



DEBAO PROPERTY
DEVELOPMENT LTD.
德宝房地产开发有限公司

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Debao Property Development Ltd.
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Annual Report 2009



Building TREASURES

Annual Report 2009



DEBAO PROPERTY...

Treasured Homes in the Heart
of the Pearl River Delta

CORPORATE PROFILE

Established in 2000, Debao Property Development Ltd. is an integrated property developer of quality integrated residential properties and commercial properties in Foshan City, Guangdong Province, the PRC. Our vertically-integrated business model and operations enable us to carry out key aspects of property development, such as design, construction and marketing, in-house as well as manage the developments after completion.

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

Our business comprises four segments: property development, construction contract, property investment, and property management. As of 30 November 2009, we have completed five property development projects with an aggregate Gross Floor Area (GFA) of approximately 635,000 sq m. In addition, the Group has a further total GFA of approximately 1,398,000 sq m of properties under and held for future development. As part of our property investment business, we hold selected commercial properties that we developed or bought for capital appreciation for recurring and stable rental income. We also provide management services for residential properties developed by us.

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

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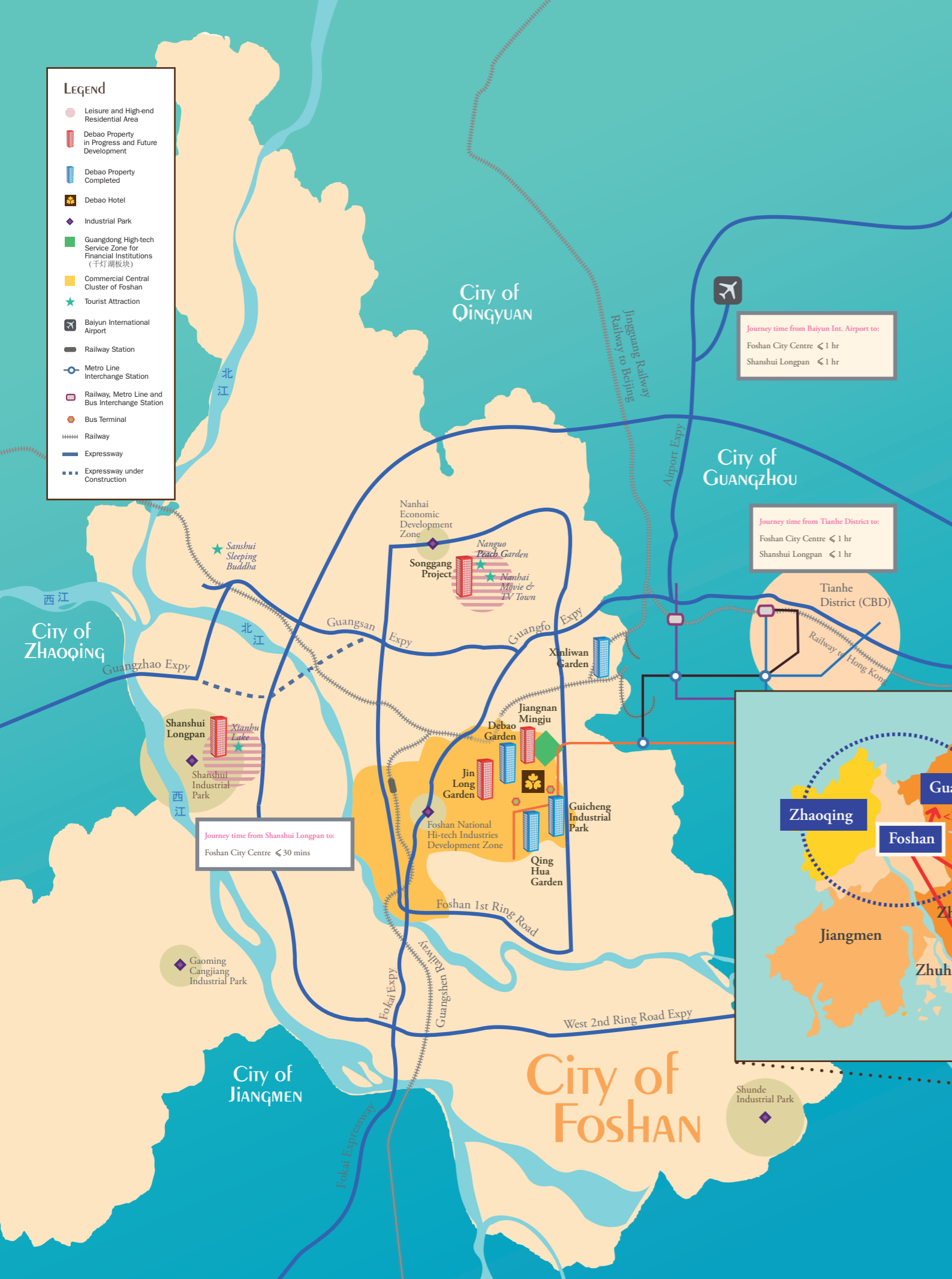
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DEBAO PROPERTY
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LEGEND

- Leisure and High-end Residential Area
- Debao Property in Progress and Future Development
- Debao Property Completed
- Debao Hotel
- Industrial Park
- Guangdong High-tech Service Zone for Financial Institutions (千好湖板块)
- Commercial Central Cluster of Foshan
- Tourist Attraction
- Baiyun International Airport
- Railway Station
- Metro Line Interchange Station
- Railway, Metro Line and Bus Interchange Station
- Bus Terminal
- Railway
- Expressway
- Expressway under Construction



OUR LOCATION

About Foshan City

Strong Economic Indicators (2008)

- GDP of RMB433.33 billion: Ranked 11th largest city in China by GDP
- Real GDP growth rate of 15.2%: Out-pace GDP growth in Beijing and Shanghai
- GDP per capita of RMB72,975: Ranked 3rd highest, after Suzhou and Guangzhou, and higher than Beijing and Shanghai
- Per capita annual disposable income of RMB22,494: Comparable to Beijing and Shanghai; and increasing steadily since 2002

Strong Industrial Economy

- 7 major industrial parks which accommodate over 3,000 companies and produce over RMB250 billion worth of industrial output annually
- Traditional pillar industries include ceramics, knitting, clothing, furniture, and aluminum processing amongst others

Guangzhou-Foshan Integration Scheme

- Cooperation in 4 key areas: Urban planning, transport infrastructure, industrial development and environmental protection
- Guangzhou-Foshan Metro Line to be launched in 2010, enhancing attractiveness and growth prospects of Foshan's property market
- Foshan is where the Guangdong High-Tech Service Zone for Financial Institutions is located

Property Market in Foshan

- Remarkable growth in new residential construction, transaction volumes and housing prices, in line with city's economic growth and urban transformation
- Recovery of buyer confidence in 2Q2009 where demand (sales housing area of 2.9 million sq m) outstrip supply (approved pre-sale housing area of 1.5 million sq m). Housing take-up rate stood at as high as 191.8%

FOSHAN

Strategically located manufacturing and logistics centre for the Pearl River Delta region in Guangdong Province, with close proximity to Guangzhou, Hong Kong and Macau



OUR PROPERTIES

As of 30 November 2009, we had completed property development projects with an aggregate GFA of approximately 635,000 sq m, including Xinliwan Garden and Debao Garden which we had taken over from our predecessors.

Property Development	Approximate Total GFA (sq m)	Status
Xinliwan Garden (Project by our predecessors)	91,000	Completed in September 1998
Debao Garden (Project by our predecessors)	68,000	Completed in October 2000
Guicheng Industrial Park	48,000	Completed in April 2002
Qing Hua Garden (Joint venture project)	78,000	Completed in June 2004
Jiangnan Mingju Phases 1 to 4	350,000	Completed in October 2007
Jiangnan Mingju Phases 5 and 6	165,000	Under development - Expected date of completion in August 2010
Jin Long Garden (Joint venture project)	142,000	Under development - Expected date of completion in December 2011
Shanshui Longpan	968,000	Under development - Expected completion in 4 to 5 years
Songgang Project	123,000	Future development - Expected date of completion in 2012

As of 30 November 2009, we have a total GFA of approximately 1,398,000 sq m of properties under and held for future development.



CHAIRMAN'S STATEMENT



Dear Shareholders,

I am pleased to present our very first Annual Report for the financial year ended 31 December 2009, shortly after our recent initial public offering exercise on the Main Board of the Singapore Exchange. Involving the sale of 125 million Invitation Shares at S\$0.43 each, our IPO was 1.2 times subscribed, attracting strong interest from a wide base of institutional and retail investors alike. In particular, four anchor investors, namely, Aurum Investments Pte Ltd, Master Legend Development Limited, Sino Alliance Investment Limited, and Sunshine Asset Management (HK) Ltd, subscribed for approximately 66.7% of the Invitation Shares.

We are grateful to the overwhelming response to our IPO, and are heartened that our new shareholders see the potential of the Foshan property market, our experience and established track record in the area, and our plans to expand our operations in that city.

Despite news about the PRC government's cooling down measures to China's bustling property market, we believe that the sector will continue to be buoyant in Tier 2 cities, particularly in Guangdong's Pearl River Delta. Strategically located next to Guangzhou, the city of Foshan is seeing many new residential construction projects, thanks to the government's initiatives to integrate the strengths of Guangzhou and Foshan. With our established track record in property development in the area, and the stellar Debao brand name, we are strongly positioned in our core business of integrated residential and commercial property developments, and will continue to build up our land reserves, in particular land with high development potential that is of good value, and portfolio of investment properties so as to deliver sustainable and long term value to our shareholders.



Involving the sale of 125 million Invitation Shares at S\$0.43 each, our IPO was 1.2 times subscribed, attracting strong interest from a wide base of institutional and retail investors alike.

This is precisely the reason why we have raised approximately S\$47.9 million in our recent IPO – S\$25.0 million for our Group's existing property development projects; S\$13.0 million for acquisition of new development sites and investment properties; while the balance is for working capital purposes.

Financial Review

Shareholders would note that Debao has presented two sets of consolidated financial statements – Actual and Proforma – in this report. This arose as a result of the restructuring exercise the Group undertook prior to the listing on the SGX-ST, in which common control over our operating subsidiaries in the PRC by our shareholders prior to the Invitation cannot be established from the start of 1 January 2006 due to changes in legal ownership of our operating subsidiaries.

Under the Singapore Financial Reporting Standards 103 (the "SFRS 103"), the acquisition of the PRC subsidiaries by our Group requires the development properties and property held for sale by the respective PRC subsidiaries to be recorded at fair value (the "Notional Adjustment") at the respective dates of acquisition by our Group. As a result, our gross profits and earnings for FY2008 and FY2009, as well as future financial periods/years based on the Actual Consolidated Financial Statements would be lower than those that would be prepared under the Proforma Consolidated Financial Statements.

As such, besides the audited consolidated financial statements for FY2008 and FY2009, namely the Actual Consolidated Financial Statements, Debao has also prepared the Proforma Consolidated Financial Statements for FY2008 and FY2009 for better illustrative purposes.

Notwithstanding the above, such Notional Adjustments have no bearing on the operating cash flow or the cash position of our Group.

In FY2009, Group revenue surged 3.6 times to RMB575.6 million as we had managed to sell more units and achieved higher average selling price for our properties, on the back of robust market demand in China. In line with increased sales activity, our Group's cost of sales rose to RMB481.2 million.

There were a number of factors that affected our profitability in FY2009 compared to the previous year. Our FY2008 pre-tax profit was higher largely from a negative goodwill, which amounted to RMB139.1 million arising from the acquisition of two Group subsidiaries; a RMB3.1 million gain from the acquisition of additional shares in a subsidiary; and a RMB72.9 million gain from the dilution of minority interests as a result of our Group's capital injection in the Foshan Sanshui Nengrun Property Development Co. Ltd.

CHAIRMAN'S STATEMENT

In addition, the change in fair value of convertible loan notes rose to RMB57.0 million in FY2009 following the extension for another twelve months for conversion/redemption of the convertible loan notes and higher fair value of the embedded conversion option based on valuations carried out by independent valuers. The said convertible loan notes have been converted into shares of the Company on 30 March 2010 prior to the Group's listing on the Singapore Exchange. You will be pleased to note that there will be no further charge of this nature to our Group's income statement after this.

Without these non-cash items in our Group's FY2008 results, our profitability in FY2009 would have been higher.

Increased income tax, led by higher land appreciation and statutory enterprise income taxes, grew by 3,274% to RMB46.8 million, resulting in Debao reporting an actual net loss of RMB23.3 million in FY2009.

Proforma net profit, however, surged 21.0 times to RMB60.6 million, helped by our Group's strong operational cash inflow of RMB108.7 million.



Condominiums, Shanshui Longpan

Business Prospects

The strong economic development and increasing urbanisation in the PRC has led to generally higher disposable incomes of consumers, and increasing affluence of the population in recent years. In the latest quarter, China's gross domestic product ("GDP") expanded by 11.9%, up from 10.7% in the fourth quarter of 2009, and consumer prices rose 2.4% in March 2010, following a 2.7% increase in February 2010 and a 1.5% increase in January 2010, which reflects an accelerated recovery of the PRC economy and enhanced consumer confidence.

The Guangzhou-Foshan integration scheme initiated by local government also bodes well for the Group. With the launch of Guangzhou-Foshan Metro Line later this year, the increasing transportation connectivity will further enhance attractiveness and growth prospects of Foshan's property market.

Against this upbeat backdrop in Foshan, Debao officially launched the first phase of Shanshui Longpan, our prestigious high end villa township, on 2 May 2010. Located on a sprawling site area of 994,000 sq metres, Shanshui Longpan has a gross floor area of approximately 968,000 sq metres comprising residential units, villas, bungalows, a 4-star hotel, retail shops, offices, as well as three man-made lakes. Completion of this mega-scale township is expected in four to five years timeframe. We are highly excited about Shanshui Longpan as it is our largest project to-date and we anticipate it to be our Group's key growth driver for the next four to five years. It's an exciting time for Foshan, and we are glad that our new shareholders and investors can share in Debao's growth opportunities.

Acknowledgments

This first Annual Report is a tribute to all of you who have worked hard to transform Debao into a publicly-listed company.

Debao's corporate success would not have been possible if not for the tireless dedication, loyalty and commitment of our management and staff who have made it their lives mission to develop our award-winning properties. We would like to thank everyone who was involved in the success of our IPO in Singapore, in particular, Kim Eng Corporate Finance Pte. Ltd., our Issue Manager, Adviser, and Joint Underwriter and Placement Agent; UOB Kay Hian Private Limited, Joint Underwriter and Placement Agent; and our Adviser, Partners Capital (Singapore) Pte Ltd. We look forward to all of your continued support in our next phase of growth.

