

Business China
(A public company limited by guarantee
and not having a share capital)
Registration Number: 200717215M

Annual Report
Year ended 31 December 2012

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Directors' report

We, the undersigned directors, on behalf of all the directors of Business China, submit this annual report to the members together with the audited financial statements of the Company for the financial year ended 31 December 2012.

Mission and Vision

To nurture an inclusive bilingual and bi-cultural group of Singaporeans through extensive use of the Chinese language as the medium of communication, so as to sustain our multi-cultural heritage, and to develop a cultural and economic bridge linking the world and China.

The Company strives to strengthen the ties between Singapore and China so as to sustain and grow the global connectivity of Singapore through:

- (1) Becoming the leading bilingual and bi-cultural channel paving the way for closer collaboration with China;
- (2) Establishing a widespread appreciation and acceptance of Chinese language and culture, within the multi-ethnic, multi-cultural mosaic that is fundamental to the Singapore identity; and
- (3) Nurturing young Singaporeans to develop deeper links with China, engaging it in all facets including economic, business, social, cultural or educational.

Patron

The Patron of the Company is the Former Minister Mentor of Singapore, Mr Lee Kuan Yew.

Advisers

Mr Wong Kan Seng	(Adviser)
Mr Lim Swee Say	(Adviser)
Mr Khaw Boon Wan	(Adviser)
Mr Gan Kim Yong	(Adviser)

Founding member

The founding member of the Company is the Singapore Chinese Chamber of Commerce and Industry (SCCCI).

Directorate

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

Mr Chua Thian Poh (Chairman)
Mr Alan Chan
Mr Ch'ng Jit Koon
Mr Hee Theng Fong
Mrs Josephine Teo
Mr Lee Yi Shyan
Mr Lim Chee Onn
Mr Lim Ming Yan
Mr Patrick Lee Kwok Kie
Dr Su Guaning
Mr Tan Chin Siong
Mr Tan Cheng Gay
Mr Teo Siong Seng
Mr Thomas Chua
Mr Zhong Sheng Jian

The roles of the Board of Directors are to:

- (1) formulate key objectives, strategies and directions for the operation of the Company;
- (2) monitor and review the various activities of the Company;
- (3) review and approve annual budget for the various activities of the Company; and
- (4) abide by the duties, responsibilities and liabilities of a director as specified in the Companies Act as well as under common law.

Structure, governance and management

The Board of Directors has set up six Board Committees to oversee the various activities of the Company. The Chairman of each Board Committee is appointed by Chairman of the Board of Directors. The Committees are:

Apex Committee
Go East Committee
FutureChina Committee
Publicity Committee
Fund-raising Committee
Finance & Establishment Committee

Key roles and functions of the various committees, key management, teams of the Company

The roles and functions of the various Board Committees are to:

- (1) oversee the various activities;
- (2) review the various activities;
- (3) recommend and implement new activities to meet the needs of the respective target groups;
and
- (4) support the fulfilment of the Company's mission and vision.

The key roles and functions of the management and teams of the Company are to:

- (1) carry out the day-to-day activities;
- (2) provide secretariat support to the various Board Committees to implement the activities;
and
- (3) monitor the progress of the various activities and provide Board Committees overseeing the various activities with timely progress reports.

Objectives and activities

The objectives of the various activities are as follows:

- (1) generate interest, especially among the youths, in the learning of Chinese language and culture;
- (2) create opportunities for the target groups to learn and appreciate Chinese language, Chinese culture and arouse interest in recent economic, social and political development in China;
- (3) provide networking opportunities among Singaporeans and with Chinese business and political leaders; and
- (4) develop a platform for the use of Chinese.

Activities for the Year

For the year ended 31 December 2012, the Company organized 43 activities which were attended by 14,309 participants. Detailed below is a description of the various activities organized during the year.

A) Programmes and Initiatives Benefitting Business Leaders and Corporate Executives

1) China Insights

China Insights is a lecture series on China, which aims to provide a deeper understanding of China's contemporary development. Key topics include the trends, forces and factors shaping China's orientations in the economic, social, cultural and political domains. The speakers are typically established prominent figures in their respective field and may include senior officials from China, leading academia, as well as business and industry leaders.

For 2012, featured speakers include Xue Manzi, a famous angel investor in China, founder of two NASDAQ-listed companies: ChinaEdu Corporation and UT Starcom, who delivered a session on "A Transforming China in the Age of Weibo"; Professor Ezra Vogel, a Professor at Harvard University since 1967 and Henry Ford II Professor of the Social Sciences Emeritus, Director of Harvard's Fairbank Center, Founding Director of the Asia Center, who delivered "The Legacy of Deng Xiaoping"; Dr Mao Daqing, chief representative, Deputy GM of Beijing region, GM of Bohai-rim region and several other senior management positions in the Group, who spoke on "A Transforming China and the Hard Truths of its Property Market"; Prof Xue Lan, Dean of the Tsinghua University, School of Public Policy and Management, Prof Meng Qingguo, Professor and Associate Dean of the Tsinghua University, Prof Yang Yansui, Professor of the Tsinghua University, three of them spoke at a symposium entitled "China's Future: Transition or Transformation?"; Professor Xie Fei, Professor of the Beijing Film Academy and Prof Peggy Chiao Hsuing-ping, Professor at the Graduate School of Film Making at Taipei National University of the Arts, both delivered a talk on "Chinese Cinema in the Age of Globalization". The 5 sessions garnered over 2,000 participants in total.

