



DEBAO PROPERTY
DEVELOPMENT LTD.

德宝房地产开发有限公司
(Incorporated in Singapore on 16 August 2007)
(Company Registration Number: 200715053Z)

Treasured HOMES

— In the Heart of the Pearl River Delta —

**PROSPECTUS DATED 31 MARCH 2010
(REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE ON 31 MARCH 2010)**

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser.

We have made an application to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in and for quotation of the ordinary shares (the "Shares") in the capital of Debao Property Development Ltd. (the "Company") already issued (including the Vendor Shares (as defined herein) and the new Shares (the "New Shares") which are the subject of this Invitation (as defined herein). Such permission will be granted when we have been admitted to the Official List of the SGX-ST. The dealing and quotation of the Shares will be in Singapore dollars.

Acceptance of applications will be conditional upon, *inter alia*, permission being granted to deal in, and for quotation of, all our existing issued Shares (including the Vendor Shares) and the New Shares. If permission is not granted for any other reason, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against us, the Vendors, the Issue Manager or the Joint Underwriters and Placement Agents (as defined herein).

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our Shares (including the Vendor Shares) or the New Shares.

A copy of this Prospectus, together with a copy of the Application Forms, has been lodged with and registered by the Monetary Authority of Singapore (the "Authority"). The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares (including the Vendor Shares) or the New Shares, as the case may be, being offered or in respect of which an invitation is made, for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

Investing in our Shares involves risks which are described in the section titled "RISK FACTORS" of this Prospectus. In particular, you should note that we experienced net negative operating cash flow for FY2007 and FY2008 based on our Proforma Consolidated Financial Statements (as defined herein). In addition, our gross profits and earnings for FY2009 and future financial periods/years based on the Actual Consolidated Financial Statements (as defined herein) would be lower than those that would be prepared under the Proforma Consolidated Financial Statements mainly due to fair value adjustments to our future cost of property development sales in the Actual Consolidated Financial Statements as a result of application of Singapore Financial Reporting Standards 103 – Business Combinations. Please refer to the sections titled "Risk Factors" and "Management Discussion and Analysis of Results of Operations and Financial Condition" of this Prospectus for further details.

The Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act"), and may not be offered or sold within the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. The Shares are being offered and sold only outside the United States in "offshore transactions" in reliance on Regulation S under the US Securities Act.

No Shares shall be allotted on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

Invitation in respect of 138,000,000 Invitation Shares comprising 125,000,000 New Shares and 13,000,000 Vendor Shares as follows:-

- a) 1,500,000 Offer Shares at S\$0.43 for each Offer Share by way of public offer; and
- b) 136,500,000 Placement Shares at S\$0.43 for each Placement Share by way of placement,

payable in full on application.

Applications should be received by 12.00 noon on 8 April 2010 or such other date and time as our Company may, in consultation with the Issue Manager and the Joint Underwriters and Placement Agents, decide, subject to any limitations under all applicable laws.

Issue Manager and Adviser



Kim Eng Corporate Finance Pte. Ltd.

Joint Underwriters and Placement Agents



Kim Eng Corporate Finance Pte. Ltd.



UOB Kay Hian Private Limited



Adviser
Partners Capital (Singapore) Pte Ltd



Water Feature, Jiangnan Mingju, Phases 1 to 4

CORPORATE PROFILE

Established in 2000, we are 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.

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. As at 1H2009, we have leased out an aggregate Gross Floor Area (GFA) of approximately 15,900 sq m of investment properties. We also provide management services for approximately 496,000 sq m of residential properties developed by us as at 1H2009.

In October 2004, our Jiangnan Mingju Phases 1 to 4 won the Double Gold Prize (Construction and Environment) in the National Residential Construction, Planning and Design Competition.



Jiangnan Mingju, Phases 1 to 4



Villas at Shanshui Longpan

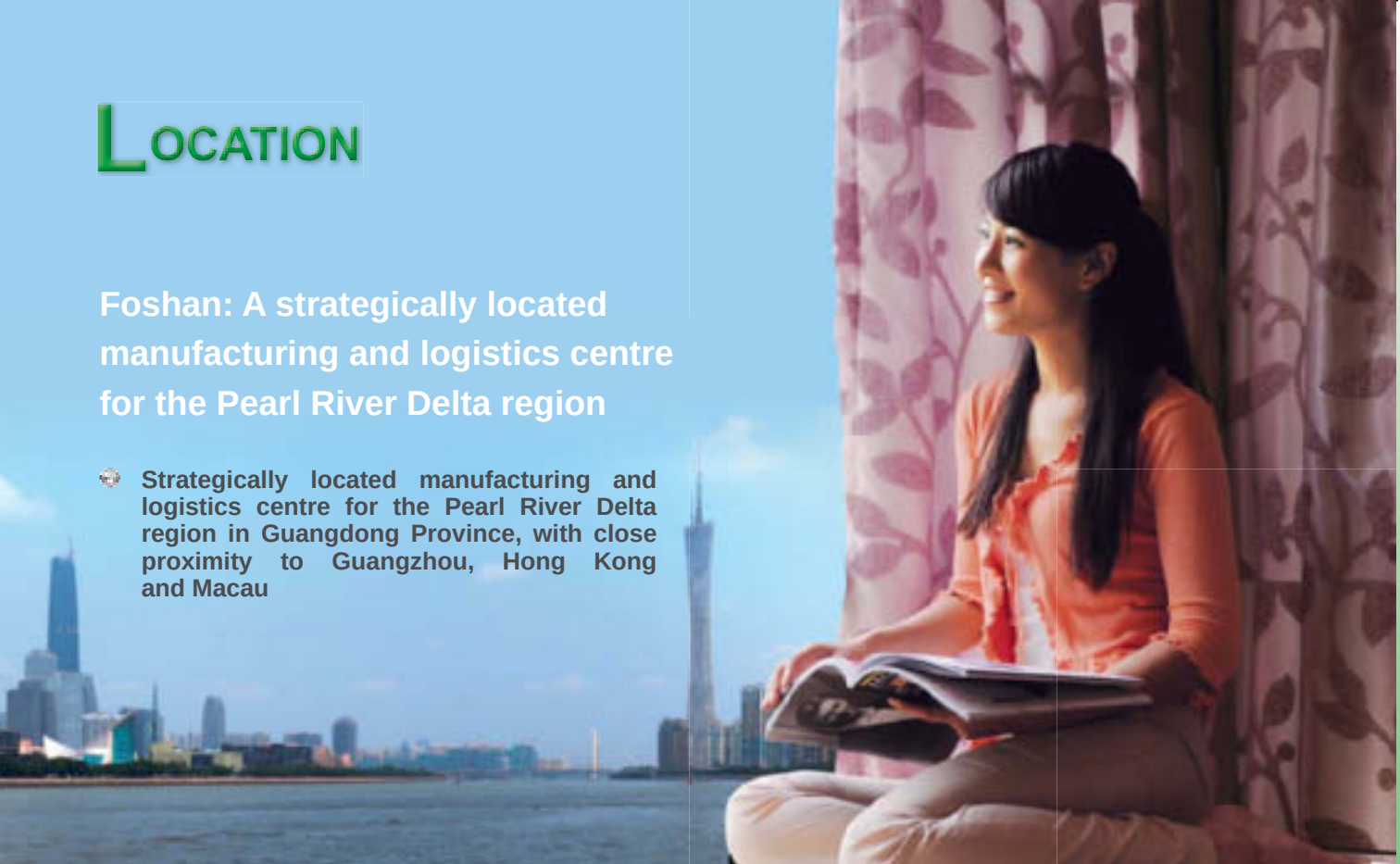


Villas at Shanshui Longpan

LOCATION

Foshan: A strategically located manufacturing and logistics centre for the Pearl River Delta region

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



Condominiums, Shanshui Longpan



Downtown City Area, Foshan

Strong Economic Indicators

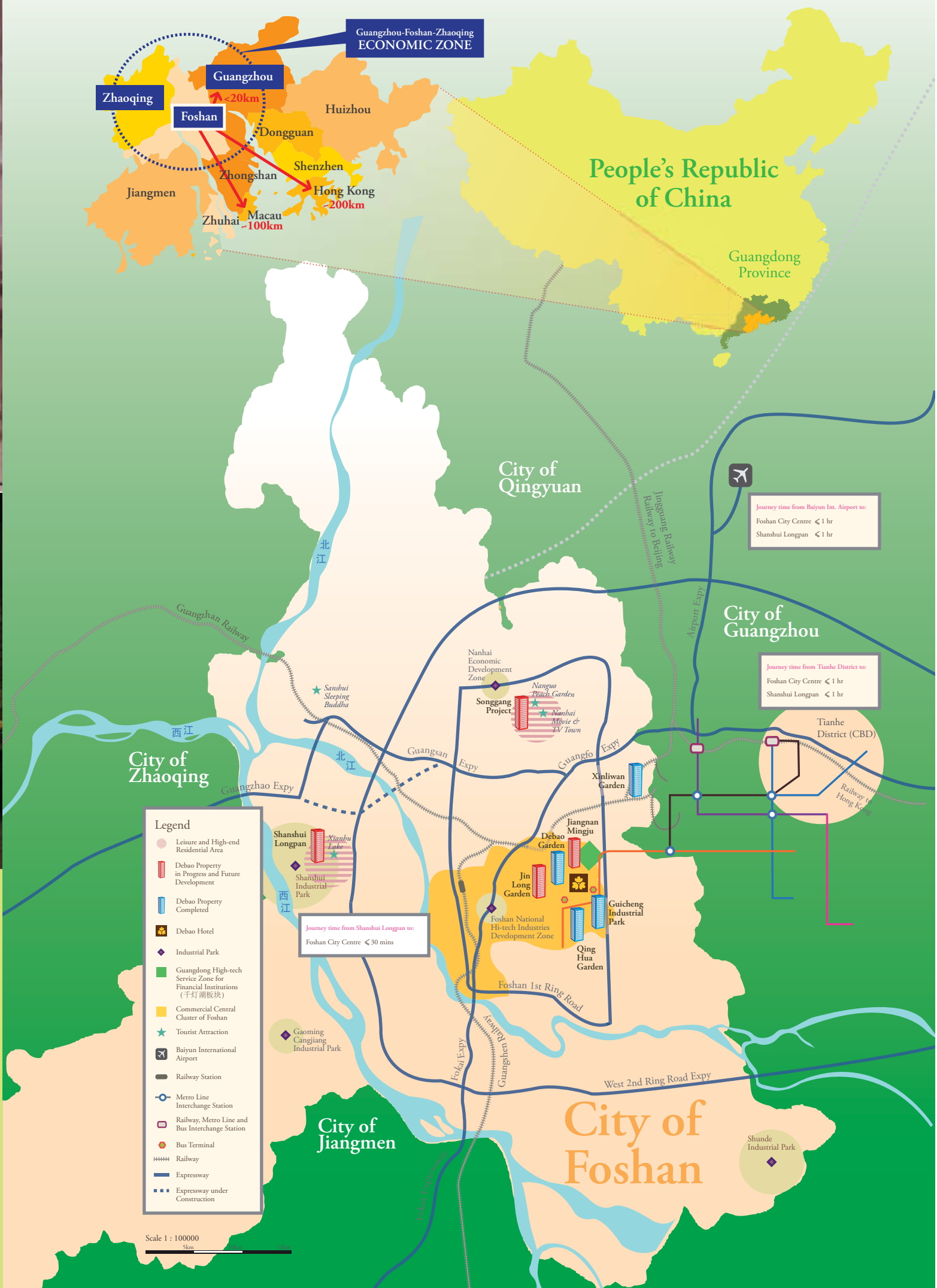
- Population: Close to 6 million and over 3.6 million households
- GDP of RMB433.3 billion: Ranked 11th largest city in China by GDP
- Real GDP growth rate of 15.2%: Out-pacing GDP growth in major cities like Beijing and Shanghai
- GDP per capita of RMB72,975: Ranked 3rd highest, after Suzhou and Guangzhou, when measured against comparable Tier 2 cities along China's eastern coast
- Per capita annual disposable income of RMB22,494: Comparable to major cities like Beijing and Shanghai; and increasing steadily since 2002

Strong Industrial Economy

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

Property Market in Foshan

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



COMPETITIVE STRENGTHS



Experienced management team

- Our Executive Chairman and CEO, as well as most Executive Directors each has more than 15 years of industry experience
- Strong grasp of market trends, network of government and industry contacts

A strong pipeline of large and well-located properties under development and held for future development with an aggregate GFA of 1,398,000 sq m

- We currently have three development projects with a GFA of approximately 1,275,000 sq m under development and approximately 123,000 sq m GFA of land held for future development in the Guangdong Province
- These are expected to be separately completed in various phases between 2010 and 2013, providing us with secure and strong business growth opportunities in the foreseeable future

Effective and efficient vertically integrated business model and operations

- Our vertically-integrated model enables us to offer a comprehensive package of services as well as to control quality, costs and development schedules of our development

Demonstrated ability to develop award-winning quality large scale integrated residential and commercial property developments

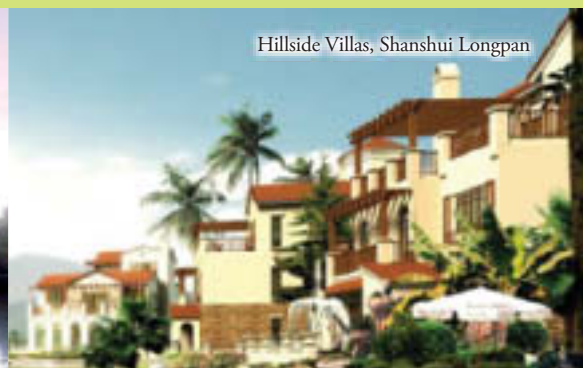
- Our property developments, which come with quality integrated product offerings, are positioned at a level of affordability that caters to a wide consumer segment ranging from mid to high-end income consumer markets
- Our positioning as a property developer with a focus on quality enables us to command better selling prices

An established track record and brand name

- Known for quality and prime locations of our property developments which are well integrated with recreational facilities, our “Debao” brand name is also significantly enhanced by the high standard of after-sales and property management services we provide
- Local governments view us as a preferred developer due to our track record, giving us a significant advantage in obtaining prime development sites and allowing us to maintain a sufficient project pipeline



Waterfront Villas, Shanshui Longpan



Hillside Villas, Shanshui Longpan

OUR PROPERTIES

Completed Properties

As at the Latest Practicable Date, we had completed property development projects with an aggregate GFA of approximately 635,000 sq m, including Xinliwan Garden and Debao Garden which we had taken over from our predecessors.



	1998	2000	2002	2004
Property Development	Xinliwan Garden (Project by our predecessors)	Debao Garden (Project by our predecessors)	Guicheng Industrial Park	Qing Hua Garden (Joint venture project)
Approximate Total GFA (sq m)	91,000	68,000	48,000	78,000
Status	Completed in September 1998	Completed in October 2000	Completed in April 2002	Completed in June 2004





Properties Under and Held for Future Development

As at the Latest Practicable Date, we have a further total GFA of approximately 1,398,000 sq m of properties under and held for future development.

2007	2010	2011	2012 AND BEYOND	
Jiangnan Mingju Phases 1 to 4	Jiangnan Mingju Phases 5 and 6	Jin Long Garden (Joint venture project)	Shanshui Longpan	Songgang Project
350,000	165,000	142,000	968,000	123,000
Completed in October 2007	Under development - Expected date of completion in August 2010	Under development - Expected date of completion in December 2011	Under development - Expected date of completion in December 2013	Held for future development - Expected date of completion in 2012

Jiangnan Mingju, Phases 5&6



PROSPECTS

- The strong economic development and increasing urbanisation in the PRC leading to generally higher consumer disposable incomes and increasing affluence in recent years
- A burgeoning middle class population and increasing consumer spending potential in the PRC
- Prominent geographical location that Foshan City enjoys and the local authorities' continual efforts to develop Foshan will bring about opportunities for real estate development



Water Feature, Jiangnan Mingju, Phases 1-4



Jiangnan Mingju, Phases 5&6



SITE AREA
994,000 sq m

BUSINESS STRATEGIES AND FUTURE PLANS

To achieve our business objectives whilst maintaining our cost competitiveness, we plan to adopt the following strategies to drive our future growth and increase shareholder value:-

- Continued focus on Foshan City region and expansion into other high growth cities in the PRC such as the Pearl River Delta region as well as other emerging regions such as Guangxi Province, Hunan Province, Jiangxi Province, Liaoning Province and Tianjin City
- Continue to seek new and suitable opportunities to build up our land reserves and portfolio of investment properties through direct acquisitions, joint ventures or business alliances
- Continued focus on quality integrated residential and commercial property developments through our vertically-integrated business model
- Maintain an optimal balance between land bank and capital sufficiency in building up our land reserves and portfolio of investment properties so as to optimise our debt levels and returns to our shareholders

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CORPORATE INFORMATION

BOARD OF DIRECTORS	: Yuan Le Sheng (Executive Chairman and CEO) He Ke Ping (Executive Director) Zhang Mao (Executive Director) Zhong Yu Zhao (Executive Director) Zheng Lihua (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)
COMPANY SECRETARY	: Ng Peishi Loseana, LLB (Hons)
REGISTERED OFFICE	: 1 Robinson Road #17-00 AIA Tower Singapore 048542
PRINCIPAL PLACE OF BUSINESS	: No 60, North Nanhai Avenue, Guicheng, Nanhai District, Foshan City, PRC (佛山市南海区桂城南海大道北60号)
COMPANY REGISTRATION NUMBER	: 200715053Z
REGISTRAR FOR THE INVITATION AND SINGAPORE SHARE TRANSFER OFFICE	: Boardroom Corporate & Advisory Services Pte Ltd 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
ISSUE MANAGER AND ADVISER TO THE COMPANY	: Kim Eng Corporate Finance Pte. Ltd. 9 Temasek Boulevard #08-03 Suntec Tower Two Singapore 038989
JOINT UNDERWRITERS AND PLACEMENT AGENTS	: Kim Eng Corporate Finance Pte. Ltd. 9 Temasek Boulevard #08-03 Suntec Tower Two Singapore 038989 UOB Kay Hian Private Limited 8 Anthony Road #01-01 Singapore 229957
AUDITORS AND REPORTING ACCOUNTANTS	: Deloitte & Touche LLP 6 Shenton Way #32-00, DBS Building Tower Two Singapore 068809 Partner-in-charge: Jeremy Toh Yew Kuan, Certified Public Accountants
SOLICITORS TO THE INVITATION AND LEGAL ADVISERS TO THE COMPANY ON SINGAPORE LAW	: Shook Lin & Bok LLP 1 Robinson Road #18-00 AIA Tower Singapore 048542

CORPORATE INFORMATION

SOLICITORS TO THE ISSUE MANAGER AND THE JOINT UNDERWRITERS AND PLACEMENT AGENTS	: Wee Woon Hong & Associates LLC 30 Raffles Place #19-04 Chevron House Singapore 048622
LEGAL ADVISERS TO THE COMPANY AS TO PRC LAW	: Yuan Tai Law Offices 14/F Huaxia Bank Plaza 256 South Pudong Road Pu Dong New Area Shanghai 200120 PRC
LEGAL ADVISERS TO THE JOINT UNDERWRITERS AS TO PRC LAW	: GFE Law Office 18 th Floor Guangdong Holdings Tower No 555 Dongfeng East Road Guangzhou PRC
INDEPENDENT VALUER	: CB Richard Ellis Limited 34th Floor Central Plaza 18 Harbour Road Wanchai Hong Kong
ADVISER TO THE COMPANY IN RELATION TO THE INVITATION	: Partners Capital (Singapore) Pte Ltd 7 Temasek Boulevard #43-02 Suntec Tower One Singapore 038987
PRINCIPAL BANKERS	: Industrial and Commercial Bank of China Limited, Pingzhou Foshan Sub-branch (中国工商银行股份有限公司佛山平洲支行) 10 Dade Road Pingzhou Guicheng Nanhai, Foshan City, PRC (佛山市南海区桂城平洲大德路10号) China Agricultural Bank Co., Ltd, Nanhai Foshan Sub-branch (中国农业银行佛山南海支行) Jinhui Building, Nanhai Avenue Guicheng Nanhai, Foshan City, PRC (佛山市南海桂城南海大道金汇大厦) China Agricultural Bank Co., Ltd, Danzao Nanhai Foshan Sub-branch (中国农业银行佛山南海丹灶支行) 20 Commercial Avenue Danzao Nanhai, Foshan City, Guangdong, PRC (广东佛山南海丹灶镇商业大道20号) China Construction Bank Co., Ltd, Foshan Sub-branch (中国建设银行股份有限公司佛山市分行) NO. 327 Foshan South Avenue Foshan City, Guangdong, PRC (佛山市佛山大道南327号)

CORPORATE INFORMATION

China Merchants Bank Co., Ltd, Foshan Branch

(招商银行股份有限公司佛山分行)
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(佛山市季华五路23号鸿业豪庭)

RECEIVING BANKER

: **Citibank N.A., Singapore Branch**
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Singapore 039190

VENDORS

: **Jun Teng Development Limited**
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2G Capital Pte Ltd

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Wu Kwok Hung

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Jin Cheng Hua Ting,
Feng Huang Road, Luo Hu
Shenzhen, PRC

DEFINITIONS

In this Prospectus and the accompanying Application Forms and, in relation to the Electronic Applications, the instructions appearing on the screens of the ATMs of Participating Banks, unless the context otherwise requires, the following definitions apply throughout where the context so admits:-

COMPANIES IN OUR GROUP

“Company” or “Debao”	:	Debao Property Development Ltd.
“Debao Property”	:	Foshan Nanhai Debao Property Development Co., Ltd (佛山市南海区德宝房地产开发有限公司)
“Derong”	:	Derong Real Estate Holdings Pte. Ltd.
“Dynamic”	:	Dynamic Real Estate Holdings Pte. Ltd.
“Group”	:	Our Company and its subsidiaries following the completion of the Restructuring Exercise
“Guihe Construction”	:	Foshan Nanhai Guihe Construction Engineering Co., Ltd (佛山市南海区桂和建筑工程有限公司)
“Guiyu Property Management”	:	Foshan Nanhai Guiyu Property Management Co., Ltd (佛山市南海区桂裕物业管理有限公司)
“Infinity”	:	Infinity Real Estate Holdings Pte. Ltd.
“Jiangnan Property”	:	Foshan Nanhai Jiangnan Mingju Property Development Co., Ltd (佛山市南海区江南名居房地产开发有限公司)
“Sanshui Property”	:	Foshan Sanshui Nengrun Property Development Co., Ltd (佛山市三水区能润置地房地产开发有限公司)

OTHER COMPANIES, ORGANISATIONS AND AGENCIES

“Authority”	:	The Monetary Authority of Singapore
“CDP”	:	The Central Depository (Pte) Limited
“CPF”	:	The Central Provident Fund
“CSRC”	:	China Securities and Regulatory Commission of the PRC
“Foshan Jing Fang”	:	Foshan Jing Fang Industry Co., Ltd (佛山京纺实业有限公司)
“Yueshi Trading”	:	Foshan Nanhai District Yueshi Trading Co., Ltd (佛山市南海区越时贸易有限公司)
“Guicheng Municipal”	:	Foshan Nanhai District Guicheng Municipal Engineering Co., Ltd. (佛山市南海区桂城市政工程有限公司)
“Issue Manager” or “Kim Eng”	:	Kim Eng Corporate Finance Pte. Ltd.
“MOC”	:	Ministry of Commerce of the PRC
“Participating Banks”	:	United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (“UOB Group”); DBS Bank Ltd (including POSB) (“DBS Bank”); and Oversea-Chinese Banking Corporation Limited (“OCBC”)

DEFINITIONS

“SAFE”	:	State Administration of Foreign Exchange of the PRC
“SCCS”	:	Securities Clearing & Computer Services (Pte) Ltd
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”	:	Boardroom Corporate & Advisory Services Pte Ltd
“Joint Underwriters and Placement Agents” or “Joint Underwriters” or “Joint Placement Agents”	:	Kim Eng and UOB Kay Hian
“UOB Kay Hian”	:	UOB Kay Hian Private Limited

