

*Audited Financial Statements*  
*Euro Asia Premier Real Estate Company Limited*  
*Year ended 31 December 2013*

## **Independent Auditor's Report**

To the shareholders of

### **Euro Asia Premier Real Estate Company Limited**

*(incorporated in the British Virgin Islands with limited liability)*

We have audited the consolidated financial statements of Euro Asia Premier Real Estate Company Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 3 to 25, which comprise the consolidated and the Company’s statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Directors’ responsibility for the consolidated financial statements**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor’s responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## **Independent Auditor's Report**

To the shareholders of

### **Euro Asia Premier Real Estate Company Limited**

*(incorporated in the British Virgin Islands with limited liability)*

#### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Certified Public Accountants*

Hong Kong,

**Weatherseed, Stephen Peter Stuart**

Practising Certificate number: P05588

## Euro Asia Premier Real Estate Company Limited

### Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

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	<i>Note</i>	<b>2013 RMB</b>	2012 RMB
<b>Turnover</b>	4	<b>150,000,000</b>	4,620,000
Cost of development on properties sold		-	(3,720,000)
Cost of prepaid land lease payments sold	9	<b>(107,795,065)</b>	-
Gross profit		<b>42,204,935</b>	900,000
Other income	5	<b>200</b>	20,573
		<b>42,205,135</b>	920,573
Selling expenses	6	<b>(16,485,000)</b>	(501,000)
Operating expenses	7	<b>(6,287,599)</b>	(15,340,537)
<b>Profit (Loss) before tax</b>		<b>19,432,536</b>	(14,920,964)
Income tax	8(a)	<b>(2,970,391)</b>	-
<b>Profit (loss) for the year and total comprehensive income (loss) for the year</b>		<b>16,462,145</b>	(14,920,964)

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# Euro Asia Premier Real Estate Company Limited

## Consolidated Statement of Financial Position

At 31 December 2013

	<i>Note</i>	<b>2013</b> <i>RMB</i>	2012 <i>RMB</i>
<b>Non-current assets</b>			
Prepayment for investment in a subsidiary	10(c)	<b>398,918,104</b>	-
Prepaid land lease payments	9	-	109,227,430
		<b>398,918,104</b>	109,227,430
<b>Current assets</b>			
Accounts receivable	11	<b>21,681</b>	248,939,784
Cash and cash equivalents	12	<b>1,595,683</b>	1,618,430
		<b>1,617,364</b>	250,558,214
<b>Current liabilities</b>			
Accounts payable	13	<b>(92,052,242)</b>	(70,734,954)
Income tax payable	8(b)	<b>(13,601,170)</b>	(10,630,779)
		<b>(105,653,412)</b>	(81,365,733)
<b>Net current (liabilities) assets</b>		<b>(104,036,048)</b>	169,192,481
<b>NET ASSETS</b>		<b>294,882,056</b>	278,419,911
<b>CAPITAL AND RESERVES</b>			
Issued capital	14	<b>245,688,340</b>	245,688,340
Reserves	15	<b>49,193,716</b>	32,731,571
<b>TOTAL EQUITY</b>		<b>294,882,056</b>	278,419,911

*Approved and authorised for issue by the Board of Directors on*

*Director*

*Director*

# Euro Asia Premier Real Estate Company Limited

## Statement of Financial Position

At 31 December 2013

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	<i>Note</i>	<b>2013 RMB</b>	<b>2012 RMB</b>
<b>Non-current assets</b>			
Investments in subsidiaries	10	<u>8,545,475</u>	<u>8,545,475</u>
<b>Current assets</b>			
Accounts receivable	11	<u>265,944,251</u>	<u>265,944,251</u>
Cash and cash equivalents	12	<u>428</u>	<u>23,266</u>
		<u>265,944,679</u>	<u>265,967,517</u>
<b>Current liabilities</b>			
Accounts payable	13	<u>(46,051,786)</u>	<u>(43,720,014)</u>
<b>Net current assets</b>		<u>219,892,893</u>	<u>222,247,503</u>
<b>NET ASSETS</b>		<u><b>228,438,368</b></u>	<u><b>230,792,978</b></u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	14	<u>245,688,340</u>	<u>245,688,340</u>
Reserves	15	<u>(17,249,972)</u>	<u>(14,895,362)</u>
<b>TOTAL EQUITY</b>		<u><b>228,438,368</b></u>	<u><b>230,792,978</b></u>

