



DEBAO PROPERTY
DEVELOPMENT LTD.

德宝房地产开发有限公司

Annual Report 2010

年度报表

Two Cities
O Many
pportunities

广佛同城
鲤跃龙盘
共创商机



以人为本 稳定发展 房产先锋

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. On 31 October 2010, our seventh completed property development project, Jiangnan Mingju Phases 5 and 6 with a Gross Floor Area (GFA) of 165,000 sq m was officially handed over to buyers. With this, our aggregate GFA for completed property development projects reached 845,000 sq m to date. As at 28 February 2011, the Group has a total GFA of approximately 1,315,000 sq m of properties under and held for future development. On 2 May 2010, the Group soft launched the maiden pre-sales of Phase 1 of its high-end villas project, Shanshui Longpan. This flagship project, with a saleable GFA of 790,000 sq m comprising landed villas, terrace dwellings and high rise apartments, has further strengthened our portfolio of large scale property developments and taken the Group to greater heights of achievement as a quality property developer. As part of our property investment business, we hold selected commercial properties that we developed or bought for capital appreciation for recurring and stable rental income. We also provide management services for residential properties developed by us.

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

The Company was successfully listed on the Main Board of the Singapore Exchange on 12 April 2010.

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*Our Corporate Office
Building, at Jiangnan
Mingju Phase 5*



Two Cities, Many Opportunities

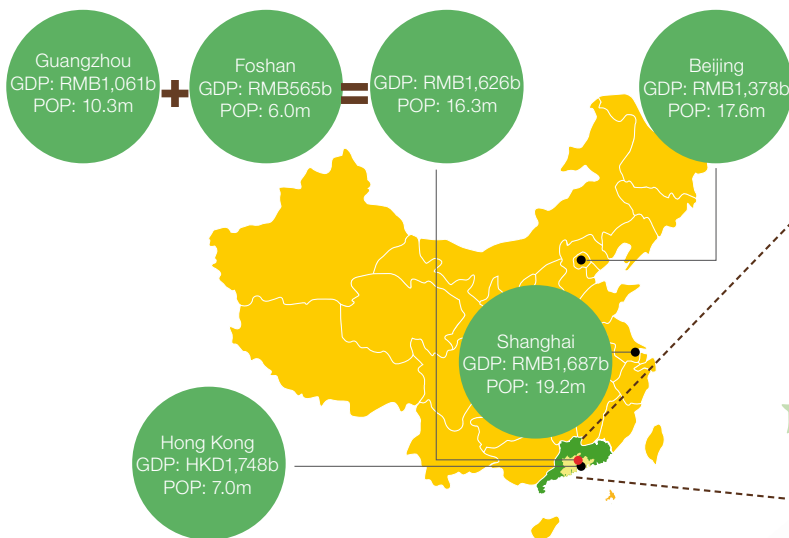
广佛同城, 处处商机

Guangzhou-Foshan Integration Scheme

The Pearl River Delta region, which is located in Guangdong Province alongside the Pearl River estuary, is one of China's leading economic zones and a major manufacturing and logistics hub, accounting for one third of the country's exports, and around 9% of the national GDP in 2010. It surpassed other major economic zones, such as Yangtze River Delta and Bohai Rim, in terms of GDP per capita and personal disposable income. According to a "12-year Development Plan" by the National Development and Reform Committee, the urbanisation rate of the Pearl River Delta region is expected to reach 85%, and GDP per capita to be raised to RMB135,000 by the year 2020.

Guangzhou and Foshan, the largest and third largest cities in Guangdong Province respectively, are two of the primary cities in the bustling Pearl River Delta economic zone. In 2010, the total combined GDP of Guangzhou and Foshan reached RMB1,626 billion, exceeding that of Beijing and Hong Kong, and similar to Shanghai.

2010: GDP and Population



Pearl River Delta



Located next to each other, Guangzhou and Foshan have merged into one vibrant economic metropolis, thanks to the Guangdong provincial government's Guangzhou-Foshan Integration Scheme. This enables Guangzhou and Foshan to jointly become the regional economic centre of the Pearl River Delta and further boost the economic growth and facilitate the urbanisation and development of that region.

The Guangzhou-Foshan Integration Scheme is part of the aggressive "Pearl River Delta Super City Cluster Plan" by the Guangdong provincial government which targets to integrate nine major cities within the region to form a super city cluster of 40,000 sq km, **26 times larger than Greater London, with a population of 42 million, higher than that of Greater Tokyo.**



The integration of the two cities focuses on four key areas: **Urban Planning, Transport Infrastructure, Industrial Development, and Environmental Protection.**

Work is underway to develop five economic zones in the boundary areas between the two cities, including the South Railway Terminal, Fangcun-Guicheng (Qiandeng Lake Area), Jinshazhou area, Nansha area and Baiyun Airport area. The 4.5 sq km Guangdong High-tech Financial Services Zone, which is located in the Qiandeng Lake Area of Nanhai District in Foshan, is the only financial services zone in Guangdong and has become Foshan's new CBD. In May 2010, The Chinese central government and the Hong Kong government signed a new supplement to the earlier Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), to give Hong Kong firms greater access to the Mainland market in key areas including securities and banking. Foshan is well positioned to benefit from this, due to its proximity to and close economic ties with Hong Kong, when Mainland China is trying to further open up its financial market to Hong Kong's business.

Guangzhou's South Railway Terminal, situated in the boundary areas between Guangzhou and Foshan, has started operation since January 2010. This is Guangzhou's new transportation

hub, linking directly to the metro network, bus-rapid-transit network, and the nation-wide high-speed train network which connects to other cities such as Changsha and Wuhan now, and to Hong Kong in 2014. This is going to create vast business opportunities for both cities with enhanced transportation connectivity.

Construction of intercity metro lines has also made huge progress. **Since November 2010, Line 1 of the Guangzhou-Foshan Metro has started operation**, connecting Foshan to Guangzhou's existing extensive Metro network, which has reduced the travel time between the CBD areas of these two cities to around 30 minutes. According to government's transportation network planning, there will be in total eight intercity metro lines up and running between these two cities by 2020. Expressways to link Foshan to Guangzhou's South Railway Terminal and airport are also under construction. All these have made residing in Foshan and commuting in comfort to work in Guangzhou possible, resulting in strong demand for housing in Foshan, particularly along the metro lines.



Foshan City

Foshan, one of the most prosperous and fastest growing cities in the heart of the Pearl River Delta region, is the third largest city in Guangdong Province, and eleventh largest city in China in terms of GDP. It recorded a growth rate of 14.3% to RMB565.1 billion in 2010, outpacing the national average of 10.3%, and that of Beijing and Shanghai in the same period. The city's personal disposable income was at around RMB27,245 in 2010, comparable to that of some tier-1 cities such as Beijing and Guangzhou.

Foshan is situated centrally in Guangdong Province, and in the heart of the Pearl River Delta region. Its established multi-model transportation network connects Foshan to other major cities in the Pearl River Delta region. Foshan is located zero distance away from the neighbouring provincial capital of Guangzhou, and about 200km away from Hong Kong and 100km away from Macau.

Its seven major industrial parks, with an aggregate area of approximately 190 sq km, generate more than RMB250 billion of industrial output annually. They house over 3,000 companies, including Fortune 500 companies like Siemens, Toyota, Honda, Samsung, Denso and Bosch. Establishment of the Beverage City, a business zone for the beverage industry located in Sanshui District of Foshan, with big names such as **Budweiser, Red Bull, Coca-Cola and Singapore's Yeo Hiap Seng**, and the German carmaker **Volkswagon AG's** plan to build a factory in Foshan with an annual production capacity of 300,000 units, have further raised the profile and attractiveness of Foshan as a major manufacturing and logistics hub in the region.

Foshan's Property Market

With a fast growing economy, a personal disposable income that's comparable to tier-1 cities, and a reasonable average selling price, Foshan is one of the major cities enjoying the highest housing affordability in China. The ratio of housing price to family disposable income is less than half of those primary tier-1 cities such as Beijing, Shanghai and Shenzhen. This essentially bodes well for the long-term growth prospects of Foshan's property market, along with the intensified urbanisation and infrastructure modernization in the Pearl River Delta region.

The Guangzhou-Foshan Integration Scheme is another positive factor for the burgeoning property market in Foshan in view of the enhanced transportation connectivity and improved infrastructure of these two cities and more affordable housing prices in Foshan. The combined population of Guangzhou and Foshan at 16.3 million in 2010, which was exceeding that of Beijing and Hong Kong, indicates huge potential for the property market.

Foshan's property market has experienced remarkable growth over the years, with steadily increasing transaction volume and housing prices since 2004. Despite the nationwide property market downturn, Foshan's housing prices remained resilient during global financial crisis. Average selling price reached new heights in the fourth quarter of last year at RMB7,779.

Following the Chinese government's recent tightening policies to curb rising speculation in the property market through land supply and credit control, property prices and sales volume in major cities are under pressure with weak market sentiment when buyers are generally adopting a "wait and see" stance. However, Foshan, as a tier-2 city, is less affected. Foshan's property price remained intact with moderate growth, due to healthier housing price level and strong demand from local residents who have higher levels of income and are mostly owner-occupiers.

Foshan City



Our Properties

As of 28 February 2011, we have completed 7 property development projects with an aggregate GFA of approximately **845,000 sq m**, the latest being Jiangnan Mingju Phases 5 and 6, which was officially handed over to buyers on 31 October 2010.

Completed Property Development Projects

Property Development	Location / Type of Development	Approximate Total GFA (sq m)	Status
1. Xinliwan Garden <i>(Project by Our Predecessors)</i>	Foshan / Integrated development	91,000	Completed in September 1998
2. Debao Garden <i>(Project by Our Predecessors)</i>	Foshan / Integrated development	68,000	Completed in October 2000
3. Guicheng Industrial Park	Foshan / Integrated development	48,000	Completed in April 2002
4. Qing Hua Garden <i>(Joint Venture Project)</i>	Foshan / Integrated development	78,000	Completed in June 2004
5. Jiangnan Mingju Phases 1 to 4	Foshan / Multi-phases large scale integrated development	350,000	Completed in October 2007
6. Jin Long Garden North Zone <i>(Joint Venture Project)</i>	Foshan / Multi-phases integrated development	45,000	Completed in December 2009
7. Jiangnan Mingju Phases 5 and 6	Foshan / Multi-phases integrated development	165,000	Completed in October 2010
Total		845,000	

As of 28 February 2011, we have a total GFA of approximately **1,315,000 sq m** of properties under and held for future development, including our flagship high-end villas project, Shanshui Longpan.

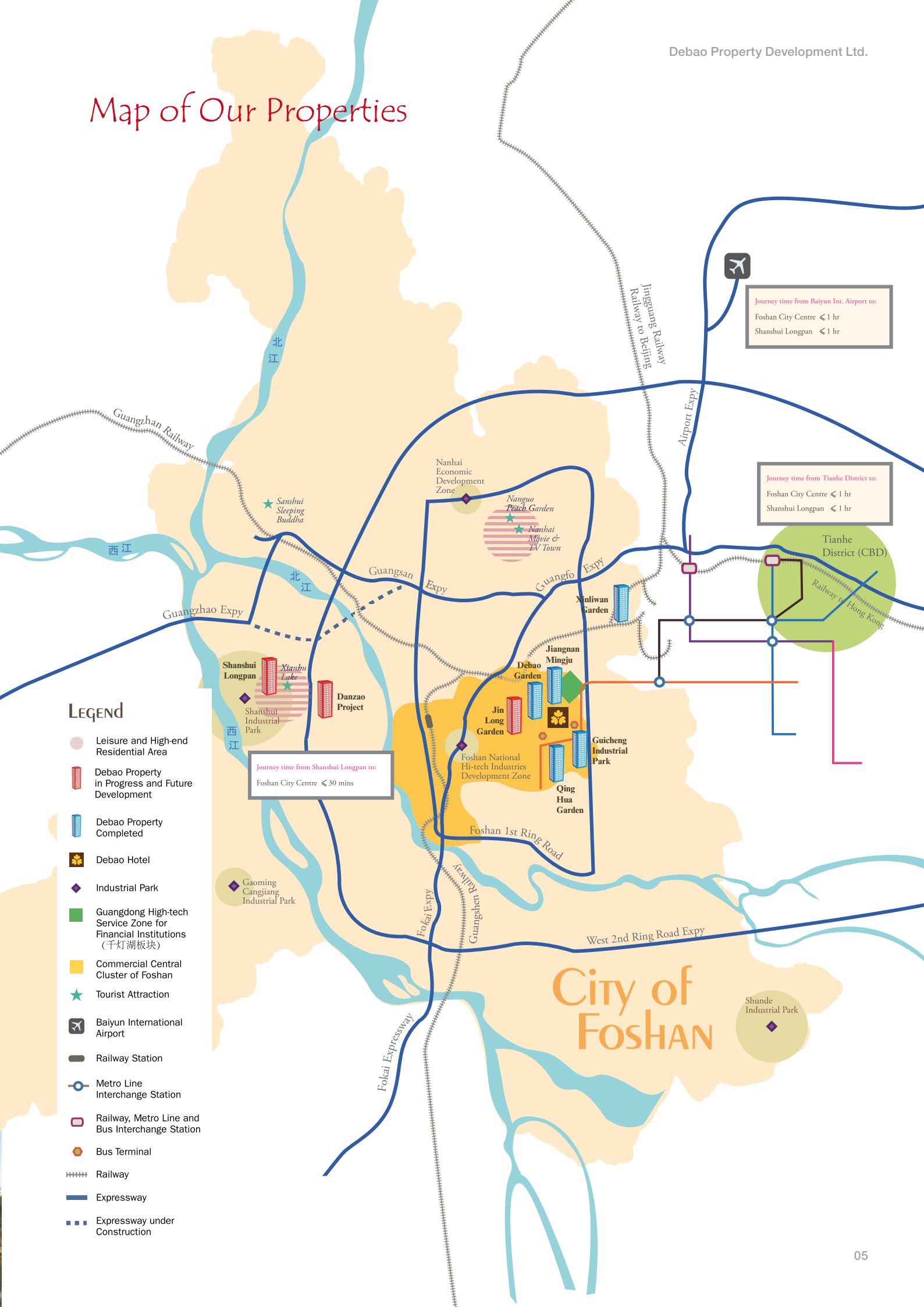
Property Development Projects Under and Held for Future Development

