.55% (2012 : 6.55% to 7.05%) per annum are repayable from 2013 to 2019 and are secured by certain investment properties and prepaid leases as well as guaranteed by certain directors of the Group. The current portion of these loans amounted to RMB6,825,000 (2012 : RMB6,427,000) and are repayable in twelve months.

Bank loan amounting to RMB100,000,000 (2012 : RMB100,000,000) with an effective interest rate of 7.50% (2012 : 6.15% to 6.65%) per annum are repayable upon demand and secured by certain prepaid leases of the Group.

Bank loan amounting to RMB16,000,000 (2012 : RMB16,000,000) with interest rate of 7.80% (2012 : 8.53%) per annum, are repayable in 2014 (2012 : repayable in 2013) and were secured by certain properties of a third party contractor.

Bank loan amounting to RMB67,500,000 (2012 : RMB159,500,000) with an interest rate of 7.20% (2012 : 6.16% to 6.44%) per annum, are repayable in 2014, secured by prepaid leases of the Group.

Bank loan amounting to RMB125,000,000 (2012 : RMB104,200,000) with an interest rate of 6% (2012 : 6.56% to 7.87%) per annum, are repayable in 2014, secured by certain prepaid leases and property of the Group and restricted cash and cash equivalents of RMB 80,000,000 (2012 : RMB60,000,000).

Bank loan amounting to RMB12,000,000 (2012 : RMB12,000,000) with an interest rate of 7.50% (2012 : 7.80% to 8.53%) per annum, are repayable in 2014, and were secured by an investment property of the Group.

Bank loan amounting to RMB67,000,000 (2012 : RMB52,000,000) with an interest rate of 7.80% (2012 : 6.16% to 7.80%) per annum, are repayable in 2013 and 2014, secured by prepaid leases of the Group and restricted cash and cash equivalents of RMB 20,600,000 (2012 : RMB20,750,000).

Bank loan amounting to RMB106,900,000 (2012 : RMB135,000,000) with an interest rate of 6.60% (2012 : 6.16% to 7.80%) per annum, are repayable in 2014, secured by prepaid leases of the Group and restricted cash and cash equivalents of RMB 33,420,000 (2012 : RMB66,770,000).

Bank loan amounting to RMB12,000,000 (2012 : RMB21,950,000) with an interest rate of 7.20% (2012 : 7.80% to 8.53%) per annum, are repayable in 2014, secured by prepaid leases of the Group, as well as guaranteed by two directors of the Group.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

22. BANK AND OTHER LOANS (cont'd)

Bank loan amounting to RMB95,000,000 (2012 : RMB40,000,000) with an interest rate of 6.30% (2012 : 7.22% to 7.87%) per annum, are repayable in 2014 (2012 : repayable in 2013), secured by investment properties of the Group and restricted cash and cash equivalents of RMB 35,000,000 (2012 : RMB10,000,000).

There was a new bank loan raised in 2013 of RMB32,500,000 with an interest rate of 6% per annum, are repayable in 2014, secured by prepaid leases and an investment property of the Group.

In addition, new bank loans raised in 2013 with an aggregate amount of RMB92,500,000 bears an interest rate of 6% per annum, are secured by prepaid leases of the Group and restricted cash and cash equivalents of RMB 70,000,000. The current portion of these loans amounted to RMB42,500,000 and are repayable in twelve (12) months, while the non-current portion of these loans amounted to RMB50,000,000.

There are additional bank loans raised in 2013 with an aggregate amount of RMB90,000,000 which bear an interest rate of 6.15% to 6.77% per annum, are repayable in 2015, secured by prepaid leases of the Group and restricted cash and cash equivalents of RMB 40,000,000.

Another bank loan raised in 2013 with an aggregate amount of RMB60,000,000 bears an interest rate of 8.79% per annum, are secured by prepaid leases of the Group. The current portion of these loans amounted to RMB6,000,000 and are repayable in twelve (12) months, while the non-current portion of these loans amounted to RMB54,000,000.