2) China Rediscovery

The China Rediscovery is a closed-door dialogue which aims to provide Apex members with insights into issues concerning China from an insider's perspective. It also aims to position Business China as a quality organization that has good relations and networks with movers and shakers, key decision-makers as well as opinion leaders from the Greater China region. The speakers are typically prominent figures in their respective fields.

A China Rediscovery closed-door dialogue was organized on 30 March 2012 with guest speaker, Mr Ching Cheong (程翔先生), a former SPH correspondent who spoke on "Hong Kong Chief Executive Election". This session garnered 74 participants in total.

3) Eminent Speakers Series 2012

Eminent Speaker series is an economic and cultural forum held annually in partnership with Lianhe Zaobao. It enables Apex members to build in-depth knowledge about China and understand the relevance of China in a globalized world. Key opinion leaders are typically prominent figures in their respective fields who possess a wealth of experience and insights that would benefit Apex members. On 9 June 2012, Dr Liu Ji, Honorary President of China Europe International Business School (CEIBS) cum Chairman of the CEIBS Education Development Foundation spoke on the topic "China and the World in the Next Decade".

4) FutureChina Global Forum

FutureChina Global Forum was created in 2010 to position Singapore at the forefront of China thought leadership and as a significant node in the network of countries connecting with China. The Forum aims to provide a truly innovative approach for a deeper understanding of how China is evolving and of the trends, forces and factors shaping China's orientations in the economic, political, social and cultural paradigms. Each year, the Forum congregates China experts from all over the world to share insights, experience and analyses in highly interactive discussion formats that will allow participants to gain "insider" knowledge on China. Designed to provide participants with a comprehensive picture of China's fast moving economy and society, the forum features multi-faceted discussions and plenaries with five orientations (Politics and Social, Business and Economics, Arts and Culture, Science and Technology, Global Relations) examining developments, challenges and opportunities unfolding in China. Currently moving into its 4th year, the Forum has grown steadily both in the quantity and quality of speakers and participants. The 2012 Forum held on 9 – 10 July featured a total of 19 sessions and a strong slate of 69 internationally esteemed speakers, such as Prime Minister Lee Hsien Loong, Deputy Prime Minister Tharman Shanmugaratnam and Dr Lee Kai-Fu, one of the most prominent figures in the Chinese internet sector. It attracted more than 380 senior business executives, entrepreneurs, public personalities, top experts, thought and practice leaders representing a wide range of sectors from Singapore, China as well as from Asia, the US and Europe. The 2012 Forum received extensive coverage in both the local and international media.

5) FutureChina Advanced Leaders Programme

Jointly developed by Business China and NTU's Nanyang Business School, the 15-day Future China Advanced Leadership Programme (FC-ALP) is the only business management course in Asia with a curriculum designed to provide senior executives and business owners with an all-rounded, in-depth understanding of the Chinese enterprise psyche, business landscape, cultural, historical, political, social and economic paradigms. The inaugural class of FC-ALP, which completed successfully from March to May 2012, comprised 24 participants who are C-level executives. As part of the programme, the participants had a fruitful trip to Beijing and Shandong, where they learnt about Confucian studies at Qufu, and met with government officials and businessmen at Jinan and Qingdao. During the FC-ALP Commencement Ceremony, Minister Khaw Boon Wan officiated the launch of the FC-ALP alumni club – the Future China Advanced Leaders Club (慧眼中国汇), with the objective of allowing the participants to stay connected and bonded, and to continue to keep pace with the future development of the ever-changing China.

6) Future China Business Forum

Business China concluded its first-ever business forum outside of Singapore – 'Future China Business Forum', in Shanghai on 18 September, as part of the organisation's 5th anniversary programme. The main objectives of the forum were to: (i) expand and deepen Business China's networks; (ii) heighten our brand awareness; and (iii) widen our reach in engaging the business community in China. Led by Board Advisor Minister Lim Swee Say, the Business China delegation also included Chairman Mr Chua Thian Poh and Board Member Mr Ch'ng Jit Koon. Minister Lim delivered the keynote address and fielded questions during the one-hour Q&A session. Co-organized with Shanghai Singapore Business Association – Singapore Club Shanghai, the forum was attended by more than 200 C-level executives. It served as an important platform for the Singapore business community in China to exchange their views and experiences.