Property Development	Location / Type of Development	Approximate Total GFA (sq m)	Status
1. Shanshui Longpan	Foshan / Multi-phases large scale integrated township development	968,000	<ul style="list-style-type: none"> • Development in progress • Soft launched the maiden pre-sales of Phase 1 high-end villas in May 2010 • Expected date of completion in 2015/2016
2. Jin Long Garden South Zone <i>(Joint Venture Project)</i>	Foshan / Multi-phases integrated development	97,000	<ul style="list-style-type: none"> • Development in progress • Launched the pre-sales in stages since December 2010 • Expected date of completion in 2012
3. Danzao Project	Foshan / Large scale integrated development	250,000	<ul style="list-style-type: none"> • Reserved for future development • Expected date of completion in 2015
Total		1,315,000	

山水龙盘，开发面积近一百万平方米。依傍仙湖度假区，700多公顷的山林环绕着120公顷的湖面，项目内更配套无敌园林美景，以林荫栈道、亭台楼榭、喷泉雕塑等广作装饰。内部配套四星级酒店、体育馆、网球场、游泳池、健身房、瑜伽馆等设施。

Shanshui Longpan Lakeview Villas

Map of Our Properties



Journey time from Baiyun Int. Airport to:
 Foshan City Centre < 1 hr
 Shanshui Longpan < 1 hr

Journey time from Tianhe District to:
 Foshan City Centre < 1 hr
 Shanshui Longpan < 1 hr

Journey time from Shanshui Longpan to:
 Foshan City Centre < 30 mins

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 (千灯湖板块)
- 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

Chairman's Statement

"We enjoy a healthy net gearing level of **18%**
in comparison with
197% in the year-ago period.

As at 31 December 2010,
our net asset value per share stood at
RMB1.08."



Dear Shareholders

Despite the Chinese government's recent tightening policies to curb speculation in the property market through land supply and credit control, the property market in major tier-2 cities, such as Foshan, continued to maintain its growth momentum with steadily increasing transaction prices. This is because consumers continued to take the view that holding a property is still a better hedge against inflation in light of the strong growth that China is experiencing.

We feel that these measures are largely targeted at speculators who rely heavily on mortgages and own more than two properties, and therefore, have limited impact on Foshan. From our own research, most of the property buyers and potential buyers in Foshan are local residents who have higher levels of income and are mostly owner-occupiers. As a matter of fact, we have seen average selling prices per square metre inching up since the second half of 2010 and Foshan is still one of the cities with the highest home affordability in China. All of these are very positive signs! **Moving forward, we will focus on brand building and offering quality property development projects to our targeted market so as to maximise profit margin and minimise the impact from government's tightening policies.**

China has been experiencing phenomenal growth. In 2009, GDP growth reached 9.2% and in the year that just ended, China recorded 10.3%. To pay more attention to inclusive growth which focuses more on improving social safety nets and a more even wealth distribution, China will moderate growth in 2011 from an



Shanshui Longpan Lakeview Villas

earlier estimate of 8% down to 7%. Rising affluence to a wider population will result in intensifying the rate of urbanisation, and will drive continued demand for housing for the most populous country in the world.

We are very encouraged at how well received our projects have been. This is of course no coincidence as one of the keys to our success is the attention we pay to sourcing for land parcels in the very best locations to maximise the development return. We have worked hard to ensure that these are ideally situated in close proximity to potential growth areas within the city and to popular lifestyle offerings, while land cost is still maintained at a reasonable level in proportion to the overall development costs.

Incidentally there are several factors that are in favour of the real estate market in Foshan. These include the establishment of Beverage City, a business zone for the beverage industry housing big names such as **Budweiser, Coca-Cola and Singapore's Yeo Hiap Seng**, and the announcement by German carmaker, **Volkswagen AG** that it was going to build a factory in Foshan with an annual production capacity of 300,000 units. These two developments are expected to boost the city's population and economic activities and bode well for Debao's portfolio of projects including Shanshui Longpan, Jiangnan Mingju and Jin Long Garden.



Shanshui Longpan Phases 1 and 2

Since its soft launch in May 2010, transactions at Shanshui Longpan (Phase 1) have been encouraging. The development consists of bungalows, semi-detached and triple-linked villas and is our very first luxury villas and residential township project, of which we are very proud. Its proximity to Beverage City and Shishan Industrial Park, where Volkswagen AG and the automotive supply chain is located, is also expected to boost sales.

Elsewhere, we are extremely pleased with the response since the launch of our joint venture project Jin Long Garden – South Zone (Phase 2) in December 2010, which is located near a stylish leisure mall and a heritage and cultural hub.

Construction of Jiangnan Mingju Phases 5 and 6 was completed and handed over to buyers in 4Q2010. The project is highly regarded by the market for its modern and innovative design, greenery landscaping, as well as full ancillary facilities support and close proximity to CBD area. More than 800 car park lots in Jiangnan Mingju Phases 5 and 6 were substantially

Chairman's Statement

sold since its launch in 4Q2010 and we have seen strong response from the owners of the development, as well as from neighbouring developments.

Financial Review

In FY2010, the Group's revenue dipped by 2% to RMB566.7 million due to a decrease in GFA sold and recognised – 58,200 sq m compared to 88,300 sq m in FY2009, as the majority of our Jiangnan Mingju Phases 5 and 6 project was pre-sold last year. However, the pre-sales of our newly-launched Shanshui Longpan high-end township project has been encouraging, which led to higher ASP per sq m achieved – RMB8,800 per sq m as opposed to RMB6,100 per sq m in FY2009. We are also pleased with our ability to hold and even achieve higher ASP despite the PRC government's cooling measures which did not seem to affect demand for our properties.

In the second half of 2009, our joint venture project Jin Long Garden Phase 2 (South Zone) had started construction, and generated construction revenue of RMB43.5 million for the Group in FY2010.

We ended the year with an Actual Accounting net loss of RMB126.5 million, although the Group is operationally profitable. This is primarily due to a 248% increase in fair value adjustments of the convertible loan notes to RMB198.4 million upon conversion date. These fair value adjustments are "notional" and have no impact on shareholders' equity. It also has no bearing on the operating cash flow and cash position of the Group. You will be pleased to note that there will be no further charge of this nature to the income statement of the Group in FY2011. Excluding the non-cash fair value adjustment to the cost of property development sales and its associated tax due to application of the Singapore Financial Reporting Standards 103 (the "SFRS 103"), our Proforma Accounting net loss was RMB48.0 million for FY2010¹.

As at 31 December 2010, the Group's cash and bank balances increased by 68% to RMB258.1 million primarily due to net cash inflow from operating and financing activities, and partially offset by net cash used in investing activities. Similarly, our net borrowings decreased by 77% to RMB215.3 million mainly due to conversion of convertible loan notes and repayment of borrowings during the year. We also enjoy a healthy net gearing level of 18% in comparison with 197% in the year-ago period.

As at 31 December 2010, our net asset value per share stood at RMB1.08.

Looking Ahead

Moving forward, Debao expects to continue riding on the aggressive plans of Foshan's local government to attract both domestic and international brand names to base their

operating activities in the city. Its growth presents numerous opportunities for real estate development and we plan to take advantage of these.

As such, we will continue to focus our efforts on Foshan where we are headquartered. At the same time, we have also identified other regions in China that are also experiencing exponential growth and we will seek opportunities there. These include the Pearl River Delta, Guangxi Province, Hunan Province, Jiangxi Province, Liaoning Province and Tianjin City.

Part of the reason for our IPO was to raise cash to build up our land reserves and our portfolio of investment properties through direct acquisitions, joint ventures and business alliances. We will continue to look for prospects in these areas to maintain a sufficient project pipeline, while at the same time maintaining the balance between our land bank and capital sufficiency.

As at 28 February 2011, we have two projects with a gross floor area of approximately 1.1 million sq m under development and approximately 250,000 sq m of gross floor area of land held for future development in the Foshan area. These are expected to be separately completed in various phases between 2011 and 2016, providing us with secure and strong business growth opportunities in the foreseeable future. At the same time, we will continue to source for quality and commercially viable new land that is either similar to our current development projects, i.e. high-end villas project on industrial land for re-development, or commercial development projects.

With the impending launch of Phase 2 of Shanshui Longpan, we continue to expect strong response from buyers. The central location of our joint venture project, Jin Long Garden, is expected to continue to garner strong response as evidenced by the robust take up in its South Zone pre-sales since December 2010. With such encouraging indicators from our projects, the Group is cautiously optimistic about our performance in FY2011.

Appreciation

In closing, I would like to thank our Board of Directors and our staff for your commitment. I draw my inspiration from your dedication and I am determined to build a bright future for our Group.

I also want to thank our shareholders and investors for your trust in us. We hope to have your continued support as we embark on our plans to bring Debao to greater heights in the coming years.

Yuan Le Sheng

Executive Chairman and CEO

¹ The application of the purchase method under the Singapore Financial Reporting Standards 103 (the "SFRS 103") for the acquisition of the PRC subsidiaries by the Group requires, *inter alia*, the development properties and properties held for sale by the respective PRC subsidiaries to be recorded at fair value at the respective dates of acquisition by the Group. Pursuant the application of SFRS 103, the cost of property development sales had a fair value upward adjustment of RMB104.4 million with its associated tax of RMB26.2 million in FY2010.