To our shareholders and investors, we bid you a warm welcome and look forward to your continued support as we take Debao to new heights. I assure you that we will continue to focus our efforts to deliver more value to all of our shareholders.

Yuan Le Sheng

Executive Chairman and CEO

Garden Area, Jiangnan Mingju



Jiangnan Mingju, Phases 5 & 6



主席献词

尊敬的股东们

很高兴向你们呈上截至2009年12月31日财政年度的第一份年报。我们刚刚在新交所主板上市，发行1亿3800万邀请股，每股售价新币0.43元。我们的首次公开售股认购率达到1.2倍，引起了机构和个人投资者的极大兴趣，尤其是四家主要投资者，即 Aurum Investments Pte Ltd, Master Legend Development Limited, Sino Alliance Investment Limited 和 Sunshine Asset Management (HK) Ltd. 他们认购了约66.7%的邀请股股份。

我们感谢大家对我们首次公开售股的热烈反响，这表明我们的新股东看到了佛山房地产市场的发展潜力，并认可我们在此地区的丰富经验、良好信誉以及未来的发展前景。

尽管中国政府正在采取措施抑制中国房地产市场过热的形势，我们仍然看好二线城市尤其是广东珠三角地区的房地产市场。佛山地理位置临近广州，政府大力促进广州和佛山同城化的措施，推动了许多新的住宅项目的建设。鉴于我们在佛山房地产开发领域的良好业绩以及德宝品牌的优良信誉，我们始终把业务重心放在住宅和商业一体化的房地产开发领域，并将继续扩大土地储备—尤其是有巨大开发潜力的土地、增加投资性房产，从而为股东带来长期的收益。

这正是我们在首次公开售股中筹集新币4790万元资金的原因—其中新币2500万元用于公司现有的房地产开发项目；新币1300万元用于购买新的开发土地和投资性房产；而余额则用作营运资本。

业绩概要

股东们可能注意到年报里包含了两份合并财务报表—实际合并财务报表和模拟合并财务报表。这是由于公司在新交所上市前的重组活动中，我们子公司的法人权益发生变更而导致我们的股东对我们中国子公司的控制不能于2006年1月1日建立。

根据新加坡财务报告准则103条的规定，我们公司收购中国的子公司时，需要把各子公司的房地产开发项目和持有用于销售的房地产项目，按照各个收购日的公允价值进行记录



（“帐面调整”）。因此，我们在2008财政年度、2009财政年度以及将来的财政期间、年度，实际合并财务报表中的毛利和盈利将会比模拟合并财务报表中的低。

因此，除了已审计合并财务报表—即实际合并财务报表，德宝也为2008财政年度和2009财政年度准备了模拟合并财务报表，以作说明。

但是，这项账面调整对公司的营运现金流和现金状况不会有实际影响。

在2009财年，因为中国房地产市场需求强劲，我们房地产项目的销售面积和平均售价都有所增长，公司的销售额暴涨3.6倍达人民币5亿7560万元。由于销售活动有所增加，公司的销售成本也增至人民币4亿8120万元。

2008财年的税前利润比2009财年高，主要是由于我们在2008财年收购两个子公司带来的人民币1亿3910万元的负商誉，收购子公司的额外股份带来人民币310万元的收益，以及公司为佛山市三水区能润置地房地产开发有限公司注资带来的少数股东权益摊薄带来的人民币7290万元的收益。

此外，2009财年在可转换债券的转换/赎回期延长12个月之后，基于独立评估师所作的评估，其公允价值有所提高，因此2009财年可转换债券的公允价值调整的价值为人民币5700万元。以上可转换债券已经在2010年3月30日—即公司于新交所上市前，转换成公司股份，因此自转换后公司的损益表不会再有此类型的会计调整。

如果公司2008财年的业绩不包括这些非现金项目，我们在2009财年的利润增长率会更高。

由于土地增值税和企业所得税的提高，我们的所得税增长了3274%（即人民币4680万元），因此德宝在2009财年的实际净亏损为人民币2330万元。

2009财年模拟合并财务报表中我们的净利润暴涨了21倍（即人民币6060万元），同时公司产生了人民币1亿870万元的强大营运现金流。

业务前景

中国近年来强劲的经济形势以及快速的城市化进程，大大提高了人们的生活水平，特别是可支配收入水平。中国的国民生产总值增长率从2009年第四季度的10.7%上升至2010年第一季度的11.9%。

而消费价格指数在2010年1月增长1.5%，2月增长2.7%之后，在3月继续提高2.4%，这反映了中国的经济复苏加快，消费者信心增强。

政府主导的广州—佛山同城化项目也大大有利于公司的发展。随着今年年底广州—佛山地铁线路的开通，广州与佛山之间的交通会变得越来越便捷，这将进一步增强佛山房地产市场的吸引力和发展前景。

在此有利的背景下，德宝于2010年5月2日正式推出我们的高级别墅社区项目—山水龙盘的第一期。山水龙盘占地面积达99.4万平方米，总建筑面积达96.8万平方米，其中包括住宅单位、别墅、联排别墅、零售商店、办公楼、一座四星级酒店和三个人工湖。这一大型社区项目预计将于4至5年完成。我们对山水龙盘报以很高期望，因为这是我们迄今为止最大的项目，我们预计这将是未来4至5年公司发展的主要推动力。在这激动人心的时刻，我们很高兴新股东们和投资者们可以一起来分享德宝的发展机遇。

致谢

在此，我们感谢大家对德宝上市所作出的努力。

假如没有我们管理层和员工的不懈努力和奉献精神，把开发优质房产作为他们的终身追求，德宝不可能像今天这样成功。在此要感谢所有参与我们在新加坡首次公开售股的朋友们，尤其是我们的发行经理、顾问和联合承销商和配售商 Kim Eng Corporate Finance Pte. Ltd, 联合承销商和配售商 UOB Kay Hian Private Limited, 以及我们的顾问 Partners Capital (Singapore) Pte Ltd. 希望你们继续支持我们的发展。

我们对各位股东和投资者表示热烈欢迎，期待你们继续支持我们。我向你们保证，我们会不断努力，把德宝推向新的发展高度，为所有股东带来更大的收益。

袁乐生

执行主席兼总裁

BOARD OF DIRECTORS

Mr Yuan Le Sheng

Executive Chairman and CEO

(Date appointed to the Board: 20 August 2009)

The founder of our Group, Mr Yuan, is involved in the overall management of our property development activities as well as the business of our Group and has been spearheading our expansion and growth. Mr Yuan is instrumental to our growth and development, responsible for our operations, marketing, public relations as well as formulating and implementing our business strategies and development plans. Mr Yuan has more than 15 years of experience in the construction and real estate development industries. Prior to the establishment of our Group, Mr Yuan was a researcher in the He Shun Town Committee, Nanhai District, from July 1984 to May 1988 and was the head of Nanhai Guicheng Town Judiciary Office from May 1988 to March 1992. From March 1992 to July 1995, Mr Yuan took on the position of the deputy general manager of Nanhai Guinan Property Development Limited where he was in charge of administration and development. From 1995 to 2000, Mr Yuan was a general manager of Nanhai Guicheng Complex Property Development Co., Ltd. Mr Yuan was certified as an assistant construction engineer under the Nanhai Construction Series Beginner's Professional Technical Qualification for Work by the Human Resource Bureau of Nanhai District in January 2002 and obtained a bachelor's degree in construction project management from the Hubei Engineering College in 2003.

Mr He Ke Ping

Executive Director

(Date appointed to the Board: 23 November 2009)

Mr He is the overall in-charge of our Group's administration, property investments and management, maintenance, contracts and procurement departments. Mr He is also in-charge of our Group's finance functions, which he started handing over to Mr Chong Chee Hoong, our Chief Financial Officer, since October 2009. As at 31 March 2010, Mr Chong Chee Hoong has taken over the financial accounting and reporting functions from Mr He Ke Ping.

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

Mr Zhang Mao

Executive Director

(Date appointed to the Board: 23 November 2009)

Mr Zhang is in charge of the development and engineering departments of our Group and oversees the development of property development projects of our Group such as Jin Long Garden and Jiangnan Mingju. Prior to joining our Group in November 2000, Mr Zhang joined Nanhai Guicheng Complex Property Development Co., Ltd as a manager of the engineering and development department from January 1996 to January 1998 and Nanhai Guicheng Debao Property Development Co., Ltd. as the assistant to general manager from January 1998 to November 2000. When our Group was established in 2000, he was the assistant to the general manager and was appointed as the deputy managing director of our Group prior to his current appointment. From August 1983 to June 1993, Mr Zhang worked at the Ministry of Mechanical Engineering

and Industry No. 8 Design Institute where he was a group leader in charge of construction structural design. From July 1993 to December 1995, he was the technical head of Guangdong Huizhou Construction Development Co., Ltd where he was responsible for overseeing construction work undertaken by the said company. Mr Zhang Mao obtained a degree in construction structural engineering at the Inner Mongolia Industrial University where he graduated in 1983. He was also certified as a Senior Engineer for Construction Projects in charge of Technical Management by the Human Resource Department of Guangdong Province in January 2001.

Mr Zhong Yu Zhao

Executive Director

(Date appointed to the Board: 23 November 2009)

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

Ms Zheng Li Hua

Non-executive Director

(Date appointed to the Board: 20 August 2009)

Ms Zheng is our Controlling Shareholder and also the spouse of our founder and Executive Chairman and CEO, Mr Yuan Le Sheng. From 1989 to 1993, she was a teacher at Foshan Nanhai Guicheng Central Kindergarten. Ms Zheng was an accounts officer with Foshan Nanhai Guicheng Agriculture Development Co., Ltd. from 1993 to 1997 and the accounts manager of Foshan Nanhai Guicheng Wire and Cable Co., Ltd. from 1997 to 1998. From 1998 to 2003, she was the head of administrative office of Foshan Nanhai Water Conservancy Sub-Bureau Guicheng Office

where her role was of an administrative nature and on a part-time basis with minimal involvement in the day-to-day operations (in particular from 2000 onwards when she moved to Macau). From 2003 to 2005, Ms Zheng was the general manager of Foshan Kangyi Decoration and Design Co., Ltd. Ms Zheng Lihua is currently the chairman and executive director of Foshan Nanhai Jiangnan Bilingual Arts Kindergarten, which leases premises at Jiangnan Mingju Phases 1 to 4 to operate as a kindergarten. Ms Zheng's roles in Foshan Kangyi Decoration and Design Co., Ltd and Foshan Nanhai Jiangnan Bilingual Arts Kindergarten mainly pertain to that of a shareholder/general manager where she oversees the strategic directions and overall supervisory of these entities and the day-to-day operations are managed by her business partners and employees.

Mr Cheong Keng Chuan Alfred

Lead Independent Director

(Date appointed to the Board: 23 November 2009)

Mr Cheong is currently an executive director of Horwath First Trust LLP (formerly known as First Trust Partnership), a local firm of certified public accountants. He has over 10 years of experience in the audit and financial consulting services industry, including serving six years at the legacy Arthur Andersen from January 1996 to May 2001 and two years at Protiviti Pte Ltd from March 2003 to April 2005. Mr Cheong also has extensive experience in commercial financial management having held the post of regional financial manager at Linklaters Allen & Gledhill Pte Ltd, an international legal firm from June 2001 to May 2002 and as the financial controller of Aztech Systems Ltd., a public listed company in Singapore from June 2002 to October 2002. He holds a Bachelor's degree in Commerce (with majors in Accountancy and Economics) from Deakin University, Australia and is a certified practising member of Certified Practising Accountants, Australia. Mr Cheong is currently an independent director and the chairman of the audit committees of C&G Industrial Holdings Limited, China Hongxing Sports Limited, Sinotel Technologies Ltd and Cacola Furniture International Ltd, all of which are companies listed on the Official List of the SGX-ST.

BOARD OF DIRECTORS

Mr Seetoh Kok Choi Watson

Independent Director

(Date appointed to the Board: 17 December 2007)

Mr Seetoh is a director of Sanshui Property, Jiangnan Property and Debao Property. Mr Seetoh has more than 20 years of experience in the financial industry and started his career as an accountant with Stal Astra Refrigeration SEA Pte Ltd in Singapore in 1983. Since then, he has held various financial positions with both local small and medium enterprises and foreign based multi-national corporations including Dyno Industries (S) Pte Ltd where he was the group accountant from 1984 to 1988. Dyno Industries (S) Pte Ltd manufactures formaldehyde as well as urea and phenol formaldehyde glues, alkyd and unsaturated polyester resins and expandable polystyrene with factories in Indonesia, Malaysia and Singapore. He was the vice president controller from 1992 to 1997 for the Stanley Works Asia Pacific Pte Ltd, a regional headquarter for Asia Pacific and regional distribution center for The Stanley Works, a company listed on the New York Stock Exchange. Mr Seetoh also held various senior financial positions in public companies in Singapore. He was the chief accountant of L&M Group Investment Ltd from 1988 to 1990, the group financial controller of Hartford Education Corporation Limited from 2001 to 2002 and the chief financial officer of Top Global Limited from 2002 to 2003, all of which are listed on the SGX-ST. Mr Seetoh joined M.C. Packaging (Pte.) Ltd, a company dealing in metal packing with operations in Singapore, Malaysia and the PRC, as a financial advisor in 2004 and was subsequently appointed as its group managing director in 2005, a position which he still holds to-date. Mr Seetoh passed the professional qualification examinations of the Association of Chartered and Certified Accountants, UK, in 1982 and was admitted as a fellow member of the Association of Chartered and Certified Accountant in 1991. He has also obtained a Master in Business Administration from the University of Western Sydney and an Advanced Professional Diploma in Business Innovation from Leeds Metropolitan University of UK.

Mr He Guo Quan

Independent Director

(Date appointed to the Board: 23 November 2009)

Mr He has over 10 years of experience in the audit and financial consulting services industry. Mr He joined Guangdong Zhengzhong Zhujiang Accounting Firm in 1997 as an auditor and held positions such as manager and senior manager before he was made a partner in the audit department in 2005, a position which he holds to-date. Mr He graduated from the Zhongnan University of Finance and Economics with a degree in International Accounting and is a member of the Chinese Institute of Certified Public Accountants and the Certified Public Accountants, Australia. Mr He is also certified as a Certified Internal Auditor by the Institute of Internal Auditors.

Mr Kong Yu Quan

Independent Director

(Date appointed to the Board: 23 November 2009)

Mr Kong has been qualified as a practising lawyer in the PRC since 1993 and is currently a partner at Jingtian & Gongcheng. From 1991 to 1993, he was the section head of Shenzhen Renmin Bank and from 1993 to 2003, Mr Kong was the deputy division head of the China Securities Regulatory Commission. Prior to joining Jingtian & Gongcheng in 2007, Mr Kong was a partner of Guangdong Junyan Law Office from 2003 to 2007. Mr Kong holds a Bachelor of Laws from Suzhou University, Master in International Economics Law from Zhongguo Renmin University and Master of Laws in International Economic Law from The University of Warwick.