GENERAL DEFINITIONS

“1H”	:	The six-month period ended or, as the case may be, ending 30 June
“2H”	:	The six-month period ended or, as the case, may be ending 31 December
“1Q”	:	Three months ended 31 March
“2Q”	:	Three months ended 30 June
“3Q”	:	Three months ended 30 September
“Agreed Proportion”	:	In relation to our Company, in the proportion that the New Shares bear to the total number of Invitation Shares, and in relation to the Vendors, in the proportion that the Vendor Shares bear to the total number of Invitation Shares
“Application Forms”	:	The official printed application forms to be used for the purpose of the Invitation which form part of this Prospectus
“Application List”	:	The list of applications for subscription of the New Shares
“Articles”	:	The articles of association of our Company, as amended, supplemented or modified from time to time
“Associate”	:	(a) in relation to an entity, means: (i) in a case where the entity is a Substantial Shareholder, Controlling Shareholder, substantial interest-holder or controlling interest-holder, its related corporation, related entity, Associated Company or associated entity; or (ii) in any other case, (A) a director or an equivalent person, (B) where the entity is a corporation, a Controlling Shareholder of the entity, (C) where the entity is not a corporation, a controlling interest-holder of the entity, (D) a subsidiary, a subsidiary

DEFINITIONS

entity, an Associated Company, or an associated entity, or (E) a subsidiary, a subsidiary entity, an Associated Company, or an associated entity, of the Controlling Shareholder or controlling interest-holder, as the case may be, of the entity; and

(b) in relation to an individual, means:

(i) his immediate family; or

(ii) a trustee of any trust of which the individual or any member of the individual's immediate family is a beneficiary or, where the trust is a discretionary trust, a discretionary object, when the trustee acts in that capacity; or

(iii) any corporation in which he and his immediate family (whether directly or indirectly) have interests in voting shares of an aggregate of not less than 30% of the total votes attached to all voting shares

“ATM”	:	Automated teller machines of a Participating Bank
“Actual Consolidated Financial Statements”	:	Audited Actual Consolidated Financial Statements and Actual Consolidated Interim Financial Statements
“Actual Consolidated Interim Financial Statements”	:	Independent Auditors’ Review Report and the Condensed Consolidated Interim Financial Statements for the Six-Month Period Ended June 30, 2009 set out in Annex F of this Prospectus
“Audited Actual Consolidated Financial Statements”	:	Independent Auditors’ Report and Financial Statements for the Year Ended December 31, 2008 and the Period from August 16, 2007 (Date of Incorporation) to December 31, 2007 set out in Annex E of this Prospectus
“Audit Committee”	:	The audit committee of our Company as at the date of this Prospectus, unless otherwise stated
“Board” or “Board of Directors”	:	The board of Directors of our Company as at the date of this Prospectus, unless otherwise stated
“business trust”	:	Has the same meaning as in section 2 of the Business Trusts Act (Chapter 31A) of Singapore as amended, supplemented or modified from time to time
“CEO”	:	Chief Executive Officer
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
“Controlling Shareholder”	:	A person who holds directly or indirectly 15% or more of the voting shares in a company (unless determined otherwise by the SGX-ST) or in fact exercises control over a company

DEFINITIONS

“Conversion”	: The conversion by the Pre-IPO Investors of the S\$80.0 million convertible loan into an aggregate of 372,093,024 Shares on 30 March 2010 pursuant to convertible loan agreements entered into on 25 December 2007, 18 June 2008, 23 June 2008, 16 July 2008, 11 August 2008, 14 August 2008, 6 March 2009 and 25 March 2009 and as supplemented on 11 August 2008, 25 July 2009, 4 August 2009, 12 August 2009, 20 August 2009 and 28 August 2009
“Directors”	: The Directors of our Company as at the date of this Prospectus, unless otherwise stated
“Electronic Applications”	: Applications for the Offer Shares made through an ATM or through IB websites in accordance with the terms and conditions of this Prospectus
“EPS”	: Earnings per Share
“Executive Directors”	: The executive Directors of our Company as at the date of this Prospectus, unless otherwise stated
“Executive Officers”	: The executive officers of our Company as at the date of this Prospectus, unless otherwise stated
“FY”	: Financial year ended or, as the case may be, ending 31 December
“GDP”	: Gross domestic product
“GFA”	: Gross floor area
“IB”	: Internet Banking
“Independent Directors”	: The independent Directors of our Company as at the date of this Prospectus, unless otherwise stated
“Invitation”	: Our invitation to the public in Singapore to subscribe for the Invitation Shares
“Invitation Price”	: S\$0.43 for each Invitation Share
“Invitation Shares”	: The 138,000,000 Shares which are the subject of this Invitation, comprising 125,000,000 New Shares and 13,000,000 Vendor Shares
“IPO”	: Initial public offering
“Latest Practicable Date”	: 30 November 2009, being the latest practicable date prior to the lodgment of this Prospectus with the Authority.
“Listing Manual”	: Listing Manual of the SGX-ST, as amended, supplemented or modified from time to time
“LPS”	: Loss per share
“Market Day”	: A day on which the SGX-ST is open for trading in securities

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“New Shares”	:	The 125,000,000 new Shares for which our Company invites applications to subscribe pursuant to the Invitation, subject to the terms and on the conditions of this Prospectus
“Nominating Committee”	:	The nominating committee of our Company as at the date of this Prospectus, unless otherwise stated
“Non-Executive Director”	:	A non-executive Director of our Company as at the date of this Prospectus, unless otherwise stated
“NAV”	:	Net asset value
“NLV”	:	Net liability value
“NTA”	:	Net tangible assets
“Offer”	:	The offer by our Company to the public in Singapore for subscription of the Offer Shares at the Invitation Price, on the terms and subject to the conditions of this Prospectus
“Offer Shares”	:	1,500,000 Invitation Shares which are the subject of the Offer
“P&L”	:	Profit and Loss
“PBOC”	:	The People’s Bank of China
“PBT”	:	Profit before tax
“Placement”	:	The placement of the Placement Shares at the Invitation Price, on the terms and subject to the conditions of this Prospectus
“Placement Shares”	:	136,500,000 Invitation Shares which are the subject of the Placement
“PRC” or “China”	:	People’s Republic of China which, for the purposes of this Prospectus, excludes the Hong Kong and Macau Special Administrative Regions of the PRC, and Taiwan
“Pre-IPO Investors”	:	Jun Teng Development Limited, Chua Hong Thuan, Tham Keng Chuen, John Lyn Hian Woon, Skyven Growth Capital Fund Pte Ltd, Representations International Inc, 2G Capital Pte Ltd, Pow Kim Hoo, Kong Hwai Ming, Ben Neo Ban Leong, Yeo Chun Heong, Enhance Assets Ltd, Glanster Investments Limited, Pitt Meadow Holdings Limited, Asia Investments Arm (AIA) S.A., Skylight Enterprises Group Limited, East Hero Trading Limited, Yang Jinzhong, Global Ace Enterprises Limited, Allied Asset Holdings Limited, Lim Sing Tat, Aw Cheok Huat, Chau-Chan Sui Yung, Corona Capital Limited, Mohamed Hamdan Abdulla Alshamsi, Finance Department Government of Sharjah, 3VS1 Asia Growth Fund Ltd, Ang Yee Lim, Henry Sim Beng Huat, Yvonne Ong Ai Ling, Triumph Success Investments Limited, Clear Elite Investments Limited, Providence SOGF Limited and Ng Chee Beng

DEFINITIONS

“Proforma Consolidated Financial Statements”	:	Accountant’s Report of the Reporting Auditors and the Proforma Group Financial Information for the Years Ended December 31, 2006, 2007 and 2008 set out in Annex G, and Report of the Reporting Auditors and the Unaudited Condensed Proforma Group Interim Financial Information for the Six-Month Period Ended June 30, 2009 set out in Annex H of this Prospectus
“Proforma Periods Under Review”	:	The financial periods covered in our Proforma Consolidated Financial Statements, namely FY2006, FY2007, FY2008, 1H2008 and 1H2009
“Prospectus”	:	This prospectus dated 31 March 2010 issued by our Company in respect of this Invitation
“Regulation S”	:	Regulation S under the US Securities Act
“Remuneration Committee”	:	The remuneration committee of our Company as at the date of this Prospectus, unless otherwise stated
“Restructuring Exercise”	:	The restructuring exercise undertaken by our Group in connection with the Invitation as further described in the section titled “Restructuring Exercise” of this Prospectus
“SARS”	:	Severe acute respiratory syndrome
“Securities Account”	:	The securities account maintained by a Depositor with CDP, not including a securities sub-account
“Securities and Futures Act”	:	Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time
“Service Agreements”	:	The service agreements entered into between our Company and each of our Executive Directors namely, Messrs Yuan Le Sheng, He Ke Ping, Zhang Mao and Zhong Yu Zhao as described in the section titled “Service Agreements” of this Prospectus
“Share(s)”	:	Ordinary share(s) in the capital of our Company
“Shareholders”	:	The registered shareholders of our Company, except where the registered shareholder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
“Substantial Shareholder”	:	A person who has an interest or interests in one or more voting shares in our Company and the total votes attached to that share, or those shares are not less than 5% of the total votes attached to all the voting shares in our Company
“US Securities Act”	:	US Securities Act of 1933, as amended, supplemented or modified from time to time
“Valuation Report”	:	CB Richard Ellis Limited Valuation Report

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“Vendors”	: Jun Teng Development Limited, John Lyn Hian Woon, Skyven Growth Capital Fund Pte Ltd, Representations International Inc, 2G Capital Pte Ltd, Pow Kim Hoo, Kong Hwai Ming, Ben Neo Ban Leong, Yeo Chun Heong, Enhance Assets Ltd, Glanster Investments Limited, Pitt Meadow Holdings Limited, Asia Investments Arm (AIA) S.A., East Hero Trading Limited, Yang Jinzhong, Global Ace Enterprises Limited, Allied Asset Holdings Limited, Lim Sing Tat, Aw Cheok Huat, Chau-Chan Sui Yung, Corona Capital Limited, Mohamed Hamdan Abdulla Alshamsi, Finance Department Government of Sharjah, 3VS1 Asia Growth Fund Ltd, Ang Yee Lim, Henry Sim Beng Huat, Yvonne Ong Ai Ling, Triumph Success Investments Limited, Clear Elite Investments Limited, Providence SOGF Limited, Ng Chee Beng and Wu Kwok Hung
“Vendor Shares”	: 13,000,000 existing Shares for which the Vendors invite applications to purchase pursuant to the Invitation, on the terms and subject to the conditions of this Prospectus

CURRENCIES, UNITS AND OTHERS

“RMB” and “RMB fen”	: PRC Renminbi and Renminbi fen, respectively
“S\$” or “\$” and “cents”	: Singapore dollars and cents, respectively
“sq m”	: Square metre
“UK”	: the United Kingdom
“US\$”	: US dollars
“%” and “per cent”	: Percentage or per centum

Any reference to “the Group”, “we”, “us” and “our” or other grammatical variance thereof in this Prospectus is a reference to our Company, our Group or any member of our Group, as the context requires.

The expressions “Associated Company” and “subsidiary” shall have the meanings ascribed to them respectively in the Fourth Schedule of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 and the Companies Act.

The expression “entity” includes a corporation, an unincorporated association, a partnership and the government of any state, but does not include a trust.

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them respectively in section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Unless otherwise indicated, any reference in this Prospectus, the Application Forms and/or Electronic Applications to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any word defined in the Companies Act, the Securities and Futures Act or any statutory modification thereof and used in this Prospectus, the Application Forms and/or the Electronic Applications shall, where applicable, have the meaning ascribed to it under the Companies Act, the Securities and Futures Act (as the case may be) or any statutory modification thereof.

DEFINITIONS

Any reference in this Prospectus, the Application Forms and/or the Electronic Applications to Shares being allotted to an applicant includes allotment to CDP for the account of that applicant.

Any reference to a time of day in this Prospectus, the Application Forms and/or the Electronic Applications shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables included in this Prospectus between the listed amounts and the totals thereof are due to rounding differences. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of investors, may not have been registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese names and/or characters.

GLOSSARY OF PROPERTIES

To facilitate a better understanding of our business, the following glossary provides a description of our Group's property developments as well as some of the technical terms and abbreviations commonly found in our industry. The terms and their assigned meanings may not correspond to standard industry or common meanings, or usage of these terms as the case may be:-

OUR GROUP'S PROPERTY DEVELOPMENTS

"Guicheng Industrial Park"	:	Guicheng Industrial Park (桂城工业园), a property development project located at Ping Er Road, Guicheng, Nanhai District, Foshan City (南海区桂城平二路)
"Jiangnan Mingju"	:	Jiangnan Mingju Phases 1 to 4 and Jiangnan Mingju Phases 5 and 6
"Jiangnan Mingju Phases 1 to 4"	:	Jiangnan Mingju Phases 1 to 4 (江南名居1至4期), a property development project located at No. 39, G14 Zone, West Nanyi Road, Guicheng, Nanhai District, Foshan City (佛山市南海区桂城南一路西侧G14街区39号)
"Jiangnan Mingju Phases 5 and 6"	:	Jiangnan Mingju Phases 5 and 6 (江南名居5, 6期), a property development project located at No. 39, G8 Zone, West Nanyi Road, Guicheng, Nanhai District, Foshan City (佛山市南海区桂城南一路西侧G8街区39号)
"Jin Long Garden"	:	Jin Long Garden (锦隆花园), a property development project located at No. 91 Shidong Shang Road, Chancheng District, Foshan City (佛山市禅城区市东上路91号)
"Shanshui Longpan"	:	Shanshui Longpan (山水龙盘), a property development project located at No. 87 North Area, Foshan Household Appliances Industry Base of the National Torch Program, Baini Town, Sanshui District, Foshan City (三水区, 白泥镇, 国家火炬计划佛山电器产业基地北区87号)
"Songgang Project"	:	Songgang Project (松岗项目), a property development project located at Lianbiao Village, Songgang Office, Shishan Town, Nanhai District, Foshan City, Guangdong Province (佛山市南海区狮山镇松岗办事处联表村)
"Qing Hua Garden"	:	Qing Hua Garden (清华园), a property development project located at No 11 Nanxing Yi Road, Guicheng, Nanhai District, Foshan City (南海区桂城南新一路11号)

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us, our Directors, Executive Officers or employees acting on our behalf that are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these forward-looking statements by terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would” and “could” or similar words and phrases. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements are only predictions.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by these forward-looking statements. These risks, uncertainties and other important factors include, amongst others, the following:-

- changes in political, social and economic conditions and the regulatory environment in the places in which we conduct our business;
- our anticipated growth strategies and expected internal growth;
- changes in competitive conditions and our ability to compete under these conditions;
- changes in currency exchange rates;
- changes in the availability and prices of raw materials we need to operate our business;
- changes in our future capital needs and the availability of financing and capital to fund these needs;
- other factors beyond our control; and
- the factors described in the section titled “Risk Factors” of this Prospectus.

All forward-looking statements made by or attributable to us, or persons acting on our behalf, contained in this Prospectus are expressly qualified in their entirety by such factors. Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements. Our Company, the Vendors, the Issue Manager, the Joint Underwriters and Placement Agents are not representing or warranting to you that our actual future results, performance or achievements will be as discussed in those statements. Further, our Company, our Directors, the Vendors, the Issue Manager and the Joint Underwriters and Placement Agents disclaim any responsibility to update any of those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future.

We are, however, subject to the provisions of the Securities and Futures Act and the Listing Manual regarding corporate disclosure upon our admission to the Official List of the SGX-ST. In particular, pursuant to section 241 of the Securities and Futures Act, if after this Prospectus is registered but before the close of the Invitation, our Company becomes aware of (a) a false or misleading statement or matter in this Prospectus; (b) an omission from this Prospectus of any information that should have been included in it under section 243 of the Securities and Futures Act; or (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and would have been required by section 243 of the Securities and Futures Act to be included in this Prospectus, if it had arisen before this Prospectus was lodged and that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement prospectus with the Authority.

SELLING RESTRICTIONS

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase our Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, any jurisdiction, except for the filing and/or registration of this Prospectus in Singapore in order to permit a public offering of our Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of our Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by our Company, the Vendors, the Issue Manager and the Joint Underwriters and Placement Agents to inform themselves of, and to observe and comply with, any such restrictions.

Hong Kong

The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent legal advice. Please note that (i) Shares may not be offered or sold in Hong Kong by means of this Prospectus or any other document other than to professional investors within the meaning of Part I of Schedule 1 to the Securities and Futures Ordinance of Hong Kong (Cap. 571) and any rules made thereunder (“professional investors”), or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance of Hong Kong (Cap. 32) or which do not constitute an offer or invitation to the public for the purposes of the Companies Ordinance, and (ii) no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, this Prospectus or any other advertisement, invitation or document relating to the Shares which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors.

United States of America

The Shares have not been, and will not be, registered under the US Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

The Shares are being offered and sold only outside the United States in “offshore transactions”, in accordance with Regulation S under the US Securities Act. Terms used in this section have the meaning given to them by Regulation S under the US Securities Act.

DETAILS OF THE INVITATION

LISTING ON THE SGX-ST

We have made an application to the SGX-ST for permission to deal in and for quotation of all our Shares already issued (including the Vendor Shares) and the New Shares, which are the subject of the Invitation. Such permission will be granted when we have been admitted to the Official List of the SGX-ST. No Shares shall be allotted on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

Acceptance of applications will be conditional upon, *inter alia*, permission being granted by the SGX-ST to deal in and for quotation of all our issued Shares (including the Vendor Shares) and the New Shares. If permission is not granted for any reason, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against us, the Vendors, the Issue Manager or the Joint Underwriters and Placement Agents.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries or our Shares (including the Vendor Shares) or the New Shares.

A copy of this Prospectus has been lodged with and registered by the Authority. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the Shares (including the Vendor Shares) or the New Shares, as the case may be, being offered or in respect of which an invitation is made, for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

We are subject to the provisions of the Securities and Futures Act and the Listing Manual regarding corporate disclosure. In particular, pursuant to section 241 of the Securities and Futures Act, if after this Prospectus is registered but before the close of the Invitation, we become aware of:-

- (a) a false or misleading statement in this Prospectus;
- (b) an omission from this Prospectus of any information that should have been included in it under section 243 of the Securities and Futures Act; or
- (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and which would have been required by section 243 of the Securities and Futures Act to be included in this Prospectus, if it had arisen before this Prospectus was lodged,

and that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement prospectus with the Authority.

In the event that a supplementary or replacement prospectus is lodged with the Authority, our Invitation shall be kept open for at least 14 days after the lodgment of such supplementary or replacement prospectus.

DETAILS OF THE INVITATION

Where prior to the lodgment of the supplementary or replacement prospectus, applications have been made under this Prospectus to subscribe for and/or purchase of the Invitation Shares and:-

- (a) where the Invitation Shares have not been issued and/or sold to the applicants, our Company (on behalf of itself and the Vendors)
 - (i) shall:-
 - (aa) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgment of the supplementary prospectus or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications; and
 - (bb) take all reasonable steps to make available within a reasonable period the supplementary prospectus or replacement prospectus, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary prospectus or replacement prospectus; or
 - (ii) shall, within seven days from the date of the lodgment of the supplementary prospectus or replacement prospectus, provide the applicants the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications; or
 - (iii) shall:-
 - (aa) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled; and
 - (bb) within seven days from the date of lodgment of the supplementary prospectus or replacement prospectus, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares; or
- (b) where the Invitation Shares have been issued and/or transferred to the applicants, our Company (on behalf of itself and the Vendors)
 - (i) shall:-
 - (aa) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgment of the supplementary prospectus or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary document or replacement document, as the case may be, and provide the applicants with an option to return, to our Company and/or the Vendors, those Invitation Shares which they do not wish to retain title in; and
 - (bb) take all reasonable steps to make available within a reasonable period the supplementary prospectus or replacement prospectus, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary prospectus or replacement prospectus; or
 - (ii) shall, within seven days from the date of lodgment of the supplementary prospectus or replacement prospectus, give the applicants the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to return to our Company and/or the Vendors the Invitation Shares which they do not wish to retain title in; or

DETAILS OF THE INVITATION

- (iii) is required by the Securities and Futures Act to treat the issue and/or sale of the Invitation Shares as void and our Company shall (for ourselves and on behalf of the Vendors) within seven days from the date of lodgment of the supplementary prospectus or replacement prospectus, pay to the applicants all monies paid by them for the Invitation Shares.

An applicant who wishes to exercise his option under paragraph (a)(i) or (ii) above to withdraw his application shall, within 14 days from the date of lodgment of the supplementary prospectus or replacement prospectus, notify our Company of this, whereupon our Company shall (for ourselves and on behalf of the Vendors) within seven days from the receipt of such notification, pay to the applicant all monies paid by the applicant on account of his application for the Invitation Shares.

An applicant who wishes to exercise his option under paragraph (b)(i) or (ii) above to return the Invitation Shares issued and/or sold to him shall, within 14 days from the date of lodgment of the supplementary prospectus or replacement prospectus, notify our Company of this and return all documents, if any, purporting to be evidence of title to those Invitation Shares to our Company, whereupon our Company shall (for ourselves and on behalf of the Vendors) within seven days from the receipt of such notification and documents, if any, pay to the applicant all monies paid by the applicant for the Invitation Shares, and the issue of those Invitation Shares shall be deemed to be void.

Under the Securities and Futures Act, the Authority may, in certain circumstances issue a stop order to our Company, directing that no or no further Shares to which this Prospectus relates, be allotted, issued or sold. Such circumstances will include a situation where this Prospectus (i) contains a statement or matter, which in the opinion of the Authority is false or misleading, (ii) omits any information that should be included in accordance with the Securities and Futures Act, (iii) does not, in the opinion of the Authority, comply with the requirements of the Securities and Futures Act or (iv) if the Authority is of the opinion that it is in the public interest to do so.

Where the Authority issues a stop order pursuant to section 242 of the Securities and Futures Act, and:-

- (a) in the case where the Invitation Shares have not been issued and/or sold to the applicants, the applications shall be deemed to have been withdrawn and cancelled and our Company shall (for ourselves and on behalf of the Vendors) within 14 days from the date of the stop order, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares; or
- (b) in the case where the Invitation Shares have been issued and/or sold to the applicants, the issue and/or sale of the Invitation Shares pursuant to the Invitation is required by the Securities and Futures Act to be deemed to be void and our Company shall (for ourselves and on behalf of the Vendors) within 14 days from the date of the stop order, to pay to the applicants all monies the applicants have paid for the Invitation Shares; or
- (c) in the case where the Invitation Shares have been transferred to the applicants, the sale of the Invitation Shares shall be deemed to be void and our Company (for ourselves and on behalf of the Vendors) shall (i) if no documents purporting to evidence title to those Invitation Shares have been issued to the applicants, within seven days from the date of the stop order, pay to the applicants all monies paid by them for those Invitation Shares, or (ii) if documents purporting to evidence title to those Invitation Shares have been issued to the applicants, within seven days from the date of the stop order, inform all applicants to return such documents to our Company within 14 days from that date and within seven days from the date of receipt of such documents or the date of the stop order, whichever is earlier, pay to the applicants all monies paid by them for those Invitation Shares.

Monies paid in respect of your application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against us, the Vendors, the Issue Manager or the Joint Underwriters and Placement Agents.

DETAILS OF THE INVITATION

If our Company is required by applicable Singapore laws to cancel issued New Shares and repay application monies to applicants (including instances where a stop order under the Securities and Futures Act is issued), subject to compliance with the Companies Act, our Company will purchase the New Shares at the Invitation Price.

This Prospectus has been seen and approved by our Directors and the Vendors and they collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and there are no other material facts the omission of which would make any statement in this Prospectus misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation, our Company, the Vendors, our subsidiaries and our Shares (including the Invitation Shares).

We and the Vendors have not authorised any person to give any information or to make any representation not contained in this Prospectus in connection with the Invitation, and if given or made, such information or representation must not be relied upon as having been authorised by us, the Vendors, the Issue Manager or the Joint Underwriters and Placement Agents. Neither the delivery of this Prospectus and the Application Forms nor any document relating to the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change, or a development reasonably likely to invoke a change, in the affairs of our Company or our Group or in any statement of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur and are material or are required to be disclosed by law, we will promptly make an announcement of the same to the SGX-ST and the public and, if required under the Securities and Futures Act, lodge a supplementary or replacement document with the Authority and make the same available to the public after lodgment. We will also comply with all other applicable requirements of the Securities and Futures Act and/or any other requirements of the Authority and/or the SGX-ST. All applicants should take note of any such announcements, supplementary or replacement document or prospectus and, upon the release of the same, shall be deemed to have notice of such changes.

Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies. This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose.

This Prospectus does not constitute an offer, or invitation or solicitation, to subscribe for and/or purchase the Invitation Shares in any jurisdiction in which such offer or invitation or solicitation is unauthorised or unlawful nor does it constitute an offer or invitation or solicitation to any person to whom it is unlawful to make such an offer or invitation or solicitation.