主席献词



尊敬的各位股东：

尽管中国政府最近出台了通过限制土地供应、收紧房贷等手段抑制房价的措施，但主要的二线城市如佛山，其房地产市场的成交价仍保持稳定增长的态势。鉴于目前经济持续增长的情况，国内居民认为持有物业仍然是应对通货膨胀的更好选择。

我们认为政府的打压措施主要针对强烈依赖贷款融资的投机者或拥有两套以上物业的购房者，因此打压措施对佛山的影响不大。我们调查发现，大部分佛山房地产买家及潜在买家都是收入较高的本地居民，且很多都是自住业主。实际上，我们看到自2010年下半年开始佛山的每平方米平均售价在稳健上升，而且佛山仍然是中国房地产价格最健康的城市之一。这些都是对我们有利的因素！**展望未来，我们将着眼于打造品牌，针对市场推出优质房地产开发项目，以提高利润率并降低政府紧缩政策所带来的影响。**

中国经济增长迅速，2009年GDP增长了9.2%，2010年则增长了10.3%。2011年中国会更注重建设社会保障体系以及更公平的财富分配机制，以缓和其GDP增速——从早前估计的8%降低至7%。让更多人分享富裕的果实会加快城市化进程，进而持续加大中国这一世界人口大国的住房需求。

我们的项目业绩显著，令人振奋！这并非偶然，我们成功的一个重要的因素是我们注重在最好的位置获取土地，从而使房地产开发回报率得以最大化。我们努力保证在城市中有发展潜力的、附有各种丰富生活配套设施的、而土地成本相对比较合理的地域获取开发土地。

现在佛山房地产市场有几个有利因素。佛山市新建的饮料城，有多家著名的饮料生产商如**百威、可口可乐和新加坡的杨协成**。另外，**德国汽车制造商大众**早前宣布，将会在佛山建造一个年产量达30万辆的工厂。这些利好因素都会为佛山带来更多人口，并使其经济活动更活跃，同时也会对德宝的项目山水龙盘、江南名居以及锦隆花园产生积极影响。

自2010年5月起，山水龙盘（1期）的销售如火如荼。这是我们第一个豪华别墅和镇区住宅项目，也是我们引以为傲的一个项目，该项目包括独栋别墅、双联排别墅和三联排别墅。山水龙盘毗邻饮料城和大众汽车即将落户的狮山工业园，这些都有利于促进我们楼盘的销售。

另外，我们的合作开发项目锦隆花园南区（2期）于2010年12月份的推出预售也产生了强烈反响，该项目邻近时尚的休闲娱乐广场以及文化中心。



Jin Long Garden Mix Development

主席献词



Hand-over Ceremony for Jiangnan Mingju Phases 5 and 6

江南名居5、6期已完工并于2010年第四季度交楼。该项目因其现代化以及创新的设计、优美的绿化园景、完善的配套设施以及毗邻中央商业区的优越地理位置而得到市场的高度认可。江南名居超过800个车位自2010年第四季度推出以来已基本售罄，我们收到了该项目以及附近楼盘的业主对车位的热烈反响。



Jiangnan Mingju Phases 5 and 6

财务数据回顾

2010财年，集团的主营业务收入为人民币5.667亿元，同比减少2%，其主要原因是本财年集团的销售面积（5.82万平方米）与2009财年（8.83万平方米）相比有所减少，这主要归因于江南名居5、6期大部分单位已于2009财年预售出去。但是，我们最新的高端镇区项目山水龙盘一推出就反响热烈，并使集团本财年的每平方米平均售价达到人民币8800元（2009财年为人民币6100元）。更让我们高兴的是，尽管中国政府出台了抑制房价的措施，却没有影响到买家对我们物业的需求，且我们的售价还不断攀升。

2009年下半年，我们的合作经营项目锦隆花园2期（南区）正式动工，并在2010财年为集团带来人民币0.435亿元的建筑业务收入。

虽然我们在2010财年的实际报表中出现了人民币1.265亿元的亏损，但集团在经营上是盈利的。出现这个状况的主要原因是人民币1.984亿元可转换债券的公允价值调整比去年同期增加了248%。这些公允价值调整是账面上的调整，对股东的权益没有影响，同时对集团的现金流和资金状况也没有任何影响。请放心，2011财年集团的损益表中不会再有这种性质的调整。剔除按照新加坡会计准则第103条的规定对房地

产销售成本进行的非现金公允价值调整，2010财年在模拟报表中的净亏损为人民币0.48亿元¹。

截至2010年12月31日，集团的现金及银行存款余额为人民币2.581亿元，同比增长68%，这主要归因于经营性活动与融资性活动的净现金流入，而有一部分用于投资性活动的净现金流出。另外，我们的净借款为人民币2.152亿元，同比减少77%，其主要原因是本财年可转换债券已被转换且公司偿还了一部分借款。我们本财年的净负债率为18%，与2009财年的197%相比是比较健康的。

截至2010年12月31日，我们的每股净资产价值为人民币1.08元。

前景展望

展望未来，德宝会继续乘着佛山政府积极招商引资、吸引本地和国际品牌落户佛山的势头而发展。佛山的发展会为房地产事业带来大量的机会，而我们会从中受惠。

因此，我们会继续在公司的总部佛山努力创造业绩。同时，我们还留意到一些发展较快且有开发潜力的地区，这些地区包括珠江三角洲、广西省、湖南省、江西省、辽宁省以及天津市。

我们上市的部分原因是为了筹集现金以增加我们的土地储备，并通过直接收购、合作经营及业务联盟的方式增加我们的投资性物业。我们会继续在这些领域寻找商机以保持我们的项目数量，同时保持土地储备与资本之间的平衡。

截至2011年2月28日，我们在佛山两个在建项目的总可建面积约110万平方米，而用于将来开发的土地总可建面积约25万平方米。上述土地预计于2010-2016年间分期完工，从而在不久的将来为我们提供更多的商机。同时，我们会继续寻找高品质且有开发价值的新土地，以开发类似目前正在开发的项目，如高端别墅项目或商业开发项目。

山水龙盘即将推出2期楼盘的销售，我们预计反响会很热烈。而位于市中心的合作经营项目锦隆花园南区自2010年12月推出预售以来交易火爆，相信该项目的单位会继续获得强烈的反响。综合上述楼盘的有利因素，我们对集团2011财年的业绩保持谨慎乐观的态度。

感谢词

最后，我要对公司董事局以及员工表示感谢，感谢你们敢于承担和无私奉献的精神，我决心要为集团创造更加美好的未来。

同时我还要感谢各位股东和投资者对我们的信任。我们希望能继续得到你们的支持，一起把德宝推向更高的发展阶段。

袁乐生

董事长兼总裁

¹根据新加坡会计准则第103条，当集团收购中国子公司时，各子公司持有的在建房地产开发项目和已完工的房地产开发项目需要在收购日被评估至公允价值。根据上述准则的规定，2010财年房地产销售成本中增加了公允价值调整人民币1.044亿元，与该公允价值调整相关的税金调整为人民币2620万元。

Financial Highlights

	Actual Consolidated Financial Statements		Proforma Consolidated Financial Statements ²	
	FY2010 (RMB'm)	FY2009 (RMB'm)	FY2010 (RMB'm)	FY2009 (RMB'm)
Revenue	566.7	575.6	566.7	575.6
Cost of Sales	(428.3)	(481.2)	(323.9)	(370.2)
Gross Profit	138.4	94.4	242.8	205.4
Net (Loss) Profit for the Year	(126.5) ¹	(23.3)	(48.0) ²	60.6
Gross Profit Margin (%)	24.4	16.4	42.8	35.7
(Loss) Profit per Share ³ – Basic (RMB cents)	(12.6)	(3.7)	(4.8)	9.7
Net Asset Value per Share at the End of the Year ⁴ (RMB cents)	107.9	75.6	90.5	31.9
Net Gearing Ratio (%)	17.7	197.2	21.2	468.1
Net Cash from Operating Activities	26.6	108.7	26.6	108.7
Net Cash from (Used in) Investing Activities	(16.8)	11.1	(16.8)	11.1
Net Cash from (Used in) Financing Activities	94.4	(30.3)	94.4	(30.3)
Cash and Cash Equivalents at the End of the Year	258.1	153.2	258.1	153.2

Notes :

¹ We ended the year with an Actual Accounting net loss, although the Group is operationally profitable. This is primarily due to a 248% increase in fair value adjustments of the convertible loan notes to RMB198.4 million upon conversion date. These fair value adjustments are "notional" and have no impact on shareholders' equity. It also has no bearing on the operating cash flow and cash position of the Group and there will be no further charge of this nature to the Statement of Comprehensive Income of the Group in FY2011.

² The application of the purchase method under the Singapore Financial Reporting Standards 103 (the "SFRS 103") for the acquisition of the PRC subsidiaries by the Group requires, *inter alia*, the development properties and properties held for sale by the respective PRC subsidiaries to be recorded at fair value at the respective dates of acquisition by the Group. Pursuant to the application of SFRS 103, the cost of property development sales had a fair value upward adjustment of RMB104.4 million with its associated tax of RMB26.2 million in FY2010. Excluding these non-cash items due to application of the SFRS 103, our Proforma Accounting net loss was RMB48.0 for FY2010.

³ Earnings per Share were computed based on the ordinary shares capital of 1,000,726,744 shares i.e. weighted average number of ordinary shares issued and paid-up (FY2010) and 627,906,976 shares (FY2009).

⁴ NAV per Share were computed based on the ordinary shares capital of 1,125,000,000 shares i.e. number of ordinary shares issued and paid-up (FY2009: 627,906,976 shares i.e. number of ordinary shares issued and paid-up prior to the conversion and pre-invitation of Initial Public Offering).

Shanshui Longpan Hotel



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 16 years of experience in the construction and real estate development industries. Prior to the establishment of our Group, Mr Yuan was a researcher in the He Shun Town Committee, Nanhai District, from July 1984 to May 1988 and was the head of Nanhai Guicheng Town Judiciary Office from May 1988 to March 1992. From March 1992 to July 1995, Mr Yuan took on the position of the deputy general manager of Nanhai Guinan Property Development Limited where he was in charge of administration and development. From 1995 to 2000, Mr Yuan was a general manager of Nanhai Guicheng Complex Property Development Co., Ltd. Mr Yuan was certified as an assistant construction engineer under the Nanhai Construction Series Beginner's Professional Technical Qualification for Work by the Human Resource Bureau of Nanhai District in January 2002 and obtained a bachelor's degree in construction project management from the Hubei Engineering College in 2003.

Mr Zhang Mao

Executive Director

(Date appointed to the Board: 23 November 2009)

Mr Zhang is in charge of the development and engineering departments of our Group and oversees the development of property development projects of our Group such as Jin Long Garden and Jiangnan Mingju. Prior to joining our Group in November 2000, Mr Zhang joined Nanhai Guicheng Complex Property Development Co., Ltd as a manager of the engineering and development department from January 1996 to January 1998 and Nanhai Guicheng Debao Property Development Co., Ltd. as the assistant to general manager from January 1998 to November 2000. When our Group was established in 2000, he was the assistant to the general manager and was appointed as the deputy managing director of our Group prior to his current appointment. From August 1983 to June 1993, Mr Zhang worked at the Ministry of Mechanical Engineering and Industry No. 8 Design Institute where he was a group leader in charge of construction structural design. From July 1993 to December 1995, he was the technical head of Guangdong Huizhou Construction Development Co., Ltd where he was responsible for overseeing construction work undertaken by the said company. Mr Zhang Mao obtained a degree in construction structural engineering at the Inner Mongolia Industrial University where he graduated in 1983. He was also certified as a Senior Engineer for Construction Projects in charge of Technical Management by the Human Resource Department of Guangdong Province in January 2001.

Mr 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 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 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)*

MsZheng is our Controlling Shareholder and also the spouse of our founder and Executive Chairman and CEO, Mr Yuan Le Sheng. From 1989 to 1993, she was a teacher at Foshan Nanhai Guicheng Central Kindergarten. Ms Zheng was an accounts officer with Foshan Nanhai Guicheng Agriculture Development Co., Ltd. from 1993 to 1997 and the accounts manager of Foshan Nanhai Guicheng Wire and Cable Co., Ltd. from 1997 to 1998. From 1998 to 2003, she was the head of administrative office of Foshan Nanhai Water Conservancy Sub-Bureau Guicheng Office. From 2003 to 2005, Ms Zheng was the general manager of Foshan Kangyi Decoration and Design Co., Ltd.. Ms Zheng 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 Crowe Horwath First Trust LLP, a local firm of certified public accountants. He has over 15 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 4 other public companies which are 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 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 11 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.

Jiangnan Mingju Phases 5 and 6

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 14 years of working experience in assurance practice and corporate management. Mr Chong oversees our Group's corporate development, financial reporting and investor relations matters.

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 (New Project Management)

Mr Yang is responsible for exploring and managing new property development projects. Mr Yang joined our Group as a deputy general manager in the engineering department in November 2000. He went on to become the manager in the contract budget department and was the assistant to the general manager and subsequently deputy general manager of Construction and Project Budgeting before being appointed to his current position. Prior to joining our Group, Mr Yang was the deputy general manager of Nanhai Guicheng Debao Property Development Co., Ltd. where he was in charge of the engineering department. Mr Yang holds a bachelor's degree in Construction Engineering (Industrial and Civil Construction) from Guangdong Industrial University where he graduated in 1998. He was also

certified as a construction engineering technical management engineer under the Foshan Construction Engineering Intermediate Professional Technical Qualification by the Human Resource Bureau of Foshan City in October 2003.

Mr Li Ke

Finance Manager

Mr Li is our Finance Manager and joined our Group in August 2008. Mr Li has more than seven years experience in the audit and financial functions. 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*)
Zhang Mao (*Executive Director*)
He Ke Ping (*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

Shanshui Longpan Lakeview

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 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 practice 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 (9) Directors, of whom four (4) are Independent Directors. Collectively, the members of the Board have varied expertise and knowledge in accounting, finance, business development and strategies, administration, sale and marketing. The Directors are as follows:

Name of Director	Age	Date of first appointment	Date of last re-election	Designation	Past and Present Directorships held in the last three (3) years in other listed companies
Yuan Le Sheng	44	20 August 2009	25 May 2010	Executive Chairman and Chief Executive Officer (“CEO”)	Nil
Zhang Mao	49	23 November 2009	30 December 2009	Executive Director	Nil
He Ke Ping	49	23 November 2009	25 May 2010	Executive Director	Nil
Zhong Yu Zhao	35	23 November 2009	30 December 2009	Executive Director	Nil
Zheng Lihua	46	20 August 2009	30 December 2009	Non-executive Director	Nil
Cheong Keng Chuan Alfred	42	23 November 2009	25 May 2010	Lead Independent Director	C&G Industrial Holdings Limited China Hongxing Sports Limited Sinotel Technologies Ltd Cacola Furniture International Ltd
Seetoh Kok Choi Watson	53	17 December 2007	30 December 2009	Independent Director	Nil
He Guo Quan	34	23 November 2009	30 December 2009	Independent Director	Nil
Kong Yu Quan	45	23 November 2009	30 December 2009	Independent Director	Inner Mongolia Huolinhe Lutian Coal Stock Co., Ltd. Shahe Stock Co., Ltd. Shenzhen Edifier Technology Co. Ltd Shenzhen Yingweiteng Electric Co., Ltd.