Bank loan amounting to RMB14,000,000 as at December 31, 2012 with an interest rate of 8.53% per annum and secured by prepaid leases of the Group were repaid during 2013.

Discounted bill of RMB20,400,000 issued in 2012 matured and were repaid 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.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (outside parties)	140,161	87,095	-	-
Advance receipt from the sales of properties	137,417	201,411	-	-
Other taxes payable	34,939	27,621	-	-
Accrued expenses	17,572	11,674	9,063	1,998
Deposits received	8,133	8,126	-	-
Payroll payable	5,755	3,637	-	-
Other payables	21,334	19,493	-	-
Advanced deposit from the sales of properties	47,924	-	-	-
Advances from non-controlling interest	37,388	15,950	-	-
Advances from customers	267	318	-	-
	450,890	375,325	9,063	1,998

23. TRADE AND OTHER PAYABLES (CONT'D)

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Less: Advance deposit from the sales of properties classified as non-current	(20,663)	-	-	-
Current portion	430,227	375,325	9,063	1,998

The average credit period granted by suppliers ranges from 30 days to 180 days (2012 : 30 days to 180 days). No interest is charged on the trade payables.

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

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

Advances from non-controlling interests pertain to contribution to ongoing property development projects to be used for working capital purpose. Advances from non-controlling interests amounting to RMB6,650,000 (2012 : RMBNil) bear interest of 6% annually while the remaining RMB30,738,000 (2012 : RMB15,950,000) of advances from non-controlling interests is interest free.

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

24. LONG TERM PAYABLES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable under long term payables:				
Within one year	14,000	-	13,208	-
In the second to fifth years inclusive	56,700	-	56,741	-
More than 5 years	247,170	-	102,083	-
	317,870	-	172,032	-
Less: Future finance charges	(145,838)	-	NA	NA
Present value of lease obligations	172,032	-	172,032	-
Less: Amount due for settlement within 12 months (shown under current liabilities)			(12,442)	-
Amount due for settlement after 12 months			159,590	-

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

24. LONG TERM PAYABLES (CONT'D)

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

25. SHARE CAPITAL

	Group and Company			
	2013	2012	2013	2012
	No of ordinary shares		RMB'000	
Issued and paid up:				
At beginning and end of year	1,125,000,000	1,125,000,000	909,831	909,831

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

26. CAPITAL RESERVE

The capital reserve represents the effects of changes in ownership interests in a subsidiary in 2012 that did not result in a change of control (Note 16).

27. REVALUATION RESERVE

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

28. STATUTORY RESERVE

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

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

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

29. REVENUE

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

	Group	
	2013	2012
	RMB'000	RMB'000
Revenue from:		
Construction contracts	12,030	22,712
Property development	241,332	83,038
Property rental income	17,004	11,770
Property management service income	9,636	7,857
Others	381	380
	280,383	125,757

30. OTHER OPERATING INCOME

	Group	
	2013	2012
	RMB'000	RMB'000
Interest income	9,270	926
Gain on disposal of property, plant and equipment	-	34
Change in fair value of investment properties	147,332	5,906
Investment income (Note 20)	37,897	-
Gain on disposal of subsidiary	2,542	-
Sundry income	2,311	1,906
	199,352	8,772

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

31. FINANCE COSTS

	Group	
	2013	2012
	RMB'000	RMB'000
Interest on bank and other loans	126,990	108,073
Less: Amount capitalised as cost of development properties (Note 12)	(28,595)	(34,720)
	98,395	73,353

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

32. INCOME TAX EXPENSE

	Group	
	2013	2012
	RMB'000	RMB'000
Enterprise income tax		
Current	5,499	2,710
Land appreciation tax		
Current	13,965	7,632
Overprovision in prior years	-	(14,650)
	13,965	(7,018)
Withholding tax		
Current	2,500	3,800
Deferred tax		
Enterprise income tax	33,746	6,377
Land appreciation tax	1,227	3,310
	34,973	9,687
	56,937	7,679

Domestic income tax of the Company is calculated at 17% (2012 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions as explained below.