*Approved and authorised for issue by the Board of Directors on*

*Director*

*Director*

## Euro Asia Premier Real Estate Company Limited

### Consolidated Statement of Changes in Equity

Year ended 31 December 2013

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	<b>Issued capital</b> <i>RMB</i>	<b>Accumulated profits (losses)</b> <i>RMB</i>	<b>Capital reserves</b> <i>RMB</i>	<b>Total</b> <i>RMB</i>
At 1 January 2012	245,688,340	22,029,546	25,622,989	293,340,875
Loss and total comprehensive loss for the year	-	(14,920,964)	-	(14,920,964)
At 31 December 2012 and at 1 January 2013	245,688,340	7,108,582	25,622,989	278,419,911
Profit and total comprehensive income for the year	-	16,462,145	-	16,462,145
<b>At 31 December 2013</b>	<b>245,688,340</b>	<b>23,570,727</b>	<b>25,622,989</b>	<b>294,882,056</b>

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# Euro Asia Premier Real Estate Company Limited

## Consolidated Statement of Cash Flows

Year ended 31 December 2013

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	<i>Note</i>	<b>2013</b> <i>RMB</i>	2012 <i>RMB</i>
<b>OPERATING ACTIVITIES</b>			
Profit (Loss) before tax		<b>19,432,536</b>	(14,920,964)
Amortisation of prepaid land lease payments	9	<b>1,432,365</b>	3,330,022
Sales of properties and prepaid land lease payments		<b>(150,000,000)</b>	(4,620,000)
Cost of properties and prepaid land lease payments sold		<b>107,795,065</b>	-
Cost of development on properties sold		-	3,720,000
Gain on disposal of a subsidiary		<b>(1)</b>	-
Working capital changes:			
Increase in accounts receivable		-	(25,606,164)
Increase in accounts payable		<b>21,317,288</b>	4,034,651
		<hr/>	<hr/>
Cash used in operations		<b>(22,747)</b>	(34,062,455)
Income tax paid		-	-
		<hr/>	<hr/>
<b>Net cash used in operating activities and net decrease in cash and cash equivalents</b>		<b>(22,747)</b>	(34,062,455)
<b>Cash and cash equivalents at beginning of the year</b>		<b>1,618,430</b>	35,680,885
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year, represented by bank balances and cash</b>	12	<b>1,595,683</b>	1,618,430
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# Euro Asia Premier Real Estate Company Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 1. CORPORATE INFORMATION

Euro Asia Premier Real Estate Company Limited (the “Company”) is a limited liability company incorporated in the British Virgin Islands. The address of its registered office is Nerine Chambers, P.O. Box 905, Road Town, Tortola, British Virgin Islands. The principal place of business is located at 27th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The Company was admitted to the Entry Standard listing on the Open Market of the Frankfurt Stock Exchange in 2010 but ceased its trading on 19 March 2014. The shares continue to trade on the Regulated Unofficial Markets of the Munich, Berlin and Stuttgart in Germany.

The Company and its subsidiaries (together the “Group”) are principally engaged in property investment in the PRC.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 financial statements. The adoption of the new / revised IFRSs that are effective from the current year and are relevant to the Group had no significant effects on the results and financial position of the Group and the Company for the current and prior years.

A summary of the principal accounting policies adopted by the Group is set out below.

#### **Adoption of new / revised IFRSs**

##### *Amendments to IAS 1: Presentation of items of other comprehensive income*

The amendments to IAS 1 require entities to group together items within other comprehensive income that will not be reclassified to profit or loss separately from items that may be reclassified subsequently to profit or loss if certain conditions are met. Other than the presentation changes, the application of the amendments does not have an impact on the amounts recognised.