Corporate Governance

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.

Matters requiring Board approval include:

- corporate policies, strategies and objectives of the Company;
- half yearly and full year announcements;
- annual report and accounts;
- major payments, acquisitions, investments and disposal of assets;
- strategic planning; and
- transactions or investments involving a conflict of interest for a substantial shareholder or a Director, financial restructuring and share issuance, dividends and other returns to shareholders of the Company (the "Shareholders").

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

To assist the Board in the discharge of its responsibilities, the Board has established three (3) Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee. These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

Corporate Governance

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	5	5	5	5 ^	3	3 ^	2	2 ^
Zhang Mao	5	5	5	5 ^	3	3 ^	2	2 ^
He Ke Ping	5	5	5	5 ^	3	3 ^	2	2 ^
Zhong Yu Zhao	5	5	5	5 ^	3	3 ^	2	2 ^
Zheng Lihua	5	3	5	3 ^	3	1 ^	2	1
Cheong Keng Chuan Alfred	5	5	5	5	3	3	2	2
Seetoh Kok Choi Watson	5	4	5	5	3	2	2	1
He Guo Quan	5	4	5	4	3	3	2	2
Kong Yu Quan	5	1	5	1	3	NA	2	NA

^ : by invitation

While the Board considers Directors' attendance at Board meetings to be important, it should not be the only criterion to measure their contributions. It also takes into account the contributions by Board members in other forms including periodical reviews, provision of guidance and advice on various matters relating to the Group.

In addition, the Company has appointed Mr He Guo Quan, an Independent Director of the Company, as a director of the Company's wholly-owned principal operating subsidiaries, namely Foshan Sanshui Nengrun Property Development Co., Ltd., Foshan Nanhai Jiangnan Mingju Property Development Co., Ltd. and Foshan Nanhai Debao Property Development Co., Ltd.. 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, the Lead Independent Director will be available to the Shareholders in respect of concerns which contact through the normal channel of the Executive 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 the Shareholders.

BOARD MEMBERSHIP AND PERFORMANCE

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 Nominating Committee of the Company (the "NC") comprises the following members:

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

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

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

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

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

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

Presently, the Articles of Association of the Company provides that one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation at every annual general meeting ("AGM"). A retiring Director is eligible for re-election by the Shareholders at the AGM. The NC has recommended the re-appointment of Mr Zhang Mao, Mr Zhong Yu Zhao and Mr Seetoh Kok Choi Watson at the forthcoming AGM. The Board has accepted the NC's recommendation and the three (3) retiring Directors have offered themselves for re-election. Mr Kong Yu Quan, an Independent Director of the Company, will be retiring pursuant to Article 93 of the Company's Articles of Association at the forthcoming AGM.

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 an on-going basis.

Board members are provided with complete, adequate information in a timely manner, including quarterly management reports and 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 explanation, 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

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

The Remuneration Committee (the "RC") comprises the 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 RC. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

Corporate Governance

LEVEL AND MIX OF REMUNERATION

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 Company had entered into service agreements with the Executive Directors. The service agreements cover the terms of employment, salaries and other benefits. Executive Directors do not receive directors' fees.

Non-Executive Directors are paid directors' fees, determined by the RC and the Board based on the effort, time spent and responsibilities of the Non-Executive Directors. The payment is subject to approval of the Shareholders at each AGM.

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

DISCLOSURE ON REUNERATION

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 2010 is as follows:

	Salary (%)	Performance- based incentive (%)	Bonus (%)	Benefit (%)	Director's fee (%)	Total (%)
(a) Directors						
<u>Above S\$1,250,000 but below S\$1,500,000</u>						
Yuan Le Sheng	14.7	84.5	–	0.8	–	100.0
<u>Above S\$250,000 but below S\$500,000</u>						
Zhang Mao	31.1	66.6	–	2.3	–	100.0
Zhong Yu Zhao	31.3	66.4	–	2.3	–	100.0
He Ke Ping	31.3	66.4	–	2.3	–	100.0
<u>Below S\$150,000</u>						
Zheng Lihua	–	–	–	–	100.0	100.0
Cheong Keng Chuan Alfred	–	–	–	–	100.0	100.0
Seetoh Kok Choi Watson	–	–	–	–	100.0	100.0
He Guo Quan	–	–	–	–	100.0	100.0
Kong Yu Quan	–	–	–	–	100.0	100.0
(b) Key Executives						
<u>Below S\$250,000</u>						
Chong Chee Hoong	89.5	–	10.5	–	–	100.0
Lu Jin Ming	26.6	70.9	–	2.5	–	100.0
Yang Qi Man	23.9	73.4	–	2.7	–	100.0
Li Ke	89.9	–	10.1	–	–	100.0

Corporate Governance

	Salary (%)	Performance- based incentive (%)	Bonus (%)	Benefit (%)	Director's fee (%)	Total (%)
(c) Employees related to Directors						
<u>Below S\$150,000</u>						
Zheng Xiong Xian ⁽¹⁾	46.9	–	50.6	2.5	–	100.0
Yang Hui Yan ⁽²⁾	84.7	–	15.3	–	–	100.0
Yuan Jian Sheng ⁽³⁾	79.4	–	20.6	–	–	100.0
Fang Zai Ming ⁽⁴⁾	66.9	–	33.1	–	–	100.0
Zheng Xiong Wei ⁽⁵⁾	84.7	–	15.3	–	–	100.0
Yuan Jin Qiang ⁽⁶⁾	78.7	–	21.3	–	–	100.0

Notes:

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

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 2010, the aggregate remuneration of the six (6) employees who are related to our Directors amounted to approximately RMB764,000 (equivalent to approximately S\$148,000). The total remuneration of these employees will be reviewed annually by the RC to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility. In the event that a member of our RC is related to the employee under review, he will abstain from the review.

3. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

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

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

Corporate Governance

AUDIT COMMITTEE (THE “AC”)

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 (4) 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 the Mr Kong Yu Quan is legally qualified in the People's Republic of China (“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.

Mr Kong Yu Quan will be retiring pursuant to Article 93 of the Company's Articles of Association at the forthcoming AGM. The Board is in the process of identifying new candidates for the position of an Independent Director to replace Kong Yu Quan and will make the appropriate announcement of the new appointment in due course.

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.

Corporate Governance

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

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

The AC, having reviewed the range and value of non-audit services provided by the external auditors, Deloitte & Touche LLP and Deloitte Touche Tohmatsu, Guangzhou, during the year which amounted to S\$10,000 or 2.9% of the audit fees, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC recommended that Deloitte & Touche LLP be nominated for re-appointment as auditors at the forthcoming AGM.

INTERNAL CONTROLS

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.

INTERNAL AUDIT

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

The Company has appointed and outsourced its internal audit function to Baker Tilly Consultancy (Singapore) Pte Ltd, a qualified public accounting firm. The primary functions of internal audit are to:

- assess if adequate systems of internal controls are in place to protect the funds and assets of the Group and to ensure control procedures are complied with;
- assess if operations of the business processes under review are conducted efficiently and effectively; and
- identify and recommend improvement to internal control procedures, where required.

The internal auditors are required to adopt the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors will report directly to the Chairman of the AC, with full and direct access to the members of the AC at all times.

The Company has put in place a Whistle-Blowing Policy for the Group. The said policy serves to encourage and provide a channel for employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The arrangement also ensures independent investigation of such matters and appropriate follow-up actions.

Corporate Governance

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). The Annual Report is also subsequently posted on the Company's website.

Shareholders of the Company are encouraged to attend the AGM to ensure a greater level of shareholder participation. The Board views the AGM as the principal forum for dialogue with Shareholders, being an opportunity for Shareholders to raise issues and ask the Directors or management questions regarding the Group and its operations. In the event that a Shareholder cannot attend the AGM, the Articles of Association of the Company allows a Shareholder to appoint one (1) or two (2) proxies to attend and vote on his behalf.

The Chairmen of the AC, RC and NC 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 less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interest person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transaction less than S\$100,000)
	S\$	S\$
Yuan Le Sheng	427,306 ⁽¹⁾	–
Zheng Lihua	106,437 ⁽²⁾	–
Zhong Yu Zhao	1,511,338 ⁽³⁾	–
Cheong Keng Chuan Alfred	2,603,154 ⁽⁴⁾	–
Yuan Jia Jun	2,120,618 ⁽⁵⁾	–
Yuan Yu Sheng	1,530,921 ⁽⁶⁾	–
Zheng Xiong Xian	388,458 ⁽⁷⁾	–
Zhong Yu Zeng	514,669 ⁽⁸⁾	–

Corporate Governance

Notes:

- (1) Mr Yuan Le Sheng is the Executive Chairman and CEO of the Company. The transaction value arises out of interest expense paid for a loan from the directors and former shareholders of a PRC subsidiary of the Company.
- (2) Mdm Zheng Lihua is a Non-Executive Director of the Company. The transaction value arises out of the sale of properties from the Group to Mdm Zheng Lihua.
- (3) Mr Zhong Yu Zhao is an Executive Director of the Company. The transaction value arises out of interest expense paid for a loan from the directors and former shareholders of a PRC subsidiary of the Company as well as the sale of properties from the Group to Mr Zhong Yu Zhao.
- (4) Mr Cheong Keng Chuan Alfred is an Independent Director of the Company. The transaction value arises out of the sale of properties from the Group to Mr Cheong Keng Chuan Alfred.
- (5) Mr Yuan Jia Jun is the son of the Executive Chairman and CEO, Mr Yuan Le Sheng, and the Non-Executive Director, Mdm Zheng Lihua. The transaction value arises out of the sale of properties from the Group to Mr Yuan Jia Jun.
- (6) Mr Yuan Yu Sheng is the brother of the Executive Chairman and CEO, Mr Yuan Le Sheng. The transaction value arises out of the provision of construction services by Mr Yuan Yu Sheng to the Group.
- (7) Mr Zheng Xiong Xian is the brother of the Non-Executive Director, Mdm Zheng Lihua. The transaction value arises out of interest expense paid for a loan from the directors and former shareholders of a PRC subsidiary of the Company as well as the sale of properties from the Group to Mr Zheng Xiong Xian.
- (8) Mr Zhong Yu Zeng is the brother of an Executive Director, Mr Zhong Yu Zhao. The transaction value arises out of the lease of Debao Hotel owned by the Group to Mr Zhong Yu Zeng.

6. DEALINGS IN SECURITIES

The Group has adopted an internal code of conduct on dealings in the Company's securities by all Directors and employees of the Group. The code of conduct relates to, inter alia, insider trading prohibitions under the Securities and Future Act, Cap. 289, the disclosure requirements of the SGX-ST and prohibitions on Directors and employees from dealing in the Company's securities during the two (2) weeks immediately preceding, and up to the time of the announcement of, the Company's results for each of the first three quarters of its financial year and during the one (1) month preceding, and up to the time of announcement of, the Company's results for the full financial year.

7. MATERIAL CONTRACTS

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

Corporate Governance

8. USE OF THE INITIAL PUBLIC OFFERING (THE “IPO”) PROCEEDS

Pursuant 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 28 February 2011, approximately S\$42,181,000 of the net IPO proceeds has been utilised by the Company, details of which are as follows:

Intended use per the prospectus dated 30 March 2010 (the “Prospectus”)	Amount allotted per the Prospectus (S\$'000) (A)	Cumulative amount utilised to-date (S\$'000) (B)	Balance Amount (S\$'000) (A) – (B)
For the Company's existing property development projects	25,000	25,000	–
Acquisition of new development sites and investment properties	13,000	7,251	5,749
General corporate and working capital requirements	9,930	9,930	–
Net IPO proceeds	47,930	42,181	5,749

9. TREASURY SHARES

There are no treasury shares held by the Company as at the end of the financial year ended 31 December 2010.

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, 2010.