Income tax relating to each component of other comprehensive income:

	Group	
	2013	2012
	RMB'000	RMB'000
Deferred tax		
Property revaluations	(5,928)	-
Total deferred tax on components of other comprehensive income	(5,928)	-

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

32. INCOME TAX EXPENSE (CONT'D)

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

	Group	
	2013	2012
	RMB'000	RMB'000
Profit (Loss) before tax	166,629	(48,876)
Income tax at PRC statutory rate of 25% (2012 : 25%)	41,657	(12,219)
Tax effect of:		
Expense not deductible for tax purpose	7,157	17,247
Income not taxable for tax purpose	(18,666)	(16,449)
Land appreciation tax	13,965	(1,954)
Effect of different tax rates	(5,648)	-
Effect of tax loss not recognised	16,285	18,736
Withholding tax incurred	2,500	2,300
Others	(313)	18
Tax expense for the year	56,937	7,679

Subject to the agreement by the tax authorities at the end of the reporting period, the Group has unutilised tax losses of RMB140,084,000 (2012 : RMB74,944,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit stream.

33. PROFIT (LOSS) FOR THE YEAR

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

	Group	
	2013	2012
	RMB'000	RMB'000
Directors' remuneration		
- of the Company	8,343	1,045
- of the subsidiaries	3,477	4,091
Total directors' remuneration	11,820	5,136
Employee benefits expense (including directors' remuneration)	37,428	23,730
Cost of defined contribution included in employee benefits	2,104	1,421
Depreciation expense	3,757	9,978
Amortisation of prepaid leases	82	847
Net foreign exchange loss (gain)	72	(1,020)
Cost of completed properties for sale recognised as expenses	163,125	113,573
Audit fees:		
- paid to auditor of the Company	574	480
- paid to other auditors	1,500	1,366
Total audit fee	2,074	1,846
Non-audit fees:		
- paid to auditor of the Company	49	50

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

34. DIVIDENDS

In 2012, a final dividend (tax exempt) of 2.39 RMB fens (equivalent to 0.465 Singapore cents) per ordinary share totalling RMB26.662 million (equivalent to S\$5.2 million) was paid to shareholders.

In respect of the current year, the directors propose that a final dividend (tax exempt) of 1.10 RMB fens (equivalent to 0.23 Singapore cents) per ordinary share will be paid to the shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is RMB12.375 million (equivalent to S\$2.588 million)

35. EARNINGS (LOSSES) PER SHARE

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

	<u>2013</u>	<u>2012</u>
	RMB'000	RMB'000
<u>Earnings (Losses)</u>		
Earnings (Losses) for the purpose of basic and diluted earnings (losses) per share	<u>87,918</u>	<u>(56,523)</u>
	<u>Number of shares</u>	
	<u>2013</u>	<u>2012</u>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,125,000,000</u>	<u>1,125,000,000</u>

There are no dilutive potential ordinary shares for 2013 and 2012.

36. SEGMENT INFORMATION

The Group's reportable operating segments are as follows:

- (i) Property development: Development of residential, commercial and other properties.
- (ii) Construction contract: Building structural projects and interior works for our jointly controlled operations and third parties.
- (iii) Property investment: Leasing of investment properties to generate rental income and to gain from the appreciation in the value of the properties in the long term.
- (iv) Others: Provision of property management, trading and public utilities.