Neither our Company, the Vendors, the Issue Manager nor the Joint Underwriters and Placement Agents is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or any other laws or regulations. No information in this Prospectus should be considered as being business, legal or tax advice. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

DETAILS OF THE INVITATION

Copies of this Prospectus and the Application Forms and envelopes may be obtained on request, subject to availability, during office hours from:-

Kim Eng Corporate Finance Pte. Ltd.

9 Temasek Boulevard
#08-03 Suntec Tower Two
Singapore 038989

UOB Kay Hian Private Limited

8 Anthony Road
#01-01
Singapore 229957

and from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website at <http://www.sgx.com> and the Authority's OPERA website at <http://masnet.mas.gov.sg/opera/sdrprosp.nsf>.

The Application List will open immediately upon the registration of the Prospectus by the Authority and will remain open until 12.00 noon on 8 April 2010 or for such further period or periods as our Company may, in consultation with the Issue Manager and the Joint Underwriters and Placement Agents, decide, subject to any limitation under all applicable laws. Where a supplementary document or replacement document has been lodged with the Authority, the Application List shall be kept open for at least 14 days after the lodgment of the supplementary document or replacement document.

Details of the procedures for application of the New Shares are set out in Annex A: "Terms and Conditions and Procedures for Applications" of this Prospectus.

INDICATIVE TIMETABLE FOR LISTING

An indicative timetable is set out below for the reference of applicants:-

Indicative Time and Date	Event
12.00 noon on 8 April 2010	Close of Application List
9 April 2010	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
9.00 a.m. on 12 April 2010	Commence trading on a “ready” basis
15 April 2010	Settlement date for all trades done on a “ready” basis

The above timetable is only indicative as it assumes that the closing of the Application List takes place on 8 April 2010, the date of admission of our Company to the Official List of the SGXST will be 12 April 2010, the SGX-ST's shareholding spread requirement will be complied with and the Invitation Shares will be issued and/or fully sold and fully paid prior to 12 April 2010. The actual date on which our Shares will commence trading on a “ready” basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modifications as the SGX-ST may in its discretion decide, including the decision to permit trading on a “ready” basis and the commencement date of such trading.

In the event of an early or extended closure of the Application List or the shortening or extension of the time period during which the Invitation is open, we will publicly announce the same:-

- (a) through a SGXNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com>; and
- (b) in a local English newspaper.

We will provide details of the results of the Invitation as soon as it is practicable after the close of the Application List through the channels described in (a) and (b) above.

Investors should consult the SGX-ST announcement on the “ready” trading date on the Internet (at SGX-ST website <http://www.sgx.com>), Teletext or the newspapers or check with their brokers on the date on which trading on a “ready” basis will commence.

THE INVITATION

Invitation size	:	138,000,000 Invitation Shares comprising 125,000,000 New Shares and 13,000,000 Vendor Shares. The New Shares when allotted, issued and fully paid will rank <i>pari passu</i> in all respects with our existing issued Shares.
Invitation Price	:	S\$0.43 for each Invitation Share.
The Offer	:	The Offer comprises an Invitation by our Company and the Vendors to the public in Singapore to subscribe for and/or purchase the 1,500,000 Offer Shares at the Invitation Price, subject to and on the terms and conditions of this Prospectus.
The Placement	:	The Placement comprises an offering by the Joint Placement Agents on behalf of our Company and the Vendors of 136,500,000 Placement Shares at the Invitation Price by way of placement, subject to and on the terms and conditions of this Prospectus.
Purpose of our Invitation	:	We consider that the listing and quotation of our Shares on the SGX-ST will enhance our public image in the PRC, Singapore and internationally and will enable us to tap the capital markets to fund our business growth. It will also provide members of the public an opportunity to participate in the equity of our Company. The Invitation will also enlarge our capital base for continued expansion of our business.
Listing Status	:	Prior to the Invitation, there has been no public market for our Shares. Our Shares will be quoted in Singapore dollars on the Main Board of the SGX-ST, subject to the admission of our Company to the Official List of the SGX-ST, and permission for dealing in and for quotation of our Shares being granted by the SGX-ST.

PLAN OF DISTRIBUTION

The Invitation Price was arrived at by us and the Vendors after consultation with the Issue Manager and the Joint Underwriters and Placement Agents, and after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for our Shares determined through a book-building process. The Invitation Price is the same for all the Invitation Shares and is payable in full on application.

Offer Shares

The Offer Shares are made available to members of the public in Singapore for subscription and/or purchase at the Invitation Price. The terms and conditions and procedures for applications are described in Annex A: “Terms and Conditions and Procedures for Applications” of this Prospectus.

In the event of an under-subscription for Offer Shares as at the close of the Application List, the number of Offer Shares under-subscribed shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an over-subscription of the Offer Shares as at the close of the Application List and/or the number of Placement Shares are fully subscribed for and/or purchased as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors and the Vendors, after consultation with the Issue Manager and the Joint Underwriters and Placement Agents, and approved by the SGX-ST.

Pursuant to the terms and conditions contained in the Management and the Underwriting Agreements as disclosed in the section titled “Management, Underwriting and Placement Arrangements” of this Prospectus, our Company has appointed the Issue Manager to manage the Invitation and the Joint Underwriters to underwrite the Offer Shares. The Joint Underwriters may, at their absolute discretion, appoint one or more sub-underwriters for the Offer Shares.

Placement Shares

Subscribers and/or purchasers of the Placement Shares may be required to pay a placement commission of up to 1.0% of the Invitation Price (plus Goods and Services Tax thereon, if applicable).

Application for the Placement Shares may only be made by way of a Placement Shares Application Form. Please refer to Annex A: “Terms and Conditions and Procedures for Applications” of this Prospectus for further details on the terms and conditions and procedures for application.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

Pursuant to the terms and conditions contained in the Placement Agreement as disclosed in the section titled “Management, Underwriting and Placement Arrangements” of this Prospectus, the Joint Placement Agents agreed to subscribe for and/or purchase, or procure subscriptions for and/or purchases or procure subscriptions for the Placement Shares at the Invitation Price. However, the Joint Placement Agents may, at their absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

PLAN OF DISTRIBUTION

Subscription for the Invitation Shares

None of our Directors or Substantial Shareholders intends to subscribe for and/or purchase any Invitation Shares pursuant to the Invitation.

To the best of their knowledge, none of our Directors is aware of any member of our Company's management or employee who intends to subscribe for and/or purchase Shares in the Invitation amounting to more than 5.0% of the Invitation Shares. To the best of their knowledge, none of our Directors is aware of any person who intends to subscribe for and/or purchase more than 5.0% of the Invitation Shares. However, in the process of assessing market demand for our Shares, there may be person(s) who may indicate his interest to subscribe for and/or purchase more than 5.0% of the Invitation Shares. If such person(s) were to make an application to subscribe for and/or purchase Shares amounting to more than 5.0% of the Invitation Shares and subsequently be allotted and/or allocated such number of Shares, we will make the necessary announcements at an appropriate time. The final allocation of Shares will be in accordance to the shareholding spread and distribution guidelines as set out in Rule 210 of the Listing Manual.

Further, no Shares shall be allotted and/or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

USE OF PROCEEDS AND LISTING EXPENSES

The total net proceeds from the Invitation (after deducting the estimated amount of listing expenses incurred in connection with the Invitation of approximately S\$5.99 million) is estimated to amount to approximately S\$53.35 million.

Listing expenses include professional fees, underwriting and placement commissions and brokerage fees, and miscellaneous expenses. The professional fees and miscellaneous expenses will be borne by our Company. The underwriting and placement commissions and brokerage fees will be borne by our Company and the Vendors in the Agreed Proportion.

Net proceeds from the sale of New Shares

The estimated net proceeds to be raised by our Company from the issue of the New Shares (after deducting the listing expenses to be borne by our Company) is approximately S\$47.93 million. The allocation of the gross proceeds raised from the New Shares for each principal intended use of proceeds and each principal item of expenses is set out below:-

Use of Proceeds	S\$'000	Estimated amount allocated for each dollar of the proceeds raised by our Company (as a percentage of gross proceeds) (%)
For our existing property development projects	25,000	46.51
Acquisition of new development sites and investment properties	13,000	24.19
General corporate and working capital requirements	9,930	18.47
Listing expenses borne by our Company		
Professional Fees	3,707	6.90
Underwriting and placement commission and brokerage fees	1,613	3.00
Miscellaneous expenses (including listing fees)	500	0.93
Total	53,750	100.00

In accordance with applicable accounting standards, the underwriting and placement commissions and brokerage fees to be borne by our Company, as well as the professional fees and miscellaneous expenses in the proportion that the 125,000,000 New Shares bear to the post-Invitation share capital of 1,125,000,000 Shares, will be offset against the gross proceeds raised from the New Shares in our share capital account. The remaining professional fees and miscellaneous expenses will be treated as expenses in our financial statements, which is expected to amount to approximately S\$1,177,288 in 2H2009 and S\$553,132 in FY2010.

Net proceeds from the sale of Vendor Shares

The estimated net proceeds attributable to the Vendors from the sale of the Vendor Shares (after deducting the Vendors' share of the underwriting commission, placement commission and brokerage fees in the Agreed Proportion) will be approximately S\$5.42 million.

Please refer to the section titled "Business Strategies and Future Plans" of this Prospectus for further details on our plans above.

USE OF PROCEEDS AND LISTING EXPENSES

Pending the specific deployment of the net proceeds as aforesaid, we may use the funds as working capital or invest in short-term money market instruments as our Directors may, in their absolute discretion, deem fit.

We expect that the timing and final amount of disbursement to be made for the foregoing purposes will be determined by our directors with a view to obtaining the optimal benefit for us. However, future events or developments, such as general market conditions, the level of demand for our properties and the outlook for our industry, changes in social, political and economic conditions and the regulatory environment in the countries in which we conduct business and changes in our need for capital and the availability of financing and capital to fund these needs, may make a change in the use of the net proceeds from that specified above necessary or desirable, subject to the proper and timely public disclosure of such intended changes.

In addition, we may not be able to use the net proceeds to make certain acquisitions and investments if we are unable to identify suitable opportunities. Furthermore, even if our directors are able to identify suitable opportunities, we may not be able to use the net proceeds to make certain acquisitions and investments that require prior shareholder and/or regulatory approval if it is not forthcoming. In any of these situations, we expect to use the net proceeds earmarked for acquisitions and investments towards working capital and general corporate purposes. In the opinion of our Directors, there are no minimum amounts which must be raised by the issue of the New Shares.

MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

Pursuant to the management and underwriting agreement dated 31 March 2010 (the “Management and Underwriting Agreement”), Kim Eng has agreed to manage the Invitation and the Joint Underwriters agreed to underwrite the Offer Shares and subscribe for and/or purchase and/or procure subscriptions for and/or purchase the Offer Shares.

Pursuant to the Management and Underwriting Agreement, Kim Eng will receive a management fee from our Company for its services rendered in connection with the Invitation as the Issue Manager, payable by our Company. The Joint Underwriters have agreed to underwrite the Offer Shares for a commission of 3.00% of the Invitation Price of each Offer Share for the total number of Offer Shares, payable by our Company and the Vendors in the proportion in which the number of Offer Shares offered by each of them pursuant to the Invitation bear to the total number of Offer Shares. The Joint Underwriters may, at their absolute discretion, appoint one or more sub-underwriters for the Offer Shares. Pursuant to the Placement Agreement, the Joint Placement Agents have agreed to subscribe for and/or purchase and/or procure subscriptions for and/or purchase of the Placement Shares for a placement commission and brokerage of 3.00% of the aggregate Invitation Price for the total number of Placement Shares, payable by our Company and the Vendors in the proportion in which the number of Placement Shares offered by each of them pursuant to the Invitation bear to the total number of Placement Shares. The Joint Placement Agents may, at their absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

Brokerage on the Offer Shares will be paid by our Company and the Vendors in the proportion in which the number of Offer Shares offered by each of them pursuant to the Invitation to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of accepted applications made on Application Forms bearing their respective stamps, and to the Participating Banks in respect of applications made pursuant to an Electronic Application through their respective ATMs or IB website, at the rate of 0.25% of the Invitation Price for each Offer Share. In addition, DBS Bank levies a brokerage at the rate of 0.5% of the Invitation Price, subject to a minimum brokerage fee of S\$10,000. Subscribers or purchasers of the Placement Shares may be required to pay a brokerage of up to 1.00% of the Invitation Price to the Joint Placement Agents or any sub-placement agent that may be appointed by the Joint Placement Agents, as well as stamp duties and any other similar charges (subject to any GST, where applicable).

The Management and Underwriting Agreement may be terminated by the Issue Manager or the Joint Underwriters by notice in writing at any time on or before the close of the Application List on the occurrence of certain events including:-

- (a) any breach of the warranties or undertakings in the Management and Underwriting Agreement which shall come to the knowledge of the Issue Manager or the Joint Underwriters;
- (b) any occurrence of an event after the date of the Management and Underwriting Agreement, and prior to the Closing Date, which if it had occurred before the date of the Management and Underwriting Agreement, would have rendered any of the warranties contained in the Management and Underwriting Agreement untrue or incorrect in any material respect, which comes to the knowledge of the Issue Manager or the Joint Underwriters as the case may be; or
- (c) if there shall have been, since the date of the Management and Underwriting Agreement:-
 - (i) any adverse change or any development involving a prospective adverse change, in the condition (financial or otherwise) of our Company or of our Group as a whole;

MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

- (ii) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, notice, policy, rule, guideline or directive of any jurisdiction (whether or not having the force of law and including, without limitation, any directive, notice or request issued by the Authority, the Securities Industry Council of Singapore, the SGX-ST or relevant authorities in the PRC or elsewhere) or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Singapore or elsewhere;
- (iii) any change or any development involving a prospective change or any crisis in local, national or international financial (including the stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls;
- (iv) any local, national or international occurrence, outbreak or escalation of hostilities, insurrection, terrorist attacks or armed conflict (whether or not involving financial markets);
- (v) any regional or local outbreak of disease that may have an adverse effect on the financial markets;
- (vi) the issue of a stop order by the authority in accordance with section 242 of the Securities and Future Act;
- (vii) foreign exchange controls in Singapore and overseas or any occurrence of a combination of any such changes or developments or crises, or any deterioration of any such conditions; or
- (viii) any occurrence of any nature whatsoever,

which event or events shall in the opinion of the Issue Manager or the Joint Underwriters (exercised in good faith), as the case may be, (1) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or elsewhere; or (2) be likely to prejudice the success of the offer or subscription or sale of the Invitation Shares (whether in the primary market or in respect of dealings in the secondary market); or (3) make it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in the Management and Underwriting Agreement; or (4) be likely to have a material adverse effect on the business, trading position, operations or prospects of our Company or of our Group as a whole; or (5) be such that no reasonable issue manager or underwriter would have entered into the Management and Underwriting Agreement; or (6) result or be likely to result in the issue of a stop order by the Authority pursuant to the Securities and Futures Act; or (7) make it uncommercial or otherwise contrary to or outside the usual commercial practices of issue managers or underwriters, as the case may be, in Singapore for the Issue Manager, or the Joint Underwriters to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement.

Notwithstanding the above, the Management and Underwriting Agreement may be terminated by the Issue Manager or the Joint Underwriters respectively if, *inter alia*, at any time,

- (i) a stop order (whether interim or final) is issued by the Authority in accordance with section 242 of the Securities and Futures Act;
- (ii) the Company fails and/or neglects to lodge a supplementary prospectus or replacement prospectus if required to do so pursuant to section 243 of the Securities and Futures Act; or
- (iii) the Shares of the Company have not been admitted to the Official List of the SGX-ST on or before 12 April 2010 (or such other date as the Issue Manager and the Joint Underwriters and Placement Agents may agree).

MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

In the event that the Management and Underwriting Agreement or the Placement Agreement is terminated, our Company reserves the right, at the absolute discretion of our Directors, to cancel the Invitation. The Placement Agreement is conditional upon the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement. In the case of the non-fulfilment of any of the conditions in the Management and Underwriting Agreement or the release or discharge of the Issue Manager and/or the Joint Underwriters (as the case may be) from their obligations under or pursuant to the Management and Underwriting Agreement, the Placement Agreement shall be terminated and the parties shall be released from their respective obligations under the Placement Agreement.

Other than the Management and Underwriting Agreement and the Placement Agreement where (i) Kim Eng was appointed as the Issue Manager for the Invitation, (ii) Kim Eng and UOB Kay Hian were appointed as the Joint Underwriters and Placement Agents, and (iii) the commission payable by our Company to UOB Kay Hian in consideration for the coordination of the pre-Invitation Investment, we do not have any material relationship with any of the Issue Manager or the Joint Underwriters and Placement Agents.

PROSPECTUS SUMMARY

The information contained in this summary is derived from and should be read in conjunction with the full text of this Prospectus. Terms defined elsewhere in this Prospectus have the same meanings when used herein. Prospective investors should carefully consider the information presented in this Prospectus, particularly the matters set out in the section titled “Risk Factors” of this Prospectus before buying our Shares.

OVERVIEW OF OUR GROUP

Our Group

Our Company was incorporated in Singapore on 16 August 2007 as a private company limited by shares under the name “Vibrant Real Estate Holdings Pte. Ltd.”. On 23 November 2007, our Company changed its name to “Debao Property Development Pte. Ltd.”. We converted into a public limited company and assumed our present name on 24 November 2009. Our Group currently comprises our Company and its subsidiaries, Derong, Dynamic, Infinity, Debao Property, Sanshui Property, Jiangnan Property, Guiyu Property Management and Guihe Construction.

Our Business

We are an integrated property developer specialising in the building of quality integrated residential properties and commercial properties in the PRC. We have a vertically-integrated business model and operations with expertise to carry out various key aspects of property development, construction, marketing and management. Over the years, we have built a strong presence and brand name in developing quality integrated residential and commercial property developments within Foshan City, Guangdong Province, which are mainly large-scale and multi-phased projects. As a vertically-integrated property developer, we are able to carry out most aspects of property development in-house as well as manage the developments after completion.

As testament of the quality of our operations and the properties developed by us, we received, *inter alia*, the Double Gold Prize (Construction and Environment) in the National Residential Construction, Planning and Design Competition in October 2004 for our property development project, Jiangnan Mingju Phases 1 to 4.

Through the leadership of our experienced and established management team, we have established a track record of completed property development projects with an aggregate GFA of approximately 635,000 sq m (including Xinliwan Garden and Debao Garden which Debao Property had taken over from its predecessors) as at the Latest Practicable Date. As at the Latest Practicable Date, the total size of our properties under, and held for future development stands at an aggregate of approximately 1,398,000 sq m. Our subsidiary, Guiyu Property Management, also provides property management services primarily for the projects we have developed.

The following table sets forth certain information about our property developments as at the Latest Practicable Date.

Property Development	Location	Type of Development	Approximate Total GFA (sq m)	Status
Guicheng Industrial Park (Joint venture project)	Foshan City, Guangdong Province	Integrated residential and commercial property	48,000	Completed in April 2002
Qing Hua Garden (Joint venture project)	Foshan City, Guangdong Province	Integrated residential and commercial property	78,000	Completed in June 2004
Jiangnan Mingju Phases 1 to 4	Foshan City, Guangdong Province	Integrated residential and commercial property	350,000	Completed in October 2007

PROSPECTUS SUMMARY

Property Development	Location	Type of Development	Approximate Total GFA (sq m)	Status
Jiangnan Mingju Phases 5 and 6	Foshan City, Guangdong Province	Integrated residential and commercial property	165,000	Under development
Jin Long Garden (Joint venture project)	Foshan City, Guangdong Province	Integrated residential and commercial property	142,000	Under development
Shanshui Longpan	Foshan City, Guangdong Province	Integrated residential and commercial property	968,000	Under development

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have enabled and will continue to enable us to take advantage of the growth potential of and to compete effectively in the PRC real estate market:-

- We have an experienced and established management team that has successfully led our operations through rapid organic growth and progressively expanded our portfolio of high-quality property development projects.
- We have a strong pipeline of large and well-located properties/land under development and held for future development of an aggregate GFA of 1,398,000 sq m. Our development sites are strategically located in prime and highly accessible locations in our target markets.
- We develop award-winning quality large scale integrated residential and commercial property developments positioned at a level of affordability that caters to a wide consumer segment ranging from mid-to high-end income consumer markets. Nevertheless, our property developments come with quality integrated product offerings such as kindergartens, playgrounds, gymnasiums, swimming pools, function rooms and sports rooms, and are landscaped to offer our customers a complete lifestyle experience.
- We have an established track record and brand name achieved through the proven quality and prime locations of our property developments and their ancillary recreational facilities. Our brand name has also been significantly enhanced by the high standard of after-sales and property management services we provide.
- We are a vertically-integrated property developer with expertise to carry out various key aspects of property development, construction, marketing and management. The synergistic effects of our vertically-integrated business model and operations enable us to offer a comprehensive package of services as well as to control our costs and property development schedules.

PROSPECTUS SUMMARY

OUR BUSINESS STRATEGIES AND FUTURE PLANS

Leveraging on our brand name and network contacts, we have established ourselves in Foshan City and intend to strengthen our position as one of the leading property developers in southern PRC. To achieve our business objectives whilst maintaining our cost competitiveness, we plan to adopt the following strategies to drive our future growth and increase shareholder value:-

- We intend to continue to focus on the Foshan City region and leverage our established brand name and market position in this city to ensure our sustained development. We also intend to expand our business in other high growth cities in the PRC such as the Pearl River Delta region as well as other emerging regions such as Guangxi Province, Hunan Province, Jiangxi Province, Liaoning Province and Tianjin City to grow our regional presence and seek new business opportunities.
- To support our Group's continuous growth, we intend to continue to seek new and suitable opportunities to build up our land reserves and portfolio of investment properties through direct acquisitions or joint ventures or business alliances with other partners which own land for joint development.
- We will maintain our core business focus on the quality integrated residential and commercial property market in the PRC through our vertically-integrated business model and continue to build on our long-standing industry experience, market knowledge and brand name.
- In building up our land reserves and portfolio of investment properties, we will seek to maintain an optimal balance between land bank and capital sufficiency so as to optimise our debt levels and returns to our Shareholders.

In view of our Group's future plans, our Directors consider that the listing of our Shares on the SGX-ST will provide our Group with a new channel to gain access to the capital market, promote our corporate profile and further enhance our Group's image, all of which are in the interests of our Group's future growth and development.

OUR CONTACT DETAILS

Our registered address is 1 Robinson Road, #17-00 AIA Tower, Singapore 048542. Our company registration number is 200715053Z. The address of our principal place of business is at No 60, North Nanhai Avenue, Guicheng, Nanhai District, Foshan City, PRC (佛山市南海区桂城南海大道北60号). Our telephone and fax numbers are (86) 0757 – 8632 5863 and (86) 0757 – 8632 5332 respectively.

INVITATION STATISTICS

INVITATION PRICE	43.00 cents (approximately 212.33 RMB fen) ⁽¹⁾

NAV

Adjusted NAV per Share based on the Actual Consolidated Financial Statements of our Group as at 30 June 2009 and adjusted for the conversion of the convertible loan notes (the "Adjusted NAV") ⁽²⁾

(a) before adjusting for the estimated net proceeds of the New Shares and based on the pre-Invitation share capital of 1,000,000,000 Shares	88.71 RMB fen
(b) after adjusting for the estimated net proceeds of the New Shares and based on the post-Invitation share capital of 1,125,000,000 Shares ⁽¹⁾	99.89 RMB fen

Premium of Invitation Price per Share over the Adjusted NAV per Share:

(a) before adjusting for the estimated net proceeds of the New Shares and based on the pre-Invitation share capital of 1,000,000,000 Shares	139.35%
(b) after adjusting for the estimated net proceeds of the New Shares and based on the post-Invitation share capital of 1,125,000,000 Shares ⁽¹⁾	112.56%

Adjusted Appraised NAV

Adjusted Appraised NAV per Share based on the Adjusted NAV and adjusted for the estimated net surplus arising from the valuation of our properties (please see note 3 below for details)

(a) before adjusting for the estimated net proceeds of the New Shares and based on the pre-Invitation share capital of 1,000,000,000 Shares	178.11 RMB fen
(b) after adjusting for the estimated net proceeds of the New Shares and based on the post-Invitation share capital of 1,125,000,000 Shares ⁽¹⁾	179.36 RMB fen

Premium of Invitation Price per Share over the Adjusted Appraised NAV per Share:

(a) before adjusting for the estimated net proceeds of the New Shares and based on the pre-Invitation share capital of 1,000,000,000 Shares	19.22%
(b) after adjusting for the estimated net proceeds of the New Shares and based on the post-Invitation share capital of 1,125,000,000 Shares ⁽¹⁾	18.38%

EARNINGS

Historical net EPS of our Group based on the Actual Consolidated Financial Statements for FY2008 and the pre-Invitation share capital of 1,000,000,000 Shares	20.66 RMB fen

Historical net EPS of our Group based on the unaudited Proforma Consolidated Financial Statements for FY2008 and the pre-Invitation share capital of 1,000,000,000 Shares	1.17 RMB fen

PRICE EARNINGS RATIO

Historical PER based on the historical net EPS of the Actual Consolidated Financial Statements for FY2008	10.28 times

Historical PER based on the historical net EPS of the unaudited Proforma Consolidated Financial Statements for FY2008	181.48 times

INVITATION STATISTICS

NET OPERATING CASH FLOW / PRICE TO NET OPERATING CASH FLOW RATIO

As our Group experienced net negative operating cash flow during FY2008, information on our historical net operating cash flow per Share and the ratio of the Invitation Price to our historical net operating cash flow per Share will not be meaningful.