Further, these amendments change the title for the “statement of comprehensive income” to the “statement of profit or loss and other comprehensive income”. However, IAS 1 retains the option to use titles for the statement other than those used in IAS 1. The Group continues to use the “statement of comprehensive income” instead of the “statement of profit or loss and other comprehensive income”.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of new / revised IFRSs (Continued)**

*IFRS 10: Consolidated financial statements*

IFRS 10, which replaces the requirements in IAS 27 relating to the preparation of consolidated financial statements and SIC-12, introduces a single control model to determine whether an investee should be consolidated. It changes the definition of control by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees at the date of initial application. The exercise does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at that date.

*IFRS 12: Disclosure of interests in other entities*

IFRS 12 sets out in a single standard all the disclosure requirements relevant to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosures required by IFRS 12 are more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, those disclosures are set out in note 10 to the consolidated financial statements.

**Going concern**

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of current liabilities over current assets.

At the end of the reporting period, the Group's current liabilities exceeded its current assets by HK\$104,036,048. The sustainability of the Group as a going concern is dependent on its ability to successfully complete its project development plans, which are dependent on, among other things, adequate financing being continuously available to the Group to fund the development operations, before sufficient cash flows are generated from such operations. The directors have evaluated all the relevant facts available to them, and are of the opinion that there are no significant adverse conditions precluding the Group from completing its projects. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

**Basis of measurement**

The measurement basis used in the preparation of these consolidated financial statements is historical cost.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

## Notes to the Financial Statements

Year ended 31 December 2013

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Basis of consolidation (Continued)**

##### *Changes in ownership interest*

Changes in the Group's ownership of interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and 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 the owners of the parent.

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 determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset or liability, associate, jointly venture or others as appropriate from the date when control is lost.

#### **Financial instruments**

##### *Recognition and derecognition*

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

##### *Classification and measurement*

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

##### *1) Loans and receivables*

Loans and receivables including accounts receivable and cash and cash equivalents are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (Continued)**

*2) Financial liabilities*

The Group's financial liabilities include accounts payable but exclude other tax payable. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

*Impairment of financial assets*

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Income from sale of prepaid land lease payments is recognised on execution of a binding sale agreement.

**Taxation**

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, associates and jointly ventures, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

## Notes to the Financial Statements

Year ended 31 December 2013

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Prepaid land lease payments

Prepaid land lease payments are up-front payments to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and impairment losses. Amortisation is provided to write off the cost less accumulated impairment losses of prepaid land lease payments over the lease term, using the straight line method at 1.5% ~ 3.6% per annum.

#### Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

#### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash on hand and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group.
  
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).

## Notes to the Financial Statements

Year ended 31 December 2013

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Related parties (Continued)**

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

#### **Employee benefits**

##### *Short term employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

##### *Defined contribution plans*

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

#### **Foreign currency translation**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Chinese Yuan Renminbi ("RMB"), which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### **Impairment of other assets**

At the end of each reporting period, internal and external sources of information are reviewed to assess whether there is any indication that investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

## Notes to the Financial Statements

Year ended 31 December 2013

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Impairment of other assets (Continued)**

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

#### **Share-based payments**

Equity-settled share-based payment transactions with parties other than employers are measured at fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted. The fair value is measured at the date the Group obtains the goods or the counterparty renders the services.

#### **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### **Future changes in IFRSs**

At the date of authorisation of these consolidated financial statements, a number of new / revised IFRSs have been issued that are not yet effective for the current year, which the Group has not early adopted. The directors are in the process of assessing the possible impact on the future adoption of these new / revised IFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

(i) Key sources of estimation uncertainty

*(a) Income taxes*

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

*(b) Impairment of prepayment for investment in a subsidiary*

The Group assesses annually if prepayment for investment in a subsidiary has suffered any impairment in accordance with IAS 36. The assessment requires an estimation of future cash flow from the proposed acquisition of 威海明祥投資諮詢有限公司 (Weihai Ming Cheung Investment Consulting Co., Ltd.\*) (“Weihai Ming Cheung”) and its interest in a property development project in Shangdong, 威韓商城 (Wei Han Mall\*). Future changes in financial performance of Weihai Ming Cheung and Wei Han Mall would affect the estimation of impairment loss and cause adjustment of its carrying amount.