B) Programmes & Initiatives Benefitting Youths and Students

1) BCYC China Learning Journey

A 10-day China Learning Journey trip to Beijing and Tianjin, supported by China's *Hanban*, was organized from 13 – 22 December 2012 for 20 prominent Business China Youth Chapter members. Three Junior College students were invited to participate in the China Learning Journey for the first time. The trip was designed to deepen participants' knowledge of China's contemporary development vis-à-vis its rich cultural heritage through cultural immersion. Strong ties were forged among Singaporeans based in China as well as like-minded Chinese students from top universities in Beijing, thus paving the way for collaboration opportunities in future.

2) BCYC Online Outreach Publication –Go East Journal

BCYC's very own micro-site (<http://www.businesschina.org.sg/go-east-journal/>) hosts articles, photos, and videos of the "BCYC China Learning Journey". The objective of this publication is to capture the youths' experiences during the Learning Journey as well as to serve as an online platform for the BCYC members to share their thoughts on China's current affairs in the Go East Journal.

3) China-Quotient Student Forum

The China-Quotient (C-Quotient) Student Forum is a half-day forum targeted at Pre-U and tertiary students who are interested in China affairs. Three half-day forums were held on 31 March, 28 July and 27 October 2012 at Pioneer Junior College (PJC), Raffles Institution (RI) and Singapore Polytechnic (SP) respectively. The objectives of these sessions are to motivate the students to:

- upkeep their proficiency in the Chinese language
- deepen their understanding of Chinese culture
- keep pace with contemporary developments in China

Forum	Theme	Guest-of-Honour	Guest Speaker(s)
31 Mar @ Pioneer Junior College	Grooming a Generation of Bicultural Singaporeans	Mr <u>Lim</u> Swee Say Minister Prime Minister's Office	Ms <u>Han</u> Yong Hong, Lianhe ZaoBao Beijing Chief Correspondent, BCA Young Achiever Award recipient Mr <u>Lim</u> Der Shing CEO, JobsCentral Pte Ltd
28 Jul @ Raffles Institution	Bilingualism and Biculturalism – Singaporean youths' unique edge	Mrs Josephine <u>Teo</u> Minister of State for Finance and Transport	Ms <u>Sim</u> Chi Yin Photojournalist based in Beijing Mr <u>Cheng</u> Chek Lim Manager, Singapore Tourism Board, Tsinghua University Alumni

Forum	Theme	Guest-of-Honour	Guest Speaker(s)
27 Oct @ Singapore Polytechnic	Bilingualism and Biculturalism: Maintaining Singaporean Youths' Competitive Edge	Mr <u>Lee</u> Yi Shyan Senior Minister of State for Trade, Industry and National Development	Mr <u>Lim</u> Ming Yan CEO, CapitaLand Limited

The 3 forums saw a total turnout of 2,400 students. Through these C-Quotient forums, Business China aimed to better prepare our youths for education and career opportunities in China.

4) E³ Workshop

The objectives of the E³ workshop are to *excite* students about China, create opportunities for them to *explore* China by learning its language, culture and social conditions, and lastly, encourage them to personally *experience* the rapidly changing China society. The workshop consists of interactive games and intimate sharing sessions between a China-issues specialist as well as past participants to pique the students' interest in a less formal setting.

Business China conducted twelve E³ workshops in 2012 and benefitted 1,399 students. The workshops were jointly organized with the Singapore Federation of Chinese Clan Association, Raffles Institution, National University of Singapore, Ngee Ann Polytechnic and Singapore Polytechnic.

5) CLing Online Marketing Contest – Business China Champ of Marketing 2.0

The Business China Champ of Marketing 2.0 competition was jointly organized by Business China and omy.sg, a bilingual online portal set up by Singapore Press Holdings Ltd. This inaugural marketing competition challenged students to create innovative business proposals as well as TV commercials for BreadTalk's Mid-Autumn Festival campaign in Shanghai, China. The competition was held over a period of 11 weeks for Singaporeans and Permanent Residents aged between 16 and 26. Eight teams qualified in the final round, where 3 winning teams walked away with cash prizes. Five 'lucky voters' who voted online for their favourite TV commercial were also each presented with a S\$100 BreadTalk voucher.

The winning team won S\$5,000 cash prize and also earned themselves an exclusive internship with BreadTalk's Shanghai branch.

Through the internship, student participants would gain knowledge about the suite of products and services offered by Singapore SMEs in China as well as better understand the dynamics of the China market, thereby preparing themselves for the emerging opportunities in China.

6) Student Members Annual Gathering

Business China organized 2 gatherings for student members during the Chinese festive periods in 2012.

On 4 February, Business China organized its first Chinese New Year Student Members' Gathering, providing a platform for close to 100 student members to celebrate the festive season together. There was a free screening of the Chinese movie "The Great Magician" (大魔术师), which provided philosophical insights on love and politics.