1 DIRECTORS

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

Yuan Le Sheng
 Zhang Mao
 He Ke Ping
 Zhong Yu Zhao
 Zheng Lihua
 Cheong Keng Chuan Alfred
 Seetoh Kok Choi Watson
 He Guo Quan
 Kong Yu Quan

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of director and company in which interest is held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
<u>Ordinary shares of the Company</u>				
Zheng Lihua	9,650,000	–	–	605,930,232
Yuan Le Sheng	–	–	9,650,000	605,930,232

By virtue of Section 7 of the Companies Act, Cap. 50 (the "Companies Act"), Zheng Lihua and Yuan Le Sheng are deemed to have an interest in all the related corporations of the Company.

The Director's interests in the shares and options of the Company at January 21, 2011 were the same as at December 31, 2010.

Report of the Directors

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 Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements.

5 SHARE OPTIONS

(a) *Options to take up unissued shares*

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

(b) *Options exercised*

On March 30, 2010, the convertible loan notes were converted into 372,093,024 ordinary shares in the Company, pursuant to the terms and conditions of the convertible loan notes upon the Invitation. Details relating to the options exercised by convertible loan notes are disclosed in Note 23 to the financial statements.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company under option.

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 Annual General Meeting 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

March 23, 2011

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 35 to 80 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, 2010 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

March 23, 2011

Independent Auditors' Report

To the Members of Debao Property Development Ltd.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Debao Property Development Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at December 31, 2010, 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 35 to 80.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2010 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.

Independent Auditors' Report

To the Members of Debao Property Development Ltd.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

Singapore
March 23, 2011

Statements of Financial Position

December 31, 2010

	Note	Group		Company	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	6	258,058	153,243	–	–
Restricted cash	7	120	60,000	–	–
Trade and other receivables	8	151,845	103,861	–	3,061
Amount due from related parties - non trade	5	–	1,023	–	–
Amount due from subsidiaries	5 & 16	–	–	681,557	433,494
Amount due from customers for contract works	9	30,434	27,027	–	–
Inventories	10	1,143	828	–	–
Properties held for sale	11	83,398	13,109	–	–
Development properties	12	1,237,038	1,335,646	–	–
Land use rights	13	93	93	–	–
Total current assets		1,762,129	1,694,830	681,557	436,555
Non-current assets					
Land use rights	13	3,845	3,938	–	–
Property, plant and equipment	14	33,890	34,558	–	–
Investment properties	15	233,463	163,000	–	–
Investment in subsidiaries	16	–	–	–	–
Investment in jointly controlled operation	17	83,543	72,606	–	–
Other investments	18	1,800	1,300	–	–
Deferred tax assets	19	10,782	1,864	–	–
Other non-current asset	20	3,000	3,000	–	–
Total non-current assets		370,323	280,266	–	–
Total assets		2,132,452	1,975,096	681,557	436,555
LIABILITIES AND EQUITY					
Current liabilities					
Bank and other loans	21	343,540	271,655	6,523	–
Trade and other payables	22	236,391	212,494	9,391	23,781
Amount due to a director	5	174	8,673	174	8,423
Amount due to subsidiaries	5 & 16	–	–	14,183	–
Convertible loan notes at fair value	23	–	416,438	–	416,438
Tax payables		82,974	16,510	–	–
Total current liabilities		663,079	925,770	30,271	448,642
Non-current liabilities					
Bank and other loans	21	129,841	401,199	–	18,005
Deferred tax liabilities	19	125,897	173,526	–	–
Total non-current liabilities		255,738	574,725	–	18,005
Capital, reserves and non-controlling interests					
Share capital	24	909,831	47,824	909,831	47,824
Translation reserve		866	(2,691)	30,791	(1,863)
Statutory reserve	25	19,036	–	–	–
Retained earnings (Accumulated losses)		283,902	429,468	(289,336)	(76,053)
Equity attributable to equity holders of the Company		1,213,635	474,601	651,286	(30,092)
Non-controlling interest		–	–	–	–
Total equity (capital deficiency)		1,213,635	474,601	651,286	(30,092)
Total liabilities and equity (net of capital deficiency)		2,132,452	1,975,096	681,557	436,555

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2010

	Note	2010 RMB'000	2009 RMB'000
Revenue	26	566,653	575,604
Cost of sales		(428,249)	(481,204)
Gross profit		138,404	94,400
Other income	27	7,722	4,342
Selling and distribution expenses		(9,467)	(2,917)
Administrative expenses		(48,658)	(30,581)
Change in fair value of convertible loan notes	23	(198,402)	(57,045)
Share of a jointly controlled operation profit		7,697	7,480
Change in fair value of investment properties	15	54,295	14,760
Finance costs	28	(12,712)	(6,934)
(Loss) Profit before tax	29	(61,121)	23,505
Income tax expense	30	(65,409)	(46,804)
Loss for the year		(126,530)	(23,299)
Other comprehensive income (loss) :			
Exchange differences on translation of foreign operations		3,557	(16,047)
Total comprehensive loss for the year and attributable to equity holders of the Company		(122,973)	(39,346)
Losses per share (in RMB cents)			
Basic	31	(12.64)	(3.71)
Diluted	31	(12.64)	(3.71)

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended December 31, 2010

	Note	Share capital RMB'000	Retained earnings RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Total RMB'000
Group						
Balance at January 1, 2009		47,824	452,767	–	13,356	513,947
Total comprehensive loss for the year		–	(23,299)	–	(16,047)	(39,346)
Balance at December 31, 2009		47,824	429,468	–	(2,691)	474,601
Issue of share capital	24	261,558	–	–	–	261,558
Share issue expenses	24	(11,641)	–	–	–	(11,641)
Conversion of convertible loan notes	24	612,090	–	–	–	612,090
Total comprehensive loss for the year		–	(126,530)	–	3,557	(122,973)
Appropriations	25	–	(19,036)	19,036	–	–
Balance at December 31, 2010		909,831	283,902	19,036	866	1,213,635

		Share capital RMB'000	Accumulated losses RMB'000	Translation reserve RMB'000	Total RMB'000
Company					
Balance at January 1, 2009		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)
Issue of share capital	24	261,558	–	–	261,558
Share issue expenses	24	(11,641)	–	–	(11,641)
Conversion of convertible loan notes	24	612,090	–	–	612,090
Total comprehensive loss for the year		–	(213,283)	32,654	(180,629)
Balance at December 31, 2010		909,831	(289,336)	30,791	651,286

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2010

	Note	2010 RMB'000	2009 RMB'000
Operating activities			
(Loss) Profit before tax		(61,121)	23,505
Adjustments for:			
Fair value gain of investment properties		(54,295)	(14,760)
Change in fair value of convertible loan notes		198,402	57,045
Writeback of doubtful debts		(400)	(600)
Interest expense		12,712	6,934
Depreciation		2,544	1,382
Amortisation of land use rights		93	334
Gain on disposal of investment properties		–	(294)
Loss on disposal of property, plant and equipment		3	–
Dividend income		(65)	(130)
Interest income		(2,461)	(2,914)
Share of a jointly controlled operation profit		(7,697)	(7,480)
Operating cash flows before movements in working capital		87,715	63,022
Trade and other receivables	A	(59,066)	(24,251)
Development properties		117,638	94,048
Properties held for sale		(70,289)	19,249
Amount due from customers for contract works		(4,319)	44,305
Inventories		(315)	(674)
Trade and other payables		43,035	(17,527)
Cash generated from operations		114,399	178,172
Interest paid		(32,291)	(46,138)
Income tax paid		(55,492)	(23,336)
Net cash from operating activities		26,616	108,698

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2010

	Note	2010 RMB'000	2009 RMB'000
Investing activities			
Amounts due from related parties		1,023	1,821
Advances to a jointly controlled operation		–	18,700
Purchases of property, plant and equipment		(1,795)	(10,281)
Interest received		598	283
Proceeds on disposal of investment properties		–	450
Dividend received		65	130
Addition in investment properties		(16,168)	–
Acquisition of other investment		(500)	–
Net cash (used in) from investing activities		<u>(16,777)</u>	<u>11,103</u>
Financing activities			
Release (Placement) of restricted fixed deposit		59,880	(60,000)
Amounts due to a director		(8,499)	7,089
Proceeds from injection of share capital	24	249,917	–
Proceeds from bank loans		113,740	264,493
Proceeds from other loans		–	20,000
Repayment of bank loans		(293,375)	(300,000)
Repayment of other loans	A	(8,356)	(4,370)
Proceeds from convertible loan		–	42,516
Costs relating to extension of convertible loan notes terms		(18,900)	–
Net cash from (used in) financing activities		<u>94,407</u>	<u>(30,272)</u>
Net increase in cash and cash equivalents		104,246	89,529
Effects of exchange rate changes on the balance of cash held in foreign currencies		569	–
Cash and cash equivalents at beginning of year		<u>153,243</u>	<u>63,714</u>
Cash and cash equivalents at end of year	6	<u><u>258,058</u></u>	<u><u>153,243</u></u>

Note A:

During the year, the Company has entered into an agreement with a subsidiary and the existing directors and the former shareholders of the PRC subsidiary, Foshan Nanhai Property Development Co., Ltd to offset the Company's loan from the said existing directors and the former shareholders of the PRC subsidiary, Foshan Nanhai Property Development Co., Ltd amounting to RMB11,482,000 against their purchase consideration on the properties that bought from the said subsidiary.

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2010

1. GENERAL

The Company (Registration No. 200715053Z) is incorporated in Singapore on August 16, 2007 with its principal place of business at No.7 Ground Floor, 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 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, 2010 were authorised for issue by the Board of Directors on March 23, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group and the Company 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, 2010. The adoption of the following new/revised FRSs and INT FRSs result in changes to the Group's and Company's accounting policies but has no material effect on the amounts reported for the current or prior years:

FRS 103 (2009) Business Combinations

FRS 103 (2009) has been adopted in the current year and is applied prospectively to business combinations for which the acquisition date is on or after January 1, 2010.

FRS 27 (2009) Consolidated and Separate Financial Statements

FRS 27 (2009) has been adopted for periods beginning on or after January 1, 2010 and has been applied retrospectively (subject to specified exceptions) in accordance with the relevant transitional provisions. The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control.

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:

- Improvements to Financial Reporting Standards (issued in October 2010)
- FRS 24 (Revised) Related Party Disclosures
- INT FRS 115 Agreements for Construction of Real Estate

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

Notes to Financial Statements

December 31, 2010

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

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 adoption 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 addition, the revised Standard provides partial exemption for government-related entities, in relation to the disclosure of transactions, outstanding balances and commitments. Where such exemptions apply, the reporting entity has to make additional disclosures, including the nature of the government's relationship with the reporting entity and information on significant transactions or group of transactions involved.

In the period of initial adoption, the changes to related party disclosures, if any, will be applied retrospectively with restatement of the comparative information.

INT FRS 115 Agreement for Construction of Real Estate

INT FRS 115 is effective for annual periods beginning on or after January 1, 2011. The interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of FRS 11 Construction Contracts or FRS 18 Revenue and when revenue from the construction of real estate should be recognised. In the period of initial adoption of the interpretation, the method of recognising revenue among real estate developers for sales of units, such as apartments or houses, "off plan", i.e. before construction is complete, may change.

The Group needs to adopt completed contract method. Revenue from properties development for sale is recognised when the legal title passed to the buyer or when the equitable interest in the property vests in the buyer upon release of the handover notice of the respective property to the buyer. Whichever is earlier. Payments received from buyers prior to this stage are recorded as advances from customers for sales of properties and are classified as current liabilities. The change in accounting policy is to be applied retrospectively. The impact is disclosed in Note 36.

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

The results of subsidiaries acquired during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Notes to Financial Statements

December 31, 2010

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

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

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

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

Notes to Financial Statements

December 31, 2010

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

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

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

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

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

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

JOINTLY CONTROLLED OPERATIONS - 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 Financial Statements

December 31, 2010

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

Financial assets

Available-for-sale financial assets

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

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 subsidiaries 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 less impairment 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.

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

Notes to Financial Statements

December 31, 2010

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

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

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.

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.

Notes to Financial Statements

December 31, 2010

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

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 a director and subsidiaries 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.

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. Transaction costs related to convertible loan has been accounted for when calculating the fair value.

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.

Notes to Financial Statements

December 31, 2010

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

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.

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.

Notes to Financial Statements

December 31, 2010

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

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.

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

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

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

On disposal of a subsidiary or 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 AND INTANGIBLE ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and intangible 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.

Intangible assets with definite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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.

Notes to Financial Statements

December 31, 2010

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

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.

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.

Notes to Financial Statements

December 31, 2010

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

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.

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.

Notes to Financial Statements

December 31, 2010

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

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.

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 finalised 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 to date which is provided by third party surveyor.

Notes to Financial Statements

December 31, 2010

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

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.

Land Appreciation Tax ("LAT")

All income from sale of properties in the PRC is subject to LAT at progressive rates under the PRC tax laws and regulations. The management estimates and provides for LAT in accordance with the PRC tax laws and regulations.