MARKET CAPITALISATION

Market capitalisation based on Invitation Price of S\$0.43 per Share and post-Invitation share capital of 1,125,000,000 Shares 483,750,000

Notes:-

- (1) The Invitation Price was translated based on the exchange rate of RMB4.938:S\$1.00 as at the Latest Practicable Date.
- (2) The Adjusted NAV was arrived at based on the equity attributable to equity holders of the Company as at 30 June 2009 of RMB496,667,000 and adjusted for the increase in share capital of RMB390,448,000 due to the conversion of the convertible loan notes. Please refer to page H-28 of this Prospectus for further details.
- (3) The Adjusted Appraised NAV is computed based on (i) the surplus arising from valuation of our properties on hand, which is computed based on the appraised value of our Group's interest as at 31 July 2009 as stated in the Valuation Report as set out in Annex B of this Prospectus and adjusting for our Group's attributable interests in these properties as at the date of the Valuation Report; (ii) the provision for LAT on the aforementioned surplus arising from valuation of our properties on hand as at 31 July 2009 and an assumed LAT rate of 14%; and (iii) the provision of the deferred tax on the aforementioned surplus arising from valuation of our properties on hand as at 31 July 2009 after LAT provision and on the basis of the prevailing tax rate of 25%. The computation of the Adjusted Appraised NAV is as follows:-

	RMB '000	RMB '000
Adjusted NAV of our Group as at 30 June 2009 based on Actual Consolidated Interim Financial Statements [A]		887,115
Valuation of our investment in a jointly controlled operation by CB Richard Ellis Limited as at 31 July 2009	268,950	
Less: Our share of the book value of investment in a jointly controlled operation as at 1H2009 based on Actual Consolidated Interim Financial Statements	(142,986)	
Surplus arising from valuation of our investment in a jointly controlled operation		125,964
Valuation of our properties held by our Group for development by CB Richard Ellis Limited as at 31 July 2009	2,366,000	
Valuation of our properties held by our Group for future development by CB Richard Ellis Limited as at 31 July 2009	665,000	
Less: Book value of our development properties (excluding the deduction of progress billings) as at 30 June 2009 based on Actual Consolidated Interim Financial Statements	(1,771,799)	
Surplus arising from valuation of our development properties		1,259,201
Valuation of our properties held for sale by CB Richard Ellis Limited as at 31 July 2009	26,280	
Less: Book value of our properties held for sale as at 30 June 2009 based on Actual Consolidated Interim Financial Statements and sales of properties held for sale in the month of July 2009	(25,439)	
Surplus arising from valuation of our properties held for sale		841
Aggregate surplus arising from valuation of our properties on hand		1,386,006
Less: Provision for land appreciation tax ("LAT") on surplus arising from valuation of our properties on hand (assumed LAT rate of 14%)		(194,041)
		1,191,965
Less: Provision for deferred tax on surplus arising from valuation of our properties on hand after provision for LAT (assumed prevailing tax rate of 25%)		(297,991)
Estimated net surplus from revaluation of our properties on hand [B]		893,974
Adjusted Appraised NAV after taking into consideration of the estimated net surplus from revaluation of our properties on hand [A] + [B]		1,781,089

RISK FACTORS

Prospective investors should carefully consider and evaluate each of the following considerations and all other information set forth in this Prospectus before deciding to invest in our Shares. Some of the following risk factors relate principally to the industry in which our Group operates and the business of our Group in general. Other considerations relate principally to general economic and political conditions and the securities market and ownership of our Shares, including possible future sales of our Shares.

If any of the following considerations and uncertainties develops into actual events, our business, financial conditions, results of operations and prospects could be materially and adversely affected. In such cases, the trading price of our Shares could decline and you may lose all or part of your investment in our Shares. To the best of our Directors' knowledge and belief, all risk factors that are material to investors in making an informed judgment have been set out below.

This Prospectus also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by us, as described below and elsewhere in this Prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our gross profits and earnings for FY2009 and future financial periods/years based on the Actual Consolidated Financial Statements would be lower than those that would be prepared under the Proforma Consolidated Financial Statements mainly due to fair value adjustments to our future cost of property development sales in the Actual Consolidated Financial Statements as a result of application of Singapore Financial Reporting Standards 103 – Business Combinations (“SFRS 103”)

Please refer to the section “Selected Group Financial Information” of the Prospectus for the bases of preparation of our financial statements, which include the Actual Consolidated Financial Statements (set out in Annexes E and F of this Prospectus) and the Proforma Consolidated Financial Statements (set out in Annexes G and H of this Prospectus).

The gross profit margins of our property development sales in the Actual Consolidated Financial Statements for FY2008 and 1H2009 were 2.4% and (0.1)%, which were significantly lower than the gross profit margins of our property development sales in the unaudited Proforma Consolidated Financial Statements of 27.7%, 39.8%, 33.5%, 77.0% and 24.1% respectively for each of the Proforma Periods Under Review. The lower gross profit margins of our property development sales in the Actual Consolidated Financial Statements were mainly due to the application of the purchase method (under SFRS 103) for the acquisition of the PRC subsidiaries by our Group where, *inter alia*, the development properties and property held for sale by the respective PRC subsidiary would need to be recorded at fair value at the respective dates of acquisition (that partially caused the negative goodwill charges which represent the excess of the attributed fair values of the assets and liabilities of the PRC subsidiaries at the time of acquisition by our Group over the respective purchase considerations. Please see the paragraph below relating to negative goodwill for further details). Accordingly, the book values of our development properties and property held for sale in the Actual Consolidated Financial Statements were recorded based on the attributed fair values of our development properties and property held for sale at the time of acquisition, which were higher than the corresponding historical book values of the same properties in the Proforma Consolidated Financial Statements. The aggregate of the excess of the attributed fair values of these properties over the corresponding historical book values at the time of acquisition amounted to approximately RMB488.7 million (excluding the offset against estimated deferred tax liability adjustment of approximately RMB122.2 million). This resulted in relatively higher costs of sales in the Actual Consolidated Financial Statements as compared to the Proforma Consolidated Financial Statements as a result of the fair value upward adjustment to the cost of property development sales in the Actual Consolidated Financial Statements.

RISK FACTORS

As our Group's future financial reports will be based on the Actual Consolidated Financial Statements, the historical gross profit margins of our property development sales in the Proforma Consolidated Financial Statements will not be indicative of our prospective gross profit margins of our property development sales for future financial periods. This is because the abovementioned fair value adjustments will continue to affect our future cost of property development sales in the Actual Consolidated Financial Statements where such property development sales relate to our existing development properties (mainly Jiangnan Mingju and Shanshui Longpan) which have been recorded in the Actual Consolidated Financial Statements at the attributed fair values at the time of acquisition. Nevertheless, these fair value adjustments will not affect our future operating cash flows from existing development properties, or the costs/gross profit margins of new development projects in the future.

Furthermore, based on our Actual Consolidated Financial Statements, in FY2007 and FY2008, we recognised certain non-cash adjustment items as income due to SFRS 103, namely negative goodwill charges and gain from dilution of minority interest, of an aggregate RMB255.9 million and RMB215.1 million respectively which significantly increased our profits for these periods. In line with SFRS 103, such negative goodwill charges and gain from dilution of minority interest were one-off and non-recurring in nature. Negative goodwill charges arose as a result of the difference between the respective purchase considerations and the attributed fair values of the assets and liabilities of our PRC subsidiaries at the time of acquisition of our PRC subsidiaries by our Group. The gain from dilution of minority interest relate to the increase in our Group's proportionate share in the attributed fair value of the net assets in Sanshui Property as a result of capital injection by our Group which led to dilution of minority interest in Sanshui Property.

In addition, the gross loss from property development sales during 1H2009 was RMB(0.2) million in the Actual Consolidated Financial Statements as compared to the gross profit of RMB45.2 million in the Proforma Consolidated Financial Statements where such difference was mainly due to fair value upwards adjustment of RMB(45.2) million to cost of property development sales as explained above. Accordingly, this was the main cause of our net loss of RMB(16.1) million during 1H2009 in the Actual Consolidated Financial Statements, which was significantly lower than our net profit of RMB19.7 million for the same period in the Proforma Consolidated Financial Statements. Therefore, we expect our gross profits and net earnings for FY2009 and future financial periods/years based on the Actual Consolidated Financial Statements to be likewise significantly lower than that of the Proforma Consolidated Financial Statements.

Nevertheless, the quantum of the total fair value adjustments to our cost of property development sales over time would be limited to the aforementioned aggregate of the excess of the attributed fair values of these properties over the corresponding historical book values at time of acquisition of approximately RMB488.7 million (excluding the offset against estimated deferred tax liability adjustment of approximately RMB122.2 million). As our fair value adjustments to our cost of property development sales were RMB25.1 million and RMB44.7 million in FY2008 and 1H2009 respectively, the aggregate of remaining fair value adjustments to our future cost of property development sales in the Actual Consolidated Financial Statements will only be up to RMB418.9 million (excluding the offset against estimated deferred tax liability adjustment of approximately RMB104.7 million, which will result in net future fair value adjustments of approximately RMB314.2 million only).

Please refer to the section titled "Management's Discussion and Analysis of Results of Operations and Financial Position" of this Prospectus for further details of the above.

As a result of the above, we believe that our historical financial performance of our Group, in particular (i) the historical gross profit margins of our Proforma Consolidated Financial Statements; and (ii) non-cash adjustment income items such as negative goodwill charges and gain from dilution of minority interest in our Actual Consolidated Financial Statements, are not to be taken as an indication of the future financial performance of our Group.

RISK FACTORS

We experienced net negative operating cash flows in FY2007 and FY2008 mainly as a result of significant disbursements relating to land acquisitions and construction activities. Accordingly, we may face significant risks before we realise any benefits from our property developments.

Our primary business is the development of integrated residential and commercial properties. Property developments typically require substantial capital outlay during the initial land acquisition and construction stages and may take one or more years before positive cashflows may be generated through pre-sales or sales stages of a completed property development. Depending on the size of the development, the time span for completing a property development usually lasts for more than a year. Hence, the nature of our property development business results in mismatching cash flows, depending on the stage of development of the property development project.

In FY2007 and FY2008, our Group experienced net negative operating cash flows of approximately RMB296.7 million and RMB350.2 million respectively based on our Proforma Consolidated Financial Statements. The net negative operating cash flows in FY2007 and FY2008 were mainly due to the significant disbursements for acquisition of landbank and/or construction work for Shanshui Longpan and Jiangnan Mingju Phases 5 and 6 without corresponding cash inflows from pre-sales or sales, which are expected to come in at subsequent periods. During 1H2009, our Group experienced net positive operating cash flow of RMB20.0 million mainly as a result of net working capital inflow. Please refer to the section titled “Liquidity and Capital Resources” of this Prospectus for more information on our cash flow.

Our net negative operating cash flows in FY2007 and FY2008 were financed through a combination of internal and external sources of funds. Accordingly, we may also face certain financing risks as a result of the mismatching cash flows nature of our property development business. Please refer to the following risk factor for further information.

Future changes in the business environment during the length of projects may affect the revenue and cost of the developments, which in turn has a direct impact on the profitability of the projects. Factors that may affect the profitability of a project include the risk that the receipt of government approvals may take more time than expected such that we may not commence construction of our property developments, the failure to complete construction according to original specifications, schedule or budget, and lacklustre sales or leasing of the properties. The sales and the value of a property development project may be adversely affected by a number of factors, including but not limited to the international, regional and local economic climate, local real estate conditions, perceptions of property buyers, businesses, retailers or shoppers in terms of the convenience and attractiveness of the projects, competition from other available properties, changes in market rates for comparable sales and increased business and operating costs. If any of the property development risks described above materialises for Shanshui Longpan and/or Jiangnan Mingju Phases 5 and 6 or any other future projects, our returns on investments may be lower than originally expected and our financial performance will be materially and adversely affected.

We are subject to financing risks and may not have adequate capital resources to finance business activities such as land acquisitions or property developments.

Property development is capital intensive. The availability of adequate financing is crucial to our ability to acquire land and to complete our development projects according to plan. We finance our business activities through a combination of internal and external sources of funds. Internal sources of funds comprise mainly cash generated from our operating activities (which include cash inflows arising from sales of our property developments) and cash and bank balances while external sources comprise mainly banks and other loans, convertible loan notes and capital contribution from Shareholders. As abovementioned, the mismatching cash flows nature of our property development may result in periods where we experience net negative operating cash flows that have to be financed through our existing cash and bank balances and external sources of funds, which represents greater reliance on such sources of funds during these periods.

RISK FACTORS

We cannot assure you that we will have adequate capital resources available to finance our business activities such as land acquisitions or property developments. This may arise from inadequacy of (i) internal funds such as low cash levels and/or that we are unable to achieve sufficient pre-sales in order to fund our property developments. Furthermore, under PRC laws, pre-sale proceeds may only be used to fund the property development costs of the relevant projects to which they relate, limiting the flexibility of use of pre-sales proceeds; and/or (ii) external sources of funds.

Our ability to arrange adequate external financing for land acquisitions or property developments on terms that will allow us a commercially acceptable return depends on a number of factors that are beyond our control, including general economic and political conditions, the terms on which financial institutions are willing to extend credit to us and the availability of other sources of debt or equity financing. As at 31 December 2008 and 30 June 2009, our total outstanding borrowings amounted to RMB692.7 million and RMB721.8 million respectively. Although we have obtained financing in the past to fund our business activities, there is no assurance that we will be able to continue to obtain such financing support in the future on acceptable terms, or any financing support at all. In such events, we may not be able to finance our business activities and our cash flow, financial performance and financial position may be adversely affected. In addition, we may require additional borrowings to fund our future development projects. The incurrence of additional debt will increase our interest payments required to service our debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders.

Furthermore, some of our bank borrowings are guaranteed by certain Executive Directors. Please refer to the section titled "Interested Persons Transactions" of this Prospectus for more information. Although the Executive Directors have undertaken that they will continue to provide the guarantees, there can be no assurance that the respective financial institutions will continue to accept such personal guarantees for our loans or that these Executive Directors will not leave our Group and request for discharge of their guarantee obligations.

There are also in place certain existing policies and regulation in the PRC that may affect our financing activities as follows:-

PRC policies or regulations that may affect our domestic financing activities

The PRC government has in recent years taken a number of policy initiatives in the domestic financial sector to further tighten the domestic lending requirements for real estate developers. In June 2003, the PBOC issued a notice which, among other things:-

- (a) restricts PRC commercial banks from advancing loans to fund the payment of land premium;
- (b) restricts PRC commercial banks from granting loans for the development of luxury residential properties such as villas; and
- (c) restricts real estate developers from using borrowings obtained from any local bank to fund property developments outside that district.

In April 2005, the Ministry of Construction, the National Development and Reform Commission and several other regulatory bodies of the PRC government jointly issued the Opinions on the Stability of Residential Property Prices (关于做好稳定住房价格工作的意见) which, among other things, require commercial banks to strictly enforce PRC laws on granting loans for property developments, including the requirement of thorough credit investigation before approving loans for property developments.

In accordance with the Circular on Strengthening Commercial Real Estate Loan Administration (关于加强商业性房地产信贷管理的通知) jointly issued by PBOC and the China Banking Regulatory Commission on 27 September 2007, the commercial banks shall not issue loans in any form to a project of which the proportion of capital (owners' equity) is less than 35% or that has not received the Certificate of Land Use Right, the Planning Permit on Land for Construction Use, the Planning Permit on

RISK FACTORS

Construction Projects or the Construction Permit. The commercial banks shall not issue loans to real estate development enterprises that are found to be hoarding land and properties for speculative purposes by the competent authority in charge of land and resources and the competent authority in charge of construction. The commercial banks shall not accept commercial properties that have been left idle for more than three years as mortgage for loans.

However, on 20 December 2008, the State Council Office promulgated the “Various Opinions on Promoting the Healthy Development of Real Estate Market (国务院办公厅关于促进房地产市场健康发展的若干意见)” and on 3 March 2009, the Office of the People’s Government of Guangdong Province promulgated the “Various Opinions on Promoting the Development of Real Estate Market in Guangdong Province (关于促进我省房地产市场平稳健康发展的若干意见)” (collectively, the “Opinions”). Commercial banks shall, according to the Opinions’ principles and supervision requirements for credit, increase credit support in the construction of small or medium-sized or at low or medium-priced ordinary commodity properties at low or medium price, especially projects under construction. With regard to the enterprises or projects relating to merger or reorganization by competent and reputable real estate development enterprises, provide financing support and relevant financial services. The commercial banks are also encouraged to provide financial support to real estate developers which have a good credit record and are competitive in the market but are experiencing operational or financial difficulties.

In accordance with the Notice Regarding Adjusting Capital Proportion of Fixed Assets Investment Project (国务院关于调整固定资产投资项目资本金比例的通知) promulgated by the State Council on 25 May 2009, the minimum capital proportion for low-income housing projects and commercial housing projects is 20%, and the minimum capital proportion for other types of property development projects is 30%. When providing credit assistance and services, financial institutions shall carry out an independent assessment to reduce financial risks and shall conduct a comprehensive assessment and evaluation on the source of the capital, returns on investment and investment risks with reference to the capital requirements promulgated by the state based on the status of the borrower and the project, so as to decide whether to grant the loan as well as the amount and proportion of the loan.

PRC policies or regulations that may affect our external financing activities

On 10 July 2007, the General Affairs Department of the SAFE issued the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that Have Properly Registered with the Ministry of Commerce (“MOC”) (“Notice 130”). Notice 130 restricts the ability of Foreign Invested Real Estate Enterprise (“FIREE”) to raise funds offshore and then inject funds into the companies by way of shareholder loans. Notice 130 stipulates, among other things: that SAFE will no longer process foreign debt registration and examination and approval of foreign exchange settlements for foreign debt for real estate enterprises with foreign investment that obtained approval certificates from commercial authorities and filed with MOC on or after 1 June 2007; and that SAFE will no longer process foreign exchange registration (or change of such registration) or foreign exchange settlement and sale under the capital account for real estate enterprises with foreign investment that obtained approval certificates from commercial authorities on or after 1 June 2007 but failed to file with MOC.

Accordingly, our FIREEs, namely Debao Property, Sanshui Property, Jiangnan Property or any future FIREE incorporated by us (the “PRC Real Estate Subsidiaries”) will not be allowed to obtain debt financing (including bank loans or intercompany loans) from offshore entities. Nonetheless, the PRC Real Estate Subsidiaries’ financing needs will be funded through a combination of internal and other external sources. Internal sources include working capital inflows while external sources include onshore RMB-denominated loans from banks and financial institutions based in the PRC. We can also choose to increase the equity financing in the PRC Real Estate Subsidiaries by way of increases in paid-up capital. Furthermore, the restriction in offshore debt financing does not affect our offshore entities such as the Company and our Singapore intermediary holding companies. Accordingly, the Company and our offshore intermediary holding companies are still able to raise funds outside the PRC denominated in any currency for purposes of investments in the existing or new property projects in the PRC. However, such funds raised can only be remitted into the PRC through direct investment into the paid-up capital of the PRC Real Estate Subsidiaries.

RISK FACTORS

In view of the foregoing, any changes in the policies or regulations by the PRC government may limit our financing options and flexibility and therefore, we may need to rely on alternate sources of funds or maintain a relatively high level of cash. Should we be unable to do so, our business, cash flow, financial performance and financial position may be materially and adversely affected.

We are subject to risks in relation to interest rate movements and changes in commodity prices relating to construction materials.

We face risks in relation to interest rate movements and changes in commodity prices relating to construction materials in particular as a result of the debts undertaken by us to finance our developments and the consumption of large quantities of construction materials, including timber, steel and concrete, in our property development operations.

Changes in interest rates will affect our interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. This could in turn have a material and adverse effect on our net profits. Furthermore, an increase in interest rates would also adversely affect the willingness and ability of prospective customers to purchase our properties, our ability to service loans that we have guaranteed and our ability to raise and service long-term debt.

In addition, we also face risks of changes in commodity prices relating to construction materials. As a property developer, in general, we enter into construction contracts with independent construction companies based on quarterly government-published prices. Any increase in commodity prices will increase our costs of development. In the event that we are unable to increase the sale prices of our properties accordingly, our financial performance will be adversely affected.

If consumer bank financing becomes more costly or otherwise less attractive, our sales and pre-sales to our customers will be affected.

A majority of purchasers of our properties rely on bank financing to fund their purchases. An increase in interest rates may significantly increase the cost of bank financing, thus adversely impacting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the downpayment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers.

The China Banking Regulatory Commission issued a regulation on 2 September 2004 to limit mortgage loans on properties to 80% of the sale price of the underlying properties. On 24 May 2006, the Ministry of Construction, National Development and Reform Commission, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the State Bureau of Statistics, the State Administration of Taxation and the China Banking Regulatory Commission jointly issued the Opinions on Adjusting Housing Supply Structure and Stabilizing of Housing Prices (关于调整住房供应结构稳定住房价格的意见). The said Opinions require that, with effect from 1 June 2006, the minimum amount of down payment shall not be less than 30% of the purchase price of the underlying individual commodity houses, while the minimum down payment of 20% shall continue to apply to individual housing loans for residential units with a GFA of less than 90 sq m. Further, on 17 March 2005, PBOC set the minimum property mortgage loan rates at 0.9 times the corresponding benchmark lending rates and this was further changed to 0.85 times on 19 August 2006. In addition, monthly mortgage payment is limited to 50% of an individual borrower's income and monthly debt service payments are limited to 55% of such individual borrower's monthly income. If the availability or attractiveness of mortgage financing is further reduced or limited, many of our prospective customers may not be able to purchase our properties.

In addition, pursuant to the Circular on Strengthening Commercial Real Estate Loan Administration (关于加强商业性房地产信贷管理的通知) and the Supplemental Notice on Strengthening Commercial Real Estate Credit Financing Administration (关于加强商业性房地产信贷管理的补充通知) jointly issued by PBOC and the China Banking Regulatory Commission on 27 September 2007 and 5 December 2007, a purchaser who applies for individual housing loans for his first owner-occupied residential unit with a GFA of less than 90 sq m is required to make a minimum down payment of 20% whereas a purchaser who

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applies for individual housing loans for his first owner-occupied residential unit with a GFA of more than 90 sq m is required to make a minimum down payment of 30%. Purchasers and their families (which would include husband and wife and their minor offsprings) of their second (or more) residential properties who have already purchased one or more residential buildings through mortgage and the GFA per family member of whom is higher than the local average standards, are required to make minimum down payments of 40% and the interest rate on mortgage loans for second or more residential properties should be 1.1 or more times the benchmark one-year lending rate. As for apartments for commercial use, the down payment has been raised to a high 50% while mortgage loans for commercial buildings will be no less than 1.1 times the benchmark one-year lending rate.

According to the Circular on Widening the Floating Downward Range of Interest Rate for Commercial Individual Housing Loan (关于扩大商业性个人住房贷款利率下浮幅度等有关问题的通知), with effect from 27 October 2008, the minimum rate for commercial individual housing loan has been decreased to 70% of the corresponding benchmark lending rate and the minimum amount of down payment has been adjusted to 20% of the purchase price. Financial institutions may give favourable terms for interest rate and down payment proportion for loan applications for first owner-occupied ordinary residential units or for the improvement of owner-occupied ordinary residential units. The financial institutions shall appropriately increase the requirements for loan application for non-owner-occupied, non-ordinary residential units. The requirement that the monthly repayment amount for housing loans shall not exceed 50% of the borrower's monthly income remains unchanged.