Business China also organized a Mid-Autumn Festival gathering on 25 September for its student members. A Chinese action-comedy 'Guns n Roses' (黄金大劫案) featuring Chinese pop culture was screened during the event. Some 100 student members aged 13 to 26, as well as a number of parents and teachers attended the event.

Through these 2 events, Business China aimed to present a fun and livelier side of Chinese language and culture, as well as provide a bilingual platform incorporating pop-culture elements to stimulate the youths' interest in Chinese language. Business China hopes to raise the organisation's brand awareness and mission among the student members through these events.

C) Organization-Wide Programmes and Initiatives

1) Business China Awards

The Business China Awards (BCA) was instituted in 2010, to honour outstanding businessmen, entrepreneurs, professionals and organizations for their successes and contributions to Singapore - China relations, as well as the appreciation of Chinese language and culture.

The BCA is one of Business China's signature events. In 2012, the third edition of the BCA was held in conjunction with Business China's fifth anniversary celebration. BCA 2012 was held on 28 November at the Resorts World Convention Centre, with Former Minister Mentor and Patron of Business China, Mr Lee Kuan Yew as the Guest-of-Honour. The Gala Dinner was well-attended by more than 750 distinguished guests, and the event was widely reported in both local as well as foreign media.

Below is the list of 2012 Award recipients –

Excellence Award:

Prof Arthur Lim (Founding Medical Director, Singapore National Eye Centre)

Enterprise Award:

CapitaLand Group

Young Achiever Award:

Dr Loh Cheng (Residency Training Coordinator, Kunming Medical University 2nd Affiliated Hospital)

BCA was organized by Business China, and jointly presented by OCBC. It was supported by Business Times and Lianhe Zaobao.

2) Spring Reception

Organized during the Lunar New Year period, Spring Reception is an annual gathering and networking session organized for Singaporean entrepreneurs, business leaders, professionals, students and youth to network and interact during the joyous festive season. Singaporeans who are based in China were also invited. In 2012, Spring Reception was held on 25 January at The Singapore Federation of Chinese Clan Associations (SFCCA) with Prime Minister Mr Lee Hsien Loong as the Guest of Honour. Other distinguished guests at the Spring Reception included Minister Lim Swee Say, Minister Gan Kim Yong, Chinese Ambassador to Singapore H.E. Wei Wei, Former Deputy Prime Minister Wong Kan Seng, Acting Minister Chan Chun Sing and other Members of Parliament. Jointly organized with SFCCA, it was attended by more than 550 distinguished guests from different fields.

Directors' interests

The Company has no share capital and its liability is limited by guarantee.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

The Company appointed PricewaterhouseCoopers LLP to perform a high level review over the level of compliance with the Code of Governance for Charities and Institutions of a Public Character ("IPCs") regulation as well as an internal controls review of the controls over programme management in the Company.

The Company has adopted the best practice for the procurement system. This is to ensure fairness in the selection process and no repeat orders.

The Company has put in place a policy whereby all members, directors, staff of the Company or volunteer shall promptly and fully disclose, in accordance to the procedures laid down by the Company, all interests (actual or potential) which could conflict with their duties and shall not in any way be involved in the transactions, or influence the outcome of the transaction.

Except as disclosed in note 21 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit 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.

Share options

The Company is limited by guarantee and has not issued any share options.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Chua Thian Poh
Chairman



Lim Chee Onn
Director

28 March 2013

Statement by Directors

We, being directors of Business China, do hereby state that in our opinion:

- (a) the financial statements set out on pages FS1 to FS21 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2012 and the results and cash flows of the Company for the year ended 31 December 2012 in accordance with the provisions of the Singapore Companies Act, Chapter 50, the Charities Act (Chapter 37) and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.
- (c) nothing came to our attention to cause us to believe that the Company did not comply with Regulation 15 of the Charities (Institution of a Public Character) Regulations and the donation monies have not been used in accordance with the objectives of the Company as an institution of a public character.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



Chua Thian Poh
Chairman



Lim Chee Onn
Director

28 March 2013



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Independent auditors' report

Members of the Company
Business China

Report on the financial statements

We have audited the accompanying financial statements of Business China (the "Company"), which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year ended 31 December 2012, and a summary of significant accounting policies and other explanatory notes, as set out on pages FS1 to FS21.

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, Chapter 50 ("the Act"), the Charities Act, Chapter 37 (the "Charities Act"), and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair 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 of 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.

Opinion

In our opinion, the financial statements of the Company are properly drawn up in accordance with the provisions of the Act, the Charities Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Company as at 31 December 2012 and the results and cash flows 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 have been properly kept in accordance with the provisions of the Act.

During the course of our audit, nothing came to our attention to cause us to believe that:

- (a) the Company did not comply with Regulation 15 of the Charities (Institutions of a Public Character) Regulations; and
- (b) the donation monies have not been used in accordance with the objectives of the Company as an institution of a public character.