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

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

36. SEGMENT INFORMATION (CONT'D)

Segment revenue and results

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

	Property development	Construction contracts	Property investment	Others	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>2013</u>						
<u>Revenue</u>						
External revenue	241,332	12,030	17,004	10,017	-	280,383
Inter-segment revenue	-	174,384	-	354	(174,738)	-
	<u>241,332</u>	<u>186,414</u>	<u>17,004</u>	<u>10,371</u>	<u>(174,738)</u>	<u>280,383</u>
<u>Results</u>						
Segment profit	149,216	6,431	104,502	4,875	-	265,024
Finance costs						<u>(98,395)</u>
Profit before tax						166,629
Income tax expense						<u>(56,937)</u>
Profit for the year						<u>109,692</u>
<u>2012</u>						
<u>Revenue</u>						
External revenue	83,038	22,712	11,770	8,237	-	125,757
Inter-segment revenue	-	39,872	-	468	(40,340)	-
	<u>83,038</u>	<u>62,584</u>	<u>11,770</u>	<u>8,705</u>	<u>(40,340)</u>	<u>125,757</u>
<u>Results</u>						
Segment profit (loss)	35,086	470	(2,947)	(8,132)	-	24,477
Finance costs						<u>(73,353)</u>
Loss before tax						(48,876)
Income tax expense						<u>(7,679)</u>
Loss for the year						<u>(56,555)</u>

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

36. SEGMENT INFORMATION (CONT'D)

Segments assets

	2013	2012
	RMB'000	RMB'000
Property development	2,172,009	2,036,329
Construction contracts	416,909	295,145
Property investment	961,224	308,280
Others	35,113	157,293
Consolidated total assets	<u>3,585,255</u>	<u>2,797,047</u>

Segments liabilities

	2013	2012
	RMB'000	RMB'000
Property development	1,833,327	1,240,892
Construction contracts	430,768	383,445
Property investment	38,312	30,332
Others	18,327	3,947
Consolidated total liabilities	<u>2,320,734</u>	<u>1,658,616</u>

All assets and liabilities are allocated to reportable segments.

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Property development	3,500	10,208	890	4,705
Construction contracts	368	597	23	50
Property investment	-	-	297,251	97,700
Others	17	20	2,973	14
Total	<u>3,885</u>	<u>10,825</u>	<u>301,137</u>	<u>102,469</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.

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2013	2012
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	<u>10,215</u>	-

Operating lease payments in 2013 represent rentals payable by the Group for certain of its office premises and an investment property.

37. OPERATING LEASE ARRANGEMENTS (CONT'D)

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

	Group	
	2013	2012
	RMB'000	RMB'000
Within one year	14,036	-
In the second to fifth year inclusive	56,814	-
After five years	247,450	-
	318,300	-

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

The Group as lessor

The Group rent out its investment properties in People's Republic of China under operating lease. Property rental income earned during the year was RMB17,004,000 (2012 : RMB11,770,000). Direct operating expense on the investment properties in the year amounted to RMB5,456,000 (2012 : RMB2,589,000).

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

	Group	
	2013	2012
	RMB'000	RMB'000
Within one year	25,976	16,936
In the second to fifth year inclusive	91,273	70,936
After five years	61,568	67,203
	178,817	155,075

38. CAPITAL COMMITMENTS

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

	Group	
	2013	2012
	RMB'000	RMB'000
Construction of properties	468,869	207,516

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

39. CONTINGENT LIABILITIES

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

	Group	
	2013	2012
	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to third parties	864,028	986,911

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

The Group completed the construction of Jin Long Garden based on the buildable land area approved by the Foshan City Land Planning Bureau which is in line with industry practice. During the year, management noted that there is a difference in the approved buildable land area amounting to approximately 18,000 square meter by the Foshan City Land Planning Bureau and Foshan City Land Bureau. Management is of the view that no provision is required for the difference in the approved buildable land area as the outcome of any arbitration is uncertain.