SENIOR MANAGEMENT

Mr Chong Chee Hoong

Chief Financial Officer

Mr Chong is our Chief Financial Officer and joined our Group in March 2009. Mr Chong has more than 13 years of working experience in assurance practice and corporate management. Mr Chong currently oversees our Group's corporate development, financial reporting and investor relations matters. In addition, Mr Chong has also started taking over the role of overseeing of our Group's financial accounting and reporting functions from Mr He Ke Ping, our Executive Director, since October 2009. As at 31 March 2010, Mr Chong Chee Hoong has taken over the financial accounting and reporting functions from Mr He Ke Ping.

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

Ms Lu Jin Ming

Deputy General Manager (Project Development)

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

Mr Yang Qi Man

Deputy General Manager (Construction and Project Budgeting)

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

Mr Li Ke

Finance Manager

Mr Li is our Finance Manager and joined our Group in August 2008. Mr Li has more than six years experience in the audit and financial industry. He is in charge of the preparation of our Group's financial statements and financial reporting and is also responsible for our Group's internal controls and systems compliance review. He started his career as an audit assistant at C H Ng & Co from February 2004 to January 2006. From February 2006 to November 2006 and December 2006 to June 2007, Mr Li was an audit senior with Horwath First Trust and Deloitte & Touche respectively. Prior to joining our Group in August 2008, Mr Li was the finance manager of China KL International Pte. Ltd. from June 2007 to June 2008. Mr Li holds a Diploma in Finance and Trade from the Sichuan University of Science & Engineering (formerly known as Sichuan Light Chemical Industry College) and obtained a Bachelor of Science (First Class Honours) in Applied Accounting from Oxford Brookes University, UK. Mr Li passed the professional qualification examinations of the Association of Chartered and Certified Accountants, Singapore, in 2003 and has been a member of Association of Chartered and Certified Accountants and Institute of Certified Public Accountants of Singapore since August 2007 and November 2008 respectively.

CORPORATE INFORMATION

Board of Directors

Yuan Le Sheng (Executive Chairman and CEO)
He Ke Ping (Executive Director)
Zhang Mao (Executive Director)
Zhong Yu Zhao (Executive Director)
Zheng Li Hua (Non-Executive Director)
Cheong Keng Chuan Alfred (Lead Independent Director)
Seetoh Kok Choi Watson (Independent Director)
He Guo Quan (Independent Director)
Kong Yu Quan (Independent Director)

Audit Committee

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

Nominating Committee

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

Remuneration Committee

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

Company Secretary

Ng Peishi Loseana, LLB (Hons)

Registered Office

1 Robinson Road
#17-00 AIA Tower
Singapore 048542
Tel: (65) 65351944
Fax: (65) 65358577

Share Registrar

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



Hillside Villas, Shanshui Longpan

Principal Place of Business

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

Auditors

Deloitte & Touche LLP
6 Shenton Way
#32-00 DBS Building Tower Two
Singapore 068809

Partner-in-charge
Jeremy Toh Yew Kuan
(appointed on 1 April, 2008)

Principal Bankers

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

China Agricultural Bank Co., Ltd
Nanhai-Foshan Sub-branch
Jinhui Building, Nanhai Avenue, Guicheng
Nanhai, Foshan City, Guangdong Province, the PRC

China Agricultural Bank Co., Ltd
Danzao-Nanhai-Foshan Sub-branch
20 Commercial Avenue, Danzao
Nanhai, Foshan City, Guangdong Province, the PRC

China Construction Bank Co., Ltd
Foshan Sub-branch
No. 327 Foshan South Avenue
Foshan City, Guangdong Province, the PRC

China Merchants Bank Co., Ltd
Foshan Branch
No. 23, Hongye Palace, Jihua 5th Road
Foshan City, Guangdong Province, the PRC

CORPORATE GOVERNANCE

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

1. BOARD MATTERS

BOARD COMPOSITION AND CONDUCT OF ITS AFFAIRS

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

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

The Board of Directors (the “Board”) comprises nine Directors, of whom four are independent Directors. Collectively, the members of the Board have varied expertise and knowledge in legal, accounting, finance, business development and strategies, administration as well as sales and marketing. The Directors are as follows:

Name of Director	Age	Date of first appointment	Date of last re-election	Designation
Yuan Le Sheng	43	20 August 2009	30 December 2009	Executive Chairman and Chief Executive Officer (“CEO”)
He Ke Ping	48	23 November 2009	30 December 2009	Executive Director
Zhang Mao	48	23 November 2009	30 December 2009	Executive Director
Zhong Yu Zhao	34	23 November 2009	30 December 2009	Executive Director
Zheng Lihua	45	20 August 2009	30 December 2009	Non-executive Director
Cheong Keng Chuan Alfred	41	23 November 2009	30 December 2009	Lead Independent Director
Seetoh Kok Choi Watson	52	17 December 2007	30 December 2009	Independent Director
He Guo Quan	33	23 November 2009	30 December 2009	Independent Director
Kong Yu Quan	44	23 November 2009	30 December 2009	Independent Director

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

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

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

CORPORATE GOVERNANCE

In between the scheduled meetings, the Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing. Ad-hoc Board meetings are also convened as and when they are deemed necessary in between the scheduled meetings.

The Company was formally admitted to the Official List of the SGX-ST on 12 April 2010 (the “IPO”) and up to the date of this report the Board has held one meeting during this period. To assist the Board in the discharge of its responsibilities, the Board has established three Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee. These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

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

Name of Directors	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Yuan Le Sheng	1	1	1	1 [^]	1	1 [^]	1	1 [^]
He Ke Ping	1	1	1	1 [^]	1	1 [^]	1	1 [^]
Zhang Mao	1	1	1	1 [^]	1	1 [^]	1	1 [^]
Zhong Yu Zhao	1	1	1	1 [^]	1	1 [^]	1	1 [^]
Zheng Lihua	1	–	1	–	1	–	1	–
Cheong Keng Chuan Alfred	1	1	1	1	1	1	1	1
Seetoh Kok Choi Watson	1	–	1	1	1	–	1	–
He Guo Quan	1	1	1	1	1	1	1	1
Kong Yu Quan	1	–	1	–	1	–	1	–

[^] : by invitation

In addition, Mr Seetoh Kok Choi Watson has been appointed as a director of our wholly-owned principal subsidiaries, namely Foshan Sanshui Nengrun Property Development Co., Ltd., Foshan Nanhai Jiangnan Mingju Property Development Co., Ltd. and Foshan Nanhai Debao Property Development Co., Ltd.. Going forward, the Company will also appoint an Independent Director onto the board of directors of any new principal operating subsidiary.

Training for Directors

A formal letter has been sent to each Director, upon his appointment, setting out the Director’s statutory duties and obligations. All Directors receive appropriate training to develop individual skills as required. Directors are provided with extensive background information about the Group’s history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. Directors also have the opportunity to visit the Group’s operational facilities and meet with Management to gain a better understanding of the Group’s business operations. The Board as a whole is updated regularly on risk management, corporate governance and key changes in the relevant regulatory requirements and accounting standards.

CHAIRMAN AND CEO

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

In view of Mr Yuan Le Sheng’s appointment as our Executive Chairman and CEO, Mr Cheong Keng Chuan Alfred has been appointed as the Lead Independent Director of the Company, pursuant to the recommendations of the Code. In accordance with the recommendations on the Code, our Lead Independent Director will be available to our Shareholders in respect of concerns which contact through the normal channel of the Chairman has failed to resolve or for which such contact is inappropriate.

CORPORATE GOVERNANCE

The Executive Chairman and CEO sets the agenda for the Board meetings and exercises control over quality, quantity and timeliness of the flow of information between the Management of the Company and the Board. The Executive Chairman and CEO also ensures that procedures are adopted to comply with the Code and ensure effective communication with Shareholders.

BOARD MEMBERSHIP / NOMINATING COMMITTEE (“NC”)

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

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

The NC comprises the following members:

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

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

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

1. identifying and reviewing candidates and making recommendations to the Board for appointment or re-appointment of members to the Board;
2. determining annually whether or not a director is independent; and
3. evaluating the Board’s performance as a whole and the contribution by each individual Director to ensure the effectiveness of the Board as a whole.

The NC has adopted a formal process for the evaluation of the performance of the Board as a whole and contribution from each individual Director to the effectiveness of the Board. This process takes into consideration a number of factors, such as the adequacy of the Director in carrying out his duties as Director of the Company, the independence of the Director, setting objective performance criteria, including those set out in the Code.

Reviews of the Board performance, as appropriate, are undertaken collectively by the Board annually and informally on a continual basis by the NC. The search and nomination for new directors, if any, will be either from internal promotion or through search companies, contacts and recommendations that go through the normal selection process, to cast the net as wide as possible for the right candidates.

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

All Directors appointed during the year will hold office only until the next AGM and will be eligible for re-election. In evaluating the Director’s contribution and performance for the purpose of re-nomination, the Company takes into consideration factors such as attendance, preparedness, participation and candour.

CORPORATE GOVERNANCE

ACCESS TO INFORMATION

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

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

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

The Company Secretary attends all Board meetings and ensures Board procedures are followed. The Company Secretary is also responsible to ensure that established procedures and all relevant statutes and regulations that are applicable to the Company are complied with.

2. REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises three following Directors, all of whom are Non-Executive and Independent Directors.

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

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

1. reviewing and recommending to the Board the remuneration package of each Director;
2. reviewing and recommending to the Board the remuneration of executive officers as well as related employees;
3. determining the contents of any service contract proposed to be entered into by the Company with a director or executive officer; and
4. approving and reviewing succession plans for key positions.

All aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options and other benefits-in-kind shall be covered by the Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package.

CORPORATE GOVERNANCE

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

The Executive Directors' remuneration packages are based on their Service Agreements with the Company as disclosed in the Company's Prospectus dated 31 March 2010 (the "Prospectus"). The Service Agreements are for an initial period of three (3) years with effect from 12 April 2010. The Service Agreements provided for termination by either party giving not less than three (3) months' notice in writing. Executive Directors do not receive Directors' fees.

Non-Executive Directors are paid Directors' fees, determined by the Board based on the effort, time spent and responsibilities of the Non-Executive Directors. The payment is subject to approval of the Shareholders at each AGM. As the Company has been formally admitted to the Official List of the SGX-ST on 12 April 2010, no directors' fees will be payable for the financial year ended 31 December 2009.

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

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

The remuneration of the Company's Directors, top key executives and employees related to the Directors for the financial year ended 31 December 2009 is as follows:

	Salary, Bonus and Benefits	Director's Fees	Total
	%	%	%
(a) Directors			
<u>Below S\$250,000</u>			
Yuan Le Sheng	100	–	100
He Ke Ping	100	–	100
Zhang Mao	100	–	100
Zhong Yu Zhao	100	–	100
Zheng Lihua	–	–	–
Cheong Keng Chuan Alfred	–	–	–
Seetoh Kok Choi Watson	–	–	–
He Guo Quan	–	–	–
Kong Yu Quan	–	–	–
(b) Key Executives			
<u>Below S\$250,000</u>			
Chong Chee Hoong	100	–	100
Lu Jin Ming	100	–	100
Yang Qi Man	100	–	100
Li Ke	100	–	100

CORPORATE GOVERNANCE

	Salary, Bonus and Benefits	Director's Fees	Total
	%	%	%
(c) Employees related to Directors			
<u>Below S\$150,000</u>			
Zheng Xiong Xian ⁽¹⁾	100	–	100
Yang Hui Yan ⁽²⁾	100	–	100
Yuan Jian Sheng ⁽³⁾	100	–	100
Fang Zai Ming ⁽⁴⁾	100	–	100
Zheng Xiong Wei ⁽⁵⁾	100	–	100
Yuan Jin Jiang ⁽⁶⁾	100	–	100

Notes:

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

A breakdown of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives, as recommended by the Code, has not been provided as such information is not available for the current year under review. Moving forward, the Company will comply with the recommendation of the Code.

The basis of determining the remuneration of these related employees is the same as the basis of determining the remuneration of other unrelated employees. For the current financial year ended 31 December 2009, the aggregate remuneration of the six (6) employees who are related to our Directors amounted to approximately RMB267,000. The total remuneration of these employees will be reviewed annually by the Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from the review.

3. ACCOUNTABILITY AND AUDIT

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

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

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

CORPORATE GOVERNANCE

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

The AC comprises four members, all of whom are Non-Executive and Independent Directors. Members of the AC are as follows:

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

Messrs Cheong Keng Chuan Alfred, Seetoh Kok Choi Watson and He Guo Quan have accounting or related financial management background while Mr Kong Yu Quan is legally qualified in the PRC. The NC is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC’s functions.

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

1. review with the internal and external auditors, the scope and results of audit and its cost effectiveness. Where the external auditors also provide non-audit services to the Company, the AC will keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
2. review the interim and annual financial statements and any significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company as well as any formal announcements relating to the Company’s financial performance before the submission of the same to the Board.
3. conduct an annual review of the effectiveness and adequacy of the Company’s internal controls and procedures with the Chief Financial Officer and the external auditors;
4. ensure and be satisfied with the adequacy and effectiveness of the internal audit function;
5. nominate persons as internal and external auditors, review their appointment or re-appointment as well as matters relating to their remuneration, resignation or dismissal, and recommending the same to the Board;
6. review the independence of the internal and external auditors annually;
7. meet with external and internal auditors without the presence of the Company’s management at least annually and review the co-operation given by the Company’s officers to external and internal auditors;
8. meet with other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC; and
9. review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and to ensure that suitable arrangements are in place for the independent investigation of such matters and that appropriate follow-up action shall be taken.

Apart from the above functions, the AC will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on our Company’s operating results or financial position. Each member of our AC will abstain from voting in respect of matters in which he is interested.

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

There was no non-audit work carried out by the external auditors during the financial year under review. The AC is satisfied with the independence and objectivity of the external auditors, and is pleased to confirm their re-appointment.

CORPORATE GOVERNANCE

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

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

The Management of the Group regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the directors and the AC. The AC expects the risk assessment process to be a continuing process.

The AC has reviewed the Company's risk assessment, and based on the audit reports, management controls in place and the internal control findings by the external auditors in connection with its audit, the AC is satisfied that the internal controls of the Group are adequate.

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

Pursuant to the formal admission of the Company to the Official List of the SGX-ST, the AC will appoint a suitable accounting firm ("Internal Auditor") for the purpose of internal audit to review and assess the system of internal controls of the Group on an annual basis. Before each annual internal audit, the appointed Internal Auditor will propose an internal audit plan to the AC and obtain the approval of the AC before the appointed Internal Auditor can proceed with the internal audit plan. The findings of such internal audit will be submitted by the appointed Internal Auditor to the AC for its review. As at the date of this report, the Company is still in the midst of appointing the Internal Auditor.