*(c) Impairment of investments and receivables*

The Group assesses annually if investments in subsidiaries have suffered any impairment in accordance with IAS 36 and follows the guidance of IAS 39 in determining whether amounts due from the subsidiaries are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the subsidiaries and the selection of appropriate discount rates. Future changes in financial performance and position of the subsidiaries would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

(ii) Critical judgements made in applying accounting policies

*(a) Accounting for Xinpu as a subsidiary*

Pursuant to an agreement with 山東新建業集團有限公司 (Shandong New Industry Group Co., Ltd.\*) (“SNI”), the Company acquired the beneficial interest in 75% of the equity in 濰坊新普實業有限公司 (Weifang Xinpu Industrial Co., Ltd.\*) (“Xinpu”) held by SNI. Based on the legal opinion issued in 2014 by an independent law firm, this arrangement is legally valid and provides the Company with the benefits of a shareholder. The Group has determined that it has obtained control over Xinpu as a result of the arrangement. Accordingly, Xinpu has been accounted for as a subsidiary of the Company.

\* For identification purpose only.



# Euro Asia Premier Real Estate Company Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 4. TURNOVER

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB</b>	<b>RMB</b>
Sales of prepaid land lease payments and properties	<b>150,000,000</b>	4,620,000

### 5. OTHER INCOME

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB</b>	<b>RMB</b>
Gain on disposal of a subsidiary	<b>1</b>	-
Miscellaneous income	<b>199</b>	20,573
	<b>200</b>	20,573

### 6. SELLING EXPENSES

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB</b>	<b>RMB</b>
PRC Business Tax	<b>7,500,000</b>	231,000
PRC Land Appreciation Tax	<b>8,985,000</b>	270,000
	<b>16,485,000</b>	501,000

### 7. OPERATING EXPENSES

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB</b>	<b>RMB</b>
Audit and accounting fees	<b>438,845</b>	699,950
Amortisation of prepaid land lease payments	<b>1,432,365</b>	3,330,022
Directors' remuneration	<b>2,570,960</b>	3,504,384
Legal and professional fees	<b>130,000</b>	743,877
Exchange loss (gain), net	<b>447</b>	(37,294)
Management fees	-	3,000,000
PRC Property Tax	<b>433,758</b>	1,008,422
PRC Urban Land Use Tax	<b>805,756</b>	1,559,530
Staff salaries	<b>450,000</b>	485,902

# Euro Asia Premier Real Estate Company Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 8. INCOME TAX

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislations, interpretation and practices in respect thereof.

#### (a) Income tax expense

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	<i>RMB</i>	<i>RMB</i>
Current tax		
Mainland China Enterprise Income Tax	<b>2,970,391</b>	-

#### *Reconciliation of tax expense*

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	<i>RMB</i>	<i>RMB</i>
Profit (Loss) before tax	<b>19,432,536</b>	(14,920,964)
Income tax at applicable tax rate of 25% (2012: 25%)	<b>4,858,134</b>	(3,730,241)
Differences in tax rates	<b>200,142</b>	427,726
Non-deductible expenses	<b>388,510</b>	836,448
Tax exempt revenue	-	(6,156)
Utilisation of previously unrecognised tax losses	<b>(2,476,395)</b>	-
Unrecognised tax losses	-	2,476,395
Others	-	(4,172)
Tax expense for the year	<b>2,970,391</b>	-

The applicable tax rate is Mainland China Enterprise Income Tax rate of 25% (2012: 25%).