40. ACQUISITION OF SUBSIDIARY

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

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

Consideration transferred (at acquisition date fair values)

	2013
	RMB'000
Cash	2,890

40. ACQUISITION OF SUBSIDIARY (CONT'D)

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

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

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

Non-controlling interest

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

Goodwill arising on acquisition

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

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2013

40. ACQUISITION OF SUBSIDIARY (CONT'D)

Net cash outflow on acquisition of subsidiary

	<u>2013</u>
	RMB'000
Consideration paid in cash	2,890
Less : cash and cash equivalents balances acquired	<u>(19)</u>
	<u>2,871</u>

41. DISPOSAL OF SUBSIDIARY

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

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

42. EVENT AFTER THE REPORTING PERIOD

- i) On January 3, 2014, the Group entered into an agreement to take over the defaulted secured loans owing to the bank by a third party for a consideration of RMB86,995,800. A prepayment of RMB21,550,000 was paid as at the end of the reporting period (Note 8).
- ii) Subsequent to the end of the reporting period, Infinity Real Estate Holdings Pte Ltd (“Borrower”), a wholly owned subsidiary of the Group entered into the following definitive agreements with Famous Way Properties Limited (“Lender”) in respect of a proposed loan of USD50,000,000 by the Lender to the Borrower:
 - (a) a loan agreement and subordination, non-petition and set-off letter dated April 4, 2014 ;
 - (b) a composite BVI security agreement dated April 4, 2014 entered into between Billion Equity Holdings Limited, Pride Capital Investment Holdings Limited and the Lender ; and
 - (c) a composite BVI share mortgage dated April 4, 2014 entered into by, among others, Yuan Le Sheng, Yuan Jia Jun and the Lender .

The material terms of the loan agreement are as follows:

- (a) Interest: fixed rate of 15% per annum.
- (b) Repayment Date: the repayment date of the loan shall be three years following the date the loan is to be utilised (“Original Maturity Date”), or if such date is extended, five years following the date the loan is utilised (“Final Maturity Date”).
- (c) Disbursement date of the loan: the loan shall be disbursed any time from the receipt of the request for the loan by the Lender.
- (d) Revenue Fee: the Borrower must pay to the Lender an additional fee in an aggregate amount equal to 1.8% or 1.4% of all gross sales revenue received or receivable by Foshan Sanshui Nengrun Property Development Co., Ltd for the period from utilisation of the loan up until and including the Original Maturity Date or Final Maturity Date respectively, or in each case at such later date when all outstanding principal and interest have been fully paid up and all payments confirmed and received by the Lender.

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2014

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	3	0.38	866	0.00
1,000 - 10,000	439	55.92	1,749,000	0.15
10,001 - 1,000,000	316	40.26	36,305,488	3.23
1,000,001 AND ABOVE	27	3.44	1,086,944,646	96.62
TOTAL	785	100.00	1,125,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PRIVATE LIMITED	550,831,727	48.96
2	BILLION EQUITY HOLDINGS LIMITED	276,828,490	24.61
3	PHILLIP SECURITIES PTE LTD	62,011,376	5.51
4	ALLIED ASSET HOLDINGS LIMITED	34,786,100	3.09
5	GLOBAL ACE ENTERPRISES LIMITED	23,190,734	2.06
6	WU KWOK HUNG	21,215,827	1.89
7	DBS NOMINEES (PRIVATE) LIMITED	11,986,000	1.07
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	HSBC (SINGAPORE) NOMINEES PTE LTD	7,212,366	0.64
12	LYN HIAN WOON	6,929,245	0.62
13	THAM KENG CHUEN	6,666,744	0.59
14	POW KIM HOO	6,660,183	0.59
15	CHUA HONG THUAN	6,039,744	0.54
16	3VS1 ASIA GROWTH FUND LTD (IN MEMBERS' VOL LIQUIDATION)	5,798,183	0.52
17	SKYLIGHT ENTERPRISES GROUP LIMITED	4,651,163	0.41
18	CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,385,122	0.39
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,086,000	0.36
20	NG CHEE BENG	3,865,171	0.34
	TOTAL	1,068,326,158	94.96

STATISTICS OF SHAREHOLDINGS (cont'd)

AS AT 31 MARCH 2014

SHARE CAPITAL

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

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 31 March 2014, 37.84% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2014

Name of Substantial Shareholder	Direct Interest	%	Deemed Interest	%
Yuan Le Sheng	16,593,000 ⁽¹⁾	1.47	590,781,978 ⁽¹⁾	52.51
Zheng Lihua	-	-	607,374,978 ⁽¹⁾	53.98
Billion Equity Holdings Limited	568,805,234 ^{(1) (2)}	50.56	-	-
East Hero Trading Limited	92,047,511 ⁽³⁾	8.18	-	-

Other Shareholder	Direct Interest	%	Deemed Interest	%
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 Limited.