The management, as disclosed in Note 30, considered the provision of LAT to be adequate.

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.

Fair value of convertible loans

As disclosed in Note 23 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 and the estimates used are appropriate.

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 and the estimates used are appropriate.

Notes to Financial Statements

December 31, 2010

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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	474,275	377,744	681,557	436,555
Available-for-sale financial assets	1,800	1,300	–	–
Financial liabilities				
Fair value through profit or loss (FVTPL):				
Designated as at FVTPL	–	416,438	–	416,438
Amortised cost	677,575	883,079	30,271	50,209

(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

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the Group seldom transacts business in foreign currency and therefore expects the foreign exchange risk to be minimal.

(ii) Interest rate risk management

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Notes to Financial Statements

December 31, 2010

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 (Cont'd)

If interest rates had been 50 basis points higher or lower and all other variables were held constant:

- the Group's profit for the year ended December 31, 2010 would decrease/increase by RMB2,367,000 (2009 : decrease/increase by RMB2,842,000). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings; and
- the Company's profit for the year ended December 31, 2010 would decrease/increase by RMB33,000 (2009 : decrease/increase by RMB90,000).

(iii) Equity price risk management

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

Further details of these equity investments can be found in Note 18 to the financial statements.

(iv) Credit risk management

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

(v) 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 Financial Statements

December 31, 2010

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

(b) *Financial risk management policies and objectives (Cont'd)*(v) 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
2010						
Non-interest bearing	–	204,194	–	–	–	204,194
Variable interest rate Instruments	5.5–16.0	364,548	115,660	35,270	(42,097)	473,381
		<u>568,742</u>	<u>115,660</u>	<u>35,270</u>	<u>(42,097)</u>	<u>677,575</u>
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
		<u>520,207</u>	<u>386,108</u>	<u>44,611</u>	<u>(67,847)</u>	<u>883,079</u>

Company

2010

Non-interest bearing	–	23,748	–	–	–	23,748
Variable interest rate instruments	6.48	6,591	–	–	(68)	6,523
		<u>30,339</u>	<u>–</u>	<u>–</u>	<u>(68)</u>	<u>30,271</u>

2009

Non-interest bearing	–	32,204	–	–	–	32,204
Variable interest rate instruments	6.48	1,168	18,879	–	(2,042)	18,005
		<u>33,372</u>	<u>18,879</u>	<u>–</u>	<u>(2,042)</u>	<u>50,209</u>

Notes to Financial Statements

December 31, 2010

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

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

(v) Liquidity risk management (Cont'd)

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipate that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset 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
2010						
Non-interest bearing	–	445,715	–	–	–	445,715
Variable interest rate instruments	2.75	123	–	–	(3)	120
Fixed interest rate instruments	6.73–10.2	2,329	32,569	–	(4,658)	30,240
		<u>448,167</u>	<u>32,569</u>	<u>–</u>	<u>(4,661)</u>	<u>476,075</u>
2009						
Non-interest bearing	–	289,716	–	–	–	289,716
Variable interest rate instruments	1.98	60,396	–	–	(396)	60,000
Fixed interest rate instruments	6.73–10.2	2,329	33,986	–	(6,987)	29,328
		<u>352,441</u>	<u>33,986</u>	<u>–</u>	<u>(7,383)</u>	<u>379,044</u>

(vi) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables including amount due from subsidiaries, related parties and customers for contract works and trade and other payables including amount due to subsidiaries and director 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

Notes to Financial Statements

December 31, 2010

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

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

(vi) Fair value of financial assets and financial liabilities (Cont'd)

- 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.

Except for quoted available-for-sale investments and convertible loan notes, management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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
- inputs for the assets or liability that are not based on observable market data (unobservable inputs) (Level 3).

Financial instruments measured at fair value

	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Group				
2010				
<u>Financial assets</u>				
Available-for-sale investments:				
- Quoted equity	500	500	-	-
Group and Company				
2009				
<u>Financial liability</u>				
Convertible loan notes at fair value	-	-	416,438	-

Notes to Financial Statements

December 31, 2010

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

(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 21 and 23, equity comprising issued capital, reserves and retained earnings as disclosed in Statement of Changes in Equity of the Group.

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 2009. The Group is in compliance with externally imposed capital requirements for the financial year ended December 31, 2010 and 2009.

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 was as follows:

	2010 RMB'000	2009 RMB'000
Short-term benefits	16,176	1,720

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, 2010

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

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

	Group	
	2010 RMB'000	2009 RMB'000
Repayment to related parties during the year	57,304	-
Revenue from property development		
- related parties	23,443	6,517
Rental income		
- a director and relative of a director	2,811	2,793
Construction revenue		
- a jointly controlled operation	43,485	24,273
Interest expense - related parties	2,789	4,057
Construction cost		
- relative of a director	7,603	9,947
Purchase from a director	-	184

6. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Fixed deposit	-	1,400	-	-
Cash at bank	257,868	151,707	-	-
Cash on hand	190	136	-	-
	<u>258,058</u>	<u>153,243</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.

Cash and cash equivalents which are denominated in RMB amounting to RMB237,147,000 (2009 : RMB151,339,000) are not freely convertible to foreign currencies.

7. RESTRICTED CASH

Restricted cash comprises fixed deposits pledged for bank loan. It bears average effective interest rate of 2.75% (2009 : 1.98%) per annum and for a tenure of approximately 360 days (2009 : 84 to 165 days).

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December 31, 2010

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade receivables - outside parties	113,907	59,431	-	-
Trade receivables - related parties (Note 5)	13,298	-	-	-
Other receivables	6,553	28,356	-	438
	133,758	87,787	-	438
Advance to contractors	6,085	13,416	-	-
Deposits paid	12,000	-	-	-
Prepaid expenses	2	2,658	-	2,623
	151,845	103,861	-	3,061

The average credit period on trade receivables is 60 to 180 days (2009 : 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 RMB1,708,000 (2009 : RMB25,416,000) which are past due at the end of the reporting period for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The Group's 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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Not past due and not impaired	132,050	62,371	-	438
Past due but not impaired	1,708	25,416	-	-
	133,758	87,787	-	438

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Less than 3 months	227	3,053	-	-
3 months to 6 months	8	21,483	-	-
6 months to 12 months	995	826	-	-
Over 12 months	478	54	-	-
	1,708	25,416	-	-

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December 31, 2010

8. TRADE AND OTHER RECEIVABLES (CONT'D)

Included in the other receivables balance are allowance for doubtful debts for other receivables of RMB Nil (2009 : RMB400,000). Movement in the allowance for other receivables doubtful debts are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Balance at beginning of the year	400	1,000
Amount written back during the year	(400)	(600)
Balance at end of the year	-	400

9. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORKS

	Group	
	2010	2009
	RMB'000	RMB'000
Contracts-in-progress at the end of reporting year:		
Amounts due from contract customers	30,434	27,027
Contract costs incurred plus recognised profits	425,160	219,099
Less: Progress billings	(394,726)	(192,072)
	30,434	27,027

10. INVENTORIES

	Group	
	2010	2009
	RMB'000	RMB'000
Consumables	1,143	828

11. PROPERTIES HELD FOR SALE

	Group	
	2010	2009
	RMB'000	RMB'000
Cost	83,398	13,109

Notes to Financial Statements

December 31, 2010

12. DEVELOPMENT PROPERTIES

	Group	
	2010 RMB'000	2009 RMB'000
Cost incurred	1,553,102	1,951,485
Add: Recognised profit	74,182	99,494
	1,627,284	2,050,979
Less: Progress billings	(389,933)	(690,190)
	1,237,351	1,360,789
Less: Transferred to land use right (Note 13)	–	(4,365)
Transferred to property, plant and equipment (Note 14)	(313)	(20,778)
Total development properties	1,237,038	1,335,646

Land use rights of RMB606,387,000 (2009 : RMB913,227,000) included in development properties are pledged to banks to secure bank loans granted to the Group as at December 31, 2010.

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
Jin Long Garden (Joint venture project) ⁽ⁱ⁾ (Note 17)	Integrated residential and commercial property	142,000	71	June 2012
Shanshui Longpan ⁽ⁱ⁾	Integrated residential and commercial property	968,000	20	Multiphases, completion in 4 to 5 years timeframe
Songgang Project ⁽ⁱⁱ⁾	Integrated residential and commercial property	123,000	0	December 2012
Danzao Project ⁽ⁱ⁾	Integrated residential and commercial property	250,000	0	December 2015

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

(ii) The Songgang Project land was sold after the end of the financial reporting period (Note 37).

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12. DEVELOPMENT PROPERTIES (CONT'D)

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

	Group	
	2010	2009
	RMB'000	RMB'000
Depreciation capitalised during the year	229	213
Interest income capitalised during the year	(465)	(135)
Interest expense capitalised during the year (Note 28)	19,579	39,204

The weighted average rate of capitalisation of the interest expenses for the year ended December 31, 2010 is 5.94% to 7.02% (2009 : 6.12% to 6.75%) per annum.

As at December 31, 2010, development properties of RMB698,917,000 (2009 : RMB589,618,000) are expected to be recovered after more than twelve months, but have been classified as current because they are expected to be realised in the normal operating cycle.

13. LAND USE RIGHTS

	Group	
	2010	2009
	RMB'000	RMB'000
Cost:		
At January 1	4,365	-
Transferred from development property (Note 12)	-	4,365
At December 31	4,365	4,365
Accumulated amortisation:		
At January 1	334	-
Amortisation for the year	93	334
At December 31	427	334
Net carrying amount	3,938	4,031
Amount to be amortised:		
Current	93	93
Non-current	3,845	3,938

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 42 years.

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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 January 1, 2009	1,181	–	4,614	4,825	707	11,327
Transferred from development properties (Note 12)	–	20,778	–	–	–	20,778
Additions	7,488	2,237	326	75	155	10,281
Disposal	–	–	–	–	(50)	(50)
Transfer	(8,669)	8,669	–	–	–	–
At December 31, 2009	–	31,684	4,940	4,900	812	42,336
Transferred from development properties (Note 12)	–	313	–	–	–	313
Additions	–	293	537	629	336	1,795
Disposal	–	–	–	–	(4)	(4)
At December 31, 2010	–	32,290	5,477	5,529	1,144	44,440
Accumulated depreciation:						
At January 1, 2009	–	–	2,283	3,600	350	6,233
Charge for the year	–	316	657	509	113	1,595
Disposal	–	–	–	–	(50)	(50)
At December 31, 2009	–	316	2,940	4,109	413	7,778
Charge for the year	–	1,587	663	346	177	2,773
Disposal	–	–	–	–	(1)	(1)
At December 31, 2010	–	1,903	3,603	4,455	589	10,550
Carrying amount:						
At December 31, 2010	–	30,387	1,874	1,074	555	33,890
At December 31, 2009	–	31,368	2,000	791	399	34,558

15. INVESTMENT PROPERTIES

	Group	
	2010 RMB'000	2009 RMB'000
At beginning of year	163,000	167,490
Purchase during the year	15,656	–
Additions through subsequent expenditure	512	–
Disposal during the year	–	(19,250)
Increase in fair value	54,295	14,760
At end of year	233,463	163,000

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15. INVESTMENT PROPERTIES (CONT'D)

The fair values of the Group's investment properties at the end of reporting period have been arrived at on the basis of open market valuation carried out at the end of reporting period by CB Richard Ellis Limited Hong Kong, the independent valuers, who have an appropriate recognised professional qualification. The valuations were arrived at by reference to market evidence of transaction prices for similar properties and the rental income of the properties, and were performed in accordance with 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 RMB6,567,000 (2009 : RMB6,137,000). Direct operating expenses arising on the investment properties in the year amounted to RMB1,087,000 (2009 : RMB1,088,000).

The Group has pledged the investment properties with a carrying value of RMB195,471,000 (2009 : RMB160,000,000) to secure bank loans granted to the Group on December 31, 2010 (See Note 21).

Details of the investment properties are as follows:

Description	Location	Title	Details of occupancy
Debao Hotel Complex	No. 136 Nanhai Avenue South Nanhai District, Foshan City Guangdong Province	The property is held under a land use term to be expired on April 6, 2046	Tenanted
Underground car parking spaces ⁽ⁱ⁾	Yitong Commercial Building Nanhai District, Foshan City Guangdong Province	The property is held under a land use term to be expired on December 31, 2052	Tenanted
An office unit and 15 retail shop units	Debao Garden, Nanhai District, Foshan City Guangdong Province	The property is held under a land use terms with the latest expiry on August 16, 2068	Tenanted
Various retail shop units and a kindergarden, Phases 1 to 4, Jiangnan Mingju	No. 39 Nanyi Road, Nanhai District, Foshan City Guangdong Province	The property is held under a land use term to be expired on September 24, 2072	Tenanted

(i) During the financial year, the investment property was newly acquired.