#### (b) Income tax payables

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	<i>RMB</i>	<i>RMB</i>
Mainland China Enterprise Income Tax:		
For the three months ended 31 December 2009	<b>985,479</b>	985,479
For the year ended 31 December 2010	<b>3,192,500</b>	3,192,500
For the year ended 31 December 2011	<b>6,452,800</b>	6,452,800
For the year ended 31 December 2012	-	-
For the year ended 31 December 2013	<b>2,970,391</b>	-
	<b>13,601,170</b>	10,630,779

# Euro Asia Premier Real Estate Company Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 9. PREPAID LAND LEASE PAYMENTS

Prepaid land lease payments represent the costs paid for leasehold land in the PRC that are classified as operating leases. The costs are amortised over the leasehold periods.

	<b>Group</b>	
	<b>2013</b>	2012
	<b>RMB</b>	RMB
<b>Carrying amount</b>		
At beginning of the reporting period	<b>109,227,430</b>	112,557,452
Amortisation	<b>(1,432,365)</b>	(3,330,022)
Disposals	<b>(107,795,065)</b>	-
<b>At end of the reporting period</b>	<b>-</b>	<b>109,227,430</b>
	<b>Group</b>	
	<b>2013</b>	2012
	<b>RMB</b>	RMB
Cost	-	120,050,000
Accumulated amortisation	-	(10,822,570)
	<b>-</b>	<b>109,227,430</b>

As at 31 December 2012, certain of the Group's prepaid land lease payments with an aggregate carrying value of RMB72,398,162 were pledged to secure facilities granted to related parties of the Group, and prepaid land lease payments with an aggregate carrying value of RMB109,227,430 were sealed under court orders until 2015 for cases in relation to related parties of the Group. During the year, these pledged and/or sealed prepaid land lease payments were returned to related parties at a consideration of RMB150,000,000.

According to the valuation report issued by an independent professional qualified valuer, 戴德梁行房地產顧問(天津)有限公司 (DTZ Debenham Tie Leung International Property Advisers (Tianjin) Co., Ltd.) ("DTZ") in January 2014, the prepaid land lease payments had an aggregate fair value of RMB379,000,000 based on the Direct Comparison Approach as at 31 December 2012.

There are four unrecognised parcels of bare land with a total site area of approximately 200,000 square meters in the PRC for which State-owned Land Use Right Certificates have not yet been issued and which are currently considered to have no commercial value. After the valid certificates are issued on the land, it will have a total fair value of RMB253,000,000 based on the estimation of DTZ as at 31 December 2012.

# Euro Asia Premier Real Estate Company Limited

## Notes to the Financial Statements

Year ended 31 December 2013

### 10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 RMB	2012 RMB
Unlisted share capital, at cost	<u>8,545,475</u>	<u>8,545,475</u>

(a) Details of the subsidiaries as at 31 December 2013 are as follows:

Name	Place of registration	Principal activities	Particulars of registered capital	Interest held
濰坊新普實業有限公司 Weifang Xinpu Industrial Co. Ltd.* (“Xinpu”)	PRC	Property investment	Registered capital of US\$5,000,000	25% (Directly held)
濰坊昌升管理諮詢有限公司 Cheong Sung Management Consulting Company Ltd.*	PRC	Investment holding	Registered capital of RMB500,000	100% (Indirectly held)

SNI, which holds a 75% interest in Xinpu, is a company incorporated in the PRC and is a related party of the Group. Pursuant to the agreement entered into with SNI in 2009, the equity interest in Xinpu held in the name of SNI is held on behalf of the Company. Based on the legal opinion issued in 2014 by an independent law firm, this arrangement is legally valid and provides the Company with the benefits of being a shareholder. The Group has determined that it has obtained control over Xinpu by virtue of the arrangement. Accordingly, Xinpu has been accounted for as a subsidiary of the Company.

In accordance with the legal opinion, the above arrangement exposes the Group to risks including the risks that the equity interest held by SNI on behalf of the Company could be transferred, sealed under court orders or pledged by or for SNI, in which cases the Group could only claim under the indemnification for its loss.