As a result of the foregoing and/or any new adverse changes, our business and financial performance could be materially and adversely affected.

We rely on independent contractors, including main contractors with Grade 2 or Grade 1 Main Contractor License for Housing Construction and Engineering in the PRC for our larger property development projects.

Although we carry out a majority of our property construction in-house, we engage independent third-party contractors to provide various services, including architectural design, piling and foundation, electrical, engineering, plumbing, building and property fit-out works as well as installation of air-conditioning units and elevators. In addition, Guihe Construction only has Grade 3 Main Contractor License for Housing Construction and Engineering in the PRC, which places certain limits, *inter alia*, size of development, on its construction activities. Accordingly, we may appoint other third party main contractors with Grade 2 or Grade 1 licenses to act as the main contractor for our larger property development projects such as Jiangnan Minjgu Phases 1 to 4 while Guihe Construction acts as the sub-contractor to the appointed main contractor. Please refer to the section titled "Property Development – Construction Work" of this Prospectus for more information. We invite contractors to tender bids according to their reputation for quality and track record. We cannot assure you that the services rendered by independent third-party contractors will be satisfactory or that it will match the level of quality that we require. Moreover, contractors may experience financial or other difficulties that may affect their ability to carry out the work for which they were contracted, thus delaying the completion of our property development projects or resulting in additional costs for us. They may also suffer negative publicity. Any of these factors could adversely affect our business, financial performance and our reputation.

We guarantee the bank mortgages provided to our customers and consequently are liable to the mortgagee banks if our customers default on their mortgage payments.

We arrange for various domestic banks in the PRC to provide loans and mortgage facilities to our customers prior to completion. In line with some consumer banking practices in the PRC, these banks require us to provide guarantees in respect of these loans. As of 31 December 2006, 2007, 2008 and 30 June 2009, our outstanding guarantees given to banks in respect of mortgages provided to our customers amounted to RMB419.0 billion, RMB544.8 billion, RMB362.7 billion and RMB486.8 million, respectively.

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These guarantees are discharged after the relevant individual property ownership certificates and certificates of other interests in the property are issued or until the loans are fully repaid. Most of our guarantees are discharged only after the relevant individual property ownership certificates and certificates of other interests in the property are issued. If a purchaser defaults on a loan, the bank providing the loan and mortgage facility will sell the affected property. In the event that the sale proceeds are not sufficient to repay the original loan amount, we will be called upon to make good the difference. In line with industry practice, we do not conduct independent credit checks on purchasers but rely on the credit checks conducted by the mortgagee banks.

As at the Latest Practicable Date, there are two separate litigation proceedings where the purchasers had defaulted on their respective loans which we have provided guarantees for. The aggregate amount of loans together with all interests accrued thereto owing to the relevant banks by the purchasers is less than RMB 1 million. Please refer to the section titled “Litigation” of this Prospectus for further details of the above. Although to-date we have not been materially adversely affected by such defaults, if there should be substantial defaults on the loans during the period of the guarantee and the guarantee is called upon, our business could be affected to the extent that we may not be able to claim back the full guaranteed amount from the relevant defaulting purchaser in a timely manner, and our financial condition and financial performance may be materially and adversely affected.

We depend on key personnel for our continued success, and may not be able to replace them if they cease to work for us.

We believe our success to-date has been largely attributable to the contributions and expertise of our Executive Chairman and CEO, Mr Yuan Le Sheng, as well as our other Executive Directors and Executive Officers, many of whom have been with us since our inception. Our continued success will depend, to a large extent, on our ability to retain the services of our Executive Chairman and CEO, our other executive directors and executive officers. The loss of the services of our Executive Chairman and CEO or any of our other Executive Directors and Executive Officers without suitable and timely replacement, or the inability to attract and retain other qualified personnel, would adversely affect our operations and hence, our financial performance.

We may not be successful in implementing our business expansion plans.

To-date, substantially all of our completed projects comprised integrated residential and commercial property developments in Foshan City built for sale. Our core strategies include expanding our business into other high growth cities mainly in the Pearl River Delta region as well as other emerging regions such as Guangxi Province, Hunan Province, Jiangxi Province, Liaoning Province and Tianjin City. We also intend to expand into the commercial property sector through the development of hotels and offices. Please refer to the section titled “Prospects, Business Strategies and Future Plans – Business Strategies and Future Plans” of this Prospectus for more information.

Other high growth cities in the PRC may differ from Foshan City in terms of the level and pace of economic development, culture, regulatory practices, topography, our familiarity with contractors, suppliers and other partners, business practices, customs, tastes, preferences and behaviour. Accordingly, our experience in Foshan City may not be applicable to these cities.

Commercial property developments require different regulatory approvals, types of design, layout and building materials, as well as different development, marketing and management strategies and skills than residential property developments. We have limited experience in the marketing of office and retail space, and the management of hotels and office towers.

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We cannot assure you that our residential developments located outside Foshan City or our commercial property developments in general, will achieve the same levels of success that our integrated residential and commercial property developments in Foshan City have attained. If our expansion into new market cities and sectors is not successful, our reputation, business, prospects, financial performance and financial condition could be materially and adversely affected.

We may not be able to identify or acquire land for development at commercially acceptable prices.

We believe that maintaining a sizable and high-quality land bank for future development is critical to sustain our growth. We cannot assure you that we will be able to identify and acquire attractive sites in the future at commercially acceptable prices, or at all. In the PRC, the supply of land is controlled by government authorities, and our ability to acquire land use rights and their corresponding acquisition costs will be affected by government policies toward land supply, development and pricing. The central and local governments regulate the means by which property developers obtain land for development. Please see Annex C: “Summary of Relevant PRC Laws and Regulations” of this Prospectus for a description of the material laws and regulations in the PRC that apply to the acquisition of land use rights. In particular, the central government introduced regulations in May 2002, which were amended in September 2007, that require government departments and agencies to grant state-owned land use rights for residential and commercial property development by public tender, auction or listing-for-sale. We believe the abovementioned regulations have contributed to an increase in the acquisition costs to property developers throughout China. If we are not able to continue to identify and acquire attractive new sites at commercially acceptable prices, this could impair our ability to compete with other property developers and materially and adversely affect our business and financial performance.

We are subject to risks in relation to our pre-sales policies.

The practice of pre-sales (that is, selling properties under construction prior to the receipt of construction completion and examination certificate) is widely adopted in the PRC property market industry. In line with industry practice, we pre-sell most of our properties prior to completion. There are certain risks relating to the pre-sale of properties. In the event of a failure or delay in the delivery of our pre-sold properties to purchasers, we may be liable for potential losses that purchasers may suffer as a result. There is no guarantee that these losses will not exceed the purchase price paid in respect of the pre-sold units. Failure to complete a property development on time may be attributed to factors such as the time taken and the costs involved in completing construction, which are in turn adversely affected by factors such as delays in fitting out works, shortages of labour, adverse weather conditions, natural disasters. If the delay in delivery extends beyond the contractually specified period, the purchasers may also be entitled to terminate the pre-sale agreements and claim refunds of monies paid, damages and compensation for late delivery. Our Group did not suffer any material losses relating to failure or delay in delivery of pre-sold properties during FY2006, FY2007, FY2008 and 1H2009. Nevertheless, there is no assurance that there will not be future circumstances which result in liabilities arising from pre-sale arrangements and/or will cause us to experience significant delays in completion or delivery, which will adversely affect our business and financial performance.

We may be adversely affected by unsold properties.

In the event that we are unable to sell a significant proportion of our properties, our financial performance will be materially and adversely affected. Furthermore, the unsold properties that we continue to hold for sale post-completion may be relatively illiquid, which will limit our ability to realise cash from unsold units on short notice. Such illiquidity may also have a negative effect on the prices of unsold units in the event that we are required to sell the unsold properties urgently, and limits our ability to vary our portfolio of property held for sale in response to changes in economic, political, social or regulatory conditions in a timely manner. In such an event, our cash flow and financial performance will be adversely affected.

RISK FACTORS

Our financial performance may fluctuate from period to period and the fluctuations make it difficult to predict our future performance.

We are vulnerable to revenue volatility which is characteristic of property development companies. For our property development business, the level of revenue that we can achieve is subject to fluctuations and is dependent on, amongst others, the demand for our development projects, the value and number of property development projects and the overall schedules of our projects. Accordingly, we are susceptible to revenue volatility between financial periods.

Our financial performance has varied significantly in the past and may continue to fluctuate significantly from period to period in the future. Based on our Proforma Consolidated Financial Statements, in FY2006, FY2007, FY2008 and 1H2009, our revenue was approximately RMB288.7 million, RMB298.6 million, RMB136.6 million and RMB202.7 million, respectively, and net profit attributable to our equity holders was RMB52.1 million, RMB112.0 million, RMB2.8 million and RMB19.7 million, respectively.

Because we derive substantially all of our revenue from the sale of properties, our financial performance is affected by the demand for our properties and the price at which we are able to sell them. The demand for and pricing of the properties are in turn, to a large extent, affected by the general conditions of the property markets as well as government regulations. In addition, we recognise proceeds from the sale of a property as revenue based on percentage of completion for each project individually. Therefore, our revenue and profit during any given period reflects the progress of the construction of the project, subject to the quantity of properties pre-sold during the given time period and is affected by any peaks or troughs of our property development schedule and may not be indicative of the actual demand for our properties or sales achieved during that period. Our revenue and profit during any given period generally reflect property investment decisions made by purchasers at some significant time in the past, typically at least in the prior fiscal period. Furthermore, in the event that we are not able to continually and consistently secure new projects, this would have an adverse impact on our future financial performance. In addition, there may be a lapse of time between the completion of our existing projects and the commencement of subsequent projects. As such, our financial performance during such periods may be adversely affected.

We may be involved in legal and other proceedings arising from our operations from time to time.

We may be involved from time to time in disputes with various parties involved in the development and sale of our properties such as main contractors, sub-contractors, suppliers, construction companies, purchasers, other partners and lenders. Disputes with purchasers may include claims relating to delays and defective works. These disputes may lead to legal and other proceedings, and may cause us to suffer additional costs and delays. Please refer to the section titled "Litigation" of this Prospectus for information on the legal proceedings that we are involved in as at the Latest Practicable Date. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavourable decrees that result in financial losses and delay the construction or completion of our projects. Any project delays arising from the above will affect our business and financial performance.

RISK FACTORS

We are subject to legal and business risks if we fail to obtain formal qualification certificates.

In accordance with the “Regulations on Administration of Urban Real Estate Development” (城市房地产开发经营管理条例) and the “Provisions on Administration of Qualification of Real Estate Developers” (房地产开发企业资质管理规定) (collectively, the “Regulations”), property developers in the PRC are required to obtain the relevant class of qualification certificates for the development of certain types of properties and certain sizes of property developments. The Regulations provide that when a property developer engages in the development and sale of real estate without any qualification certificates or beyond its qualification, it must rectify such default within the time limit set by the real estate development authorities under the local government on or above the county level. A fine ranging from RMB50,000 to RMB100,000 will also be imposed. If the property developer fails to rectify the default within the time limit, its business licence may be revoked by the Administration for Industry and Commerce (工商行政管理部门). All qualification certificates are renewable on an annual basis. The property developer’s registered capital, property development investments, history of property development, quality of property construction, expertise of the management or any illegalities on the part of the developer will be taken into account by the local authorities in deciding whether to renew the qualification certificates. Please refer to the section titled “Permits, Approvals, Licenses and Government Regulations” of this Prospectus for more information. There were no past occurrences where we failed to obtain formal qualification certificates. However, should we fail to obtain or renew the requisite qualification certificates or rectify any default in the future, our business and financial performance will be adversely affected.

Our insurance coverage may be inadequate.

There are currently no mandatory requirements under PRC laws and regulations which require a property developer to take out insurance policies in respect of its property developments or which are applicable to our Group save for motor vehicle insurance and employee-related social insurance such as elderly and medical insurance, which we have purchased accordingly (save for short term employees, the amount of which or any penalty for non-payment is not significant). We also have in place certain insurance coverage for our properties for destruction of or damage to our properties. A breakdown of our Group’s properties and insurance coverage is set out in the table below:

	Book value as at 30 June 2009 (RMB millions) ⁽¹⁾	Net development cost (RMB millions) ⁽²⁾	Insurance coverage (RMB millions)	% of insurance coverage over net development cost
Investment Properties	171.0	171.0	167.7	98%
Property held for sales	27.0	27.0	9.4	35%
Development Properties	1,513.2	465.0	170.9	37%
Total	1,711.2	663.0	348.0	52%

Notes:-

- (1) Based on the Actual Consolidated Financial Statements.
- (2) Net development cost represents the estimated quantifiable value-at-risk of our Group in the event of destruction or damages to our properties. It represents the book value of the respective assets held by our Group as at 30 June 2009 after netting off the associated land cost (in the case of development properties only) which our Group believes would not be subject to material risk of destruction or damages.

RISK FACTORS

As at the Latest Practicable Date, we have not suffered any losses or damages or incurred any liabilities relating to our properties that has a material and adverse effect on our business. Notwithstanding the abovementioned insurance coverage for certain assets, these may not be adequate to cover losses, claims and/or liabilities that we may suffer in respect of such assets. We may also suffer other losses, claims and/or liabilities for assets which we are not insured. If we suffer any uninsured losses, damages and liabilities to our assets, we may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property development or other assets that have been destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, financial performance and financial condition. In addition, the payment by our insurers of such insurance claims may result in increases in the premiums payable by us for our insurances and resultant adverse effects on our financial performance.

Also, we face the risk of loss or damage due to fire, theft and natural disasters such as floods. In the event that our insurance coverage is insufficient to meet such loss or damage, our financial performance may be adversely affected and our operations may be disrupted. For further details, please refer to the section titled “Insurance coverage” of this Prospectus.

We may encounter problems with our joint ventures that may adversely affect our business.

We have, and expect in the future to have, interests in PRC joint venture entities or arrangements in connection with our property development plans. If there are disagreements between us and our joint venture partners regarding the business and operations of the joint ventures, we cannot assure you that we will be able to resolve them in a manner that will be in our best interests. In addition, our joint venture partners may (i) have economic or business interests or goals that are inconsistent with ours; (ii) take actions contrary to our instructions, requests, policies or objectives; (iii) be unable or unwilling to fulfil their obligations; (iv) have financial difficulties; or (v) have disputes with us as to the scope of their responsibilities and obligations. Any of these and other factors may materially and adversely affect the performance of our joint ventures, which may in turn materially and adversely affect our financial condition and financial performance.

We may be subject to limitations of property valuations.

The valuations of our properties set out in this Prospectus are conducted by CB Richard Ellis Limited. The valuations are based on certain assumptions that are subjective. Unanticipated changes in relation to particular properties, or changes in general or local economic or regulatory conditions or other relevant factors could affect such valuations and the returns that we can realise from these properties. The actual values that we derive from these properties may materially differ from the values attributed to them in the Valuation Report prepared by CB Richard Ellis Limited.

RISKS RELATING TO THE PROPERTY INDUSTRY IN THE PRC

Our business is dependent on the performance of the PRC property sector, in particular, the Guangdong Province, where any downturn may adversely affect our business and market valuations of our properties.

All of our current and proposed property development projects are located in the Guangdong Province under the direct jurisdiction of the PRC central government. Our principal business activities are currently concentrated in Foshan City. Our business is hence dependent on the continuing growth of the PRC economy generally and the property sector of the PRC specifically. The property development market may be adversely affected by economic, political, social, regulatory or diplomatic developments in or affecting the PRC real estate sector generally. Our business may be adversely affected by changes in inflation, interest rates, taxation, or other regulatory, political, social or economic factors affecting Guangdong Province and in particular, Foshan City, and any adverse developments in the supply and demand or housing prices in the property sector. Our business is also subject to the cyclical nature of the property industry, and is hence vulnerable to any downturn in the residential and/or commercial property development market in the PRC as a downturn may result in decreased business activities and lower market valuations of our properties, which may lead to adverse impact to our financial performance and condition.

RISK FACTORS

The PRC property sector is susceptible to the macro-economic policies and austerity measures of the PRC government.

The PRC government has exercised and continues to exercise significant influence over the PRC's economy in general, which, among others, affects the property sector in the PRC. From time to time, the PRC government adjusts its monetary and economic policies to prevent and curtail the overheating of the national and provincial economies, which may affect the real estate markets that we operate in. On 18 November 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC and the Ministry of Supervision and the National Audit Office collectively promulgated a Notice on Further Strengthening Management on Income and expenditure in Land Grant (关于进一步加强土地出让收支管理的通知), pursuant to which, land grant fees are to be fully paid within one year of the land grant contract with the initial payment to be no less than 50% of the land grant fees. Upon approval by the relevant authorities, land grant fees of the particular project could be fully paid within two years. On 22 December 2009, the Ministry of Finance and the State Taxation Bureau collectively promulgated a Notice on Adjusting the Business Policy of Housing Transfer by Individuals (关于调整个人住房转让营业税政策的通知), pursuant to which, with effect from 1 January 2010, the resale lock-up period for a property has returned to its original five years, having been reduced to two years under incentives introduced in 2008 to stimulate the PRC real estate sector. A business tax of 5.5% is now imposed on homes sold within five years of purchase. In addition, there are also reports that the PRC government may be tightening lending requirements for consumers for the purchase of second homes. Although the above measures introduced by the PRC government have not materially adversely affected our Group's financial condition and performance as at the Latest Practicable Date, any further action by the PRC government concerning the economy or the real estate sector in particular could have a material adverse effect on our financial condition and financial performance. Please also refer to the risk factor titled "We are subject to financing risks and may not have adequate capital resources to finance business activities such as land acquisitions or property developments" in this section of the Prospectus for details of relevant PRC regulations that may affect our financing risks.

We face increasing competition that could adversely affect our business and financial position.

In recent years, a large number of property developers have begun to undertake property development and investment projects in China. In addition, a number of international developers have expanded their operations into China, including a number of leading Hong Kong and Singapore real estate development and investment groups. Many of these developers, both private and state-owned, have significant financial, managerial, marketing and other resources, as well as experience in property and land development. Competition between property developers is intense and may result in, among other things, increased costs of the acquisition of land for development, oversupply of properties in certain parts of China, a decrease in property prices, a slow down in the rate at which new property developments will be approved and/or reviewed by the relevant government authorities, an increase in construction costs and difficulty in obtaining high quality contractors and qualified employees. Any such consequences may adversely affect our business, financial performance and financial position. In addition, the real estate market in China is rapidly changing. If we cannot respond to changes in market conditions more swiftly or effectively than our competitors, our ability to generate revenue, our financial condition and our financial performance will be adversely affected.

There is a lack of readily available, reliable and updated information on property market conditions in the PRC generally.

We are subject to property market conditions in the PRC generally and in particular, the provinces where our property developments are located. Currently, reliable and up-to-date information is generally not readily available in the PRC and in the relevant municipal cities and provinces on the amount and nature of property development and investment activities, the demand for such development, the supply of new properties being developed or the availability of land and buildings suitable for development and investment. Consequently, our investment and business decisions may not always have been, and may not be in the future, based on accurate, complete and timely information. Inaccurate information may adversely affect our business decisions, which could materially and adversely affect our business and financial condition.

RISK FACTORS

We have to bear the resettlement costs associated with our property developments.

We acquire land use rights from both the PRC government and private entities. Where land use rights are obtained from the PRC government, resettlement costs are usually included in the land use rights premium payable. Where the land use rights are obtained from private parties other than the PRC government, the resettlement costs are agreed upon between the seller and us. In accordance with the City Housing Resettlement Administration Regulations (城市房屋拆迁管理条例) and the applicable local regulations, a real estate developer in the PRC is required to enter into written agreements with the owners, residents or tenants of existing buildings to be demolished for development to provide compensation for their relocation and resettlement. The compensation payable by the real estate developer is calculated by applying prescribed formulae provided by the relevant authorities which would include factors such as location, use and built-in area. When we acquire land use rights where the land is occupied, any delay or difficulty in the resettlement process may cause a delay in the delivery of the land to us in whole or in part and may require an increase in the fees payable in connection with the resettlement process. However, there is no assurance that the relevant provincial authorities will not change their compensation formulae. If they do, construction costs may be subject to substantial increases which could adversely affect our business and financial performance. Furthermore, if we fail to reach agreements with the owners or residents on the amount of compensation payable, any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, which may delay the completion schedule of our projects and increase our holding costs. To the best of our Directors' knowledge, there has been no major dispute or legal proceedings relating to resettlement. However, there can be no assurance that there will not be any such disputes or legal proceedings in the future.

Our business and financial performance may be adversely affected if we fail to obtain, or if there are material delays in obtaining, requisite governmental approvals for our land acquisitions and property developments.

The real estate industry in the PRC is heavily regulated by the PRC government. PRC real estate developers must comply with various requirements mandated by applicable laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development process, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. We cannot assure you that we will not encounter problems in obtaining such government approvals or in fulfilling the conditions required for obtaining the approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of approvals. If we fail to obtain relevant approvals or fulfil the conditions of those approvals for a significant number of our property developments, these developments may not proceed on schedule, and our business and financial performance may be adversely affected.

Under PRC laws, if a developer fails to comply with or develop land according to the terms of the land use rights grant contract (including those relating to payment of fees, land use or the schedule for commencement and completion of the development of the land), the relevant government authority may give a warning to or impose a penalty on the developer or forfeit the land use rights granted to the developer. There can be no assurance that circumstances leading to a possible breach of terms of the land use rights grant contract, for example, a delay in the payment of the land use rights grant fees or delay in the commencement of the development of the land for more than two years from the stipulated date of commencement in the land use rights grant contract, will not arise or forfeiture action will not be taken by the relevant authorities in the future. Therefore, if we are affected by circumstances which would cause us to breach the terms of the land use rights grant contract and lead to our land use rights being forfeited by the government, our business and financial performance will be adversely affected.

RISK FACTORS

In particular, the land use rights for some of our development sites will not be formally vested until we have received the relevant land use rights certificates. Under current PRC land grant policies, the relevant authorities will not issue the formal land use rights certificate for a piece of land until the developer has paid the land premium in full, completed the resettlement process and is in compliance with other land grant conditions. Any delays in the authorities' issuance of the formal land use rights certificates may adversely affect our operations, including our ability to commence development, launch sales and deliver properties to our customers in a timely fashion. This is applicable to all land banks that we may acquire for future property development projects. Accordingly, such delays will lead to adverse impacts on our cash flow, financial performance and financial position.

To-date, our Group has not been materially affected by any delays in payment of the land grant fees or commencement of planned developments for more than two years from the stipulated date of commencement in the land grant contract. Where there were delays, our Group had obtained the relevant extensions or waivers from complying with the stipulated time periods. All land developed by our Group were zoned for its intended use save for the following. Unauthorised use of land for purposes other than the intended use will result in a breach of PRC land laws. A fine will be payable for such a breach and the buildings and structures on the land may be confiscated by the relevant government authorities.

- (a) the lease of 40,000 sq m of land by our Group for use as access road in Shanshui Longpan. As disclosed in the section "Properties and Fixed Assets" of the Prospectus, this piece of land is a farmers-collectively-owned land which cannot be granted, transferred or leased for non-agricultural purposes. The lease of the land for use as an access road by our Group is therefore technically not permitted. The lease is therefore invalid and our Group may be required by the relevant authorities to stop using the land as an access road. This will not materially affect Shanshui Longpan project as there are other access roads. Both the landlord (of the 40,000 sq m land) and our Group may be subject to a penalty by the relevant authorities (less than RMB30 per sq m on the illegally occupied land in respect of the lessee, which is equivalent to not more than RMB1.2 million in aggregate for the 40,000 sq m). The directors of Sanshui Property may also be made personally liable under PRC laws. Accordingly, the closure of the above-mentioned access road and potential penalties will not materially affect Shanshui Longpan project and/or our Group; and
- (b) Songgang Project is located at Lianbiao Village, Songgang Office, Shishan Town, Nanhai District, Foshan City, Guangdong Province (佛山市南海区狮山镇松岗办事处联表村). The current stipulated use of the piece of land for Songgang Project is industrial. Our Group intends to convert the use to mixed use, i.e., for the development of residential and commercial properties. Please refer to the section titled "Details of our Property Developments" of the Prospectus for more information. Our Group does not foresee any difficulties in converting the land use from industrial to residential/commercial use.
- (c) On 4 December 2009, we successfully auctioned for a piece of land at Industrial Avenue, Danzao Town, Nanhai District, Foshan City, Guangdong Province (佛山市南海区丹灶镇工业大道) (the "Danzao Land") for approximately RM48.3 million. Currently, the Danzao Land is allocated land for industrial use. Our Group intends to convert the Danzao Land into that for mixed use, i.e., for the development of residential and commercial properties. In accordance with PRC land laws, the allocated land will have to be first converted to granted land. We will have to execute a land grant contract with the land authority and pay the relevant land grant fee. Thereafter, we may apply for a change in use from industrial to mixed use. Based on PRC laws and regulations as well as current practice, our Group has to obtain the approval of the relevant planning and land administration departments of the relevant government authorities to ensure that the conversion of the land to mixed use would be in compliance with the city's development plans. After the said approvals are obtained, the government will put up the Danzao Land for auction as granted land with mixed use. The highest bidder will successfully auction for the Danzao Land and would have to pay the relevant land grant fees.