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2010 RMB'000	2009 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.

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2010	2009	2010	2009	
		%	%	%	%	
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
Foshan Nanhai Yi Tian Procurement and Trading Co., Ltd. ^{(2) (3)}	PRC	100	–	100	–	Sales and distribution of construction materials
Foshan Nanhai Shun Mao Public Utilities Engineering Co., Ltd ^{(2) (3)}	PRC	100	–	100	–	Public utilities engineering

(1) Audited by Deloitte & Touche LLP, Singapore

(2) Audited by Deloitte Touche Tohmatsu, Guangzhou

(3) During the financial year, the company was newly incorporated.

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17. 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 "Jin Long Garden". Pursuant to these agreements, the Group is obliged to contribute 55% share of the development fund of the project and in return entitled to 55% share of the net income of the project. The related expenses are only the overhead expenses of those staff involved in the project and are already recorded in the Group's profit or loss.

	Group	
	2010 RMB'000	2009 RMB'000
Loans and contributions	45,783	44,871
Interest receivable	21,665	19,337
Share of result of a jointly controlled operation	16,095	8,398
Total	83,543	72,606

Loans and contributions 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% (2009 : 6.732% to 10.2%) per annum in 2010.

18. OTHER INVESTMENTS

	Group	
	2010 RMB'000	2009 RMB'000
Unquoted investment, at cost	1,300	1,300
Quoted investment, at fair value	500	-
	1,800	1,300

Unquoted 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.

Quoted investment pertains to ordinary shares of Agriculture Bank of China. The investment is stated at fair value.

19. DEFERRED TAX

	Group	
	2010 RMB'000	2009 RMB'000
Deferred tax liabilities	(125,897)	(173,526)
Deferred tax assets	10,782	1,864

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19. DEFERRED TAX (CONT'D)

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

	Change in fair value of investment properties RMB'000	Change in fair value of development properties RMB'000	Change in fair value of properties held for sale RMB'000	Unused tax credit RMB'000	Unrealised income RMB'000	Land appreciation tax RMB'000	Unutilised tax loss RMB'000	Others RMB'000	Total RMB'000
Balance at January 1, 2009	(22,750)	(113,285)	(2,620)	–	(5,088)	(4,851)	849	1,130	(146,615)
(Charge) Credit to profit or loss for the year	(179)	27,301	1,334	–	(24,096)	(30,005)	1,015	(417)	(25,047)
Balance at December 31, 2009	(22,929)	(85,984)	(1,286)	–	(29,184)	(34,856)	1,864	713	(171,662)
(Charge) Credit to profit or loss for the year	(13,555)	26,175	–	10,782	18,710	19,359	(1,864)	(3,060)	56,547
Balance at December 31, 2010	(36,484)	(59,809)	(1,286)	10,782	(10,474)	(15,497)	–	(2,347)	(115,115)

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 RMB310,437,000 (2009 : RMB133,468,000). 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.

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.

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21. BANK AND OTHER LOANS

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Other loans	68,523 ^(a)	88,361	6,523 ^(a)	18,005
Bank loans	404,858 ^(b)	584,493	–	–
	473,381	672,854	6,523	18,005
Less: Amount due for settlement within 12 months (shown under current liabilities)	(343,540)	(271,655)	6,523	–
Amount due for settlement after 12 months	129,841	401,199	–	18,005

The Group has principal bank and other loans as follows:

- (a) The loans of RMB6,523,000 (2009 : RMB68,361,000) were provided by existing directors and the former shareholders of the PRC subsidiaries, Foshan Nanhai Debao Property Development Co., Ltd., with variable interest of 6.48% (2009 : 5.4% to 6.48%) per annum in 2010, unsecured and repayable in 2010 to 2011. Effective from 2009, the interest rate is determined based on the prime rate on a quarterly basis. RMB61,838,000 has been repaid as part of the Group's restructuring of its loans.

The loan of RMB12,000,000 (2009 : 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 and are repayable in 2011.

Additional loan raised in 2010 of RMB50,000,000 was provided by a financial institution, with an interest rate of 16% per annum, repayable in 2012 and secured by certain land use rights and guaranteed by a director of the Group.

- (b) The bank loans of RMB Nil (2009 : RMB200,000,000) arising from acquisition of a subsidiary in 2009 was repaid 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 110% of prime rate. The effective interest rates on bank loans for 2010 was 6.75% (2009 : 6.75%) per annum.

The bank loan of RMB104,000,000 (2009 : 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. The effective interest rates on bank loans for 2010 was 5.94% to 6.48% (2009 : 5.94%) per annum.

The bank loan of RMB87,000,000 (2009 : RMB90,000,000) with variable interest rate of 6.48% to 7.02% (2009 : 6.48%) per annum and repayable in 2011. The loan is secured by certain land use right and properties as well as guaranteed by a director of the Group.

The bank loan raised in 2010 of RMB33,758,000 (2009 : 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 110% of prime rate. The effective interest rate on bank loan for 2010 was 5.94% (2009 : 5.94%) per annum. Current portion amounting to RMB3,108,000 (2009 : RMB1,242,000) will be repayable in 2011, while non-current portion amounting to RMB30,650,000 will be repayable from 2012 to 2019.

The bank loans of RMB36,360,000 (2009 : RMB40,000,000) were raised in 2009 and secured by certain land use right and guaranteed by directors of the Group. The loans are variable rate borrowing and are determined based prime rate. The effective interest rate on bank loan for 2010 was 5.4% to 5.88% (2009 : 5.4% to 5.88%) per annum. Current portion amounting to RMB24,570,000 will be repayable in 2011, while non-current portion amounting to RMB11,790,000 will be repayable from 2011 to 2012.

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21. BANK AND OTHER LOANS (CONT'D)

The bank loans of RMB30,000,000 (2009 : RMB30,000,000) were raised and secured by certain land use right and guaranteed by directors of the Group. The loans are variable rate borrowing and are determined based on 110% of prime rate. The effective interest rate on bank loan for 2010 was 5.94% to 6.14% (2009 : 5.94%) per annum. Current portion amounting to RMB2,599,000 will be repayable in 2011, while non-current portion amounting to RMB27,401,000 will be repayable from 2012 to 2019.

Short-term bank loan of RMB Nil (2009 : RMB39,493,000) with effective interest rates ranging from 2.4% to 3.9% per annum and were secured by fixed cash deposit.

New bank loan raised in 2010 of RMB100,000,000 were secured by certain land use right. The effective interest rate on bank loan for 2010 was 6.1% per annum, repayable in 2013 or repayable upon demand.

New bank loan raised in 2010 of RMB10,000,000 were secured by certain land use right and guaranteed by directors of the Group and repayable in 2012. The loan is variable rate borrowing and is determined based on prime rate. The effective interest rate on bank loan for 2010 was 5.4% per annum.

New bank loan raised in 2010 of RMB3,640,000 were secured by certain land use right and guaranteed by directors of the Group and repayable in 2011. The loan is variable rate borrowing and is determined based on prime rate. The effective interest rate on bank loan for 2010 was 5.31% to 5.56% per annum.

New bank loan raised in 2010 of RMB100,000 were secured by restricted cash of RMB120,000. The loan is variable rate borrowing and is determined based on 110% of prime rate. The effective interest rate on bank loan for 2010 was 6.68% per annum.

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.

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

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade payables (outside parties)	130,300	137,059	–	–
Notes payable (trade)	–	20,000	–	–
Advance receipt from the sales of properties	34,253	–	–	–
Other taxes payable	32,371	9,990	–	–
Accrued expenses	4,660	27,994	1,157	23,781
Deposits received	3,304	–	–	–
Payroll payable	11,258	1,653	8,234	–
Other payables	20,245	15,750	–	–
Advance from customers	–	48	–	–
	<u>236,391</u>	<u>212,494</u>	<u>9,391</u>	<u>23,781</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 (2009 : 30 days to 180 days).

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23. CONVERTIBLE LOAN NOTES AT FAIR VALUE

The Company entered into a series of convertible loan agreements with accumulated principal amount of S\$80,000,000 (RMB389,296,000) on December 25, 2007, June 18, 2009, June 23, 2009, July 16, 2009, August 11, 2009, August 14, 2009, March 6, 2010 and March 25, 2010 and as supplemented on August 11, 2009, July 25, 2010, August 4, 2010, August 12, 2010, August 20, 2010 and August 28, 2010.

On March 30, 2010, the convertible loan notes has been converted into an aggregate of 372,093,024 shares pursuant to the convertible loans agreements.

These loans are designated as at fair value through profit and loss at issuance date. The fair value at the conversion date 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.

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

- (a) Risk free rate is 0.36% (2009 : 0.597%) with reference to yield of Singapore Sovereign as at the valuation dates;
- (b) The volatility for share price is 45.6% (2009 : 33%) with reference to the historical volatilities of the comparable companies as at the valuation dates;
- (c) The dividend yield is Nil% (2009 : Nil%);
- (d) The fair value of converted new shares is with reference to the volume weighted average price as at the listing date of April 12, 2010 at S\$0.4014;
- (e) The probability of the conversion option to take effect is 80% (2009 : 40%) as at the valuation dates; and
- (f) Maturity date is assumed to be March 30, 2010 (2009 : July 25, 2009).

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

	Group and Company	
	2010	2009
	RMB'000	RMB'000
Beginning of the year	416,438	300,830
Exchange difference	225	17,397
Issuance	–	72,451
Issue expenses	(2,975)	(31,285)
Change in fair value	198,402	57,045
Conversion to ordinary shares	(612,090)	–
End of the year	–	416,438
Less: Current portion	–	(416,438)
Non-current portion	–	–

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24. SHARE CAPITAL

	Group and Company			
	2010 No of shares	2010 RMB'000	2009 No of shares	2009 RMB'000
Issued and fully paid:				
At beginning of year	10,000,000	47,824	10,000,000	47,824
Sub-division ^(a)	627,906,976	47,824	–	–
Conversion of convertible loans notes ^(b)	372,093,024	612,090	–	–
Issued for cash ^(c)	125,000,000	249,917	–	–
At end of year	<u>1,125,000,000</u>	<u>909,831</u>	<u>10,000,000</u>	<u>47,824</u>

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

- (a) The issued and fully paid 10,000,000 ordinary shares of the Company have been subdivided into 627,906,976 ordinary shares.
- (b) The S\$80,000,000 convertible loan notes have been converted into 372,093,024 ordinary shares in pursuant to the convertible loan agreements as disclosed in Note 23.
- (c) 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.

25. STATUTORY RESERVE

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

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

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

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26. REVENUE

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

	Group	
	2010 RMB'000	2009 RMB'000
Revenue from:		
Construction contracts	43,485	24,398
Property development	511,489	540,844
Property rental income	6,567	6,137
Others	5,112	4,225
	<u>566,653</u>	<u>575,604</u>

27. OTHER INCOME

	Group	
	2010 RMB'000	2009 RMB'000
Interest income	2,461	2,914
Dividend income	65	130
Gain on disposal of investment properties	–	294
Doubtful debt written back	400	600
Government incentive	4,180	–
Sundry income	616	404
	<u>7,722</u>	<u>4,342</u>

The government incentive is granted by the local PRC authority for its successful listing in Singapore Stock Exchange on April 12, 2010.

28. FINANCE COSTS

	Group	
	2010 RMB'000	2009 RMB'000
Interest on bank and other loans	32,291	46,138
Less: Amount capitalised as cost of development properties (Note 12)	(19,579)	(39,204)
	<u>12,712</u>	<u>6,934</u>

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29. (LOSS) PROFIT BEFORE TAX

(Loss) Profit before tax has been arrived at after charging:

	Group	
	2010	2009
	RMB'000	RMB'000
Directors' remuneration	12,279	541
Employee benefits expense (including directors' remuneration)	32,256	13,217
Cost of defined contribution included in employee benefits	1,019	821
Depreciation of plant and equipment	2,544	1,382
Amortisation of land use rights	93	334
Net foreign exchange losses	193	–
	193	–

30. INCOME TAX EXPENSE

	Group	
	2010	2009
	RMB'000	RMB'000
Current tax:		
Enterprise income tax	61,893	13,470
In respect of prior years	(5,651)	–
Land appreciation tax	65,714	8,287
	121,956	21,757
Deferred tax:		
Enterprise income tax	(37,188)	(4,958)
Land appreciation tax	(19,359)	30,005
	(56,547)	25,047
	65,409	46,804

Domestic income tax of the Company is calculated at 17% (2009 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions as explained below.