KPMG LLP

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
28 March 2013

Statement of financial position
As at 31 December 2012

	Note	2012 \$	2011 \$
Non-current assets			
Plant and equipment	4	67,557	49,032
Investments	5	4,321,200	4,292,000
		<u>4,388,757</u>	<u>4,341,032</u>
Current assets			
Other receivables	6	2,059,974	1,808,300
Cash and cash equivalents	7	7,709,394	6,920,803
		<u>9,769,368</u>	<u>8,729,103</u>
Total assets		<u>14,158,125</u>	<u>13,070,135</u>
Capital and accumulated fund			
Capital	8	—	—
Accumulated fund	9	13,388,257	12,301,427
Fair value reserve	10	321,200	292,000
		<u>13,709,457</u>	<u>12,593,427</u>
Current liability			
Other payables	12	448,668	476,708
Total liability		<u>448,668</u>	<u>476,708</u>
Total fund and liability		<u>14,158,125</u>	<u>13,070,135</u>

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
Year ended 31 December 2012

	Note	2012 \$	2011 \$
Income			
Donations	13	1,356,000	1,769,800
Grant income	11	1,963,747	1,687,895
Sponsorship income	14	750,000	1,200,000
Programme income	15	657,655	523,842
Dividend income		188,515	188,000
Interest income		27,900	27,328
Other income		70,507	40,715
Total income		<u>5,014,324</u>	<u>5,437,580</u>
Expenses			
Staff costs	16	(1,644,414)	(1,349,767)
Resources expended on activities	17	(1,908,446)	(1,741,181)
Depreciation		(36,984)	(25,607)
General publicity		(42,217)	(27,243)
Other expenses	18	(295,433)	(199,849)
Total expenses incurred		<u>(3,927,494)</u>	<u>(3,343,647)</u>
Surplus before income tax		1,086,830	2,093,933
Income tax expense	19	—	—
Surplus for the year		<u>1,086,830</u>	<u>2,093,933</u>
Other comprehensive income:			
Net gain on fair value changes of available-for-sale financial assets		29,200	151,200
Other comprehensive income, net of tax		<u>29,200</u>	<u>151,200</u>
Total comprehensive surplus for the year		<u><u>1,116,030</u></u>	<u><u>2,245,133</u></u>

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
Year ended 31 December 2012

	Accumulated fund \$	Fair value reserve \$	Total \$
At 1 January 2011	10,207,494	140,800	10,348,294
Surplus for the year	2,093,933	–	2,093,933
Other comprehensive income	–	151,200	151,200
Total comprehensive income for the year	2,093,933	151,200	2,245,133
At 31 December 2011	<u>12,301,427</u>	<u>292,000</u>	<u>12,593,427</u>
At 1 January 2012	12,301,427	292,000	12,593,427
Surplus for the year	1,086,830	–	1,086,830
Other comprehensive income	–	29,200	29,200
Total comprehensive income for the year	1,086,830	29,200	1,116,030
At 31 December 2012	<u>13,388,257</u>	<u>321,200</u>	<u>13,709,457</u>

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
Year ended 31 December 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Cash receipts from:			
Donations		1,356,000	1,769,800
Sponsorship income		750,000	1,200,000
Programme income		657,655	255,442
Grant	11	1,671,823	351,438
Other income		70,507	40,715
		<u>4,505,985</u>	<u>3,617,395</u>
Cash paid to:			
Suppliers and employees		<u>(3,877,464)</u>	<u>(3,169,857)</u>
Net cash from operating activities		<u>628,521</u>	<u>447,538</u>
Cash flows from investing activities			
Dividend received		188,515	188,000
Interest received		27,064	24,621
Purchase of plant and equipment		<u>(55,509)</u>	<u>(38,502)</u>
Net cash from investing activities		<u>160,070</u>	<u>174,119</u>
Cash flows from financing activity			
Restricted deposits		<u>—</u>	<u>809,044</u>
Net cash from financing activity		<u>—</u>	<u>809,044</u>
Net increase in cash and cash equivalents		788,591	1,430,701
Cash and cash equivalents at beginning of year		6,920,803	5,490,102
Cash and cash equivalents at end of year	7	<u>7,709,394</u>	<u>6,920,803</u>

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 March 2013.

1 Domicile and activities

Business China (the “Company”), a public company limited by guarantee and not having a share capital, was incorporated in the Republic of Singapore on 18 September 2007. The registered address of the Company is at 47 Hill Street, #09-00, Singapore Chinese Chamber of Commerce Building, Singapore 179365.

The Patron of the Company is the Former Minister Mentor of Singapore, Mr Lee Kuan Yew.

The founding member of the Company is the Singapore Chinese Chamber of Commerce and Industry (“SCCCCI”).