As at the date of this report, the Company is in the process of adopting a Whistle-Blowing Policy for the Group. The Policy will serve to encourage and provide a channel for employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The arrangement will also ensure independent investigation of such matters and appropriate follow-up actions.

4. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

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

The Board is mindful of its obligation to release timely and fair disclosure of material information and does not practise selective disclosure. In line with continuous disclosure obligations of the Company in line with the Listing Manual and the Companies Act, Cap. 50, the Board's policy is that all Shareholders should be informed in a timely and equal manner of all major developments that impact the Group.

Price-sensitive announcements including interim and full-year results are released through SGXNET within the mandatory period. All Shareholders of the Company receive the Annual Report and notice of AGM, together with explanatory notes or a circular on items of special business, at least 14 calendar days before the meeting (excluding the date of notice and the date of meeting).

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

CORPORATE GOVERNANCE

The Chairmen of various committees will be available at the AGM to answer questions relating to the work of their respective committees. The external auditors will also be present to address Shareholders' queries about the conduct of the audit and preparation and content of the auditor's report.

5. INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that these transactions are conducted at arm's length basis and are not prejudicial to the interests of the shareholders. Excluding transactions less than S\$100,000, other than disclosed below, there are no other interested person transactions during the financial year under review:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions < \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions < \$100,000)
Yuan Le Sheng	–	S\$653,036 ⁽⁴⁾
Zheng Li Hua	–	S\$1,070,271 ⁽⁵⁾
Zhong Yu Zhao	–	S\$170,561 ⁽⁵⁾
Zhong Yu Zeng ⁽¹⁾	–	S\$544,943 ⁽⁶⁾
Zhang Jia Yi ⁽²⁾	–	S\$148,601 ⁽⁵⁾
Yuan Yu Sheng and Liang Er Jun ⁽³⁾	–	S\$2,120,715 ⁽⁷⁾

Notes:

- (1) Brother of our Executive Director, Mr Zhong Yu Zhao.
- (2) Daughter of our Director, Mr Zhang Mao.
- (3) Mr Yuan Yu Sheng is the brother of our Executive Chairman and CEO, Mr Yuan Le Sheng. Mr Yuan Yu Sheng and Mr Liang Er Jun are business partners.
- (4) Interest expense paid for director's loan.
- (5) Acquisition of residential property units and carpark lots.
- (6) Lease of Debao Hotel Complex.
- (7) Provision of renovation services.

6. DEALINGS IN SECURITIES

The Company has adopted the policies set out in the Listing Manual on dealings in the Company's securities.

The policies have been made known to directors, officers and staff of the Group. In particular, it has been highlighted that dealing in the Company's securities, when the Company's officers (including directors and employees) are in possession of unpublished material price-sensitive information in relation to those securities, is an offence. The Company's officers (including directors and employees) are expected to observe insider trading laws at all times. They are also discouraged from dealing in the Company's securities on short-term considerations, and are prohibited to trade in the Company's securities for the period of two weeks before the announcement of the results for each of the first three quarters of its financial year; and for the period of one month before the announcement of its full-year results.

CORPORATE GOVERNANCE

7. MATERIAL CONTRACTS

Except as disclosed in the Report of the Directors and Financial Statements, no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Executive Chairman and CEO or any Directors or controlling shareholders subsisted at the end of the financial year or had been entered into since the end of the previous financial year.

8. USE OF PROCEEDS

Persuant to the IPO, 125,000,000 new ordinary shares in the issued share capital of the Company have been issued at S\$0.43 each.

As at 4 May 2010, approximately S\$11,720,000 of the net IPO proceeds has been utilised by the Company, details of which are as follows:

Intended Use per the Prospectus	Amount Allocated per the Prospectus (S\$'000) (A)	Cumulative Amount Utilised to-date (S\$'000) (B)	Balance Amount (S\$'000) (A) – (B)
For our existing property development projects	25,000	9,500	15,500
Acquisition of new development sites and investment properties	13,000	–	13,000
General corporate and working capital requirements	9,930	2,220	7,710
Net IPO proceeds	47,930	11,720	36,210

9. TREASURY SHARES

There were no treasury shares as at the end of the financial year ended 31 December 2009.

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REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2009.

1 DIRECTORS

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

Yuan Le Sheng	(Appointed on August 20, 2009)
He Ke Ping	(Appointed on November 23, 2009)
Zhang Mao	(Appointed on November 23, 2009)
Zhong Yu Zhao	(Appointed on November 23, 2009)
Zheng Lihua	(Appointed on August 20, 2009)
Cheong Keng Chuan Alfred	(Appointed on November 23, 2009)
Seetoh Kok Choi Watson	
He Guo Quan	(Appointed on November 23, 2009)
Kong Yu Quan	(Appointed on November 23, 2009)

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of directors and company in which interest is held	Shareholdings registered in name of director			Shareholdings in which directors are deemed to have an interest		
	At beginning of year or date of appointment, if later	At end of year	At January 21, 2010	At beginning of year or date of appointment, if later	At end of year	At January 21, 2010
<u>Ordinary shares of the Company</u>						
Zheng Lihua	9,650,000	9,650,000	9,650,000	–	–	–
Yuan Le Sheng	–	–	–	9,650,000	9,650,000	9,650,000

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

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

REPORT OF THE DIRECTORS

5 SHARE OPTIONS

(a) *Options to take up unissued shares*

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

(b) *Options exercised*

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

(c) *Unissued shares under option*

The Company has entered into a series of convertible loan agreements during the year with different investors on the same terms and conditions since December 2007 and 2008. The fair value of the convertible loan notes as at December 31, 2009 is RMB416,438,000 (2008 : RMB300,830,000). Details relating to the options given to the convertible loan note holders are disclosed in Note 24 to the financial statements.

6 AUDIT COMMITTEE

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

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

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

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

REPORT OF THE DIRECTORS

7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Yuan Le Sheng

Zhang Mao

May 8, 2010

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on page 33 to 78 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2009 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Yuan Le Sheng

Zhang Mao

May 8, 2010

INDEPENDENT AUDITORS' REPORT

To the Members of Debao Property Development Ltd.

We have audited the accompanying financial statements of Debao Property Development Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at December 31, 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 78.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: 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 account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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,

- a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at December 31, 2009 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

Singapore
May 8, 2010

STATEMENTS OF FINANCIAL POSITION

December 31, 2009

	Note	Group		Company	
		2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	6	153,243	63,714	–	–
Restricted cash	7	60,000	–	–	–
Trade and other receivables	8	103,861	59,916	3,061	5,139
Amount due from related parties – non-trade	5	1,023	2,844	–	–
Amount due from subsidiaries	5 & 16	–	–	433,494	336,427
Amount due from customers for contract works	9	27,027	71,332	–	–
Inventories	10	828	154	–	–
Property held for sale	11	13,109	32,358	–	–
Development properties	12	1,335,646	1,415,555	–	–
Land use rights	13	93	–	–	–
Total current assets		1,694,830	1,645,873	436,555	341,566
Non-current assets					
Land use rights	13	3,938	–	–	–
Property, plant and equipment	14	34,558	5,094	–	–
Investment properties	15	163,000	167,490	–	–
Investment in subsidiaries	16	–	–	–	–
Investment in a jointly controlled operation	17	72,606	81,060	–	–
Other investment	18	1,300	1,300	–	–
Deferred tax assets	19	1,864	2,390	–	–
Other non-current asset	20	3,000	3,000	–	–
Goodwill	21	–	–	–	–
Total non-current assets		280,266	260,334	–	–
Total assets		1,975,096	1,906,207	436,555	341,566
LIABILITIES AND EQUITY					
Current liabilities					
Bank and other loans	22	271,655	–	–	–
Trade and other payables	23	212,494	230,021	23,781	3,532
Amount due to related parties – non-trade	5	8,673	1,584	8,423	1,394
Convertible loan notes at fair value	24	416,438	300,830	416,438	300,830
Tax payables		16,510	18,089	–	–
Total current liabilities		925,770	550,524	448,642	305,756
Non-current liabilities					
Bank and other loans	22	401,199	692,731	18,005	–
Deferred tax liabilities	19	173,526	149,005	–	–
Total non-current liabilities		574,725	841,736	18,005	–
Capital, reserves and minority interests					
Share capital	25	47,824	47,824	47,824	47,824
Translation reserve		(2,691)	13,356	(1,863)	(389)
Retained earnings (Accumulated losses)		429,468	452,767	(76,053)	(11,625)
Equity attributable to equity holders of the Company		474,601	513,947	(30,092)	35,810
Minority interests		–	–	–	–
Total equity (capital deficiency)		474,601	513,947	(30,092)	35,810
Total liabilities and equity (net of capital deficiency)		1,975,096	1,906,207	436,555	341,566

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2009

	Note	2009 RMB'000	August 16, 2007 (date of incorporation) to December 31, 2008 RMB'000
Revenue	26	575,604	124,041
Cost of sales		(481,204)	(112,655)
Gross profit		94,400	11,386
Other income	27	4,342	8,222
Selling and distribution expenses		(2,917)	(2,011)
Administrative expenses		(30,581)	(23,405)
Change in fair value of convertible loan notes	24	(57,045)	(9,245)
Share of a jointly controlled operation profit		7,480	1,577
Change in fair value of investment properties	15	14,760	(485)
Negative goodwill	33	–	394,978
Gain from acquisition of additional shares in a subsidiary	33	–	3,115
Gain from dilution of minority interest	33	–	72,859
Impairment of goodwill	21	–	(1,356)
Finance costs	28	(6,934)	(1,782)
Profit before tax	29	23,505	453,853
Income tax expense	30	(46,804)	(1,387)
(Loss) Profit for the year/period		(23,299)	452,466
Other comprehensive (loss) income:			
Exchange differences on translation of foreign operations		(16,047)	13,356
Total comprehensive (loss) income for the year / period		(39,346)	465,822
(Loss) Profit attributable to:			
Equity holders of the Company		(23,299)	452,767
Minority interests		–	(301)
		(23,299)	452,466
Total comprehensive (loss) income attributable to:			
Equity holders of the Company		(39,346)	466,123
Minority interests		–	(301)
		(39,346)	465,822
Earnings per share (RMB)			
Basic (fen)	31	(3.71)	72.11
Diluted (fen)	31	(3.71)	46.20

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2009

	Note	Share capital RMB'000	Retained earnings RMB'000	Translation reserve RMB'000	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total RMB'000
Group							
Balance at August 16, 2007 (date of incorporation)		—*	—	—	—	—	—*
Total comprehensive income for the period		—	452,767	13,356	466,123	(301)	465,822
Arising from acquisition of a subsidiary		—	—	—	—	91,075	91,075
Purchase of additional shares in a subsidiary		—	—	—	—	(17,915)	(17,915)
Issue of shares	25	47,824	—	—	47,824	—	47,824
Minority interest dilution arising from capital injection		—	—	—	—	(72,859)	(72,859)
Balance at December 31, 2008		47,824	452,767	13,356	513,947	—	513,947
Total comprehensive loss for the year		—	(23,299)	(16,047)	(39,346)	—	(39,346)
Balance at December 31, 2009		47,824	429,468	(2,691)	474,601	—	474,601

	Note	Share capital RMB'000	Accumulated losses RMB'000	Translation reserve RMB'000	Total RMB'000
Company					
Balance at August 16, 2007 (date of incorporation)		—*	—	—	—*
Total comprehensive loss for the period		—	(11,625)	(389)	(12,014)
Issue of shares	25	47,824	—	—	47,824
Balance at December 31, 2008		47,824	(11,625)	(389)	35,810
Total comprehensive loss for the year		—	(64,428)	(1,474)	(65,902)
Balance at December 31, 2009		47,824	(76,053)	(1,863)	(30,092)

* Consists of 1 ordinary share amounting to S\$1.

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2009

	Note	2009 RMB'000	August 16, 2007 (date of incorporation) to December 31, 2008 RMB'000
Operating activities			
Profit before tax		23,505	453,853
Adjustments for:			
Fair value (gain) loss of investment properties		(14,760)	485
Change in fair value of convertible loan		57,045	9,245
Negative goodwill		–	(394,978)
Gain from acquisition of additional shares in a subsidiary		–	(3,115)
Gain from dilution of minority interest		–	(72,859)
Impairment of goodwill		–	1,356
(Writeback of) Allowance for doubtful debts		(600)	1,000
Interest expense		6,934	1,782
Depreciation		1,382	1,250
Amortisation of land use right		334	–
Gain on disposal of investment properties		(294)	–
Dividend income		(130)	–
Interest income		(2,914)	(3,220)
Share of a jointly controlled operation profit		(7,480)	(1,577)
Operating cash flows before movements in working capital		63,022	(6,778)
Trade and other receivables		(24,251)	30,619
Development properties		94,048	(500,987)
Properties held for sale		19,249	12,055
Amount due from customers for contract works		44,305	(40,467)
Inventories		(674)	(94)
Trade and other payables		(17,527)	135,689
Cash from (used in) operations		178,172	(369,963)
Interest paid		(46,138)	(57,386)
Income tax paid		(23,336)	(26,345)
Net cash from (used in) operating activities		108,698	(453,694)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2009

	Note	2009 RMB'000	August 16, 2007 (date of incorporation) to December 31, 2008 RMB'000
Investing activities			
Amounts due from related parties		1,821	(107,171)
Advances to a jointly controlled operation		18,700	(3,018)
Purchases of property, plant and equipment		(10,281)	(2,729)
Interest received		283	3,785
Proceeds on disposal of investment properties (Note A)		450	–
Dividend received		130	–
Addition in investment properties		–	(485)
Acquisition of subsidiaries	33	–	(32,435)
Acquisition of additional shares in a subsidiary	33	–	(14,800)
Net cash from (used in) investing activities		11,103	(156,853)
Financing activities			
Placement of restricted fixed deposit		(60,000)	–
Amounts due to related parties		7,089	(62,679)
Proceeds from injection of share capital	25	–	47,824
Proceeds from bank loans		264,493	320,000
Proceeds from other loans		20,000	72,731
Repayment of bank loans		(300,000)	–
Repayment of other loans		(4,370)	–
Proceeds from convertible loan		42,516	296,385
Net cash from financing activities		(30,272)	674,261
Net increase in cash and cash equivalents		89,529	63,714
Cash and cash equivalents at beginning of year/period		63,714	–
Cash and cash equivalents at end of year/period	6	153,243	63,714

Note A:

During the financial year, the Group disposed investment properties with carrying amounts of RMB19,250,000 for a consideration of RMB19,544,000 of which cash of RMB450,000 were received.