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

(2) 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.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at M Hotel Singapore, 81 Anson Road, Singapore 079908, on Tuesday, 29 April 2014 at 4.00 p.m., for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the financial year ended 31 December 2013 and the Directors' Reports and the Auditors' Report thereon. **Resolution 1**
2. To declare a final tax exempt (one-tier) dividend of 0.23 Singapore cents per share in respect of the financial year ended 31 December 2013. **Resolution 2**
3. To approve Directors' fees of RMB 928,343 (equivalent to S\$188,918) for financial year ended 31 December 2013. (2012: RMB 1,044,927 (equivalent to S\$207,000)). **Resolution 3**
4. To approve Directors' fees of RMB 1,056,511 (equivalent to S\$215,000) for financial year ending 31 December 2014, payable half yearly in arrears. **Resolution 4**
5. To re-elect Mr Chia Seng Hee, Jack retiring pursuant to Article 92 of the Company's Articles of Association. **Resolution 5**
(See Explanatory Note)
6. To re-elect the following Directors retiring by rotation pursuant to Article 93 of the Company's Articles of Association:-
 - (i) Mr Yuan Le Sheng **Resolution 6(i)**
 - (ii) Mr He Guo Quan **Resolution 6(ii)**
 - (iii) Mdm Zheng Lihua **Resolution 6(iii)**
7. To re-appoint Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**

SPECIAL BUSINESS

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

Notice of Annual General Meeting (cont'd)

8. That pursuant to Section 161 of the Act and Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST"), authority be and is hereby given to the Directors to **Resolution 8**

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

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

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

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

(See Explanatory Note)

OTHER BUSINESS

9. To transact any other business.

BY ORDER OF THE BOARD

Janet Tan

Company Secretary

Date: 13 April 2014

Explanatory Notes:

Resolution 5

Mr Chia Seng Hee, Jack, Chairman of the Remuneration Committee and a member of each of the Audit Committee and Nominating Committee will continue in office as Chairman of the Remuneration Committee and a member of each of the Audit Committee and Nominating Committee upon his re-election as a Director of the Company.

Resolution 6(ii)

Mr He Guo Quan, Chairman of the Nominating Committee and a member of each of the Audit Committee and Remuneration Committee, will continue in office as Chairman of the Nominating Committee and a member of each of the Audit Committee and Remuneration Committee upon his re-election as a Director of the Company.

Resolution 8

The Ordinary Resolution no. 8, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the issued share of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a Member of the Company.
2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy must be deposited at the Company's registered office, 80 Raffles Place, #32-01, UOB Plaza 1, Singapore 048624, not less than forty-eight hours (48) before the time for holding the Annual General Meeting.

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DEBAO PROPERTY DEVELOPMENT LTD

(Incorporated in the Republic of Singapore)
(Company Registration number: 200715053Z)

PROXY FORM ANNUAL GENERAL MEETING

IMPORTANT

1. For investors who have used their CPF monies to buy ordinary shares in the capital of Debao Property Development Ltd, this 2013 Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the AGM as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company Secretary of Debao Property Development Ltd.

I/We, _____ NRIC/Passport/Co.Reg.No. _____

of _____ (Address)

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

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Annual General Meeting ("AGM") of the Company as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the AGM of the Company to be held at M Hotel Singapore, 81 Anson Road, Singapore 079908 on Tuesday, 29 April 2014 at 4.00 p.m., and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of the AGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM).