The Company’s long term objective is to groom and nurture 20,000 to 30,000 bilingual and bi-cultural Singaporeans with the ability to communicate effectively in China through a myriad of activities and a variety of channels. The objective is to equip them with the skills that will enable them to connect effectively with China and in the long run, build up strong linkages with China.

The Company is an approved charity organisation under the Charities Act, Chapter 37, with effect from 9 March 2009. It is also approved as an Institution of Public Character (“IPC”) under the Income Tax Act, Chapter 134, with effect from 1 March 2010. On 6 February 2013, the IPC was extended for two years from 1 March 2013 to 28 February 2015.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars which is the Company’s functional currency. All financial information is presented in Singapore dollars, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 11 - estimation of grant income
- Note 14 - estimation of fair value of commercial benefits in connection with sponsorship income

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

3.1 Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operation. The financial statements include the assets that the Company controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Company incurs and its share of the income that it earns from the joint operation.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

3.3 Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment.

The estimated useful lives are as follows:

Office equipment	-	3 years
Computer equipment	-	2 years
Office renovation	-	5 years
Furniture and fittings	-	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and adjusted if appropriate.

3.4 Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated as fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets in the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and other receivables, excluding prepayments.

Cash and cash equivalents comprise cash balances and bank deposits.

Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented as fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Company has the following non-derivative financial liabilities: other payables, excluding deferred income.

3.5 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Company considers a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at a specific asset level. All individually significant receivables are assessed for specific impairment. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which related services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.7 Income recognition

Donations

Donations are recognised on an accrual basis when it is virtually certain that the donations will be received. This normally coincides with the receipt of the donation income.

Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company for expenses incurred are recognised as revenue in the profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognised in the profit and loss as revenue on a systematic basis over the useful life of the asset.

Sponsorship income

Sponsorship income relating to cash donations is recognised as income when the related sponsored event is held.

The free or discounted commercial benefits provided to donors as part of the sponsorship income received are recognised in the profit or loss based on the fair value of the free or discounted benefits.

Programme income

Programme income is recognised when the related event is held.

Membership fees

Membership fees are recognised on a receipt basis.

Dividend income

Dividends income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3.8 Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.9 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

4 Plant and equipment

	Office renovation \$	Office equipment \$	Computer equipment \$	Furniture and fittings \$	Total \$
Cost					
At 1 January 2011	50,502	11,505	53,160	1,593	116,760
Additions	27,637	—	10,865	—	38,502
At 31 December 2011	78,139	11,505	64,025	1,593	155,262
At 1 January 2012	78,139	11,505	64,025	1,593	155,262
Additions	22,402	5,626	26,546	935	55,509
Disposals	—	(2,008)	(8,956)	—	(10,964)
At 31 December 2012	100,541	15,123	81,615	2,528	199,807
Accumulated depreciation					
At 1 January 2011	20,200	8,354	51,750	319	80,623
Depreciation charge for the year	15,628	2,818	6,842	319	25,607
At 31 December 2011	35,828	11,172	58,592	638	106,230
At 1 January 2012	35,828	11,172	58,592	638	106,230
Depreciation charge for the year	19,728	1,896	14,885	475	36,984
Disposals	—	(2,008)	(8,956)	—	(10,964)
At 31 December 2012	55,556	11,060	64,521	1,113	132,250
Carrying amounts					
At 31 December 2011	42,311	333	5,433	955	49,032
At 31 December 2012	44,985	4,063	17,094	1,415	67,557

5 Investments

	2012	2011
	\$	\$
Available-for-sale financial assets:		
Preference Shares (quoted), at fair value	4,321,200	4,292,000

On 22 November 2010, the Company invested in 40,000 DBS non-cumulative, non-convertible, non-voting preference shares callable in 2020 at \$100 per share.

6 Other receivables

	2012	2011
	\$	\$
Deposit	3,274	3,074
Interest receivable	12,261	11,425
Miscellaneous receivables	22,518	–
Accrued grant receivable (see note 11)	1,963,747	1,671,823
<i>Loans and receivables</i>	2,001,800	1,686,322
Prepayments	58,174	121,978
	<u>2,059,974</u>	<u>1,808,300</u>

There is no allowance for doubtful debts arising from these outstanding balances.

7 Cash and cash equivalents

	2012	2011
	\$	\$
Cash in hand	6,231	200
Cash at bank	1,681,761	2,599,422
Deposits with financial institutions	6,021,402	4,321,181
	<u>7,709,394</u>	<u>6,920,803</u>

The weighted average effective interest rate per annum relating to cash and cash equivalents at the reporting date is 0.47% (2011: 0.63%). Interest rates reprice at intervals of one, three or six months.

8 Capital

The Company is a public company limited by guarantee and does not have any issued share capital. As at 31 December 2012, the Company has 15 (2011: 15) members and the liability of the members are limited. In the event of the Company being wound up while a member is in office, or within one year after he ceases to be a member, each member shall be liable for payment of the debts and liabilities of Business China contracted before he ceases to be a member, and of the costs, charges and expenses of winding up and for the adjustment of the rights of the contributions among themselves, not exceeding a sum of \$1.