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

1. GENERAL

The Company (Registration No. 200715053Z) is incorporated in Singapore on August 16, 2007 with its principal place of business at No.7 Jiangnan Mingju Xi Yuan 39 Nanyi Road, Guicheng, Nanhai District, Foshan City, PRC and registered office at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542. The financial statements are expressed in Chinese Renminbi (“RMB”). The presentation currency is Renminbi as majority of the Group’s transactions are denominated in Renminbi.

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

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

The financial statements of the Company have been prepared on a going concern basis which contemplates the realisation of assets and satisfaction of liabilities in the normal course of business. As at December 31, 2009, the Company is in capital deficiency position of RMB30,092,000 and the Company’s current liabilities exceeded its current assets by RMB12,087,000. However, as at December 31, 2009, the Group has a total equity of RMB 474,601,000. As disclosed in Note 38 (i), subsequent to the reporting date, the convertible loan notes are converted to ordinary shares and consequently the Company is no longer in capital deficiency position. In the directors’ opinion, it is appropriate for the financial statements of the Company to be prepared on a going concern basis.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2009 were authorised for issue by the Board of Directors on May 8, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group has adopted all the new and revised FRSs and interpretations of FRS (“INT FRS”) that are relevant to its operations and effective for annual periods beginning on or after January 1, 2009. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group’s and Company’s accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

FRS 1 – Presentation of Financial Statements (Revised)

FRS 1 (2008) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position at the beginning of the earliest comparative period presented if the entity applies new accounting policies retrospectively or makes retrospective restatements or reclassifies items in the financial statements.

Amendments to FRS 107 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The amendments to FRS 107 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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

FRS 108 – Operating Segments

The Group adopted FRS108 with effect from January 1, 2009. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (FRS 14 Segment Reporting) required an entity to identify two sets of segments (Business and Geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 108, the identification of the Group's reportable segments has changed (Note 32).

The comparatives have been restated to conform to the requirements of FRS 108.

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

- FRS 24 (Revised) Related Party Disclosures
- FRS 27 (Revised) Consolidated and Separate Financial Statements (Revised); and FRS 103 (Revised) Business Combinations
- Improvements to Financial Reporting Standards (issued in June 2009)

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

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

FRS 24 (Revised) Related Party Disclosures

FRS 24 (Revised) Related Party Disclosures is effective for annual periods beginning on or after January 1, 2011. The revised standard clarifies the definition of a related party and consequently additional parties may be identified as related to the reporting entity. In the period of initial adoption, the changes to related party disclosures, if any, will be applied retrospectively with restatement of the comparative information.

FRS 27 (Revised) Consolidated and Separate Financial Statements; and FRS 103 (Revised) Business Combinations

FRS 27 (Revised) is effective for annual periods beginning on or after July 1, 2009. Apart from matters of presentation, the principal amendments to FRS 27 that will impact the Group concern the accounting treatment for transactions that result in changes in a parent's interest in a subsidiary. It is likely that these amendments will significantly affect the accounting for such transactions in future accounting periods, but the extent of such impact will depend on the detail of the transactions, which cannot be anticipated. The changes will be adopted prospectively for transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

FRS 103 (Revised) is effective for business combinations for which the acquisition date is on or after beginning of the first annual reporting period beginning on or after July 1, 2009. FRS 103 is concerned with accounting for business transactions. The changes to the Standard are significant, but their impact can only be determined once the detail of future business combinations transactions is known. The amendments to FRS 103 will be adopted prospectively for transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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

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

The results of subsidiaries acquired during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

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

BUSINESS COMBINATIONS - The acquisition of subsidiaries from a party other than a common shareholder is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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

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

Effective interest method

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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

Financial assets

Cash and cash equivalents

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

Loans and receivables

Trade receivables, other receivables, amount due from related parties and amount due from customers for contract works are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 4.

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

Trade, other payables and amount due to related companies and parties are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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

Bank loans and other loans

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

Convertible loans

The convertible loans are considered a hybrid instrument containing a debt host contract and embedded derivatives. At the time of issue, the convertible loans were designated as fair value through profit or loss with any resultant gain or loss recognised in profit or loss. The fair value of the liability component is determined based on the present value of the principal repayment of the convertible loan discounted on the basis of the market interest rate implied by the comparable loans. The fair value of the embedded derivative of the convertible loan is determined using the Binomial Model.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

CONSTRUCTION CONTRACTS - Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

INVENTORIES - Inventories are measured at the lower of cost (weighted averaged method) and net realisable value. Costs includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

The Group as lessor

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

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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

The Group as lessee

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

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

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

Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for use. Depreciation of these assets commences when the assets are ready for their intended use.

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

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

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

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

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

LAND USE RIGHTS - Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the lease term of 50 year.

PROPERTY HELD FOR SALE - Property held for sale is stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less estimated costs to be incurred in marketing and selling.

DEVELOPMENT PROPERTIES - Development properties is stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised and other attributable expenses. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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

GOODWILL - Goodwill arising on the acquisition of a subsidiary or a jointly-controlled entity from third parties represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

On disposal of a subsidiary or a jointly-controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

- i) Revenue from completed property is recognised when the risk and rewards of ownership have been transferred to the buyer either through the transfer of legal title or equitable interest in a property.

For uncompleted property with finalised sales agreements, revenue is recognised on the percentage of completion method. Under the percentage of completion method, revenue and costs are recognised by reference to the stage of completion of the development activity at the end of the reporting period, as measured by the proportion of construction costs incurred to date relative to the estimated total construction cost. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

- ii) Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- iii) Dividend income from investments is recognised when the shareholder's right to receive the dividend is legally established.
- iv) Maintenance service fee income from maintenance work that is performed over a short duration is recognised when the service is completed.
- v) Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Current and deferred tax are recognised as an expense or income in the profit or loss.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make 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 the entity's accounting policies

Other than those discussed below, there are no significant critical judgements made by management that may affect the carrying amounts of assets and liabilities at the end of the financial years.

Revenue from uncompleted property with finalised sales agreements and construction contract

The Group recognises revenue and costs from uncompleted property with finalized sales agreements and construction contract using the percentage of completion method.

The stage of completion is measured by reference to certification of value of work performed to date.

Significant judgement is required in estimating the total contract costs which affect the contract cost recognised to-date based on the percentage of completion. Total contract revenue also includes estimation for variation works that are recoverable from customers. In making its judgement, the Group relies on past experience and the work of specialists.

The valuation of construction contracts can be subjected to uncertainty in respect of valuation works and estimation of future costs. The Group adopts a conservative approach in evaluating these uncertainties.

The carrying amounts of development properties and amounts due from customers for contract work are disclosed in Notes 12 and 9 respectively.

Key sources of estimation uncertainty

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

Trade and other receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Fair value of convertible loans

As disclosed in Note 24 to the financial statements, convertible loans are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based this on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the method of valuation is reflective of current market conditions.

Valuation of investment properties

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

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

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

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	377,744	257,108	436,555	338,000
Financial liabilities				
Fair value through profit or loss (FVTPL):				
Designated as at FVTPL	416,438	300,830	416,438	300,830
Amortised cost	883,079	880,527	50,209	4,926

(b) *Financial risk management policies and objectives*

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. Management is responsible for the overall financial risk management covering specific areas. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not hold or issue derivative financial instruments for speculative purposes.

Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group seldom transacts business in foreign currency and therefore expects the foreign exchange risk to be minimal. Accordingly, no foreign exchange rate sensitivity analysis is presented.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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

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

(ii) Interest rate risk management

Summary quantitative data of the Group's interest-bearing financial instruments can be found in Section (iv) of this Note.

The Group's profit and loss and equity are not significantly affected by the changes in interest rates, as interest costs are mostly capitalised as part of development properties and the management is of the view that variable rates are not expected to change significantly based on historical experience. Accordingly, no interest rate sensitivity analysis is presented.

(iii) Credit risk management

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

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

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

(iv) Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. The management finances their liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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

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

(iv) Liquidity risk management (Cont'd)

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

Group

	Weighted average effective interest rate %	On demand or within 1 year RMB'000	Within 2 to 5 years RMB'000	After 5 years RMB'000	Adjustment RMB'000	Total RMB'000
	(per annum)					
2009						
Non-interest bearing	–	210,225	–	–	–	210,225
Fixed interest rate instruments	2.4 – 5.94	45,018	37,366	44,611	(22,502)	104,493
Variable interest rate instruments	5.4 – 6.75	264,964	348,742	–	(45,345)	568,361
2008						
Non-interest bearing	–	217,474	–	–	–	217,474
Fixed interest rate instruments	7.296	5,302	81,568	–	(14,139)	72,731
Variable interest rate instruments	7.697 – 8.136	48,650	658,597	–	(87,247)	620,000

Company

	Weighted average effective interest rate %	On demand or within 1 year RMB'000	Within 2 to 5 years RMB'000	After 5 years RMB'000	Adjustment RMB'000	Total RMB'000
	(per annum)					
2009						
Non-interest bearing	–	32,204	–	–	–	32,204
Variable interest rate instruments	6.48	1,168	18,879	–	(2,042)	18,005
2008						
Non-interest bearing	–	4,926	–	–	–	4,926

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

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

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

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

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

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

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

Financial instruments measured at fair value

	Level 2 RMB'000
<u>Financial liabilities</u>	
2009	
<u>Group and Company</u>	
Convertible loan notes at fair value	416,438

(c) *Capital risk management policies and objectives*

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 22 and 24, equity comprising issued capital, reserves and retained earnings as disclosed in Statement of Changes in Equity of the Group.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

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

(c) *Capital risk management policies and objectives (Cont'd)*

The Group's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. Management also ensure that the Group maintains gearing ratios within a set range to comply with the loan covenants imposed by banks. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The management's strategy remained unchanged from 2008. The Group is in compliance with externally imposed capital requirements for the financial year ended 31 December 2009 and 2008.

5. RELATED COMPANY TRANSACTIONS AND OTHER RELATED PARTY TRANSACTIONS

Related companies in these financial statements refer to members of the Company's group of companies.

The intercompany balances are unsecured, interest-free and repayable on demand.

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Group entities' transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

Compensation of directors and key management personnel

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

	2009	August 16,
	RMB'000	2007 (date of
		incorporation)
		to December
		31, 2008
		RMB'000
Short-term benefits	1,720	3,104

The remuneration of directors and key management is determined having regard to the performance of individuals and market trends.

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December 31, 2009

5. RELATED COMPANY TRANSACTIONS AND OTHER RELATED PARTY TRANSACTIONS (Cont'd)

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

	2009	Group August 16, 2007 (date of incorporation) to December 31, 2008
	RMB'000	RMB'000
Advance from a director during the year/period	–	19,427
Revenue from property development		
- directors and relatives of directors	6,517	1,095
Rental income		
- a director and relative of a director	2,793	2,154
Construction revenue		
- a jointly controlled operation	24,273	21,071
Interest expense – ex-directors and existing directors	4,057	1,615
Construction cost		
- business partner of relative of a director	9,947	7,916
Purchase from a director	184	–
Rental expense to directors	–	132

6. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed deposit	1,400	–	–	–
Cash at bank	151,707	63,627	–	–
Cash on hand	136	87	–	–
	<u>153,243</u>	<u>63,714</u>	<u>–</u>	<u>–</u>

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

Fixed deposit bear average effective interest rate of 1.5% per annum and for a tenure of approximately 6 days.

Cash and cash equivalents which are denominated in RMB amounting to RMB151,339,000 (2008 : RMB63,491,000) are not freely convertible to foreign currencies.

7. RESTRICTED CASH

Restricted cash comprises fixed deposits pledged for notes payables. It bears average effective interest rate of 1.98% per annum and for a tenure of approximately 84 to 165 days.

NOTES TO THE FINANCIAL STATEMENTS

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8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
			RMB'000	RMB'000
Trade receivables	59,431	19,088	–	–
Other receivables	28,356	34,938	438	1,573
	87,787	54,026	438	1,573
Advance to contractors	13,416	793	–	–
Deposits paid	–	593	–	–
Prepaid expense	2,658	4,504	2,623	3,566
	103,861	59,916	3,061	5,139

The average credit period on trade receivables is 60 to 90 days (2008 : 60 to 90 days). No interest is charged on the outstanding receivables.

Trade and other receivables are denominated in the functional currencies of the respective entities.

The allowance for doubtful debts was determined by reference to past default experience.

Included in the trade receivables balance are debtors with a carrying amount of RMB25,416,000 (2008 : RMB1,460,000) which are past due at the end of reporting period for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The Group's and Company's other receivables are interest-free, repayable on demand and unsecured. The Group and the Company has not made any provision except as stated below as the management is of the view that these receivables are recoverable.

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

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Not past due and not impaired	62,371	52,566	438	1,573
Past due but not impaired	25,416	1,460	–	–
	87,787	54,026	438	1,573

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

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 3 months	3,053	93	–	–
3 months to 6 months	21,483	200	–	–
6 months to 12 months	826	116	–	–
Over 12 months	54	1,051	–	–
	25,416	1,460	–	–

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

8. TRADE AND OTHER RECEIVABLES (Cont'd)

Included in the other receivables balance are allowance for doubtful debts for other receivables of RMB400,000 (2008 : RMB1,000,000). Movement in the allowance for other receivables doubtful debts are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Balance at beginning of the year/period	1,000	–
Acquisition of a subsidiary	–	2,000
Impairment losses recognised on receivables	–	1,000
Amount written back during the year/period	(600)	–
Amounts written off during the year/period	–	(2,000)
Balance at end of the year/period	400	1,000

9. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORKS

	Group	
	2009	2008
	RMB'000	RMB'000
Contracts-in-progress at the end of reporting year/period:		
Amounts due from contract customers	27,027	71,332
Contract costs incurred plus recognised profits	219,099	147,002
Less: Progress billings	(192,072)	(75,670)
	27,027	71,332

10. INVENTORIES

	Group	
	2009	2008
	RMB'000	RMB'000
Consumables	828	154

11. PROPERTY HELD FOR SALE

	Group	
	2009	2008
	RMB'000	RMB'000
Cost	13,109	32,358

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

12. DEVELOPMENT PROPERTIES

	Group	
	2009 RMB'000	2008 RMB'000
Cost incurred	1,951,485	1,463,239
Add: Recognised profit	99,494	17,514
	<u>2,050,979</u>	<u>1,480,753</u>
Less: Progress billings	(690,190)	(65,198)
	<u>1,360,789</u>	<u>1,415,555</u>
Less: Transferred to land use right (Note 13)	(4,365)	–
Transferred to property, plant and equipment (Note 14)	(20,778)	–
Total development properties	<u>1,335,646</u>	<u>1,415,555</u>

Development properties of RMB913,227,000 (2008 : RMB782,102,000) are pledged to banks to secure bank loans granted to the Group as at December 31, 2009.