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

Notes to Financial Statements

December 31, 2010

30. INCOME TAX EXPENSE (CONT'D)

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

	Group	
	2010	2009
	RMB'000	RMB'000
(Loss) Profit before tax	(61,121)	23,505
Income tax expense at PRC statutory rate of 25% (2009 : 25%)	(15,280)	5,876
Tax effect of:		
Expense not deductible for tax purpose	54,277	11,406
Income not taxable for tax purpose	(5,354)	(3,671)
Land appreciation tax	34,766	29,159
Tax loss not recognised	2,133	-
Utilisation of tax loss	(187)	(1,230)
Different tax rate	-	5,179
Adjustment recognised in current year in respect of prior year	(5,651)	-
Others	705	85
Tax expense for the year	65,409	46,804

At December 31, 2010, the Group has unutilised tax losses of RMB8,532,000 (2009 : RMB8,204,000) available for offset against future profits. A deferred tax assets of RMB Nil (2009 : RMB1,864,000) has been recognised in respect of RMB Nil (2009 : RMB7,456,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB8,532,000 (2009 : RMB748,000) due to the unpredictability of future profit stream. 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.

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:

	2010	2009
	RMB'000	RMB'000
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share (loss for the year attributable to equity holders of the Company)	(126,530)	(23,299)
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible loan notes (net of tax)	198,402	57,045
Earnings for the purpose of diluted earnings per share	71,872	33,746

Notes to Financial Statements

December 31, 2010

31. EARNINGS PER SHARE (CONT'D)

	Number of shares	
	2010	2009
Weighted average Number of ordinary shares for the purpose of basic earnings per share	1,000,726,744	627,906,976
Effect of dilutive potential ordinary shares:		
Convertible loan notes	124,273,256	372,093,024
Number of ordinary shares for the purposes of diluted earnings per share	<u>1,125,000,000</u>	<u>1,000,000,000</u>

Note: For the financial year ended December 31, 2010 and 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, trading and public utilities.

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

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

Segment revenue and results

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

	Revenue		Finance costs	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Property development	511,489	540,844	5,531	5,388
Construction contracts	43,485	24,398	4,696	1,546
Property investment	6,567	6,137	2,485	–
Others	5,112	4,225	–	–
Total	<u>566,653</u>	<u>575,604</u>	<u>12,712</u>	<u>6,934</u>

Notes to Financial Statements

December 31, 2010

32. SEGMENT INFORMATION (CONT'D)

Segment revenue and results (Cont'd)

	(Loss) Profit for the year	
	2010	2009
	RMB'000	RMB'000
Property development	62,780	47,821
Construction contracts	14,497	13,283
Property investment	59,794	19,809
Others	210	(363)
Total	<u>137,281</u>	<u>80,550</u>
Change in fair value of convertible loan notes	(198,402)	(57,045)
(Loss) Profit before tax	<u>(61,121)</u>	<u>23,505</u>

In addition to the change in fair value of convertible loan notes reported above, fair value gain of investment properties of RMB54,295,000 (2009 : RMB14,760,000) was recognised. The fair value gain of investment was attributable to property investment segment.

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

	2010	2009
	RMB'000	RMB'000
Property development	1,836,643	1,734,510
Construction contracts	53,759	72,234
Property investment	233,463	163,000
Others	8,587	5,352
Consolidated total assets	<u>2,132,452</u>	<u>1,975,096</u>

Segments liabilities

	2010	2009
	RMB'000	RMB'000
Property development	714,787	1,325,657
Construction contracts	130,689	147,934
Property investment	68,547	23,118
Others	4,794	3,786
Consolidated total liabilities	<u>918,817</u>	<u>1,500,495</u>

Notes to Financial Statements

December 31, 2010

32. SEGMENT INFORMATION (CONT'D)

All assets and liabilities are allocated to reportable segments.

Other segment information

	Depreciation and Amortisation		Additions to non-current assets	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Property development	1,432	1,418	1,150	30,677
Construction contracts	546	508	619	382
Property investment	881	–	293	–
Others	7	3	46	–
Total	2,866	1,929	2,108	31,059

33. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2010 RMB'000	2009 RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	653	687

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 RMB6,567,000 (2009 : RMB6,137,000). Direct operating expense on the investment properties in the year amounted to RMB1,087,000 (2009 : RMB1,088,000).

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

	Group	
	2010 RMB'000	2009 RMB'000
Within one year	6,470	6,074
In the second to fifth years inclusive	5,351	8,841
After five years	574	714
Total	12,395	15,629

Notes to Financial Statements

December 31, 2010

34. CAPITAL COMMITMENTS

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

	Group	
	2010	2009
	RMB'000	RMB'000
Jointly controlled operation	32,614	45,607
Construction of properties	173,282	672,147
	<u>173,282</u>	<u>672,147</u>

35. CONTINGENT LIABILITIES

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

	Group	
	2010	2009
	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to		
- third parties (note)	840,243	647,931
- jointly controlled operation	70,000	70,000
	<u>910,243</u>	<u>717,931</u>

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 50% of the purchase price. If a purchaser defaults on a loan, the relevant mortgagee bank is also entitled to auction off or sell the property to third parties and use the sales proceeds to satisfy the loan, or in some mortgage facilities require the Group to repurchase the properties. In the opinion of directors, the fair value of the financial guarantee contracts is not significant.

Notes to Financial Statements

December 31, 2010

36. 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 are the estimated results of retrospective application would have been reported in the financial statements:

	Group	
	Completion of construction 2010	2009
	RMB'000	RMB'000
<u>Consolidated statement of financial position</u>		
Development properties	1,552,789	1,851,350
Trade and other receivables	58,147	119,194
Deferred tax assets	24,318	1,864
Deferred tax liabilities	108,913	151,441
Trade and other payables	507,651	865,162
Retained earnings	284,251	396,387
<u>Consolidated statement of comprehensive income</u>		
Revenue	900,044	69,024
Loss for the year	(112,302)	(55,749)

37. 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, 2010:

On January 30, 2011, Songgang Project land, which was acquired by the Group pursuant to a 62:38 joint venture with an unrelated third party, Mr Huang Wei Quan, in December 2007 (collectively, the "Joint Venture Parties"), underwent a public auction procedure in order to convert the nature of the land from industrial use to mixed development use, i.e. for the development of residential and commercial properties (the "Conversion"). Pursuant to relevant laws of the People's Republic of China (the "PRC") and Redevelopment Policy of Old Premises Land for Foshan City, the Conversion of Songgang Project land is required to undergo a public auction procedure, under which the Joint Venture Parties would dispose the land to the relevant land authority, and the authority would then put up the land with the proposed change in use for public auction. Accordingly, pursuant to the Conversion, the Joint Venture Parties entered into an agreement with the Shishan Town Council and the Foshan Nanhai District Land Bank Center (南海区土地储备中心) (collectively refer as the "Bureau"), a division of Foshan Nanhai District State-owned Land City Construction and Water Services Bureau (佛山市南海区国土城建和水务局), on July 28, 2010 (the "Agreement"), pursuant to which the Group agreed to surrender the Songgang Project land to the Bureau for a public auction of the Songgang Project land (the "Auction"). However, the bidding price of the Songgang Project land during the auction went above the target price set by the Joint Venture Parties and the Joint Venture Parties made a commercial decision not to proceed with the acquisition. As such, the Songgang Project land, consisting of two slots of industrial land, was sold to the highest bidders at an aggregate consideration of RMB229,000,000 (the "Consideration").

In accordance with the terms of the Agreement, the Consideration will be divided between the Joint Venture Parties (55%) and the Bureau (45%), after the deduction of the defined residual value for the Songgang Project land (to be determined by the Bureau, based on the gazette basic price for a comparable industrial use land in Nanhai District) which will be returned to the Joint Venture Parties. The estimated gain on the disposal of the land is approximately RMB60 million which will be recorded in 2011.

Statistics of Shareholdings

As at 31 March 2011

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	2	0.24	683	0.00
1,000 - 10,000	511	60.26	2,102,061	0.19
10,001 - 1,000,000	299	35.26	26,666,244	2.37
1,000,001 AND ABOVE	36	4.24	1,096,231,012	97.44
TOTAL	848	100.00	1,125,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	575,896,727	51.19
2	BILLION EQUITY HOLDINGS LIMITED	291,976,744	25.95
3	ALLIED ASSET HOLDINGS LIMITED	34,786,100	3.09
4	GLOBAL ACE ENTERPRISES LIMITED	23,190,734	2.06
5	WU KWOK HUNG	21,730,827	1.93
6	HSBC (SINGAPORE) NOMINEES PTE LTD	14,432,366	1.28
7	AURUM INVESTMENTS PTE LTD	11,628,000	1.03
8	YANG JINZHONG	11,595,366	1.03
9	PRIDE CAPITAL INVESTMENT HOLDINGS LIMITED	10,988,372	0.98
10	FINANCE DEPARTMENT GOVERNMENT OF SHARJAH	8,598,245	0.76
11	LYN HIAN WOON	7,344,245	0.65
12	THAM KENG CHUEN	6,666,744	0.59
13	POW KIM HOO	6,660,183	0.59
14	CHUA HONG THUAN	6,039,744	0.54
15	3VS1 ASIA GROWTH FUND LTD	5,798,183	0.52
16	SKYLIGHT ENTERPRISES GROUP LIMITED	4,651,163	0.41
17	HONG LEONG FINANCE NOMINEES PTE LTD	4,445,000	0.40
18	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,988,122	0.35
19	NG CHEE BENG	3,865,171	0.34
20	2G CAPITAL PTE LTD	3,865,122	0.34
TOTAL		1,058,147,158	94.03

Statistics of Shareholdings

As at 31 March 2011

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) (2)}	51.91	–	–
East Hero Trading Limited	92,047,511 ⁽³⁾	8.18	–	–
OTHER SHAREHOLDER				
Pride Capital Investment Holdings Limited	21,976,744 ^{(1) (3)}	1.95	–	–

Notes:

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

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

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

- (2) 291,976,744 shares are held in the name of UOB Kay Hian Pte Ltd as nominee for Billion Equity Holdings Limited.
- (3) Held in the name of UOB Kay Hian Pte Ltd as nominee for East Hero Trading Limited.
- (4) 10,988,372 shares are held in the name of UOB Kay Hian Pte Ltd as nominee for Pride Capital Investment Holdings Limited.

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately, 37.96% of the issued ordinary shares of the Company is held in the hands of the public, including pre-initial public offering investors, as at 31 March 2011. Therefore, Rule 723 of the Listing Manual of the 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 Wednesday, 27 April 2011 at 2.00 p.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 2010 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 Zhang Mao	(Resolution 2)
Mr Zhong Yu Zhao	(Resolution 3)
Mr Seetoh Kok Choi Watson	(Resolution 4)

Mr Seetoh Kok Choi Watson will, upon re-election as Director of the Company, remain as a member of the Nominating and Audit Committees and Chairman of the Remuneration 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 note the retirement of Mr Kong Yu Quan retiring pursuant to Article 93 of the Company's Articles of Association at the conclusion of this meeting. **(Resolution 5)**
4. To approve the payment of Directors' Fees of RMB814,759 (equivalent to S\$159,123.29) for the year ended 31 December 2010 (2009: Nil) **(Resolution 6)**
5. To approve the payment of Directors' Fees of RMB324,395 (equivalent to S\$62,383.56) for the financial period from 1 January 2011 to 31 March 2011 for payment in 2011. **(Resolution 7)**
6. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**
7. 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:

8. 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 (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

Notice of Annual General Meeting

for the time being (excluding treasury shares) and that the aggregate number of shares in the Company to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed twenty per cent. (20%) of the issued share capital of the Company for the time being (excluding treasury shares). Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

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

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

(Resolution 9)

By Order of the Board

Ng Peishi Loseana
Company Secretary

Singapore, 8 April 2011

Explanatory Note:

The Ordinary Resolution 9 proposed in item 8 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 of the Company. For issues of shares other than on a pro-rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the 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)

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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 at Suntec City, 1 Raffles Boulevard, Meeting Room 206, Level 2 on 27 April 2011 at 2.00 p.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 2010		
2.	Re-election of Mr Zhang Mao		
3.	Re-election of Mr Zhong Yu Zhao		
4.	Re-election of Mr Seetoh Kok Choi Watson		
5.	Retirement of Mr Kong Yu Quan		
6.	Approval of Directors' Fees amounting to RMB814,759 (equivalent to S\$159,123.29) for the year ended 31 December 2010		
7.	Approval of Directors' Fees amounting to RMB324,395 (equivalent to S\$62,383.56) for the financial period from 1 January 2011 to 31 March 2011		
8.	Re-appointment of Deloitte & Touche LLP as Auditors		
9.	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 forty-eight (48) hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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DEBAO PROPERTY
DEVELOPMENT LTD.

德宝房地产开发有限公司

Debao Property Development Ltd.

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Foshan City, Guangdong Province
PRC 528200

德宝房地产开发有限公司

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