9 Reserve policy

	2012 \$	2011 \$
Unrestricted fund ("Reserves")	13,388,257	12,301,427
Ratio of "Reserves" to Annual Operating Expenditure	3.41	3.68

The Company measures its performance based on the ratio of Accumulated Unrestricted Reserves as a percentage of Annual Operating Expenditure (equivalent to the total expenditure incurred for each financial year).

The Company maintains the reserves at a level sufficient for its operating needs. The Board of Management reviews the level of reserves regularly to ensure the adequacy of funding for the activities of Business China.

10 Reserves

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until such assets are derecognised or impaired.

11 Deferred grant

	2012 \$	2011 \$
Accrued grant income receivable	1,963,747	1,671,823
Grant income recognised in profit or loss	1,963,747	1,687,895

A grant from the Singapore Totalisator Board (Tote Board) up to a maximum of \$10 million was approved for the Company in 2009. The grant is to be used for 50% co-funding of the Company's operations for a period of five years, from the financial year ended 31 December 2008 to 2012. During the year, the Tote Board extended the period of the grant for another five years to 31 December 2017.

The Company recognised grant income aggregating \$1,963,747 (2011: \$1,687,895) during the current financial year, which comprised of the following:

- (a) \$Nil (2011: \$16,072) representing additional claim for cost reimbursement in respect of 2011's expenditure which was disbursed by the Tote Board during 2012.
- (b) \$1,963,747 (2011: \$1,671,823) representing 50% of the claim for cost reimbursement in respect of 2012's expenditure which are subject to formal approval by the Tote Board. As the amount of grant income recognised exceeds the grant received from Tote Board, the Company recognised an accrued grant receivable of \$1,963,747 (2011: \$1,671,823) as at 31 December 2012. The grant has been recognised as income as the conditions for the grant have been met.

Estimation of grant income

The management uses judgement to determine the accretion of grant income at each reporting date. The estimates of accretion of grant income are made based on past experience and historical trend of approval by the Tote Board. Where the final quantum of approved grant income is different from the amounts that were initially recorded, such differences will impact the revenue in the period in which such determination is made.

12 Other payables

	2012 \$	2011 \$
CPF contribution for December	52,368	46,118
Provision for unutilised leave	23,466	26,597
Accrued operating expenses	372,834	403,993
	<u>448,668</u>	<u>476,708</u>

13 Donations

Tax deductible donations from:

	2012 \$	2011 \$
SCCCI	300,000	300,000
Related parties	100,000	105,000
Others	956,000	1,364,800
	<u>1,356,000</u>	<u>1,769,800</u>

Related parties relate to the directors and companies in which directors are shareholders and/or board members.

14 Sponsorship income

	2012 \$	2011 \$
Sponsorship income	571,210	939,272
Fair value of benefits	178,790	260,728
	<u>750,000</u>	<u>1,200,000</u>

The fair values of the free or discounted benefits and free advertising revenue aggregating \$178,790 (2011: \$260,728) arising from free advertising and other benefits given to sponsors of the programmes have been separately recognised as part of sponsorship income.

Estimation of fair value of benefits

The management uses judgement to estimate the fair value of benefits encompassed as part of sponsorship income at each reporting date. The estimates of the fair value of benefits are made based on the management's evaluation of the fair value relating to the benefits and could be different from the actual fair value.

15 Programme income

	2012	2011
	\$	\$
Programme income	657,655	523,842

16 Staff costs

	2012	2011
	\$	\$
Salaries and bonuses	1,480,328	1,220,667
Contributions to defined contribution plans	164,086	129,100
	1,644,414	1,349,767
Key management personnel compensation (included in staff costs)	523,594	540,407

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The chief executive officer, general manager and the direct reporting senior officers are considered as key management personnel of the Company. Other directors did not receive any form of remuneration during the financial year.

Number of key management in remuneration (including benefits) bands:

	2012	2011
\$200,001 – \$300,000	1	–
\$100,001 – \$200,000	2	4

The disclosure on banding of key managements' remuneration is made in accordance to governance requirements of the Charity Council, effective 2008.

17 Resources expended on activities

Expenses incurred on activities carried out during the year are as follows:

	2012	2011
	\$	\$
<u>Educational activities</u>		
Student Forum/Workshop	156,297	93,604
Summit Forum/ Programme	1,449,292	1,106,406
	1,605,589	1,200,010
Spring Reception	10,000	5,000
	1,615,589	5,000
Special project – Business China Awards	292,857	536,171
Total expenses incurred on activities	1,908,446	1,741,181

18 Other expenses

Other expenses included the following:

	2012	2011
	\$	\$
Audit fees paid/payable to:		
- auditors of the Company	41,000	41,000
Non-audit fees paid/payable to:		
- other auditors	30,000	30,000
Annual system maintenance	33,582	28,567
Operating lease expenses	10,002	8,153
Printing and stationery	43,437	3,994
Reimbursement of maintenance and utility charges to Chinese Development Assistance Council at cost	<u>27,602</u>	<u>19,660</u>

19 Income tax

The Company is an approved charity organisation under the Charities Act, Chapter 37 and no provision for taxation has been made in the financial statements as the Company is exempted from income tax with effect from year of assessment 2010.