During the year, leasehold land and buildings amounting to RMB4,365,000 and RMB20,778,000 relate to the Group's new corporate office and administrative facilities. They are located at Jiangnan Mingju Phase 5 and 6 and were transferred out from development properties.

Particulars of the properties under development are as follows:

Description	Type of development	Approximate total gross floor area (square meter)	Approximate percentage of completion (%)	Expected date of completion
Jiangnan Mingju Phases 5 and 6 (i)	Integrated residential and commercial property	165,000	90	August 2010
Jin Long Garden (Joint venture project) (i)	Integrated residential and commercial property	142,000	20	December 2011
Shanshui Longpan (i)	Integrated residential and commercial property	968,000	14	Multiphases, completion in 4-5 years timeframe
Songgang Project (i)	Integrated residential and commercial property	123,000	0	December 2012

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

The costs of development property include the following items which have been charged (credited) during the year / period:

	Group	
	2009 RMB'000	August 16, 2008 (date of incorporation) to December 31, 2008 RMB'000
Depreciation capitalised during the year/period	213	253
Interest income capitalised during the year/period	(135)	(565)
Interest expense capitalised during the year/period (Note 28)	<u>39,204</u>	<u>55,604</u>

The weighted average rate of capitalisation of the interest expenses for the year ended December 31, 2009 is 6.12% to 6.75% (2008 : 6.2% to 8.3%) per annum.

As at December 31, 2009, development properties of RMB589,618,000 (2008 : RMB905,326,000) are expected to be recovered after more than twelve months, but have been classified as current because they are expected to be realised in the normal operating cycle.

NOTES TO THE FINANCIAL STATEMENTS

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13. LAND USE RIGHTS

	Group	
	2009 RMB'000	2008 RMB'000
Cost:		
At January 1	-	-
Transferred from development property (Note 12)	4,365	-
At December 31	<u>4,365</u>	<u>-</u>
Accumulated amortisation:		
At January 1	-	-
Amortisation for the year	334	-
At December 31	<u>334</u>	<u>-</u>
Net carrying amount	<u>4,031</u>	<u>-</u>
Amount to be amortised:		
- Current	93	-
- Non-current	<u>3,938</u>	<u>-</u>

The Group has land use rights in People's Republic of China (PRC) where the Group's PRC corporate office and administrative facilities reside. The land use rights have a remaining tenure of 43 years.

14. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Construction in progress RMB'000	Building RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, furniture and fixtures RMB'000	Total RMB'000
Cost:						
At August 16, 2007	-	-	-	-	-	-
Acquisition of subsidiaries	864	-	2,830	4,444	460	8,598
Additions	1,181	-	920	381	247	2,729
Transfer	(864)	-	864	-	-	-
At December 31, 2008	<u>1,181</u>	<u>-</u>	<u>4,614</u>	<u>4,825</u>	<u>707</u>	<u>11,327</u>
Transferred from development properties (Note 12)	-	20,778	-	-	-	20,778
Additions	7,488	2,237	326	75	155	10,281
Disposal	-	-	-	-	(50)	(50)
Transfers	(8,669)	8,669	-	-	-	-
At December 31, 2009	<u>-</u>	<u>31,684</u>	<u>4,940</u>	<u>4,900</u>	<u>812</u>	<u>42,336</u>
Accumulated depreciation:						
At August 16, 2007	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	1,486	2,985	259	4,730
Charge for the period	-	-	797	615	91	1,503
At December 31, 2008	<u>-</u>	<u>-</u>	<u>2,283</u>	<u>3,600</u>	<u>350</u>	<u>6,233</u>
Charge for the year	-	316	657	509	113	1,595
Disposal	-	-	-	-	(50)	(50)
At December 31, 2009	<u>-</u>	<u>316</u>	<u>2,940</u>	<u>4,109</u>	<u>413</u>	<u>7,778</u>
Carrying amount:						
At December 31, 2009	<u>-</u>	<u>31,368</u>	<u>2,000</u>	<u>791</u>	<u>399</u>	<u>34,558</u>
At December 31, 2008	<u>1,181</u>	<u>-</u>	<u>2,331</u>	<u>1,225</u>	<u>357</u>	<u>5,094</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

15. INVESTMENT PROPERTIES

	Group	
	2009 RMB'000	2008 RMB'000
At beginning of year/period	167,490	–
Acquisition of subsidiary	–	167,100
Transfer from property held for sale	–	3,000
Purchase during the year/period	–	485
Disposal during the year/period	(19,250)	(2,610)
Increase (decrease) in fair value	14,760	(485)
At end of year/period	163,000	167,490

The fair values of the Group's investment properties at the end of reporting period have been arrived at on the basis of open market valuation carried out at the end of reporting period by CB Richard Ellis Limited Hong Kong, the independent valuers, who have an appropriate recognised professional qualification. The valuations were arrived at by reference to market evidence of transaction prices for similar properties, and were performed in accordance with International Valuation Standards.

The property rental income earned by the Group from its investment properties, all of which are leased under operating leases, amounted to RMB6,137,000 (2008 : RMB5,087,000). Direct operating expenses arising on the investment properties in the year amounted to RMB1,088,000 (2008 : RMB938,000).

The Group has pledged the investment properties with a carrying value of RMB160,000,000 (2008 : RMB97,700,000) to secure bank loans granted to the Group on December 31, 2009 (See Note 22).

Details of the investment properties are as follows:

Description	Location	Title	Details of occupancy
Debao Hotel Complex	No. 136 Nanhai Avenue South, Nanhai District, Foshan City Guangdong Province	The property is held under a land use term to be expired on 6 April 2046	Tenanted
An office unit and 15 retail shop units	Debao Garden, Nanhai District, Foshan City Guangdong Province	The property is held under a land use terms with the latest expiry on 16 August 2068	Tenanted
Various retail shop units and a kindergarten, Phase I to IV, Jiangnan Mingju	No. 39 Nanyi Road, Nanhai District, Foshan City Guangdong Province	The property is held under a land use term to be expired on 24 September 2072	Tenanted

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16. INVESTMENT IN SUBSIDIARIES

	Company	
	2009 RMB'000	2008 RMB'000
Unquoted equity shares at cost	—*	—*

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

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

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2009	2008	2009	2008	
Dynamic Real Estate Holdings Pte. Ltd. ⁽¹⁾	Singapore	100%	100%	100%	100%	Investment holding
Infinity Real Estate Holdings Pte. Ltd. ⁽¹⁾	Singapore	100%	100%	100%	100%	Investment holding
Derong Real Estate Holdings Pte. Ltd. ⁽¹⁾	Singapore	100%	100%	100%	100%	Investment holding
Foshan Nanhai Guiyu Property Management Co., Ltd. ⁽²⁾	PRC	100%	100%	100%	100%	Property management
Foshan Nanhai District Jiangnan Mingju Property Development Co., Ltd. ⁽²⁾	PRC	100%	100%	100%	100%	Property development
Foshan Nanhai Guihe Construction Engineering Co., Ltd. ⁽²⁾	PRC	100%	100%	100%	100%	Construction
Foshan Nanhai District Debao Property Development Co., Ltd. ⁽²⁾	PRC	100%	100%	100%	100%	Investment property holding and development
Foshan Sanshui District Nengrun Property Development Co., Ltd. ⁽²⁾	PRC	100%	100%	100%	100%	Property development

(1) Audited by Deloitte & Touche LLP, Singapore

(2) Audited by Deloitte Touche Tohmatsu, Guangzhou

NOTES TO THE FINANCIAL STATEMENTS

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17. INVESTMENT IN A JOINTLY CONTROLLED OPERATION

Interest in a jointly controlled operation arises from acquisition of a subsidiary, Foshan Nanhai District Debao Property Development Co., Ltd.. The subsidiary has entered into a joint venture agreement and supplemental agreements with a third party for the property development project "Jinlong Garden". Pursuant to these agreements, the Group is obliged to contribute 55% share of the development fund of the project and in return entitled to 55% share of the income and expenses of the project.

	Group	
	2009 RMB'000	2008 RMB'000
Cost of investment	15,543	15,543
Loans	29,328	48,028
Interest receivable	19,337	16,571
Share of result of a jointly controlled operation	8,398	918
Total	72,606	81,060

Cost of investment, loans and interest receivable are unsecured and repayable when the project is completed. Loans are interest-bearing with the rate ranging from 6.732% to 10.2% (2008 : 6.732% to 10.2%) per annum in 2009.

Statement of comprehensive income in respect of the Group's jointly controlled operation is set out below:

	Group	
	2009 RMB'000	2008 RMB'000
Revenue	101,345	29,009
Cost of sales	(54,382)	(23,481)
Gross profit	46,963	5,528
Other income	216	170
Selling and distribution expenses	(1,424)	(873)
Administrative expenses	(1,400)	(436)
Profit before tax	44,355	4,389
Income tax expense	(27,399)	(1,522)
Profit for the year/period	16,956	2,867
Group's share of jointly controlled operations profit	7,480	1,577

Statement of financial position in respect of the Group's jointly controlled operation is set out below:

	Group	
	2009 RMB'000	2008 RMB'000
Total assets	252,208	219,877
Total liabilities	(231,925)	(216,549)
Net assets	20,283	3,328

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18. OTHER INVESTMENT

	Group	
	2009 RMB'000	2008 RMB'000
Unquoted investment, at cost	1,300	1,300

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

19. DEFERRED TAX

	Group	
	2009 RMB'000	2008 RMB'000
Deferred tax liabilities	(173,526)	(149,005)
Deferred tax assets	1,864	2,390

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

	Change in fair value of investment properties RMB'000	Change in fair value of development properties RMB'000	Change in fair value of properties held for sale RMB'000	Unrealised income RMB'000	Appreciation tax RMB'000	Others RMB'000	Total RMB'000
Balance at August 16, 2007 (date of incorporation)	-	-	-	-	-	-	-
Acquisition of subsidiaries	(24,532)	-	-	(4,613)	(2,063)	909	(30,299)
Fair value adjustment on acquisition of subsidiaries	-	(116,770)	(5,412)	-	-	-	(122,182)
Credit (Charge) to profit or loss for the period	1,782	3,485	2,792	374	(2,788)	221	5,866
Balance at December 31, 2008	(22,750)	(113,285)	(2,620)	(4,239)	(4,851)	1,130	(146,615)
(Charge) credit to profit or loss for the year	(179)	27,301	1,334	(23,081)	(30,005)	(417)	(25,047)
Balance at December 31, 2009	(22,929)	(85,984)	(1,286)	(27,320)	(34,856)	713	(171,662)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is RMB133,468,000 (2008: RMB36,901,000). No liabilities has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

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20. OTHER NON-CURRENT ASSET

Other non-current asset represents the deposit paid to government to guarantee the construction be performed in accordance with the local regulations. It will be released after 5 years from the commencement of construction. The management are of the view that the carrying amount of the deposit approximates its fair value.

21. GOODWILL

	Group	
	2009 RMB'000	2008 RMB'000
Cost:		
At beginning of the year/period	1,356	–
Arising on acquisition of a subsidiary	–	1,356
At end of the year/period	1,356	1,356
Impairment:		
At beginning of the year/period	1,356	–
Charge for the year/period	–	1,356
At end of the year/period	1,356	1,356
Carrying amount:		
At beginning and end of the year/period	–	–

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

The goodwill relates primarily to property management operations. The recoverable amounts of the property management operations are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year/period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group had determined that the above goodwill should be fully impaired after reviewing its value in use calculation for the property management operations.

22. BANK AND OTHER LOANS

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Other loans	88,361 ^(a)	72,731	18,005 ^(a)	–
Bank loans	584,493 ^(b)	620,000	–	–
	672,854	692,731	18,005	–
Less: Amount due for settlement within 12 months (shown under current liabilities)	(271,655)		–	–
Amount due for settlement after 12 months	401,199	692,731	18,005	–

The Group has principal bank and other loans as follows:

- (a) The loans of RMB88,361,000 (2008 : RMB72,731,000) were provided by existing directors and the former shareholders of the PRC subsidiaries, Foshan Nanhai Debao Property Development Co., Ltd., with variable interest of 5.4% to 6.48% (2008 : 7.296%) per annum in 2009, unsecured and repayable in 2010 to 2011. Effective from 2009, the interest rate is determined based on the prime rate on a quarterly basis.

Additional short-term loan raised in 2009 of RMB20,000,000 was provided by a financial institution. The interest rate is determined based on the prime rate. The loan was secured by investment property of the Group.

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22. BANK AND OTHER LOANS (Cont'd)

- (b) The loans of RMB200,000,000 (2008 : RMB470,000,000) arising from acquisition of a subsidiary in 2009 was raised by the subsidiary in 2008 and repayable in 2010. The loans were secured by certain land use right of the Group and guaranteed by directors of the Group. The loans are variable rate borrowing and are determined based on 10% plus prime rate. The effective interest rates on bank loans for 2009 was 6.75% (2008 : 7.6970%) per annum.

The loan of RMB150,000,000 (2008 : RMB150,000,000) was a variable-rate borrowing and repayable in 2011. The loan was secured by certain land use right and properties of the Group and guaranteed by directors of the Group together with Foshan Nanhai Yueshi Trading Co., Ltd.

Additional bank loan raised in 2009 of RMB90,000,000 with variable interest rate of 6.48% per annum in 2009 and repayable in 2012. The loan is secured by certain land use right and properties as well as guaranteed by a director of the Group.

Additional bank loan raised in 2009 of RMB35,000,000 were secured by certain properties and guaranteed by directors of the Group. The loan is variable rate borrowing and is determined based on 10% plus prime rate. The effective interest rate on bank loan for 2009 was 5.94% per annum. Current portion amounting to RMB1,242,000 will be repayable in 2010, while non current portion amounting to RMB33,758,000 will be repayable from 2011 to 2019.

Additional bank loans raised in 2009 of RMB70,000,000 were secured by certain land use right and guaranteed by directors of the Group. The loans are variable rate borrowing and are determined based on 0% to 10% plus prime rate. The effective interest rate on bank loan for 2009 was 5.4% to 5.94% per annum. Current portion amounting to RMB10,920,000 will be repayable in 2010, while non current portion amounting to RMB50,800,000 will be repayable from 2011 to 2019.

Short-term bank loan of RMB39,493,000 with effective interest rates ranging from 2.4% to 3.9% per annum and were secured by fixed cash deposit.

The carrying amounts of bank and other loans approximate their fair values as the interest rates approximate the market rates prevailing at the end of reporting year/period.