RISK FACTORS

Although our Group does not foresee any difficulties in converting the land use from industrial to residential/commercial use, in the unforeseeable event that we are unable to convert the Danzao Land to granted land or that for mixed use, or our Group does not successfully auction for the Danzao Land, we will not be able to develop the Danzao Land into a residential and commercial property as originally intended. This may affect our business and financial performance. Please refer to the section titled “Details of our Property Developments” of the Prospectus for more information.

Relevant PRC tax authorities may challenge the basis in which we calculate our land appreciation tax (“LAT”) obligations.

Under PRC tax laws and regulations, our PRC subsidiaries are subject to LAT, which is collected by local tax authorities. Pursuant to Article 2 of the Provisional Regulations of the PRC on Land Appreciation Tax (中华人民共和国土地增值税暂行条例) (the “LAT Regulations”), all income received from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC by all units and individuals is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws. Certain exemptions are available for the sale of ordinary standard residential houses if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sale of commercial properties which do not fall within the scope of ordinary standard residential houses is not eligible for such exemption. LAT is not levied on real estate properties constructed and held by such units or individuals for its own use or for lease. Please refer to Annex C: “Summary of Relevant PRC Laws and Regulations” of this Prospectus for details on LAT.

The administration of the LAT is handled by the local tax authorities which will assess the amount of LAT to be paid based on the computation methods as stipulated in the LAT Regulations. The method in which the local tax authorities may calculate the LAT may result in a lower sum of LAT payable than if the LAT is determined by the central PRC tax authorities based on its application of the appreciation value of the properties as suggested under the LAT Regulations. In which case, the central PRC tax authorities may order our Group to pay the outstanding LAT and accordingly, our cash flow and financial performance will be adversely affected.

Further, on 28 December 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (国家税务总局关于房地产开发企业土地增值税清算管理有关问题的通知) (the “LAT Notice”) which came into effect on 1 February 2007. Such notice provides further clarifications as to the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations. In the event that the implementation rules promulgated in the cities in which our projects are located require us to settle all the unpaid LAT, our cash flow may be adversely affected. As at the end of 1H2009, the total unpaid LAT amounts to RMB6.2 million. The unpaid LAT refers to the sum of (i) the cumulative difference between the full amount of applicable LAT which we estimate and make provisions for each financial period and actual LAT payment made to the relevant authorities and (ii) the actual deferred tax liabilities accrued as at the end of each financial period. Pursuant to the LAT Notice, LAT must be paid if the projects meet any of the following requirements: (i) the real estate development project has been completed and fully sold; (ii) the real estate development project has been transferred to other parties although it has not been completed; or (iii) the land use right of the land on which the property development project is carried out has been transferred to other parties. Further, the LAT Notice also stipulates that the local tax authorities may order real estate developers to pay LAT if the any of the following criteria is met: (i) where more than 85% of the saleable GFA of a completed property project has been transferred to purchasers; (ii) where less than 85% of the saleable GFA of the completed property project has been transferred but the remaining saleable GFA has been leased or used by the real estate developer itself; (iii) a property project has not been sold within three years from the grant of sale or pre-sale permit; (iv) the real estate developer applies for cancellation of the tax registration without having settled the LAT; or (v) other conditions stipulated by the tax authorities at the provincial level. However, as we do not have to apply for sale or pre-sale permits for real estate properties constructed and held by us for our own use or for lease, such properties will not be subject to LAT.

RISK FACTORS

We estimate and make provision for the full amount of applicable LAT in accordance with the relevant PRC tax laws and the LAT Regulations. We make LAT payments in line with the abovementioned LAT Notice. For each of FY2006, FY2007, FY2008 and 1H2009, based on our Proforma Consolidated Financial Statements, we made a provision for LAT in the amount of RMB4.0 million, RMB11.6 million, RMB11.9 million and RMB5.2 million respectively. For the same periods, we made LAT payments in the amount of RMB3.5 million, RMB3.5million, RMB3.6 million and RMB4.6 million, respectively. The variance between our provision for LAT and actual LAT payments during these periods were mainly due to the accrual accounting nature of our provisions for LAT where the relevant provision for LAT is made upon the occurrence of pre-sales/sales, and the actual LAT payments being made based on the abovementioned LAT Notice. Although we believe such provisions for LAT are sufficient, we cannot assure you that the central PRC tax authorities will agree with the basis in which we calculate our LAT obligations.

Going forward, we intend to continue accumulating the provisions made for the full amount of applicable LAT in accordance with the relevant PRC tax laws and the LAT Regulations and will not write-back such excess provisions unless and until the relevant PRC tax laws and/or the LAT Regulations are amended by the central PRC tax authorities to the effect that our Group will not be required to pay the outstanding LAT.

Changes in tax laws, regulations, policies, concessions and treatment may materially and adversely affect our financial condition and results of operations.

Currently, we are taxed in compliance with relevant PRC laws and regulations, in particular, in relation to income tax and land appreciation tax. If there is a change in the tax laws, regulations, policies, concessions and treatment (including any retrospective change of the basis or to the agreement reached with the local government as aforesaid), our taxation expenses may be affected adversely, resulting in a material and adverse effect on our financial condition and financial performance.

We have not registered the lease agreements of certain properties which we own and lease to other parties.

We have not registered the lease agreements of certain properties which we own and lease to other parties, with the relevant local real estate administration authority. These lease agreements relate to leases of small or insignificant value of properties owned by our subsidiary, Debao Property, and in aggregate accounted for approximately RMB4.1 million of our Group's rental income and approximately 3% of our revenue during FY2008. The lease registration process usually involves administrative procedures where both the lessor and the lessee or their appointed representatives are required to make the registration application in person. Subsequently, the relevant authority will need to perform administrative procedures such as checking, verification and registration. Given the numerous leases that our Group has entered into, our Group believed that it is not effective for our Group to register all our leases, especially for the leases of small or insignificant value where our Group believes any risk exposure from non-registration would be insignificant. Accordingly, our Group has only registered the lease for our main investment property, namely the hotel block of Debao Hotel Complex which accounted for approximately RMB2.6 million of our Group's rental income during FY2008.

The Legal Advisers to the Company as to PRC Law has opined that notwithstanding Debao Property's failure to register the lease agreements, the lease agreements are valid and in accordance with PRC laws, save that the tenant may not be able to enforce its rights under the relevant lease agreement against third parties. However, the relevant local real estate administration authority may order the parties to register the relevant lease agreement within a certain time frame and may fine the parties. We have been advised by the Legal Advisers to the Company as to PRC Law that the amount of such fine is not stipulated in the relevant PRC laws and regulations and there are no precedent cases from which the potential fine may be inferred. In the event that Debao Property is ordered to register the lease agreements and pay the fine imposed by the relevant local real estate administration authority and our application for the waiver or reduction of such fine is rejected, our cash flow and financial performance may be affected although we do not expect the fine to be significant as the non-registration of the lease agreements relate to leases of small or insignificant value as abovementioned.

RISK FACTORS

RISK FACTORS RELATING TO THE PRC

Changes in the social, political and economic conditions in the PRC could affect our business.

Substantially all of our assets and our revenues are derived from our business operations located in the PRC. Accordingly, any significant slowdown in the PRC economy or decline in demand for our properties from customers in the PRC will have an adverse effect on our business, financial condition and financial performance. Furthermore, any unfavourable changes in the social and political conditions of the PRC may also adversely affect our business and operations.

Since the adoption of the “open door policy” in 1978 and the “socialist market economy” in 1993, the PRC government has been undergoing reforms in its economic and political systems, which are expected to continue. Any changes in the social, political and economic policies of the PRC government may lead to changes in the laws and regulations or the interpretation of the same, as well as changes in the foreign exchange regulations, taxation and land ownership and development restrictions, which may in turn adversely affect our business and financial performance. Although we believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether changes in the PRC’s political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial performance or financial condition.

Interpretation of PRC laws and regulations involves uncertainty.

Our operations in the PRC are subject to the laws and regulations promulgated by the PRC government. The PRC legal system is a codified legal system made up of the PRC constitution, written laws, regulations, circulars, directives and other government orders. The PRC government is still in the process of developing its legal system so as to meet the needs of investors and to encourage foreign investment. Generally, the PRC economy is developing at a faster pace than its legal system. Therefore, some degree of uncertainty exists in connection with whether existing laws and regulations will apply to certain events or circumstances, and if so, the manner of such application. In particular, unlike common law jurisdictions like Singapore, decided cases do not form part of the legal structure of the PRC and thus have no binding effect. The administration of the PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction.

Furthermore, in line with its transformation from a centrally planned economy to a free market oriented economy, the PRC government is still in the process of developing a comprehensive set of laws and regulations. As the legal system in the PRC is still evolving, laws and regulations or the interpretation of the same may be subject to change.

We are subject to foreign exchange controls in the PRC.

Our PRC subsidiaries are subject to the relevant PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Currently, foreign invested enterprises (“FIEs”) are required to apply to SAFE for “Foreign Exchange Registration Certificates for FIEs”. With such registration certifications, FIEs are allowed to open foreign currency accounts including the “basic account” and “capital account”. Currently, conversion within the scope of the “basic account”, for purposes such as the remittance of foreign currencies for payment of dividends, can be effected without the approval of SAFE. However, the conversion of currency in the “capital account”, for capital items such as direct investments, loans and securities, still requires the approval of SAFE.

Currently, all of our PRC subsidiaries are FIEs and the ability of our PRC subsidiaries to pay dividends or make other distributions to us may be restricted by, among other things, the availability of funds, and statutory and other legal restrictions including PRC foreign exchange controls. In the event the ability of our subsidiaries to distribute to our Company is restricted, it may have an adverse effect on our ability to distribute dividends to our Shareholders in the future.

RISK FACTORS

We face risks related to health epidemics and other outbreaks, or any other form of calamities.

Our business could be adversely affected by the effects of influenza A (H1N1) virus, avian influenza, SARS or other similar epidemics or outbreaks. China reported a number of cases of SARS in 2003. Since 2005, there were reports on the occurrences of avian flu in various parts of China, including a few confirmed human cases. The global outbreak of influenza A (H1N1) in 2009 has also affected the PRC. Any prolonged recurrence or worsening of influenza A (H1N1), avian influenza, SARS or other adverse public health developments in the PRC or elsewhere may have a material adverse effect on our business operations. These could include the temporary closure of our construction sites. Such closures would severely delay the construction and delivery schedule of our projects and adversely affect our financial performance.

In addition, natural disasters such as earthquakes or floods and other calamities or emergencies such as breakout of fire and other crises may also disrupt our business operations and can result in significant damage to our property assets, which will cause our business and financial performance to be materially and adversely affected.

Fluctuations in the value of the RMB may have a material and adverse effect on your investment.

The value of the RMB against the US\$, S\$ and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including US\$ and S\$ has been based on rates set by the PBOC. On 21 July 2005, the PRC Government changed its policy of pegging the value of the RMB to the US\$. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against certain foreign currencies. This change in policy has resulted in a slight appreciation of the RMB against the US\$ and S\$ recently.

Our Shares will be quoted in S\$ on the SGX-ST. Dividends, if any, in respect of our Shares will be paid in S\$. Any significant revaluation of the RMB may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, the Shares in S\$ terms. For example, an appreciation of the RMB against the US\$ or S\$ would make any new RMB denominated investments or expenditures more costly to us, to the extent that we would need to convert US\$ or S\$ into RMB for such purposes.

RISK FACTORS RELATING TO AN INVESTMENT IN OUR SHARES

Our holding company is financially dependent on distributions from our subsidiaries, and our ability to pay dividends could be adversely affected if those distributions are not made in a timely manner or at all.

Our holding company is incorporated in Singapore and we conduct our core business operations through our operating subsidiaries in the PRC. The profits available for distribution by us to our Shareholders are dependent on the profits available for distribution by our subsidiaries to us. Profits available for distribution by our subsidiaries established in the PRC are determined in accordance with PRC GAAP, and such profits differ from those which would be calculated using the Singapore Financial Reporting Standards for the purposes of dividend distribution in certain significant respects. Such differences include the use of different bases of recognition of revenue and expenses. In addition, under the relevant PRC financial regulations, profits available for distribution are determined after contributions to various statutory reserve funds required under PRC law. These restrictions could affect the amount of distributions that we receive from our subsidiaries or restrict our ability to pay dividends to our Shareholders. Our inability to receive and pay dividends could have a material adverse effect on our financial condition and capital resources, as well as the trading price of our Shares.

Our main operations and significant assets are located in the PRC and thus it could be difficult to enforce a Singapore judgement against us, our Executive Directors and our Executive Officers.

Although our holding company is incorporated in Singapore, our operating subsidiaries are incorporated in the PRC, and our main operations and assets are located in the PRC. In addition, all of our Executive Directors and most of our Executive Officers are non-residents of Singapore, and substantially all the assets of these persons are located outside Singapore. As a result, it could be difficult for investors to effect service of process in Singapore if they wish to make a claim or to enforce a judgement obtained in Singapore against our Company, our Executive Directors or our Executive Officers.

RISK FACTORS

Control by our majority Shareholder may limit your ability to influence the outcome of decisions requiring the approval of Shareholders.

Upon the completion of the Invitation, our majority Shareholder, Billion Equity Holdings Limited, which is wholly-owned by our Non-Executive Director, Ms Zheng Lihua, will beneficially own in aggregate approximately 51.9% of the issued Shares. As a result, it will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. It will also have veto power with respect to any Shareholders' action or approval requiring a majority vote except where it is required by the rules of the Listing Manual to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group which may benefit our Group's Shareholders.

Our Shares have never been publicly traded and the offering may not result in an active or liquid market for our Shares.

Prior to the offering, there has been no public market for our Shares. We have applied to list our Shares on the SGX-ST. The SGX-ST listing does not, however, guarantee that an active trading market for our Shares will develop, or if it develops, be sustained.

We have not registered, and do not intend to register, our Shares under the securities laws of any jurisdiction other than Singapore and our Shares may not be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where such registration may be required. For a description of the manner in which our Shares will be offered, please see the section titled "Plan of Distribution" of this Prospectus.

Future sales of our Shares may affect our share price.

Any future sale or availability of our Shares in the public market can have a downward pressure on our share price. The sale of a significant amount of Shares in the public market after the offering, or the perception that such sales may occur could materially and adversely affect the market price of our Shares. These factors could also affect our ability to issue additional equity securities in future. Except as otherwise described in the sections titled "Plan of Distribution" and "Moratorium" of this Prospectus, there will be no restrictions on the ability of our Shareholders to sell their Shares either on the SGX-ST or otherwise.

The proceeds from the sale of our Shares in the initial public offering may not be sufficient to fully implement all our business strategies outlined in the section titled "Business Strategies and Future Plans" of this Prospectus. Under such circumstances, secondary issues of securities may be necessary to raise the required capital. If new Shares placed to new and/or existing shareholders are issued after the offering, they may be priced at a discount to the then prevailing market price of our Shares trading on the SGX-ST, in which case, existing shareholders' equity interest may be diluted. If we fail to utilise the new equity to generate a commensurate increase in earnings, our earnings per share will be diluted, and this could lead to a decline in our Share price. Any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

The trading prices of our Shares may be volatile in the future.

The offering price for our Shares has been determined by mutual agreement between our Company and the initial purchasers and may not be indicative of the prices that will prevail in the market. The price of our Shares after the offering may fluctuate widely, depending on many factors, such as:-

- (a) variations of our financial performance;
- (b) liquidity of our Shares in the market;

RISK FACTORS

- (c) changes in securities analysts' estimates of our projected financial performance due to the difference between our actual financial or operating results and those expected by investors and securities analysts;
- (d) changes in conditions affecting the property industry in the PRC generally and in the provinces where our property developments are located;
- (e) changes in market valuations of similar companies;
- (f) announcements by us of significant acquisitions, strategic alliances or joint ventures;
- (g) additions or departures of key personnel;
- (h) fluctuations in stock market prices and volume;
- (i) involvement in litigation; and/or
- (j) general economic and stock market conditions.

Our share price may trade at prices below the offering price.

You will incur immediate dilution in the value of your Shares and may suffer further dilutions in the future.

The offering price of our Shares will be substantially higher than our adjusted NAV per Share based on the number of issued Shares as at the date of this Prospectus. Based on the offering price for each Share, investors who purchase our Shares in our initial public offering will therefore experience immediate and significant dilution of approximately 22.77 cents per Share. Please see the section titled "Dilution" of this Prospectus for further details.

EXCHANGE RATES

The Proforma Consolidated Financial Statements and Actual Consolidated Financial Statements are expressed in RMB.

As at the Latest Practicable Date, the closing exchange rate between RMB and S\$ is RMB4.938 to S\$1.00.

The table below sets forth, for the periods indicated, the highest and lowest exchange rates between RMB and S\$. The table indicates how much RMB it would take to buy one S\$.

	RMB / S\$	
	High	Low
May 2009	4.732	4.604
June 2009	4.754	4.671
July 2009	4.747	4.667
August 2009	4.768	4.708
September 2009	4.842	4.730
October 2009	4.914	4.820

The following table sets forth, for the financial period indicated, how much RMB it would take to buy one S\$, based on the average of the exchange rates between RMB and S\$ on the last day of each month during the financial period and the closing exchange rate for the financial period. The average and closing exchange rates between RMB and S\$, as outlined in the table below, are extracted from information published by Bloomberg L.P.. These exchange rates have been presented solely for information only and should not be construed as a representation that those RMB amounts could have been, or could be, converted into S\$, at any particular rates, the rates stated below, or at all.

	RMB / S\$	
	Average	Closing
FY2006	5.019	5.088
FY2007	5.049	5.068
FY2008	4.919	4.760
1H2009	4.582	4.719

Note:-

We have not sought the consent of Bloomberg L.P. nor has Bloomberg L.P. provided its consent for the inclusion of the information set out above. Bloomberg L.P. is thereby not liable for these statements under sections 253 and 254 of the Securities and Futures Act. Our Company has included the above information in its proper form and context in this Prospectus and has not separately verified the accuracy of the contents of the information.

EXCHANGE CONTROLS

Singapore

There are currently no Singapore exchange control laws or similar laws, decrees, regulations or other legislation that may affect the following:-

- (a) the import or export of capital, including the availability of cash and cash equivalents for our use; and
- (b) the remittance of dividends, interest or other payments to non-residential holders of our Company's securities.

PRC

Please refer to the section titled "Foreign Exchange Control" in Annex C: "Summary of Relevant PRC Laws and Regulations" of this Prospectus for details on PRC exchange control laws.

DIVIDEND POLICY

Our PRC subsidiary, Debao Property, had declared and paid dividends of RMB1,432,000, RMB2,000,000 and RMB1,402,000 in FY2006, FY2007 and FY2008 respectively. Save as disclosed above, no dividends have been paid or proposed by our Company or our subsidiaries for the period under review.

We currently do not have any dividend policy. Past dividends paid are not necessarily reflective of future dividend payments. There can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future.

Subject to the Companies Act, Shareholders in general meeting may from time to time declare a dividend or other distribution but no dividend or distribution shall be declared in excess of the amount recommended by our Directors. Subject to the Companies Act, our Directors may also from time to time declare a dividend or other distribution. Any declaration and payment of dividends in the future will be determined at the sole discretion of the Board of Directors, and will depend upon our Group's operating results, financial conditions, other cash requirements including capital expenditure, the terms of the borrowing arrangements (if any), and other factors deemed relevant by our Directors.

We will pay cash dividends, if any, in RMB. Shareholders whose Shares are held through CDP will receive their dividends in S\$. CDP will make the necessary arrangements to convert the dividends received from our Company in RMB into S\$ equivalent at such foreign exchange rate as CDP may determine for onward distribution to such Shareholder entitled thereto. Neither our Company nor CDP will be liable for any loss howsoever arising from the conversion of the dividend entitlement of Shareholders holding their Shares through CDP from RMB into S\$ equivalent.

Information relating to taxes payable on dividends is set out in the section titled "Taxation" of this Prospectus.

Investors should not make any inference from the foregoing statements as to our actual future profitability or our ability to pay any future dividends. The foregoing statements in this section are merely statements of our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) in our Directors' sole and absolute discretion.

CAPITALISATION AND INDEBTEDNESS

The following table shows our cash and cash equivalents and capitalisation and indebtedness:-

- (a) on an actual basis as at 30 June 2009 based on our Actual Consolidated Financial Statements;
- (b) on an actual basis as at 30 November 2009 (being a date no earlier than 60 days prior to the lodgement of the Prospectus) based on our Group's management accounts; and
- (c) as adjusted for the net proceeds from the issue of New Shares pursuant to the Invitation and application of the net proceeds from the Invitation.

You should read this table in conjunction with the Actual Consolidated Financial Statements as set out in Annexes E and F of this Prospectus and the section titled "Management's Discussion and Analysis of Results of Operations and Financial Position" of this Prospectus.

RMB '000	As at 30 June 2009	As at 30 November 2009	As adjusted for the Conversion and the net proceeds from the issue of the New Shares ⁽¹⁾
Cash and cash equivalents	130,760	168,884	405,562
Indebtedness			
Convertible loan notes	383,850	390,793	— ⁽²⁾
Secured and interest-bearing loans ⁽³⁾			
– Guaranteed	650,000	565,000	565,000
– Non-guaranteed	—	10,000	10,000
Non-secured and interest-bearing loans			
– Non-guaranteed ⁽⁴⁾	71,817	68,627	68,627
Total indebtedness	1,105,667	1,034,420	643,627
Shareholders' equity	496,667	521,823	1,149,294
Total capitalisation and indebtedness	1,602,334	1,556,243	1,792,921

Notes:-

- (1) The net proceeds from the issue of the New Shares were translated based on an exchange rate of RMB4.938:\$S1.00 as at the Latest Practicable Date.
- (2) The Pre-IPO Investors have received an aggregate of 372,093,024 Shares pursuant to the Conversion. Please see the section titled "Restructuring Exercise" of this Prospectus for further details.
- (3) These loans were secured by (i) the pledge of certain properties (please refer to the section titled "Properties and Fixed Assets" of this Prospectus for further details); and/or (ii) guarantees provided by our Executive Directors and other parties (please refer to the section titled "Interested Persons Transactions" of this Prospectus for further details).
- (4) These unsecured loans relate to loans from our Executive Directors and former shareholders of Debao Property. Please refer to the section titled "Interested Person Transactions" of this Prospectus for further details.

CAPITALISATION AND INDEBTEDNESS

As at 30 June 2009, we had total bank facilities of RMB650.0 million, of which all had been utilised, and cash and cash equivalents of RMB130.8 million. Brief particulars of our banking facilities as at 30 June 2009 are as follows:-

Name of bank ⁽¹⁾	Nature of facilities / purpose	Total amount available (RMB millions)	Utilised (RMB millions)	Unutilised (RMB millions)	Maturity Profile	Interest rates (% per annum) ⁽²⁾
China Agricultural Bank Co., Ltd., Foshan Nanhai Guicheng Sub-branch	Loans granted to Jiangnan Property for the development of Jiangnan Mingju Phases 5 and 6	90	90 ⁽³⁾	–	From 29 March 2007 to 25 March 2010 ⁽³⁾	6.93
China Agricultural Bank Co., Ltd., Foshan Nanhai Danzao Sub-branch	Loans granted to Sanshui Property for the development of Shanshui Longpan	150	150	–	From 28 February 2008 to 27 February 2011	6.93
China Construction Bank Co., Ltd., Foshan Branch	Loans granted to Jiangnan Property for the development of Jiangnan Mingju Phases 5 and 6	320	320 ⁽³⁾	–	From 8 October 2007 to 20 November 2010 ⁽³⁾	5.63 to 6.08
Industrial and Commercial Bank of China Ltd, Foshan Pingzhou Sub-branch	Loans granted to Sanshui Property for the development of Shanshui Longpan	90	90	–	From 24 January 2009 to 23 January 2012	6.48
Total		650	650	–		

Notes:-

- (1) The bank loans were secured by (i) the pledge of certain properties (please refer to the section titled “Properties and Fixed Assets” of this Prospectus for further details); and (ii) guarantees provided by our Executive Directors and other parties (please refer to the section titled “Interested Persons Transactions” of this Prospectus for further details).
- (2) Based on interest rates payable as at the end of 30 June 2009.
- (3) As at the Latest Practicable Date, the amounts owing to China Agricultural Bank Co., Ltd. and China Construction Bank Co., Ltd. in respect of the abovementioned loans granted to Jiangnan Property was reduced to RMB30.0 million and RMB220.0 million respectively. Our Group expects to repay these balances mainly through the proceeds from pre-sales/sales of Jiangnan Mingju Phases 5 and 6 units.