20 Commitments

Operating leases commitments

As at 31 December, the Company has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2012	2011
	\$	\$
Within 1 year	10,619	8,153
After 1 year but within 5 years	<u>37,127</u>	<u>24,942</u>
	<u>47,746</u>	<u>33,095</u>

21 Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	2012	2011
	\$	\$
Related party transactions - expenses		
Resources expended on activities – Advertising costs paid to Singapore Press Holdings Limited (“SPH”)	185,267	141,974
Professional fees paid to firm of which a director is a member	–	21,000
Miscellaneous costs paid to SCCCI, NTUC and SPH	2,212	944

22 Financial risk management

Overview

Risk management is integral to the operations of the Company. The Board of Directors has established a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Board committees continually monitor the Company’s risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities.

Accounting classification and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Loans and receivables \$	Available- for sale financial assets \$	Other financial liabilities \$	Total carrying amount \$	Fair value \$
2012						
Assets						
Investment	5	–	4,321,200	–	4,321,200	4,321,200
Other receivables	6	2,001,800	–	–	2,001,800	2,001,800
Cash and cash equivalents	7	7,709,394	–	–	7,709,394	7,709,394
		<u>9,711,194</u>	<u>4,321,200</u>	<u>–</u>	<u>14,032,394</u>	<u>14,032,394</u>
Liability						
Other payables	12	–	–	448,668	448,668	448,668

		Loans and	Available- for sale financial assets	Other financial liabilities	Total carrying amount	Fair value
	Note	\$	\$	\$	\$	\$
2011						
Assets						
Investment	5	–	4,292,000	–	4,292,000	4,292,000
Other receivables	6	1,686,322	–	–	1,686,322	1,686,322
Cash and cash equivalents	7	6,920,803	–	–	6,920,803	6,920,803
		<u>8,607,125</u>	<u>4,292,000</u>	<u>–</u>	<u>12,899,125</u>	<u>12,899,125</u>
Liability						
Other payables	12	–	–	476,708	476,708	476,708

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Company, as and when they fall due.

Cash and fixed deposits are placed with banks which are regulated. At the reporting date, maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The carrying amount of financial assets in the statement of financial position represents the Company's maximum exposure to credit risk, before taking into account any collateral held. The Company does not hold any collateral in respect of its financial assets.

Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by the Management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Exposure to liquidity risk

The following are the expected contractual undiscounted cash outflows of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Cash flows				
	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	Within 1 to 5 years \$	More than 5 years \$
2012					
Financial liabilities:					
Other payables	<u>448,668</u>	<u>448,668</u>	<u>448,668</u>	<u>–</u>	<u>–</u>
2011					
Financial liabilities:					
Other payables	<u>476,708</u>	<u>476,708</u>	<u>476,708</u>	<u>–</u>	<u>–</u>

Market risk

Market risk is the risk that changes in market prices, such as foreign currency rates, interest rates and equity prices will affect the Company's income on the value of its holding of financial instruments. The objective of the management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Company is not exposed to significant foreign currency exchange rate risk as majority of its transactions are denominated in Singapore dollars.

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to fixed deposits placed with financial institutions associated with cash management activities whereby excess funds are placed. The Company does not have any interest rate risk as there is no interest bearing liabilities.

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting rate would not affect profit or loss. The effect on surplus is not significant.

Other market price risk

The Company is exposed to equity price risk arising from its investment in a quoted financial instrument. This instrument is quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore and is classified as available-for-sale financial assets.

Sensitivity analysis for equity price risk

At the reporting date, if the value of the quoted financial investment had been 1% (2011: 1%) higher/lower with all other variables held constant, the Company's fair value reserve in equity would have been \$43,212 (2011: \$42,920) higher/lower, arising as a result of higher/lower fair value gain on available-for-sale financial asset.

Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy. The different levels have been defined as follows:

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

The Company's available-for-sale financial asset with a carrying value of \$4,321,200 as at 31 December 2012 (2011: \$4,292,000) is classified as Level 1 in the fair value hierarchy for the current and prior years as it is quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore.

Fair values

Determination of fair values

Investment in equity securities

The fair value of quoted financial assets classified as available-for-sale financial assets is determined by direct reference to their bid price quotations in an active market at the reporting date.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including other receivables, cash and cash equivalents and other payables) are assumed to approximate their fair values because of the short period to maturity.

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