(b) In January 2010, the Group entered into an agreement with 濰坊新星物業管理有限公司 (Weifang Xinxing Property Management Co., Ltd.\*), Mr. SUN Xiyi and Ms. WANG Wei to acquire a 100% equity interest in 新建業置業發展(濰坊)有限公司 (New Industry Weifang Real Estate Development Co., Ltd.\*) (“NIW”) for nil consideration. Further, the Group entered into an agreement with SNI which stipulated that all assets and liabilities of NIW existing at the date of acquisition, except for the Real Estate Development Enterprise Certificate, were held by the Group on behalf of SNI (“Other Assets and Liabilities”). The substance of the arrangements was the acquisition of the right to use the construction permit certificate of NIW for property development. The Other Assets and Liabilities are not included in the Group consolidated financial statements.

On 10 June 2013, the Group entered into an agreement with Mr. SUN Xiyi and SNI to dispose of its 100% equity interest in NIW at a consideration receivable of RMB1. Details of this are set out in note 17 to the consolidated financial statements.

# Euro Asia Premier Real Estate Company Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

- (c) On 6 June 2013 and in January 2014, the Group entered into a conditional agreement and a supplemental agreement with a third party, 梁海明 (Leung Hai Ming\*), who is the sole shareholder of Weihai Ming Cheung. Under these agreements, the Group would acquire the 100% equity interest in Weihai Ming Cheung and its interest in a property development project in Shandong, Wei Han Mall, for a total consideration of RMB400,000,000 (the "Proposed Acquisition"). On 7 June 2013 and in January 2014, the Group further entered into an agreement and a supplemental agreement with Mr. SUN Xiyi, SNI and Leung Hai Ming, pursuant to which the amounts due from SNI, amounting to RMB398,918,104, will be offset against the amount due by the Group to Leung Hai Ming in relation to the Proposed Acquisition.

At the Company's Annual General Meeting held on 19 March 2014, a resolution in respect of the Proposed Acquisition was approved by shareholders. At the date of authorising these consolidated financial statements, the Proposed Acquisition had not yet been completed because its conditions include, among other things, approval of the relevant government authorities of the PRC, which had not yet been obtained. Pursuant to the agreed arrangements as set out above, RMB398,918,104 was recognised as the prepayment for investment in a subsidiary as at the end of the reporting period.

\* For identification purpose only.

### 11. ACCOUNTS RECEIVABLE

	<u>Group</u>		<u>Company</u>	
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>RMB</b>	RMB	<b>RMB</b>	RMB
Amounts due from SNI	<b>1</b>	248,918,104	-	-
Amounts due from a subsidiary	-	-	<b>265,944,251</b>	265,944,251
Amounts due from a third party	<b>21,680</b>	21,680	-	-
	<b>21,681</b>	248,939,784	<b>265,944,251</b>	265,944,251

The amounts due from SNI and a subsidiary are unsecured, interest-free and repayable on demand. Of the amounts due from SNI as at 31 December 2013, nil and RMB1 (2012: RMB222,433,620 and RMB26,484,484) were past due for more than and less than one year respectively.

# Euro Asia Premier Real Estate Company Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB
Cash at bank	1,592,175	1,614,922	428	23,266
Cash in hand	3,508	3,508	-	-
	<u>1,595,683</u>	<u>1,618,430</u>	<u>428</u>	<u>23,266</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

### 13. ACCOUNTS PAYABLE

	Group		Company	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB
Amounts due to SNI	-	-	-	36,010,262
Amounts due to a subsidiary	-	-	36,010,262	-
Amounts due to a director	9,433,172	6,765,292	8,777,172	6,765,292
Accruals	1,869,354	944,460	1,264,352	944,460
Other tax payable	80,749,716	63,025,202	-	-
	<u>92,052,242</u>	<u>70,734,954</u>	<u>46,051,786</u>	<u>43,720,014</u>

The amounts due to SNI, a subsidiary and a director are unsecured, interest-free and repayable on demand.