To the best of our Directors’ knowledge, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results of operations, or the investments of our Shareholders.

Our Directors are of the opinion that, after taking into account our internal and external sources of funds, our Group has sufficient working capital as at the date of this Prospectus to meet our present requirements. Based on past experience, it is not difficult for our Company to secure new bank loans as long as we are able to present a feasible and commercially viable development plan and finance scheme proposal to the banks.

Save as disclosed above and in the sections titled “Management’s Discussion and Analysis of Results of Operations and Financial Position” and “Material Commitments and Contingencies” of this Prospectus, our Group had no other borrowings or indebtedness and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, obligations under finance leases, guarantees or other material contingent liabilities.

DILUTION

Dilution is the amount by which the Invitation Price paid by subscribers of our Invitation Shares in this Invitation exceeds our NAV per Share of our Group immediately after this Invitation. Based on the Actual Consolidated Financial Statements, our NAV per Share as at 30 June 2009, as adjusted for the conversion of the convertible loan notes, but before adjusting for the net proceeds from the Invitation (“Adjusted NAV”) and based on the pre-Invitation share capital of 1,000,000,000 was 17.97 cents per Share.⁽²⁾

Based on the issue of 125,000,000 New Shares at the Invitation Price pursuant to the Invitation and after deducting estimated listing expenses incurred in connection with the Invitation, the Adjusted NAV of our Group as at 30 June 2009 would have been 20.23 cents per Share as based on the Actual Consolidated Financial Statements. This represents an immediate increase in NAV of 2.26 cents per Share to our existing Shareholders and an immediate dilution of 22.77 cents per Share to our new investors. The following table illustrates this per Share dilution.

	As at 30 June 2009 (cents) ⁽¹⁾
Invitation Price per New Share	43.00
Adjusted NAV per Share based on the pre-Invitation share capital of 1,000,000,000 Shares ⁽²⁾	17.97
Increase in Adjusted NAV per Share attributable to the Invitation	2.26
Adjusted NAV per Share after the Invitation	20.23
Dilution in NAV per Share to new public investors	22.77

Notes:-

- (1) Based on the Actual Consolidated Financial Statements.
- (2) The Adjusted NAV per Share was translated based on the exchange rate of RMB 4.938 : S\$1.00 as at the Latest Practicable Date.

The following table summarises the total number of Shares acquired by our Directors and Substantial Shareholders three years before the date of this Prospectus, the total consideration paid by them and the average price per Share paid by our Directors and Substantial Shareholders and by our new public investors pursuant to the Invitation.

	Number of Shares acquired	Total consideration (S\$)	Average price per Share (cents)
Directors			
Yuan Le Sheng	—	—	—
He Ke Ping	—	—	—
Zhang Mao	—	—	—
Zhong Yu Zhao	—	—	—
Zheng Lihua ⁽¹⁾	605,930,232	9,650,000	1.59
Cheong Keng Chuan Alfred	—	—	—
Seetoh Kok Choi Watson	—	—	—
He Guo Quan	—	—	—
Kong Yu Quan	—	—	—
Substantial Shareholders (other than Directors)			
Billion Equity Holdings Limited ⁽¹⁾	583,953,488	1	n.m. ⁽³⁾
Other Shareholders			
East Hero Trading Limited	95,348,840	20,500,000	21.50
Wu Kwok Hung ⁽²⁾	21,976,744	350,000	1.59
Other Pre-IPO Investors	276,744,184	59,500,000	21.50
Pride Capital Investment Holdings Limited ⁽¹⁾	21,976,744	1	n.m. ⁽³⁾
New public investors	138,000,000	59,340,000	43.00

DILUTION

Notes:-

- (1) On 30 March 2010, prior to the Sub-division, Ms Zheng Lihua transferred 9,300,000 Shares (which was equivalent to 583,953,488 Shares after the Sub-division) of her aggregate of 9,650,000 Shares (which was equivalent to 605,930,232 Shares after the Sub-division) to Billion Equity Holdings Limited, a company incorporated in the British Virgin Islands, and wholly-owned by Ms Zheng Lihua, for a nominal consideration of S\$1.00. On 30 March 2010, prior to the Sub-division, Ms Zheng Lihua transferred the remaining 350,000 Shares (which was equivalent to 21,976,744 Shares after the Sub-division) for a nominal consideration of S\$1.00 to Pride Capital Investment Holdings Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr Yuan Jiajun, the son of our Executive Chairman and CEO, Yuan Le Sheng and our Non-Executive Director, Ms Zheng Lihua. For more information, please refer to the section titled “Restructuring Exercise” of this Prospectus.
- (2) Wu Kwok Hung was the former Controlling Shareholder and ex-Director of our Company. For further information, please refer to the section titled “Restructuring Exercise” of this Prospectus.
- (3) n.m. refers to not meaningful. As mentioned in note (1) above, Ms Zheng Lihua transferred 9,300,000 Shares to Billion Equity Holdings Limited for a nominal consideration of S\$1.00 and 350,000 Shares to Pride Capital Investment Holdings Limited for a nominal consideration of S\$1.00.

Save as disclosed above, none of our Directors or Substantial Shareholders or their respective Associates has acquired any Shares during the period of three years prior to the date of lodgment of this Prospectus.

SHARE CAPITAL

Our Company was incorporated in Singapore under the Companies Act as a private company limited by shares on 16 August 2007 under the name “Vibrant Real Estate Holdings Pte. Ltd.”. On 23 November 2007, our Company changed its name to “Debao Property Development Pte. Ltd.” and on 24 November 2009, our Company changed its name to “Debao Property Development Ltd.” in connection with its conversion to a public company limited by shares.

As at the date of incorporation, our issued and paid-up share capital was S\$1.00 comprising one ordinary share. Pursuant to the completion of the Restructuring Exercise and as at the Latest Practicable Date, our issued and paid-up share capital was S\$10,000,000 comprising 10,000,000 Shares.

Pursuant to the written resolutions of our Shareholders passed on 23 November 2009, our Shareholders approved the following:-

- (a) the conversion of our Company into a public company limited by shares and the consequential name to “Debao Property Development Ltd.”; and
- (b) the adoption of our new Articles of Association.

Pursuant to the written resolutions of our Shareholders passed on 30 March 2010, our Shareholders approved, *inter alia*, the following:-

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

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

SHARE CAPITAL

As at the date of this Prospectus, our Company has only one class of shares in the capital of our Company, being the Shares. The voting rights and privileges of our Shares are stated in our Articles, a summary of which is set out in Annex D: “Selected Extracts of our Articles of Association” of this Prospectus.

There are no founders, management, deferred or unissued Shares reserved for any purpose. The New Shares shall have the same interest and voting rights as our existing issued Shares that were issued prior to this Invitation and there are no restrictions to the free transferability of our Shares.

Our subsidiaries are not listed on any stock exchange. We do not have any Associated Companies.

Details of changes in our issued and paid-up capital since 31 December 2008, being the date of our last audited financial statements and immediately after the Invitation are as follows:-

	Number of Shares	S\$
Issued and paid-up ordinary shares as at 31 December 2008	10,000,000	10,000,000
Sub-division	627,906,976	–
Issue of new ordinary shares pursuant to the Conversion	372,093,024	80,000,000
New Shares issued pursuant to the Invitation	125,000,000	53,750,000
Post-Invitation issued and paid-up share capital	1,125,000,000	143,750,000

RESTRUCTURING EXERCISE

In preparation for the listing of our Company on the SGX-ST, we carried out a Restructuring Exercise as a result of which our Company became the holding company of our Group. The restructuring steps were as follows:-

(a) *Disposal of dormant/non-core business subsidiaries*

In 2007, in order to streamline our Group's business activities, our wholly-owned subsidiary, Debao Property, disposed of the following dormant/non-core business subsidiaries (the "Disposed Subsidiaries") to unrelated third parties, namely Mr Ye Rui Chu and Mr Xie Zhi Feng.

Name	Principal Activities	Disposal Consideration	Date of disposal	NAV/(NLV) at point of disposal	Date of financial statements used in determining NAV
Foshan Nanhai District Yubao Construction Engineering Co., Ltd. ⁽¹⁾	Inactive	RMB6.0 million	27 August 2007	RMB5.8 million	31 August 2007
Foshan Nanhai District Guicheng Debao Real Estate Development Co., Ltd. ⁽²⁾	Project company incorporated for the development of Debao Garden	RMB2.8 million	27 August 2007	RMB16.7 million	31 August 2007
Foshan Nanhai Guicheng Dashidai Advertising Co., Ltd. ⁽³⁾	Provision of copywriting, creative design, and other advertising-related services	RMB0.5 million	7 September 2007	RMB0.6 million	31 August 2007
Foshan Nanhai Debao Hotel Co., Ltd.	Inactive	RMB1.0 million	7 December 2007	RMB1.0 million	30 November 2007
Guicheng Municipal	Provision of, <i>inter alia</i> , road and drainage works	RMB4.0 million	1 November 2007	RMB0.3 million	31 October 2007
Foshan Nanhai District Guiyu Trading Co., Ltd.	Trading	RMB2.3 million	31 October 2007	RMB(0.2) million	31 October 2007
Total		RMB16.6 million		RMB24.2 million	

Notes:-

- (1) Prior to the disposal, Debao Property and Foshan Nanhai District Guiyu Trading Co., Ltd. held 90% and 10%, respectively, of the shareholdings in Foshan Nanhai District Yubao Construction Engineering Co., Ltd.. As Debao Property held 70% of the shareholdings in Foshan Nanhai District Guiyu Trading Co., Ltd. at the date of the share transfer agreements, Debao Property is deemed interested in the 10% shareholdings that Foshan Nanhai District Guiyu Trading Co., Ltd. held in Foshan Nanhai District Yubao Construction Engineering Co., Ltd.
- (2) Prior to the disposal, Debao Property and Guicheng Municipal held 85% and 15%, respectively, of the shareholdings in Foshan Nanhai District Guicheng Debao Real Estate Development Co., Ltd.. As Debao Property held 80% of the shareholdings in Guicheng Municipal at the date of the share transfer agreements, Debao Property is deemed interested in the 15% shareholdings that Guicheng Municipal held in Foshan Nanhai District Guicheng Debao Real Estate Development Co., Ltd.

RESTRUCTURING EXERCISE

- (3) Prior to the disposal, Foshan Nanhai District Guicheng Debao Real Estate Development Co., Ltd. held 90% of the shareholdings in Foshan Nanhai Guicheng Dashidai Advertising Co., Ltd.. As Debao Property held 85% of the shareholdings in Foshan Nanhai District Guicheng Debao Real Estate Development Co., Ltd. and is deemed interested in the other 15% shareholdings held by Guicheng Municipal at the date of the share transfer agreements, Debao Property is deemed interested in the 90% shareholdings that Foshan Nanhai District Guicheng Debao Real Estate Development Co., Ltd held in Foshan Nanhai Guicheng Dashidai Advertising Co., Ltd.

The disposal considerations for the Disposed Subsidiaries were arrived at, after arm's length negotiation and on a willing-buyer-willing-seller basis with Mr Ye Rui Chu and Mr Xie Zhi Feng after taking into consideration of, *inter alia*, the aggregate and individual NAV of the Disposed Subsidiaries, the limited economic benefits that our Group is able to derive from these Disposed Subsidiaries, potential impairment on assets of these Disposed Subsidiaries and the associated tax implication on the disposals.

(b) *Incorporation of Dynamic and Infinity*

Dynamic was incorporated on 10 July 2007 in Singapore with an issued and paid-up share capital of S\$1.00 comprising one ordinary share.

Infinity was incorporated on 2 August 2007 in Singapore with an issued and paid-up share capital of S\$1.00 comprising one ordinary share.

(c) *Incorporation of our Company and Derong*

Our Company was incorporated on 16 August 2007 in Singapore with an issued and paid-up share capital of S\$1.00 comprising one ordinary Share under the name "Vibrant Real Estate Holdings Pte. Ltd.". On 23 November 2007, our Company changed its name to "Debao Property Development Pte. Ltd.". On 11 December 2007, we increased our issued and paid-up share capital to S\$160.00 comprising 160 Shares.

Derong was incorporated on 17 August 2007 in Singapore with an issued and paid-up share capital of S\$1.00 comprising one ordinary share as a wholly-owned subsidiary of our Company. It was incorporated under the name "Perpetuity Real Estate Holdings Pte. Ltd.". On 23 November 2008, it changed its name to "Derong Real Estate Holdings Pte. Ltd."

(d) *Acquisition of Dynamic and Infinity*

On 17 September 2007, Mr Wu Kwok Hung and our Company entered into a share transfer agreement pursuant to which our Company acquired the entire issued and paid-up share capital of each of Dynamic and Infinity at the paid-up capital of S\$1.00 each. Pursuant to the acquisition, Dynamic and Infinity became wholly-owned subsidiaries of our Company.

(e) *Acquisition of Jiangnan Property*

On 13 August 2007, Dynamic and Debao Property entered into a share transfer agreement pursuant to which Dynamic acquired the entire registered capital of Jiangnan Property from Debao Property, for a consideration of RMB23,133,919 based on the NTA of Jiangnan Property as at 31 March 2007. Pursuant to the acquisition, Jiangnan Property became a wholly-owned subsidiary of Dynamic. This transaction was approved by the relevant PRC authorities on 11 September 2007.

(f) *Acquisition of Sanshui Property*

On 13 August 2007, Infinity and Debao Property entered into a share transfer agreement pursuant to which Infinity acquired 60% of the equity interest in Sanshui Property from Debao Property. The consideration of RMB8,104,234 was based on the NTA of Sanshui Property as at 31 May 2007. Pursuant to the acquisition, Sanshui Property became a 60% owned subsidiary of Infinity. This transaction was approved by the relevant PRC authorities on 11 September 2007.

RESTRUCTURING EXERCISE

On 21 February 2008, Infinity and Yueshi Trading entered into a share transfer agreement pursuant to which Infinity acquired the remaining 40% of the equity interest in Sanshui Property from Yueshi Trading. The consideration of RMB14,800,000 was arrived at, after arm's length negotiation and on a willing-buyer-willing-seller basis with the third-party vendor, Yueshi Trading after taking into consideration of, *inter alia*, the valuation report which valued Sanshui Property at approximately RMB34.1 million as at 31 December 2007. Pursuant to the acquisition, Sanshui Property became a wholly-owned subsidiary of Infinity. This transaction was approved by the relevant PRC authorities on 8 April 2008.

(g) *Acquisition of Guiyu Property Management*

On 4 June 2007, Debao Property and Foshan Nanhai District Guiyu Trading Co., Ltd entered into a share transfer agreement pursuant to which Debao Property acquired 50% equity interest in Guiyu Property Management from Foshan Nanhai District Guiyu Trading Co., Ltd. The consideration of RMB250,000 was based on the NTA of Guiyu Property Management. Pursuant to the acquisition, Guiyu Property Management became a wholly-owned subsidiary of Debao Property. This transaction was registered by the relevant PRC authorities on 13 July 2007.

On 9 January 2008, Debao Property and Jiangnan Property entered into a share transfer agreement pursuant to which Jiangnan Property acquired the entire registered capital of Guiyu Property Management from Debao Property. The consideration of RMB500,000 was based on the registered capital of Guiyu Property Management. Pursuant to the acquisition, Guiyu Property Management became a wholly-owned subsidiary of Jiangnan Property. This transaction was registered by the relevant PRC authorities on 15 January 2008.

(h) *Acquisition of Guihe Construction*

Pursuant to share transfer agreements dated 4 June 2007, Debao Property acquired from Mr Yuan Le Sheng, Guicheng Municipal and Mr Zhang Mao, 40%, 50% and 10% equity interest in Guihe Construction at a consideration of RMB2,400,000, RMB3,000,000 and RMB600,000 respectively, which was based on the registered capital of Guihe Construction. Pursuant to the acquisition, Guihe Construction became a wholly-owned subsidiary of Debao Property. This transaction was registered by the relevant PRC authorities on 18 July 2007.

Pursuant to a share transfer agreement dated 9 January 2008, Jiangnan Property acquired from Debao Property the entire registered capital of Guihe Construction at a consideration of RMB6,000,000, which was based on the registered capital of Guihe Construction. Pursuant to the acquisition, Guihe Construction became a wholly-owned subsidiary of Jiangnan Property. This transaction was registered by the relevant PRC authorities on 15 January 2008.

(i) *Acquisition of Debao Property*

Pursuant to a share transfer agreement dated 28 January 2008, Derong acquired from Messrs Yuan Le Sheng, He Ke Ping, Zhang Mao, Ye Yong Liang, Lu Jin Ming, Zhong Yu Zhao, Yang Qi Man, Fang Zai Ming, Xu Li Ming, Xu Yan Fang, Liang Er Jia, Zheng Xiong Xian, Tang Guo Hong and Yang Hui Yan the entire registered capital of Debao Property. The consideration of RMB150,413,748 was based on the NTA of Debao Property as at 15 December 2007. Pursuant to the acquisition, Debao Property became a wholly-owned subsidiary of Derong. This transaction was approved by the relevant PRC authorities on 8 March 2008.

(j) *Loan by Mr Wu Kwok Hung to our Company*

On 22 August 2008, Mr Wu Kwok Hung extended a S\$4,000,000 loan to our Company for the purpose of the Restructuring Exercise. S\$349,840 of the said loan was capitalised into 349,840 Shares at S\$1.00 per Share on 22 September 2008 and the remaining S\$3,650,160 was repaid to Mr Wu Kwok Hung on 22 September 2008.

RESTRUCTURING EXERCISE

(k) *Subscription of shares by Ms Zheng Lihua*

On 22 September 2008, Ms Zheng Lihua, our Non-Executive Director and the spouse of our Executive Chairman and CEO, Mr Yuan Le Sheng, subscribed for 9,650,000 Shares at a consideration of S\$1.00 per Share. On 30 March 2010, Ms Zheng Lihua transferred 9,300,000 of her aggregate of 9,650,000 Shares to Billion Equity Holdings Limited at a nominal consideration of S\$1.00, a company incorporated in the British Virgin Islands, and wholly-owned by Ms Zheng Lihua.

On 30 March 2010, Ms Zheng Lihua transferred her remaining 350,000 Shares as to Pride Capital Investment Holdings Limited at a nominal consideration of S\$1.00, a company incorporated in the British Virgin Islands, and wholly-owned by Mr Yuan Jiajun, the son of Ms Zheng Lihua and our Executive Chairman and CEO, Mr Yuan Le Sheng.

Pursuant to the Sub-division, Ms Zheng Lihua and Mr Yuan Jiajun beneficially held 583,953,488 Shares and 21,976,744 Shares respectively.

(l) *Extension of convertible loans to our Company*

Our Company entered into the following convertible loan agreements as supplemented by supplemental agreements (the “CLAs”) with the following investors to obtain an aggregate of S\$78.6 million to finance the Restructuring Exercise:-

- (i) two convertible loan agreements dated 25 December 2007 and two supplemental agreements dated 11 August 2008 pursuant to which Dubai Ventures Limited, Jun Teng Development Limited, Better Ace International Limited, Chua Hong Thuan, Tham Keng Chuen, John Lyn Hian Woon, Skyven Growth Capital Fund Pte Ltd, Representations International Inc, 2G Capital Pte Ltd, Pow Kim Hoo, Kong Hwai Ming, Tan Guan Pei, Ben Neo Ban Leong, Yeo Chun Heong, Enhance Assets Ltd, Glanster Investments Limited and Pitt Meadow Holdings Limited extended a convertible loan aggregating S\$33,000,000 to our Company,
- (ii) three convertible loan agreements dated 18 June 2008, 23 June 2008 and 16 July 2008 and three supplemental agreements dated 11 August 2008 pursuant to which Jun Teng Development Limited, Asia Investments Arm (AIA) S.A., Skylight Enterprises Group Limited and Plenitude Investments Ltd. extended an additional convertible loan aggregating S\$6,100,000 to our Company;
- (iii) two convertible loan agreements dated 11 August 2008 and a convertible loan agreement dated 14 August 2008 pursuant to which East Hero Trading Limited, Mr Yang Jinzhong and Nanyang Capital Investments Pte. Ltd. extended a convertible loan aggregating S\$24,500,000 to our Company; and
- (iv) two convertible loan agreements dated 6 March 2009 and 25 March 2009 pursuant to which Global Ace Enterprises Limited and Allied Asset Holdings Limited extended a convertible loan aggregating S\$15,000,000 to our Company.

RESTRUCTURING EXERCISE

With effect from 25 July 2009, the following investors had novated their CLAs to new investors as follows:-

Name of investor	Amount loaned (S\$)	Name of new investor
Nanyang Capital Investments Pte. Ltd.	1,000,000	Lim Sing Tat
Tan Guan Pei	500,000	Aw Cheok Huat
Plenitude Investments Ltd.	500,000	Aw Cheok Huat
Better Ace International Limited	2,000,000	(i) Chau-Chan Sui Yung (ii) Corona Capital Limited (iii) Mohamed Hamdan Abdulla Alshamsi
Dubai Ventures Limited	14,500,000	(i) Finance Department Government of Sharjah (ii) 3VS1 Asia Growth Fund Ltd (iii) Ang Yee Lim (iv) Henry Sim Beng Huat (v) Yvonne Ong Ai Ling (vi) Triumph Success Investments Limited (vii) Clear Elite Investments Limited (viii) Providence SOGF Limited (ix) Ng Chee Beng (x) John Lyn Hian Woon

In addition, 3VS1 Asia Growth Fund Ltd increased its loan by S\$1.4 million, pursuant to which the total amount obtained by the Company to finance the Restructuring Exercise amounted to an aggregate S\$80.0 million (the "Loan").

The abovementioned investments by the Pre-IPO Investors were facilitated by, UOB Kay Hian, Partners Capital (Singapore) Pte Ltd and Mr Wu Kwok Hung. The investment funds received from the Pre-IPO Investors were mainly allocated for the following uses:

Uses	Amount used (S\$ millions)
Acquisition of and capital injection into Jiangnan Property	21.2
Acquisition of and capital injection into Sanshui Property	26.2
Acquisition of Debao Property	31.2
General corporate purposes	1.4
Total	80.0

On 25 July 2009, the Pre-IPO Investors extended the term of the Loan for an additional twelve months, such term to expire on 25 July 2010. Pursuant to Clause 8.1 of the CLAs, the Loan was converted on 30 March 2010, being a day within seven days preceding the date of registration of the final prospectus with the Authority, into an aggregate of 372,093,024 Shares. The conversion formulae was based on the lower of either (i) a discount of fifty percent (50%) to the indicative Invitation Price per Share; or (ii) at forty percent (40%) of the realisable net asset value ("RNAV") per Share, which shall be based on the average RNAV valuation of our Group of not less than two market analyst reports by independent market analysts ("Reference RNAV"). The Reference RNAV has been determined at RMB4,116,091,500 for purpose of the Conversion.