The Group's significant bank and other loans are denominated in the functional currencies of the respective entities.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Trade payables (outside parties)	137,059	131,928	-	-
Trade payables (related parties)	-	10,191	-	-
Notes payable (trade)	20,000	-	-	-
Advance receipt from the sales of properties	-	38,789	-	-
Other taxes payable	9,990	5,020	-	-
Accrued expense	27,994	11,325	23,781	3,520
Deposit received	-	858	-	-
Other payables	17,403	30,620	-	12
Advance from customers	48	1,290	-	-
	<u>212,494</u>	<u>230,021</u>	<u>23,781</u>	<u>3,532</u>

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

The average credit period granted by suppliers ranges from 30 days to 180 days (2008 : 30 days to 180 days).

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December 31, 2009

24. CONVERTIBLE LOAN NOTES AT FAIR VALUE

During the year, the Company has entered into a series of convertible loan agreements of S\$16,400,000 (RMB82,829,000) with different investors on the same terms and conditions with those investors in 2007 and 2008. The accumulated amount of the principal is S\$80,000,000 (RMB389,296,000) (2008: S\$63,600,000 (RMB306,467,000) as at December 31, 2009.

The terms of the convertible loan shall commence from the date of first drawdown of the loan and expire on the earlier of:

- (a) the date falling eighteen months after January 25, 2008, being the funding date of the first agreement and the second agreement (the "First Funding Date");
- (b) the date falling on the seventh day from the date of receipt of an eligibility-to-list letter from the Singapore Exchange Securities Trading Limited or immediately prior to listing on any other Stock Exchange (the "Conversion Date");
- (c) the date falling six months after the First Funding Date, if the restructuring exercise has not been completed within the said six month period; or
- (d) the date on which the Company breaches any of the terms and/or conditions of the convertible loan agreement and the same is not waived by the investor.

On the Conversion Date, the full sum of the convertible loan shall automatically convert into fully paid new ordinary shares in the Company (the "New Shares") based on certain conditions and formula in the agreements.

In the event that the listing did not occur prior to the expiry of 36 months from the date of the agreement (the "First Period") or there is an occurrence of event of default, the rate of interest payable on the convertible loan shall be 15% per annum on the entire principal amount. The rate of interest for the subsequent 12 months from the expiry of the First Period (the "Second Period") shall be 16% per annum. The rate of interest shall be 30% per annum from the expiry of the Second Period up to the date of the full repayment of the principal amount. In addition, a single payment of 48% of the principal amount is payable if the loans are not redeemed within 48 months from the First Funding Date.

On July 25, 2009, the Company has entered into a supplementary agreement with investors of the convertible loan with principal amount of S\$60,100,000 including the newly raised convertible loan with principal amount of S\$15,000,000 in 2009 to extend the expiry of the First Eighteen Months Period to another twelve months period (the "Extension Period"). In consideration thereof, the Company shall pay each convertible loan investor an interest of 6% per annum on the principal amount (the "Extension Period Interest"), payable quarterly in arrears from July 25, 2009, until the earlier of (i) the registration of the Company's prospectus with the Monetary Authority of Singapore or (ii) July 25, 2010 (being 12 months from July 25, 2009). The remaining investors of the convertible loan with principal amount of S\$18,500,000 (the "Original Investors") have opted for redemption and the Company has arranged for new investors (the "New Investors") to take over this portion of convertible loan through novation agreement. The New Investors have agreed on the Extension Period arrangement and assumed the rights and obligations of the Original Investors. Pursuant to the convertible loan agreements, the Company shall pay the Original Investors interest at a rate of 15% for the period from the date of drawdown of the loan to the date of novation of approximately S\$3,495,000 (RMB16,471,000), which was recorded in the Group's profit or loss.

These loans are designated as at fair value through profit and loss at issuance date. The fair value at the end of the reporting period is determined based on the basis of valuations carried out at the respective year end dates by independent valuers, Jones Lang LaSalle Sallmanns Limited, having an appropriate recognised professional qualification. The valuations were carried out on a fair value basis.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

24. CONVERTIBLE LOAN NOTES AT FAIR VALUE (Cont'd)

The fair value of the convertible loan notes has been calculated by applying the following parameters based on the management's best estimation:

- (a) Risk free rate is 0.597% (2008 : 0.747%) with reference to yield of Singapore Sovereign as at the valuation dates;
- (b) The volatility for share price is 33% (2008 : 90%) with reference to the historical volatilities of the comparable companies as at the valuation dates;
- (c) The discount rate for convertible loan is with reference to the yields of comparables bonds with similar credit rating and time to maturity, plus country premium and liquidity premium as at valuation dates;
- (d) The dividend yield is 0% (2008 : 0%);
- (e) Stock price in the binomial tree model is implied by the net assets value with reference to an independent valuer's valuation summary and reports as at the valuation dates respectively;
- (f) The probability of the conversion option to take effect is 40% (2008 : 50%) as at the valuation dates; and
- (g) Maturity date is assumed to be July 25, 2010 (2008 : July 25, 2009).

The changes in the carrying amount of the convertible loans are as follows:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Beginning of the year/period	300,830	–
Exchange difference	17,397	(4,800)
Issuance	72,451	306,467
Issue expenses	(31,285)	(10,082)
Change in fair value	57,045	9,245
End of the year/period	416,438	300,830
Less: Current portion	(416,438)	(300,830)
Non-current portion	–	–

25. SHARE CAPITAL

	Group and Company			
	2009	2009	2008	2008
	No of shares	RMB'000	No of shares	RMB'000
Issued and fully paid:				
At beginning of year/period	10,000,000	47,824	1	– *
Issued	–	–	9,999,999	47,824
At end of year/period	10,000,000	47,824	10,000,000	47,824

* Consists of S\$1 share.

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

Convertible loan notes issued by the Company shall convert into fully paid new ordinary shares in the Company on the Conversion Date. Details relating to the option given to the convertible loan note holders are disclosed in Note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

26. REVENUE

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

	Group	
	August 16,	
	2007 (date of	
	incorporation)	
	to December	
	31, 2008	
	2009	31, 2008
	RMB'000	RMB'000
Revenue from construction contracts	24,398	32,762
Revenue from property development	540,844	81,530
Property management service income	4,225	4,662
Property rental income	6,137	5,087
	<u>575,604</u>	<u>124,041</u>

27. OTHER INCOME

	Group	
	August 16,	
	2007 (date of	
	incorporation)	
	to December	
	31, 2008	
	2009	31, 2008
	RMB'000	RMB'000
Interest income	2,914	3,220
Gain on disposal of investment properties	294	-
Sundry income	1,134	5,002
	<u>4,342</u>	<u>8,222</u>

28. FINANCE COSTS

	Group	
	August 16,	
	2007 (date of	
	incorporation)	
	to December	
	31, 2008	
	2009	31, 2008
	RMB'000	RMB'000
Interest on bank and other loans	46,138	57,386
Less: Amount capitalised as cost of development properties (Note 12)	(39,204)	(55,604)
	<u>6,934</u>	<u>1,782</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

29. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2009	Group August 16, 2007 (date of incorporation) to December 31, 2008
	RMB'000	RMB'000
Directors' remuneration	541	1,462
Employee benefits expense (including Directors' remuneration)	13,217	13,283
Cost of defined contribution included in employee benefits	821	203
Depreciation of plant and equipment	1,382	1,250
Amortisation of land use rights	334	-
Net foreign exchange losses	-	1,144
	<u>-</u>	<u>1,144</u>

30. INCOME TAX EXPENSE

	2009	Group August 16, 2008 (date of incorporation) to December 31, 2008
	RMB'000	RMB'000
Current tax:		
Enterprise income tax	13,470	6,685
Land appreciation tax	8,287	568
	<u>21,757</u>	<u>7,253</u>
Deferred tax:		
Enterprise income tax	(4,958)	(8,087)
Land appreciation tax	30,005	2,221
	<u>25,047</u>	<u>(5,866)</u>
	<u>46,804</u>	<u>1,387</u>

Domestic income tax of the Company is calculated at 17% (2008 : 18%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions as explained below.

PRC income tax is calculated at the applicable rates in accordance with the relevant tax laws and regulations in the PRC. The subsidiaries are subject to income tax rate of 33% prior to January 1, 2008.

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

30. INCOME TAX EXPENSE (Cont'd)

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

	Group	
	August 16,	
	2007 (date of	
	incorporation)	
	to December	
	31, 2008	
	2009	RMB'000
	RMB'000	RMB'000
Profit before tax	23,505	453,853
Income tax expense at PRC statutory rate of 25% (2008 : 25%)	5,876	113,463
Tax effect of expense not deductible for tax purpose	11,406	3,679
Tax effect of income not taxable for tax purpose	(3,671)	(1,445)
Effect of tax loss not recognised	(1,230)	1,013
Effect of different tax rate	5,179	–
Effect of utilisation of tax loss	–	(35)
Tax effect of land appreciation tax	29,159	3,345
Effect of gain on dilution of minority interest not taxable	–	(18,215)
Effect of negative goodwill that are not taxable	–	(98,744)
Effect of gain on acquisition of additional shares in a subsidiary that are not taxable	–	(778)
Others	85	(896)
Tax expense for the year/period	46,804	1,387

At December 31, 2009, the Group has unutilised tax losses of RMB7,456,000 (2008 : 3,396,000) available for offset against future profits. The related deferred tax benefit was recognised due to predictability of future profit streams. Pursuant to PRC tax regulations, for the years on which the tax losses are incurred, tax losses may be carried forward for 5 years subject to the conditions imposed by law including the retention of majority shareholders as defined.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

31. EARNINGS PER SHARE

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

Earnings per share after sub-division of every one ordinary share in the issued share capital of the Company into 62.79 ordinary shares and before conversion of convertible loan notes into ordinary shares:

	2009	August 16, 2007 (date of incorporation) to December 31, 2008
	RMB'000	RMB'000
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share ((loss) profit for the year/period attributable to equity holders of the Company)	(23,299)	452,767
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible loan (net of tax)	57,045	9,245
Earnings for the purpose of diluted earnings per share	<u>33,746</u>	<u>462,012</u>
<u>Number of shares</u>		
	2009	2008
Number of ordinary shares for the purpose of basic earnings per share (Note 38 (ii) (a))	627,906,976	627,906,976
Effect of dilutive potential ordinary shares:		
Convertible loan notes (Note 38 (ii) (b))	372,093,024	372,093,024
Number of ordinary shares for the purposes of diluted earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>

Note: For the financial year ended December 31, 2009, the effect of the convertible loan notes is anti-dilutive and hence has not been taken into account for the calculation of the diluted earnings per share.

32. SEGMENT INFORMATION

The Group's reportable operating segments are as follows:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

32. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue		Finance Costs	
	2009 RMB'000	August 16, 2007 (date of incorporation) to December 31, 2008 RMB'000	2009 RMB'000	August 16, 2007 (date of incorporation) to December 31, 2008 RMB'000
Property development	540,844	81,530	5,388	1,782
Construction contract	24,398	32,762	1,546	–
Property investment	6,137	5,087	–	–
Others	4,225	4,662	–	–
Total	575,604	124,041	6,934	1,782

	(Loss) Profit for the year	
	2009 RMB'000	August 16, 2007 (date of incorporation) to December 31, 2008 RMB'000
Property development	47,821	(11,192)
Construction contract	13,283	1,579
Property investment	19,809	3,664
Others	(363)	(549)
Total	80,550	(6,498)
Change in fair value of convertible loan notes	(57,045)	(9,245)
Negative goodwill	–	394,978
Gain from acquisition of additional shares in a subsidiary	–	3,115
Gain from dilution of minority interest	–	72,859
Impairment of goodwill	–	(1,356)
	23,505	453,853

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

Segments assets

	2009 RMB'000	2008 RMB'000
Property development	1,734,510	1,654,368
Construction contract	72,234	81,725
Property investment	163,000	167,490
Others	5,352	2,624
Consolidated total assets	1,975,096	1,906,207

All assets are allocated to reportable segments. Liabilities are not allocated as they are not monitored by the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

32. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

Other segment information

	Depreciation and Amortisation		Additions to non-current assets	
	2009 RMB'000	August 16, 2007 (date of incorporation) to December 31, 2008 RMB'000	2009 RMB'000	August 16, 2007 (date of incorporation) to December 31, 2008 RMB'000
Property development	1,418	898	30,677	7,351
Construction contract	508	586	382	3,845
Property investment	–	–	–	–
Others	3	19	–	131
Total	1,929	1,503	31,059	11,327

33. ACQUISITIONS OF SUBSIDIARIES

On September 11, 2007, the Group acquired 60% equity interest in Foshan Sanshui District Nengrun Property Development Co., Ltd (“Sanshui Property”) for a consideration of RMB8,105,000.

On September 12, 2007, the Group acquired 100% equity interest in Foshan Nanhai District Jiangnan Mingju Development Co., Ltd. (“Jiangnan Property”) for a consideration of RMB23,134,000.

On February 2, 2008, the Group made a capital injection of RMB66,329,000 to Sanshui Property pursuant to which the percentage of equity interest in Sanshui Property owned by the Group was increased from 60% to 93.87% and percentage of equity interest in Sanshui Property owned by minority shareholder decreased from 40% to 6.13%. Gain on capital injection relating to the dilution of minority interest amounted to RMB72,859,000.

On February 21, 2008 the Group acquired 6.13% equity interest in Sanshui Property for a consideration of RMB14,800,000 and Sanshui Property became a wholly-owned subsidiary of the Company. The minority interest as at February 21, 2008 was RMB17,915,000. Gain arising from the acquisition of additional shares in a subsidiary amounting to RMB3,115,000 is recognised as an income in the consolidated statement of comprehensive income.

On September 17, 2007, Mr Wu Kwok Hung, director of the Company, and the Company entered into a share transfer agreement pursuant to which the Company acquired the entire issued and paid-up share capital of each of Dynamic Real Estate Holdings Pte. Ltd. (“Dynamic”) and Infinity Real Estate Holdings Ptd. Ltd. (“Infinity”) for a nominal consideration of S\$2.00. Pursuant to the acquisition, Dynamic and Infinity became wholly-owned subsidiaries of the Company.

On January 15, 2008, the Group acquired 100% equity interest in Foshan Nanhai Guiyu Property Management Co., Ltd (“Guiyu Property Management”) and Foshan Nanhai Guihe Construction Engineering Co., Ltd. (“Guihe Construction”) for a consideration of RMB500,000 and RMB6,000,000 respectively.

On March 8, 2008, the Group acquired 100% equity interest in Foshan Nanhai District Debao Property Development Co., Ltd. (“Debao Property”) for a consideration of RMB150,414,000.

In 2008, these acquisitions have been accounted for by acquisition method of accounting.