### 14. ISSUED CAPITAL

	Company	
	2013 RMB	2012 RMB
<b>Ordinary share capital</b>		
At beginning and end of the reporting period	<u>245,688,340</u>	<u>245,688,340</u>

The authorised share capital of the Company consists of 1,000,000,000 (2012: 1,000,000,000) ordinary shares with no par value. The issued and fully paid share capital of the Company consists of 11,000,000 (2012: 11,000,000) ordinary shares with no par value.

# Euro Asia Premier Real Estate Company Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 15. RESERVES

	<b>Capital reserves</b>	<b>Group Accumulated profits/(losses)</b>	<b>Total reserves</b>	<b>Company Accumulated losses</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
At 1 January 2012	25,622,989	22,029,546	47,652,535	(9,863,293)
Loss and total comprehensive loss for the year	-	(14,920,964)	(14,920,964)	(5,032,069)
At 31 December 2012	<u>25,622,989</u>	<u>7,108,582</u>	<u>32,731,571</u>	<u>(14,895,362)</u>
At 1 January 2013	25,622,989	7,108,582	32,731,571	(14,895,362)
Profit (Loss) and total comprehensive income (loss) for the year	-	16,462,145	16,462,145	(2,354,610)
<b>At 31 December 2013</b>	<b><u>25,622,989</u></b>	<b><u>23,570,727</u></b>	<b><u>49,193,716</u></b>	<b><u>(17,249,972)</u></b>

The capital reserves comprise SNI's 75% equity interest in Xinpu that had been transferred to the Company without consideration during the period ended 31 December 2010. Since SNI and the Company were under common control at the time of the transaction, the benefit has been recognized as a deemed contribution from shareholders.

### 16. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2013, the Group sold prepaid land lease payments for a total consideration receivable of RMB150,000,000.

During the year ended 31 December 2012, the Group incurred property development costs of RMB3,720,000 by assuming liabilities and sold properties for a total consideration receivable of RMB4,620,000.

# Euro Asia Premier Real Estate Company Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 17. DISPOSAL OF A SUBSIDIARY

As disclosed in note 10, the Group disposed of its 100% interest in NIW to SNI at a consideration of RMB1 during the year. As of the date of disposal, the amount of net assets of NIW was nil. This gave rise to a gain on disposal of RMB1 which was settled through the amount due from SNI.

### 18. CONTINGENCIES

At the end of the reporting period, the Group had the following contingencies that are not disclosed elsewhere in the financial statements:

#### *Liabilities of NIW*

As disclosed in note 10 to the financial statements, the Group has disposed of its 100% interest in NIW. Nevertheless, the Group may still be exposed to the past obligations of NIW where these have not been settled by NIW. SNI and Mr. SUN Xiyi, the sole beneficial shareholder of SNI and an ex-director of the Company, has indemnified the Group against any losses that may arise from the past obligations of NIW.

#### *Indemnification: 九龍澗景區內商業用地*

The Group entered into an agreement with SNI and Mr. SUN Xiyi on 30 September 2009, pursuant to which SNI agreed to transfer to the Group, for nil consideration, four parcels of land in the PRC, namely 山東省濰坊市坊子區九龍澗景區內商業用地 for which the valid State-owned Land Use Right Certificate has not yet been issued. If the application for the certificate is not successful within 3 years, SNI and Mr. SUN Xiyi, being the guarantor, have agreed to compensate the Group with other land having an equivalent value. Based on the valuation report issued by DTZ, the land had an estimated value of RMB253,000,000 as at 31 December 2012 on the assumption, among other things, that a valid Stated-owned Land Use Right Certificate had been issued for the land.

As at 31 December 2013 and the date of authorising these financial statements, the application for the certificate had not yet been completed. In accordance with the legal opinion issued in 2014 by an independent law firm, the Group has the right to request SNI and Mr. SUN Xiyi to provide the indemnification for its loss incurred. No valid Stated-owned Land Use Right Certificate has been issued for the land and the Group, among other things, has to provide evidence to substantiate the commercial value of the land in order to claim the indemnification successfully.



