TIANBAO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

FOR THE QUARTERS ENDED 30 SEPTEMBER 2014 AND 2013

	Notes	1/7/2014 to 30/9/2014 USD	1/7/2013 to 30/9/2013 USD
Revenue	7	-	-
Administrative expenses		(174,427)	(185,900)
Operating loss		(174,427)	(185,900)
Other income / other gains	8	4	31
Loss before tax		(174,423)	(185,869)
Income tax expense	10	-	-
Loss for the period		(174,423)	(185,869)
Other comprehensive income			
Foreign currency translation differences		420,475	106,744
Total comprehensive income / (loss) for the period		246,052	(79,125)
Earnings per share - basic and diluted	12	0.009	(0.003)

The notes on pages 5 to 25 are an integral part of these consolidated financial statements.

TIANBAO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2014 AND 2013

	Notes	30/9/2014	30/9/2013
		USD	USD
ASSETS			
Property, plant and equipment	13	33,779	57,871
Investment property	14	17,341,492	17,435,989
NON-CURRENT ASSETS		17,375,271	17,493,860
Prepayment and deposits	15	21,440,443	21,487,969
Loans and advances receivables	16	-	199,000
Bank balances and cash	17	13,401	119,427
CURRENT ASSETS		21,453,844	21,806,396
TOTAL ASSETS		38,829,115	39,300,256
EQUITY			
Share capital	19	1,425	1,425
Share premium		1,423,279	1,423,279
Reserves	20	4,719,769	4,895,733
Retained earnings		26,801,220	27,424,545
TOTAL EQUITY		32,945,693	33,744,982
LIABILITIES			
Deferred tax liabilities	10	3,168,156	3,191,243
NON-CURRENT LIABILITIES		3,168,156	3,191,243
Current tax liabilities	10	-	-
Trade and other payables	18	1,063,927	1,041,731
Due to related parties	24	1,651,339	1,322,300
CURRENT LIABILITIES		2,715,266	2,364,031
TOTAL EQUITY AND LIABILITIES		38,829,115	39,300,256

The notes on pages 5 to 25 are an integral part of these consolidated financial statements.

TIANBAO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTERS ENDED 30 SEPTEMBER 2014 AND 2013

	Share Capital	Share Premium	Reserves	Retained Earnings	Owners' Equity
	USD	USD	USD	USD	USD
Balance at 01 July 2013	1,425	1,423,279	4,803,975	27,610,414	33,839,093
Loss for the period	-	-	-	(185,869)	(185,869)
Total other comprehensive income	-	-	91,758	-	91,758
Balance at 30 September 2013	1,425	1,423,279	4,895,733	27,424,545	33,744,982
Balance at 01 July 2014	1,425	1,423,279	4,299,294	26,975,643	32,699,641
Loss for the period	-	-	-	(174,423)	(174,423)
Total other comprehensive income	-	-	420,475	-	420,475
Balance at 30 September 2014	1,425	1,423,279	4,719,769	26,801,220	32,945,693

The notes on pages 5 to 25 are an integral part of these consolidated financial statements.

TIANBAO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE QUARTERS ENDED 30 SEPTEMBER 2014 AND 2013

	1/7/2014 to 30/9/2014 USD	1/7/2013 to 30/9/2013 USD
Cash flows from operating activities:		
Net loss	(174,423)	(185,869)
Adjustments for:		
Depreciation of property, plant and equipment	3,353	8,737
Interest income	(2)	(25)
Operating cash flows before movements in working capital	(171,072)	(177,157)
Prepayment and deposits	(269,377)	5,827
Other receivables	-	(195,893)
Trade and other payables	136,081	158,787
Cash used in operations	(304,368)	(208,436)
Interest paid	-	-
Net cash used in operating activities	**(304,368)**	**(208,436)**
Cash flows from investing activities:		
Interest income	2	25
Acquisition of property, plant and equipment	-	(735)
Net cash generated from / (used in) investing activities	**2**	**(710)**
Cash flows from financing activities:		
Advances from related parties	64,815	226,791
Net cash generated from financing activities	**64,815**	**226,791**
Effect of exchange rate change on cash and cash equivalents	240,351	448
Net increase in cash and cash equivalents	**800**	**18,093**
Cash and cash equivalents at beginning of quarters	**12,601**	**101,334**
Cash and cash equivalents at end of quarters	**13,401**	**119,427**
Cash and cash equivalents represented by bank balances and cash (Note 17)	**13,401**	**119,427**

The notes on pages 5 to 25 are an integral part of these consolidated financial statements.