No.	Ordinary Resolutions	TO BE USED ON A SHOW OF HANDS		TO BE USED IN THE EVENT OF A POLL	
		For*	Against*	Number of Votes For **	Number of Votes Against**
	Ordinary Business				
1.	To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2013 together with the Auditors' Report thereon.				
2.	To approve the payment of final one-tier tax-exempt cash dividend of 0.23 Singapore cents for each ordinary share held in the capital of the Company in respect of the financial year ended 31 December 2013.				
3.	To approve the payment of Directors' fees of RMB 928,343 (equivalent to S\$188,918) for the financial year ended 31 December 2013. (2012: RMB 1,044,927 (equivalent to S\$207,000)).				
4.	To approve the payment of Directors' fees of RMB1,056,511 (equivalent to S\$215,000) for financial year ending 31 December 2014, payable half yearly in arrears.				
5.	To re-elect Mr Chia Seng Hee, Jack retiring under Article 92 of the Company's Articles of Association and who, being eligible, offers himself for re-election, as a Director of the Company.				
6(i)	To re-elect Mr Yuan Le Sheng retiring by rotation under Article 93 of the Company's Articles of Association and who, being eligible, offers himself for re-election, as a Director of the Company.				
6(ii)	To re-elect Mr He Guo Quan retiring by rotation under Article 93 of the Company's Articles of Association and who, being eligible, offers himself for re-election, as a Director of the Company.				
6(iii)	To re-elect Mdm Zheng Lihua retiring by rotation under Article 93 of the Company's Articles of Association and who, being eligible, offers herself for re-election, as a Director of the Company.				
7.	To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.				
8.	To grant the Directors the authority to allot and issue shares in the capital of the Company.				

* Please indicate your vote "For" or "Against" with a "X" within the box provided.

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

Dated this _____ day of _____ 2014.

CDP Register	
Member's Register	
TOTAL	

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

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at the Annual General Meeting of the company is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where a member appoints two (2) proxies, the member must specify the proportion of shareholdings to be represented by each proxy. If no such proportion or number is specified the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 80 Raffles Place #32-01 UOB Plaza 1 Singapore 048624, not less than 48 hours before the time set for the Annual General Meeting.
4. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) 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.
6. 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.
7. The Company shall be entitled to reject an instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Yuan Le Sheng (Executive Chairman and CEO)
Zhang Mao (Executive Director)
He Ke Ping (Executive Director)
(resigned w.e.f 11 April 2013)
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)
Chia Seng Hee, Jack (Independent Director)
(appointed on 1 May 2013)

AUDIT COMMITTEE

Cheong Keng Chuan Alfred (Chairman)
Seetoh Kok Choi Watson
(resigned w.e.f 31 March 2013)
He Guo Quan
Chia Seng Hee, Jack
(appointed on 1 May 2013)

NOMINATING COMMITTEE

He Guo Quan (Chairman)
Cheong Keng Chuan Alfred
Seetoh Kok Choi Watson
(resigned w.e.f 31 March 2013)
Zheng Li Hua
Chia Seng Hee, Jack
(appointed on 1 May 2013)

REMUNERATION COMMITTEE

Seetoh Kok Choi Watson (Chairman)
(resigned w.e.f 31 March 2013)
Chia Seng Hee, Jack (Chairman)
(appointed on 1 May 2013)
Cheong Keng Chuan Alfred
He Guo Quan

COMPANY SECRETARY

Janet Tan
Chew Bee Leng
(resigned w.e.f 31 March 2014)

REGISTERED OFFICE

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

SHARE REGISTRAR

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

PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

Deloitte & Touche LLP
6 Shenton Way
#32-00 OUE Downtown 2
Singapore 068809

PARTNER-IN-CHARGE

Tsia Chee Wah
(appointed on 24 April 2013)

PRINCIPAL BANKERS

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

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

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

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



DEBAO PROPERTY
DEVELOPMENT LTD.

德宝房地产开发有限公司

Debao Property Development Ltd.

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

德宝房地产开发有限公司

中国广东省佛山市南海区桂城南一路39号
江南名居熙苑首层7号
邮编:528200