# Euro Asia Premier Real Estate Company Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 18. CONTINGENCIES (CONTINUED)

*Indemnification: 九龍澗自然公園風景區*

On 30 September 2011, the Group entered into an agreement with a company controlled by Mr. SUN Xiyi, 濰坊九龍澗旅遊開發有限公司 (Weifang Kowloon Stream Tourism Development Co., Ltd.\*), pursuant to which the Group agreed to acquire a parcel of land in the PRC, namely 山東省濰坊市坊子區九龍澗自然公園風景區 for a consideration of RMB550,000,000.

As at 31 December 2013 and the date of authorising these financial statements, the transfer had not yet been completed and no consideration had been paid. In accordance with the legal opinion issued, the Group has the right to request the vendor to provide an indemnification for any loss incurred. However, since no consideration had been paid, the Group will have to provide evidence to substantiate its loss incurred in order to make a successful claim for indemnification.

\* For identification purpose only.

### 19. RELATED PARTY TRANSACTIONS

In addition to the transactions / information disclosed elsewhere in these financial statements, during the year, the Group had the following transactions with related parties:

Name of related party	Interested director	Nature of transaction	2013 RMB	2012 RMB
SNI	Mr. SUN Xiyi	Sales of properties	<u>150,000,000</u>	<u>4,620,000</u>
SNI	Mr. SUN Xiyi	Property development costs	<u>-</u>	<u>3,720,000</u>
SNI	Mr. SUN Xiyi	Management fee expenses	<u>-</u>	<u>3,000,000</u>

SNI is a company wholly owned by a common shareholder and an ex-director of the Company, Mr. SUN Xiyi. Mr SUN Xiyi resigned as the Director of the Company with effect from 23 December 2013.

On 10 January 2010, the Group entered into an agreement with SNI and Mr. SUN Xiyi, pursuant to which SNI, among other things, made a commitment to the Group to transfer its high-quality property projects to the Group. The Group was given the first right of refusal to purchase and operate the high-quality property projects in accordance with the agreement which did not refer specifically to individual projects. Moreover, the agreement stipulated an annual management fee of RMB3,000,000 payable by the Group for the management services provided by SNI. During the year ended 31 December 2013, this agreement was terminated.

# Euro Asia Premier Real Estate Company Limited

## Notes to the Financial Statements

Year ended 31 December 2013

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### 20. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise bank balances and accounts payable (which exclude other tax payable), which are mainly derived from its business activities. The main risk arising from the Group's financial instruments is liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to this risk to a minimum.

#### *Liquidity risk*

The Group manages its liquidity and cash flow profiles to ensure the business operations maintain optimum level of liquidity at all times sufficient to meet contractual obligations as and when they fall due. All financial liabilities at the end of the reporting period are repayable on demand.

### 21. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 2012.

### 22. COMMITMENTS

#### **Capital expenditure commitments**

At the end of the reporting period, the Group has the following capital expenditure commitments:

	<b>2013</b>	2012
	<b>RMB</b>	RMB
Contracted but not provided for subscription of share of an associate	<b><u>7,637,975</u></b>	<u>-</u>

In December 2013, the Group entered into an agreement with a third-party investor, who was appointed as a director of the Company on 23 December 2013, to set up a company in the PRC to carry out sales, rental and property management of real estate in the PRC. On 10 December 2013, 青島華威眾贏實業有限公司 (Qingdao Hua Wei Zhong Ying Industrial Co., Ltd.\*) ("Qingdao Hua Wei"), was established with a paid-up capital of US\$5,000,000. The Group agreed to contribute US\$1,250,000 to the capital of Qingdao Hua Wei by 31 December 2014 (equivalent to RMB7,637,975). At the date of authorising these consolidated financial statements, no capital contribution has yet been made by the Group.

\* For identification purpose only.