TIANBAO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED 30 SEPTEMBER 2014 AND 2013

1. GENERAL INFORMATION

Tianbao Holdings Limited ("Tianbao" or the "Company") was incorporated in the nation of Bermuda on October 11, 2013. The Company was originally organized as a "Blank check" or "shell" company to investigate and acquire a target company or business seeking the perceived advantages of being a publicly held corporation. The ultimate controlling party is Mr. Lian Hai Tao. The addresses of its registered office and principal place of business is at Penboss Building, 50 Parliament Street, Hamilton, HM 12, Bermuda. The principal activities of its subsidiaries are set out in Note 24.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current quarter, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures2
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

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

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

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

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

Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of consolidation

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

No revenue was recorded by the Group during the quarter.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Foreign currencies

Functional and Presentation Currency

The functional currency represents the currency of the primary economic environment in which the entity operates. Management has determined the functional currency to be Renminbi ("RMB").

Foreign currency transactions occurring in a denomination other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 recognized in operations, except for currency translation adjustments related to equity method investments, which is recognized directly as a component of shareholders' equity in other comprehensive income / (loss).

For situations where a currency other than the functional currency is used for financial statement presentation purposes, assets and liabilities are translated at the closing rate at the date of the statement of financial position; income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the translations); and all resulting exchange differences are recognized in other comprehensive income. The Company's functional currency is the Renminbi (RMB) and their presentation currency is the United States dollar (USD). Therefore, a foreign currency translation adjustment to convert RMB to USD is reflected as a component of other comprehensive income in the accompanying consolidated financial statements.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments made to state-managed retirement benefit scheme are recognized as expenses when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Taxation

Taxable profit differs from 'profit before tax' as reported in the consolidated [statement of profit or loss and other comprehensive income/statement of profit or loss] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. The Group has no income tax liability for the current quarter.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner, in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investment property

Investment property is stated at fair value when its fair values become reliably determinable or upon completion of its construction, whichever is the earlier, otherwise at cost less provision for impairment. Changes in value are included in income statement.

Construction costs incurred for investment property are capitalised as part of the carrying amount of the investment property.

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

For a transfer from stock of properties to investment property (which is evidenced by commencement of an operating lease) that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments

Financial assets and liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities of fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Financial liabilities

The Group's financial liabilities, which include trade and other payables and due to related parties are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognized within "finance costs" in the statement of comprehensive income.

Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amoritization process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

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

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments (Cont'd)

Financial liabilities (cont'd)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following is the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - CONTINUED

Key sources of estimation uncertainty

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

Classification of property

The Group determines whether a property is classified as investment property or inventory property:

- Investment property comprised land and buildings (principally offices, commercial warehouse and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

Valuation of property

Investment property is valued at fair value as determined by independent real estate valuation experts, except if such values cannot be reliably determined. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost. The fair value of investment properties is determined using either the Discounted Cash Flow Method or the Residual Method.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue steams. Capital values of fixtures and fittings, plant and machinery, and environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties. These estimates are based on local market conditions existing at reporting date.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. Change in these estimations may have a material impact on the results of the Group. Details of the movement of property, plant and equipment and the estimated useful lives are set out in Note 13.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - CONTINUED

Key sources of estimation uncertainty-continued

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies. Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a periodical basis. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	Financial instrument classification	Carrying amount at 30 September	
		2014 USD	2013 USD
Financial assets			
Loans and advances receivables	Loans and receivables	-	199,000
Bank balances and cash	Loans and receivables	13,401	119,427
		13,401	318,427
Financial liabilities			
Trade and other payables *	At amortised cost	1,063,927	1,041,731
Due to related parties	At amortised cost	1,651,339	1,322,300
		2,715,266	2,364,031

* Excluded payroll and welfare payables and accruals.

Financial risk management objectives and policies

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances. The Group's borrowings have fixed interest rates and therefore, are subject to fair value interest rate risk.

No sensitivity analysis was prepared for bank balances as the financial impact arising on changes in interest rates was minimal for the quarters ended 30 September 2014 and 2013.

Currency risk

Certain bank balances and other borrowing of the Group are denominated in Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS- CONTINUED

Currency risk-continued

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	30 September	
	2014	2013
	USD	USD
Bank balances	1,345	20,850

Credit risk

The Group reviews the financial background and credit worthiness of the third party to whom advances are granted and the management does not expect any significant credit risk.

There is no guarantee provided to banks and others as at 30 September 2014 and 2013.

The credit risk on liquid funds is limited because the counterparties comprise of a number of banks which are state-owned banks located in the PRC or those with high credit ratings assigned by PRC or international credit-rating agencies.

Other than the concentration of the credit risk on loans and advances receivable and bank balances, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to meet in full its financial obligations as they fall due for the foreseeable future. The management monitors the utilisation of bank and other borrowings.