NOTES TO THE FINANCIAL STATEMENTS

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33. ACQUISITIONS OF SUBSIDIARIES (Cont'd)

Acquisition of Sanshui Property

	Acquiree's carrying amount before combination RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Net assets acquired:			
Cash and cash equivalents	87,068	–	87,068
Trade and other receivables	644	–	644
Development properties	190,873	289,227	480,100
Plant and equipment	928	–	928
Trade and other payables	(1,153)	–	(1,153)
Amount due to related parties	(267,592)	–	(267,592)
Deferred tax liabilities	–	(72,307)	(72,307)
	<u>10,768</u>	<u>216,920</u>	<u>227,688</u>
Minority interests			(91,075)
Negative goodwill			(128,508)
Total consideration – satisfied by cash			<u><u>8,105</u></u>
Net cash outflow arising on acquisitions:			
Cash consideration paid			(8,105)
Cash and cash equivalents acquired			<u>87,068</u>
			<u><u>78,963</u></u>

Acquisition of Jiangnan Property

	Acquiree's carrying amount before combination RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Net assets acquired:			
Cash and cash equivalents	49,729	–	49,729
Trade and other receivables	48,261	–	48,261
Amount due from related parties	136,413	–	136,413
Development properties	179,028	184,772	363,800
Other non-current assets	3,000	–	3,000
Trade and other payables	(9,820)	–	(9,820)
Amount due to related parties	(94,683)	–	(94,683)
Bank and other loans	(300,000)	–	(300,000)
Deferred tax liabilities	–	(46,193)	(46,193)
	<u>11,928</u>	<u>138,579</u>	<u>150,507</u>
Negative goodwill			(127,373)
Total consideration – satisfied by cash			<u><u>23,134</u></u>
Net cash outflow arising on acquisitions:			
Cash consideration paid			(23,134)
Cash and cash equivalents acquired			<u>49,729</u>
			<u><u>26,595</u></u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

33. ACQUISITIONS OF SUBSIDIARIES (Cont'd)

Acquisition of Guiyu Porperty Management

	Acquiree's carrying amount before combination RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Net assets acquired:			
Cash and cash equivalents	3,870	–	3,870
Trade and other receivables	672	–	672
Plant and equipment	27	–	27
Trade and other payables	(3,369)	–	(3,369)
Amount due to related parties	(1,897)	–	(1,897)
Tax payables	(159)	–	(159)
	(856)	–	(856)
Goodwill			1,356
Total consideration – satisfied by cash			500
Net cash outflow arising on acquisitions:			
Cash consideration paid			(500)
Cash and cash equivalents acquired			3,870
			3,370

Acquisition of Guihe Construction

	Acquiree's carrying amount before combination RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Net assets acquired:			
Cash and cash equivalents	900	–	900
Trade and other receivables	665	–	665
Amount due from related parties	255,493	–	255,493
Amount due from customers for contract works	30,865	–	30,865
Inventories	60	–	60
Plant and equipment	1,418	–	1,418
Trade and other payables	(7,134)	–	(7,134)
Amount due to related parties	(247,482)	–	(247,482)
Tax payables	(1,743)	–	(1,743)
	33,042	–	33,042
Negative goodwill			(27,042)
Total consideration – satisfied by cash			6,000
Net cash outflow arising on acquisitions:			
Cash consideration paid			(6,000)
Cash and cash equivalents acquired			900
			(5,100)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

33. ACQUISITIONS OF SUBSIDIARIES (Cont'd)

Acquisition of Debao Property

	Acquiree's carrying amount before combination RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Net assets acquired:			
Cash and cash equivalents	14,151	–	14,151
Trade and other receivables	41,294	–	41,294
Amount due from related parties	323,096	–	323,096
Property held for sale	25,763	21,650	47,413
Development properties	22,296	(6,920)	15,376
Plant and equipment	1,496	–	1,496
Investment properties	167,100	–	167,100
Investment in a jointly controlled operation	70,170	6,296	76,466
Other investment	1,300	–	1,300
Trade and other payables	(75,466)	–	(75,466)
Amount due to related parties	(280,495)	–	(280,495)
Tax payables	(35,281)	–	(35,281)
Deferred tax liabilities	(30,299)	(3,682)	(33,981)
	<u>245,125</u>	<u>17,344</u>	<u>262,469</u>
Negative goodwill			(112,055)
Total consideration – satisfied by cash			<u>150,414</u>
Net cash outflow arising on acquisitions:			
Cash consideration paid			(150,414)
Cash and cash equivalents acquired			14,151
			<u>(136,263)</u>

In 2008, subsidiaries acquired during the financial period contributed RMB62,103,000 revenue and RMB261,980,000 profit before tax to the Group for the period between the date of acquisition and the end of reporting period at December 31, 2008.

In 2008, if the acquisition had been completed on August 16, 2008 (date of incorporation of the Company), total Group revenue for 2008 would have been RMB136,620,000, and profit for 2008 would have been RMB454,093,000.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	August 16, 2007 (date of incorporation) to December 31, 2008	
	2009	31, 2008
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised as an expense in the year/period	687	605
	687	605

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for a term of 15 years and rentals are accelerated by a fixed amount per annum.

The Group as lessor

The Group rent out its investment properties in People's Republic of China under operating lease. Property rental income earned during the year was RMB6,137,000 (2008 : RMB5,087,000). Direct operating expense on the investment properties in the year/period amounted to RMB1,088,000 (2008 : RMB938,000).

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

	Group	
	2009	2008
	RMB'000	RMB'000
Within one year	6,074	5,917
In the second to fifth years inclusive	8,841	10,518
After five years	714	-
	15,629	16,435
	15,629	16,435

35. CAPITAL COMMITMENTS

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

	Group	
	2009	2008
	RMB'000	RMB'000
Jointly controlled operation	45,607	5,186
Construction of properties	672,147	300,346
	672,147	300,346
	672,147	300,346

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36. CONTINGENT LIABILITIES

At the end of the reporting period, the contingent liabilities of the Group were as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to		
- third parties (note)	647,931	362,664
- jointly controlled operation	70,000	45,000
	717,931	407,664

Note: The Group arranges with various domestic banks in the PRC to provide loans and mortgage facilities to the properties purchasers prior to completion. In line with some consumer banking practices in the PRC, these banks require the Group to provide guarantees in respect of these loans including the principal, interest and other incidental costs, should the purchasers defaulted their mortgage obligations. The Group provides guarantees on the condition that the purchasers pay a downpayment of between 20% and 30% of the purchase price. If a purchaser defaults on a loan, the relevant mortgagee bank is also entitled to auction off or sell the property to third parties and use the sales proceeds to satisfy the loan, or in some mortgage facilities require the Group to repurchase the properties. In the opinion of directors, the fair value of the financial guarantee contracts is not significant.

37. COMPLETION OF CONSTRUCTION METHOD DISCLOSURE

Had the Group adopted the completion of construction method for revenue from uncompleted property with finalised sales agreements, the following would have been reported in the financial statements:

	Group	
	Completion of construction	
	2009	2008
	RMB'000	RMB'000
<u>Consolidated statement of financial position</u>		
Development properties	1,917,815	1,409,298
Trade and other receivables	119,194	59,916
Deferred tax liabilities	151,441	142,315
Trade and other payables	865,162	226,029
Retained earnings	396,387	457,192
<u>Consolidated statement of comprehensive income</u>		
Revenue	69,024	57,754
(Loss) profit for the year	(55,749)	444,925

38. EVENTS AFTER THE REPORTING PERIOD

Other than the events disclosed in the relevant notes to the financial statements, the following events took place subsequent to December 31, 2009:

- (i) The conversion by the Pre-IPO Investors of the S\$80.0 million convertible loan into an aggregate of 372,093,024 shares on March 30, 2010 pursuant to convertible loan agreements entered into on December 25, 2007, June 18, 2008, June 23, 2008, July 16, 2008, August 11, 2008, August 14, 2008, March 6, 2009 and March 25, 2009 and as supplemented on August 11, 2008, July 25, 2009, August 4, 2009, August 12, 2009, August 20, 2009 and August 28, 2009 ("Conversion").

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

38. EVENTS AFTER THE REPORTING PERIOD (Cont'd)

- (ii) Pursuant to the written resolutions of the Shareholders passed on March 30, 2010, the Shareholders approved, inter alia, the following:
- (a) the sub-division of the ordinary shares of the Company of which 10,000,000 ordinary shares have been issued and are fully paid into 627,906,976 ordinary shares (the "Sub-division");
 - (b) the Conversion and the issue of 372,093,024 shares in respect thereof;
 - (1) the allotment and issue of the New Shares pursuant to the Invitation. The New Shares, when fully paid, allotted and issued, will rank *pari passu* in all respects with the existing issued and fully paid Shares; and
 - (2) that the Directors be authorised to: (i) allot and issue Shares in the Company (other than the New Shares); and (ii) issue convertible securities and any Shares in the Company pursuant to the conversion of such convertible securities (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the Directors may think fit for the benefit of the Company, provided that the aggregate number of Shares and convertible securities to be issued pursuant to such authority shall not exceed 50% of the Post-Invitation issued shares of the Company (excluding treasury shares) and provided that the aggregate number of Shares to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed 20% of the post-Invitation issued share capital of the Company, and, unless revoked or varied by the Company in general meeting, such authority shall take effect from the date of listing of the Shares on the SGX-ST and shall continue to be in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting is required by law or by the Articles to be held, whichever is earlier.

For the purpose of this resolution, and pursuant to Rules 806(3) and 806(4) of the SGX-ST Listing Manual, "Post-Invitation issued share capital" shall mean the enlarged issued and paid-up Share capital of the Company after the completion of the Invitation, after adjusting for: (i) new Shares arising from the conversion or exercise of any convertible securities; (ii) new Shares arising from the exercise of share options or the vesting of share awards outstanding or subsisting at the time such authority is given, provided the options or awards were granted in compliance with the SGX-ST Listing Manual; and (iii) any subsequent consolidation or sub-division of Shares.

- (iii) On April 12, 2010, the Company, pursuant to the initial public offering ("IPO") of its shares, was converted to a public company and changed its name to Debao Property Development Ltd.. Pursuant to the IPO of the shares in the Company, 125,000,000 new ordinary shares were issued to the public at S\$0.43. Since April 12, 2010, the Company had been listed on the mainboard of the Singapore Exchange Securities Trading Limited.

39. COMPARATIVE FIGURES

In 2009, the financial statements cover the 12 months period ended December 31, 2009.

In 2008, the financial statements cover the financial period since incorporation of the Company on August 16, 2007 to December 31, 2008.

STATISTICS OF SHAREHOLDINGS

As at April 30, 2010

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	1	0.11	500	0.00
1,000 - 10,000	594	66.44	2,543,000	0.23
10,001 - 1,000,000	256	28.64	24,543,000	2.18
1,000,001 AND ABOVE	43	4.81	1,097,913,500	97.59
TOTAL	894	100.00	1,125,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	BILLION EQUITY HOLDINGS LIMITED	583,953,488	51.91
2	UOB KAY HIAN PTE LTD	137,543,000	12.23
3	EAST HERO TRADING LIMITED	79,235,011	7.04
4	ALLIED ASSET HOLDINGS LIMITED	34,786,100	3.09
5	GLOBAL ACE ENTERPRISES LIMITED	23,190,734	2.06
6	PRIDE CAPITAL INVESTMENT HOLDINGS LIMITED	21,976,744	1.95
7	WU KWOK HUNG	21,730,827	1.93
8	JUN TENG DEVELOPMENT LIMITED	17,393,050	1.55
9	ASIA INVESTMENTS ARM (AIA) S.A.	15,847,001	1.41
10	AURUM INVESTMENTS PTE LTD	11,628,000	1.03
11	HSBC (SINGAPORE) NOMINEES PTE LTD	11,595,366	1.03
12	TRIUMPH SUCCESS INVESTMENTS LIMITED	11,595,366	1.03
13	YANG JINZHONG	11,595,366	1.03
14	FINANCE DEPARTMENT GOVERNMENT OF SHARJAH	8,980,245	0.80
15	JOHN LYN HIAN WOON	7,730,245	0.69
16	POW KIM HOO	6,735,183	0.60
17	THAM KENG CHUEN	6,666,744	0.59
18	CHUA HONG THUAN	6,166,744	0.55
19	3VS1 ASIA GROWTH FUND LTD	5,798,183	0.52
20	ANG YEE LIM	5,798,183	0.52
	TOTAL	1,029,945,580	91.56

STATISTICS OF SHAREHOLDINGS

As at April 30, 2010

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
SUBSTANTIAL SHAREHOLDERS				
Yuan Le Sheng	–	–	605,930,232 ⁽¹⁾	53.86
Zheng Lihua	–	–	605,930,232 ⁽¹⁾	53.86
Billion Equity Holdings Limited	583,953,488 ⁽¹⁾	51.91	–	–
East Hero Trading Limited	79,235,011	7.04	–	–
OTHER SHAREHOLDER				
Pride Capital Investment Holdings Limited	21,976,744 ⁽¹⁾	1.95	–	–

(1) Billion Equity Holdings Limited is a company incorporated in the British Virgin Islands and wholly-owned by our Non-Executive Director, Ms Zheng Lihua. Accordingly, Ms Zheng Lihua is deemed interested in the Shares of our Company held by Billion Equity Holdings Limited.

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

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

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 39.1% of the issued ordinary shares of the Company is held in the hands of the public, including pre-initial public offering investors, as at 30 April 2010. Therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited which requires at least 10% of a listed issuer's equity securities to be held by the public is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Debao Property Development Ltd. (the "Company") will be held at Suntec City, 1 Raffles Boulevard, Meeting Room 206, Level 2 on Tuesday, 25 May 2010 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2009 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Article 93 of the Company's Articles of Association.

Mr Yuan Le Sheng **(Resolution 2)**
Mr He Ke Ping **(Resolution 3)**
Mr Cheong Keng Chuan Alfred **(Resolution 4)**

Mr Cheong Keng Chuan Alfred will, upon re-election as Director of the Company, remain as a member of the Nominating and Remuneration Committees and Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
3. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
4. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

(Resolution 6)

By Order of the Board

Ng Peishi Loseana
Company Secretary

Singapore, 10 May 2010

Explanatory Note:

The Ordinary Resolution 6 proposed in item 5 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the issued share capital (as defined in Resolution 10) of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of the issued share capital (as defined in Resolution 10) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

Notes:

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

DEBAO PROPERTY DEVELOPMENT LTD.

(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

Important

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

I/We, (name) of

.....
(address) being a member/members of Debao Property Development Ltd. (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings %
and/or (delete as appropriate)			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 25 May 2010 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1.	Directors' Report and Accounts for the year ended 31 December 2009		
2.	Re-election of Mr Yuan Le Sheng		
3.	Re-election of Mr He Ke Ping		
4.	Re-election of Mr Cheong Keng Chuan Alfred		
5.	Re-appointment of Deloitte & Touche LLP as Auditors		
6.	Authority to allot and issue new shares		

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

Dated this day of

Total number of Shares in:	No. of Shares Held
(a) CDP Register	
(b) Register of Members	

.....
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

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

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.