The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the next twelve months from the issuance date of this report after taking into consideration of internal generated funds.

Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

7. REVENUE AND SEGMENT INFORMATION

The group has no revenue recorded during the quarters ended 30 September 2014 and 2013.

The Group principally operates in the PRC (country of domicile of the operating subsidiary). No material non-current assets of the Group are located outside the PRC.

All of the Group's revenue from external customers, if any, is attributed to the Group entities' countries of domicile (ie. the PRC).

8. OTHER INCOME / OTHER GAINS

	1/7/2014 to 30/9/2014 USD	1/7/2013 to 30/9/2013 USD
Sundry income	2	6
Interest income from bank deposits	2	25
	4	31

9. FINANCE COSTS

	1/7/2014 to 30/9/2014 USD	1/7/2013 to 30/9/2013 USD
Interest on :		
Other borrowings wholly repayable within five years	-	-

TIANBAO HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED 30 SEPTEMBER 2014 AND 2013

10. INCOME TAX EXPENSE	1/7/2014 to 30/9/2014 USD	1/7/2013 to 30/9/2013 USD
Current income tax expense		
Current income tax expense for the Group is computed as follows:		
Loss before income taxes	(174,423)	(185,869)
Expected current income tax expense based on the Chinese statutory tax rate of 25%	(43,606)	(46,467)
Deferred income tax liability on fair value gain on investment property	-	-
Valuation allowance on deferred tax assets	43,606	46,467
Current income tax expense (benefit) for the quarters	-	-
Total income tax expense		
The components of the Group's total income tax expense consists of the following:		
Current income tax expense	-	-
Deferred income tax expense	-	-
Total income tax expense for the quarters	-	-
Deferred income tax asset (liability)		
The activity in the Group's deferred income tax asset (liability) consists of the following:		
Balance at beginning of the quarters	(3,127,997)	(3,176,257)
Exchange on consolidation	(40,159)	(14,986)
Deferred tax liability on fair value gain on investment property	-	-
Deferred tax benefit on current operating losses	43,606	46,468
Valuation allowance on tax benefit from operating losses	(43,606)	(46,468)
Balance at end of the quarters	(3,168,156)	(3,191,243)
Current income tax asset (liability)		
The activity in the Group's current income tax asset (liability) consists of the following:		
Balance at beginning of the quarters	-	-
Income tax expense for the quarters	-	-
Adjustment for tax expense	-	-
Income taxes (paid) refunded during the quarters	-	-
Balance at end of the quarters	-	-

11. DIRECTORS REMUNERATION

Details of the emoluments paid to the directors of the Company for the quarters ended 30 September 2014 and 2013 are as follow:

	1/7/2014 to 30/9/2014 USD	1/7/2013 to 30/9/2013 USD
Directors'		
- fees	-	-
- salaries and other benefits	5,548	5,246
- retirement benefits scheme contributions	368	366
	5,916	5,612

None of the directors waived any remuneration during the quarters ended 30 September 2014 and 2013.

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the quarters.

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	1/7/2014 to 30/9/2014	1/7/2013 to 30/9/2013
Earnings		
Profit / (Loss) attributable to equity holders of the Company (USD)	246,052	(79,125)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	25,000,000	25,000,000

No diluted earnings per share are presented as there was no potential ordinary share outstanding during the period or as at the end of reporting period.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement USD	Motor Vehicles USD	Other Equipments USD	Total USD
Cost:				
At 01/07/2013	53,767	41,951	54,116	149,834
Exchange on consolidation	155	121	156	432
Additions	-	-	735	735
At 30/09/2013	53,922	42,072	55,007	151,001
At 01/07/2014	52,948	41,313	54,645	148,906
Exchange on consolidation	682	531	702	1,915
Additions	-	-	-	-
At 30/09/2014	53,630	41,844	55,347	150,821
Aggregate depreciation and impairment losses				
At 01/07/2013	32,858	20,136	31,149	84,143
Exchange on consolidation	98	60	92	250
Provided for the period	4,490	998	3,249	8,737
At 30/09/2013	37,446	21,194	34,490	93,130
At 01/07/2014	45,595	23,754	42,889	112,238
Exchange on consolidation	583	309	559	1,451
Provided for the period	-	992	2,361	3,353
At 30/09/2014	46,178	25,055	45,809	117,042
Carrying values				
At 30/09/2014	7,452	16,789	9,538	33,779
At 30/09//2013	16,476	20,878	20,517	57,871

The above items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives taking into account of their estimated residual value:

Leasehold improvement, other equipments	3-5 years
Motor vehicles	10 years

14. INVESTMENT PROPERTY

	30 September	
	2014	2013
	USD	USD
Balance at beginning of year	17,121,673	17,385,851
Exchange translation	219,819	50,138
Balance at end of year	17,341,492	17,435,989

The fair value of the investment property held by the Group at 30 September 2014 and 30 September 2013 has been arrived at on the basis of a valuation carried out on the respective dates by Zhengzhou Lixin Real Estate Valuation and Consulting Company Limited.

Zhengzhou Lixin Real Estate Valuation and Consulting Company Limited is an independent firm of professional valuers not connected with the Group, who have appropriate qualification and recent experience in the valuation of similar properties in the relevant location. The fair value was arrived at by making reference to comparable sales evidence as available in the relevant market. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the period.

15. PREPAYMENT AND DEPOSITS

	30 September	
	2014	2013
	USD	USD
Advances to suppliers	19,141	3,519
Rental deposits	9,712	9,796
Prepaid purchases and expenses	369,486	250,536
Prepaid land use right	21,042,104	21,224,118
	21,440,443	21,487,969

16. LOANS AND ADVANCES RECEIVABLE

	30 September	
	2014	2013
	USD	USD
Other receivables	-	2,940
Temporary payment	-	196,060
	-	199,000

17. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks.

18. TRADE AND OTHER PAYABLES

	30 September	
	2014	2013
	USD	USD
Land compensation payable to farmers	219,451	220,647
	219,451	220,647
Temporary received	-	148,077
Accrued expenses	16,799	16,150
Other payables	827,677	656,857
Total trade and other payables shown under current liabilities	1,063,927	1,041,731

19. SHARE CAPITAL

	30 September	
	2014	2013
		USD
Authorized:		
100,000,000 ordinary shares of par value US$ 0.0001 each	10,000	10,000
Issued and fully paid:		
25,000,000 ordinary shares of par value US$ 0.0001 each	1,425	1,425

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

20. RESERVES

	30 September	
	2014	2013
	USD	USD
Foreign currency translation reserve	2,515,170	2,691,154
Statutory surplus reserve	2,204,599	2,204,599
	4,719,769	4,895,753

Statutory surplus reserve is non-distributable and the transfer of this reserve is determined according to the relevant laws in the Mainland China (the "PRC") and by the board of directors of the PRC subsidiary in accordance with the Article of Association of the subsidiary. Statutory surplus reserve can be used to make up for previous years' losses or convert into additional capital of the PRC subsidiary of the Company.

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Currency Units) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

21. OPERATING LEASE COMMITEMENTS

The Group as lessee

The minimum lease payment under operating lease in respect of office premises for the quarters ended 30 September 2014 and 2013.

At the end of the reporting period, the Group had commitments for future lease payments under non-cancellable operating leases which fall due as follows:

	1/7/2014 to 30/9/2014 USD	1/7/2013 to 30/9/2013 USD
Within one year	18,390	91,430
Between second and fifth year inclusive	-	-
	18,390	91,430

Operating lease payments represent rental payable by the Group for certain office premises. Lease is negotiated for a term of three years with 8% annual increment.

22. CONTINGENCIES

The Group is subject to legal claims that may arise in the normal course of business. However, management is unaware of any pending or threatened claims that would require adjustment or disclosure to the accompanying financial statements.

23. RETIREMENT BENEFIT PLAN

The employees of the Group are members of state-managed retirement benefit scheme operated by the PRC government. The Company’s subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

24. RELATED PARTY DISCLOSURES

At the end of the reporting period, the Group has the following balances with related parties:

Name of related party	Relationship	1/7/2014 to 30/9/2014 Non-trade USD	1/7/2013 to 30/9/2013 Non-trade USD
Lian Hai Tao	Managing Director	1,421,311	1,095,982
Zhang Ru Yin	Director	230,028	226,318
		1,651,339	1,322,300

The amounts due to related parties are unsecured and bear interest of 6% per annum and are without any payment terms specified.

During the quarters ended 30 September 2014 and 2013, the Group did not provide any financial guarantees to related parties.

24. PARTICULARS OF SUBSIDIARIES

At 30 September 2014, the Company has the following indirectly held, unless otherwise stated, subsidiaries:

Name of subsidiary	Place and date of incorporation	Issued and fully paid registered capital	Effective equity interest attributable to the Group		Principal activities
			30/09/2014	30/09/2013	
Tianbao Holdings Limited New Brunswick	Canada 8 November 2011	USD 2,500	100%	100%	Investment Holding
First Jet International Limited	Hong Kong 7 June 2011	HKD 1,000,000	100%	100%	Investment Holding
Henan Tianbao Real Estate Limited	Henan PRC 20 September 2005	RMB 10,000,000	100%	100%	Property Development

25. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No events occurred subsequent to September 30, 2014 that would require adjustment to the accompanying consolidated financial statements.