RESTRUCTURING EXERCISE

Accordingly, the number of Shares issued to each Pre-IPO Investor upon the Conversion are set out below:-

Name of Pre-IPO Investor	Amount loaned (S\$)	No of Shares issued
Jun Teng Development Limited	4,500,000	20,930,233
Chua Hong Thuan	1,500,000	6,976,744
Tham Keng Chuen	1,500,000	6,976,744
John Lyn Hian Woon	2,000,000	9,302,326
Skyven Growth Capital Fund Pte Ltd	1,000,000	4,651,163
Representations International Inc	1,000,000	4,651,163
2G Capital Pte Ltd	1,000,000	4,651,163
Pow Kim Hoo	1,500,000	6,976,744
Kong Hwai Ming	1,000,000	4,651,163
Ben Neo Ban Leong	500,000	2,325,581
Yeo Chun Heong	500,000	2,325,581
Enhance Assets Ltd	500,000	2,325,581
Glanster Investments Limited	500,000	2,325,581
Pitt Meadow Holdings Limited	500,000	2,325,581
Asia Investments Arm (AIA) S.A.	4,100,000	19,069,767
Skylight Enterprises Group Limited	1,000,000	4,651,163
East Hero Trading Limited	20,500,000	95,348,840
Yang Jinzhong	3,000,000	13,953,488
Global Ace Enterprises Limited	6,000,000	27,906,977
Allied Asset Holdings Limited	9,000,000	41,860,465
Lim Sing Tat	1,000,000	4,651,163
Aw Cheok Huat	1,000,000	4,651,163
Chau-Chan Sui Yung	500,000	2,325,581
Corona Capital Limited	500,000	2,325,581
Mohamed Hamdan Abdulla Alshamsi	1,000,000	4,651,163
Finance Department Government of Sharjah	2,000,000	9,302,326
3VS1 Asia Growth Fund Ltd	1,500,000	6,976,744
Ang Yee Lim	1,500,000	6,976,744
Henry Sim Beng Huat	1,000,000	4,651,163
Yvonne Ong Ai Ling	500,000	2,325,581
Triumph Success Investments Limited	3,000,000	13,953,488
Clear Elite Investments Limited	3,000,000	13,953,488
Providence SOGF Limited	1,000,000	4,651,163
Ng Chee Beng	1,400,000	6,511,628
Total	80,000,000	372,093,024

Please refer to the section titled “Moratorium” of this Prospectus for details of the beneficial ownerships of the above corporate Pre-IPO Investors.

Effect of PRC merger and acquisition laws on the Restructuring Exercise

On 8 August 2006, the MOC, the CSRC, SAFE and three other PRC authorities promulgated the Rules on the Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (关于外国投资者并购境内企业的规定) (“New M&A Rules”), which came into effect on 8 September 2006. Pursuant to Articles 39 and 40 of the New M&A Rules, the listing of offshore special purpose vehicles (“SPV”), which are directly or indirectly controlled by PRC entities or individuals, are subject to the prior approval from CSRC (the “CSRC Approval”). Pursuant to Article 11 of the New M&A Rules, the acquisition of related PRC domestic enterprises by related overseas enterprises which are invested or controlled by domestic companies, enterprises or individuals, need to be approved by the MOC (the “MOC Approval”). On 21 September 2006, CSRC promulgated permit guidelines on Domestic Enterprises Indirectly Overseas Issuing or Listing and Trading Their Securities (境内企业间接到境外发行证券或者将其证券在境外上市交易的规定) (the “CSRC Permit Guidelines”). The CSRC Permit Guidelines provide that the listing of SPVs referred to in Articles 39 and 40 of the New M&A Rules are subject to CSRC Approval.

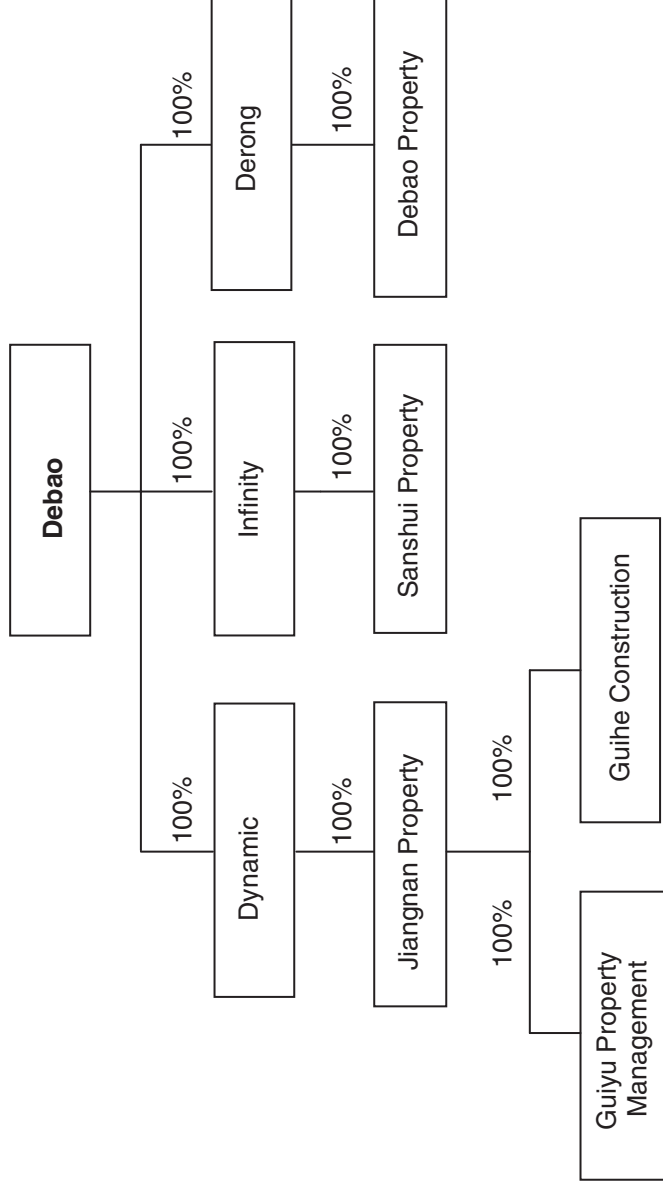
RESTRUCTURING EXERCISE

The Legal Advisers to the Company as to PRC Law and the Legal Advisers to the Joint Underwriters as to PRC Law are of the opinion that, save for approval from the local authorities regarding the acquisition of our PRC subsidiaries, the Restructuring Exercise and proposed listing of our Company do not require any approval from the MOC or the CSRC under the PRC laws and regulations. This is because our Company was neither established nor controlled by any PRC domestic company, enterprise or individual as Mr Wu Kwok Hung and Ms Zheng Lihua are Hong Kong resident and Macau resident respectively at the time of the Restructuring Exercise. In addition, the acquisition of our PRC subsidiaries was completed prior to the subscription of Shares by Ms Zheng Lihua in the Company, even though the subscription was intended at the commencement of the Restructuring Exercise. In particular, the Legal Advisers to the Company as to PRC Law and the Legal Advisers to the Joint Underwriters as to PRC Law have both opined that:-

- i. residents from Hong Kong Special Administrative Region and Macau Special Administrative Region are not deemed as domestic natural persons under the New M&A Rules;
- ii. Mr Yuan Le Sheng and Ms Zheng Lihua are considered separate legal persons even though they are husband and wife, and accordingly, Ms Zheng Lihua's subscription of our Shares would not be treated as an indirect transfer back to Mr Yuan Le Sheng for the purpose of the New M&A Rules; and
- iii. the Restructuring Exercise and proposed listing of the Company do not require any approval from the MOC or the CSRC, under or as required by the PRC laws and regulations other than the approval from the original local approving authorities regarding the acquisitions.

GROUP STRUCTURE

Our Group structure after the Restructuring Exercise and immediately before the Invitation is as set out below:-



GROUP STRUCTURE

The details of our subsidiaries as at the date of this Prospectus are set out below:-

Name of subsidiary	Date / place of incorporation	Principal place of business	Registered capital / issued and paid-up capital	Percentage owned (%)	Principal activities
Guiyu Property Management	16 June 1997, PRC	PRC	RMB5,000,000	100	Property management
Debao Property	14 November 2000, PRC	PRC	RMB12,000,000	100	Development, construction, distribution and lease of its own developed commercial properties and shops
Guihe Construction	19 June 2001, PRC	PRC	RMB6,000,000	100	Property construction, landscaping, renovation and installation works
Jiangnan Property	23 June 2006, PRC	PRC	RMB12,000,000	100	Development, construction, distribution and lease of its own developed commercial properties and shops
Sanshui Property	4 April 2007, PRC	PRC	RMB752,000,000	100	Development, construction, distribution and lease of its own developed commercial properties and shops
Dynamic	10 July 2007, Singapore	Singapore	S\$1.00	100	Investment holding
Infinity	2 August 2007, Singapore	Singapore	S\$1.00	100	Investment holding
Derong	17 August 2007, Singapore	Singapore	S\$1.00	100	Investment holding

GENERAL INFORMATION ON OUR GROUP

HISTORY

Our Company was incorporated as a private limited company in Singapore under the Companies Act on 16 August 2007. Pursuant to the Restructuring Exercise, our Company became the holding company for our Group. Details of the Restructuring Exercise are set out under the section titled “Restructuring Exercise” of this Prospectus. We converted to a public limited company and assumed our present name on 24 November 2009.

Our history dates back to 14 November 2000 when Debao Property was incorporated to take over the predecessors of Debao Property and to carry out residential property development activities in Foshan City, Guangdong Province, PRC. The predecessors of Debao Property are state-owned entities which were incorporated since 1995 and managed by our current management team. Debao Property took over the major outstanding projects of these predecessors. These projects included (i) Xinliwan Garden, an integrated residential and commercial property of approximately 91,000 sq m GFA which was completed in 1998; and (ii) Debao Garden, an integrated residential and commercial property of approximately 68,000 sq m GFA which was completed in 2000.

In June 2002, our current management team comprising our Executive Chairman and CEO, Mr Yuan Le Sheng, our Executive Directors, Messrs Zhang Mao and Zhong Yu Zhao, and our Executive Officer Ms Lu Jin Ming and a former employee acquired Debao Property, which had, amongst others, a subsidiary, Guiyu Property Management. After a series of transfers between 2003 and 2005, our Executive Chairman and CEO, Mr Yuan Le Sheng, together with 13 other shareholders held the entire equity interest of Debao Property. Guihe Construction which was owned by our Executive Chairman and CEO, Mr Yuan Le Sheng, our Executive Director, Mr Zhang Mao, and Guicheng Municipal was transferred to Debao Property in 2007. Please refer to the section titled “Restructuring Exercise” of this Prospectus for further details. Since the acquisition, Guihe Construction carries out the majority of the construction work of our Group while Guiyu Property Management provides property management services to our property developments.

Recognising the strong economic development, sustainable domestic economic drivers and the better regulated property laws of Guangdong Province, the shareholders of Debao Property decided to focus on property development in Foshan City and provide good quality residential housing in that region.

At the time of acquisition of Debao Property in 2002, Debao Property had completed the development of an integrated residential and commercial property, Guicheng Industrial Park, of approximately 48,000 sq m GFA and had just commenced the development of an integrated residential and commercial property known as Qing Hua Garden of approximately 78,000 sq m GFA in Nanhai District, Foshan City, a 50:50 joint venture with Nanhai Dong Yi Property Development Co., Ltd (南海东怡房地产开发有限公司). Qing Hua Garden was completed and successfully handed over in June 2004.

In September 2001, Debao Property entered into a 55:45 joint venture with Foshan Jing Fang, an unrelated third party strategic partner, to jointly develop a multi-phased integrated residential and commercial property known as Jin Long Garden of approximately 142,000 sq m GFA in Chanchen District, Foshan City. Due to the resettlement of residents occupying a part of the land, development work of Jin Long Garden only commenced in 2004 and significant construction commenced only in 2007 when the resettlement was completed. Barring unforeseen circumstances, this project is expected to be completed in phases by 2011.

In mid-2005, Debao Property acquired Jiao Tong Complex with a total GFA of approximately 12,000 sq m, now known as Debao Hotel Complex. Debao Hotel Complex was refurbished in 2006 and comprises a hotel block and office premises. The hotel has 80 rooms, a Chinese restaurant and a meeting cum function room. It also has eight floors of office premises, having a total GFA of approximately 4,792 sq m available for lease, of which, as at the Latest Practicable Date, approximately 67.7% of the available GFA had been leased out. The hotel block of Debao Hotel Complex is currently being leased to and managed by the brother of our Executive Director, Mr Zhong Yu Zhao.

GENERAL INFORMATION ON OUR GROUP

Between March 2003 and October 2007, Debao Property completed the development of phases 1 to 4 of an integrated residential and commercial property development, known as Jiangnan Mingju Phases 1 to 4, comprising approximately 350,000 sq m GFA and approximately 2,300 units of apartments in Nanhai District, Foshan City. To streamline the operations of our Group, Jiangnan Property was incorporated in 2006 and took over the development of Jiangnan Mingju Phases 5 and 6. Jiangnan Mingju Phases 5 and 6 is adjacent to Jiangnan Mingju Phases 1 to 4 and comprises approximately 165,000 sq m GFA and approximately 1,300 units of apartments. Barring unforeseen circumstances, this project is expected to be completed by the second half 2010.

In March 2007, Debao Property had entered into a 60:40 joint venture with another unrelated third party strategic partner, Yueshi Trading, to establish Sanshui Property and develop Shanshui Longpan, a large-scale and multi-phased integrated residential and commercial property development project comprising residential units and villas, bungalows, retail shop units, office units and a four-star hotel of an aggregate GFA of approximately 968,000 sq m in Sanshui District, Foshan City. In 2008, we acquired the remaining 40% of the shareholdings of Sanshui Property from Yueshi Trading. Please refer to the section titled “Restructuring Exercise” of this Prospectus for further details. Barring unforeseen circumstances, Shanshui Longpan is expected to be completed in phases by 2013. We expect Shanshui Longpan to start making contributions to our revenue from end FY2009 to FY2014.

In December 2007, Debao Property entered into a 62:38 joint venture with an unrelated third party, Mr Huang Wei Quan, and acquired an industrial piece of land at Lianbiao Village, Songgang Office, Shishan Town, Nanhai District, Foshan City, Guangdong Province (佛山市南海区狮山镇松岗办事处联表村) of approximately 40,000 sq m. After conversion of the use of land, we intend to develop residential and commercial properties with GFA of approximately 123,000 sq m thereon, known as Songgang Project. Barring unforeseen circumstances, we expect to commence the development of Songgang Project in 2010.

As at the Latest Practicable Date, we have a portfolio of completed property developments of a total GFA of approximately 635,000 sq m (including Xinliwan Garden and Debao Garden which Debao Property had taken over from its predecessors) and a further GFA of approximately 1,275,000 sq m of properties under development. Please refer to the section titled “Details of Our Property Developments” of this Prospectus for more information on our properties.

We have been awarded a number of awards such as Double Gold Prize (Construction and Environment) in the National Residential Construction, Planning and Design Competition in 2004 for Jiangnan Mingju Phases 1 to 4. Please refer to the section titled “Awards and Certificates” of this Prospectus for further details.

GENERAL INFORMATION ON OUR GROUP

INDUSTRY OVERVIEW

The information in the section below has been derived from the executive summary of the market report dated 7 December 2009 that we commissioned DTZ Debenham Tie Leung to prepare for us (the “Market Report”). This information has not been independently verified by us, the Issue Manager, Joint Underwriters and Placement Agents, or any of our and their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside the PRC. The following information includes forward-looking statements regarding events the fulfilment of which involves risks and uncertainties. Please see the section titled “Cautionary Note Regarding Forward-looking Statements” of this Prospectus.

Overview of Foshan City in Guangdong Province

Foshan is a strategically located manufacturing and logistics centre for the Pearl River Delta region, one of the most economically powerful and dynamic regions in China, in the southern part of Guangdong Province. With a population of close to six million and in excess of 3.6 million households residing in Foshan, it is a well-established city, with a long history and distinct local culture. As early as the Ming and Qing Dynasties, the city was known as one of the “4 famous counties”, and has long earned its living as a commercial and logistics city.

Together with Guangzhou, they form the Guangzhou-Foshan Economic Zone which seeks to speed-up regional economic integration and urban development by enhancing the communications networks between Guangzhou and Foshan as well as developing complementary industries and economic strengths.



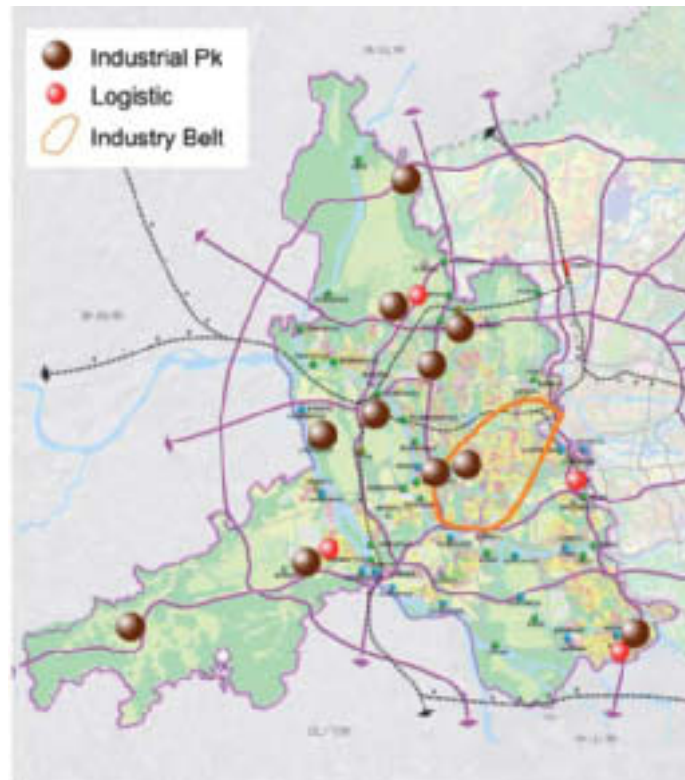
The city centre of Foshan to the three major transportation hubs of Guangzhou, namely, the Guangzhou New Baiyun International Airport (广州新白云机场), the Guangzhou Nansha Port (广州南沙港) and the Guangzhou Train Station (广州火车站), are within an hour of driving time. Hong Kong and Macau are 231 kilometres and 143 kilometres away from Foshan respectively. Foshan's geographical location enables it to fully utilise the market advantages and reputation of Hong Kong and Macau as international cities as well as facilitates its participation in the global economy and increasing its international profile.

GENERAL INFORMATION ON OUR GROUP

Overview of Foshan's economy

Foshan has a strong industrial economy, with ceramics, knitting, underwear, children's clothing, jeans, furniture, aluminium processing and other traditional pillar industries making up a significant proportion of Foshan's total industrial output.

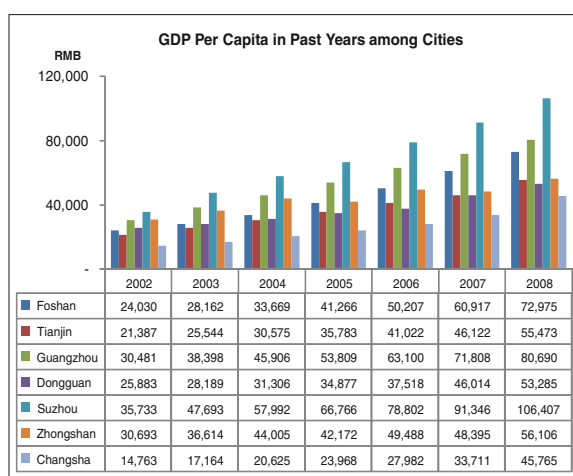
As the city's economy matures, industrial operations have become better regulated, and Foshan government has become increasingly strategic and selective in deciding which companies and sectors are permitted to invest in the city. Leading this development is the emergence of a series of industrial-focused clusters in seven major industrial parks which now accommodate more than 3,000 companies and produce over RMB250 billion worth of industrial output annually.



GENERAL INFORMATION ON OUR GROUP

In March 2008, Foshan was ranked 6th in its competitiveness in fostering innovation and 14th in its general urban competitiveness amongst all cities in China by the Chinese Academy of Social Sciences. In 2008, Foshan was ranked 11th largest city in China by GDP, with total GDP of RMB433.33 billion, representing an increase of 15.2% over 2007 and out-pacing the GDP growth in major cities like Beijing and Shanghai. Per capita annual disposal income of urban household in Foshan had been increasing steadily since 2002. In 2008, the per capita annual disposal income of urban household was RMB22,494, comparable to major cities such as Beijing and Shanghai, as shown in the table below.

Economic Indicators, Selected Major Cities (2008)								
	Beijing	Shanghai	Chengdu	Guangzhou	Shenzhen	Dongguan	Suzhou	Foshan
Resident Population (10,000 persons)	1,695	1,888.46	1,125	1,018.2	876.83	694.98	810	595.29
GDP (RMB billion)	1,048.8	1,369.82	390.1	821.58	780.65	370.25	670.1	433.33
Real GDP Growth Rate (%)	9.00%	9.70%	12.10%	12.30%	12.10%	14.00%	13.00%	15.20%
GDP per capita (RMB)	63,029	72,536	30,855	80,689	89,814	53,285	82,728	72,975
Total Investment in Fixed Assets (RMB million)	384.85	482.95	301.29	210.46	146.76	94.3	261.12	125.87
Total Retail Sales of Consumer Goods (RMB billion)	458.9	453.71	162.19	314.01	225.18	83.82	155.18	117.78
Utilized Foreign Direct Investment (USD billion)	6.08	10.08	2.25	3.62	4.03	2.45	8.13	1.806
Annual Disposable Income of Urban Household (RMB)	24,725	26,675	16,943	25,317	26,729	30,275	23,867	22,494

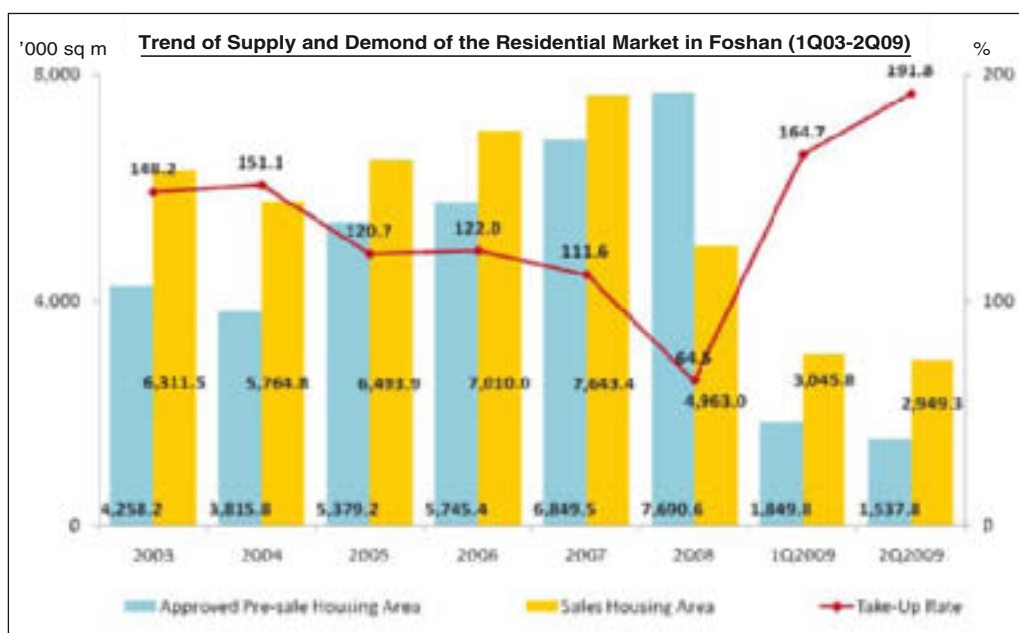


GENERAL INFORMATION ON OUR GROUP

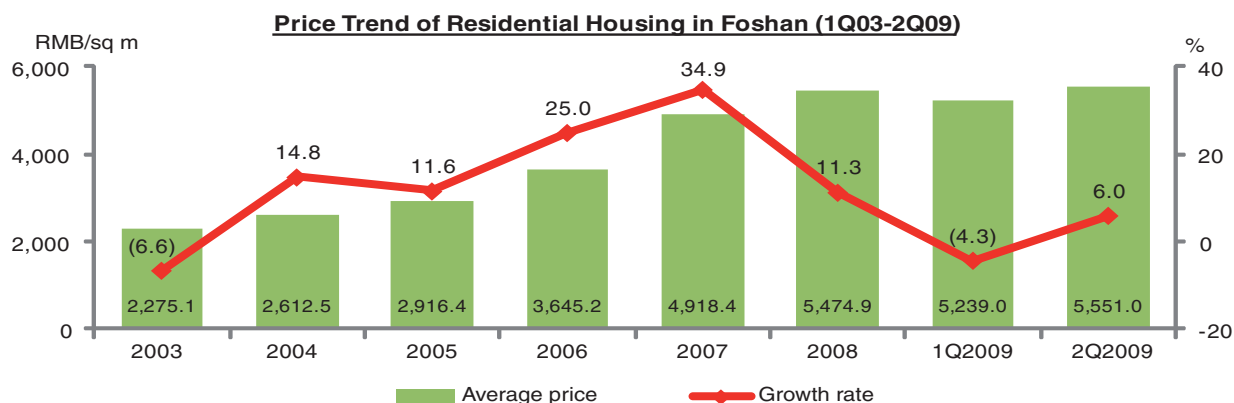
Foshan's GDP per capita was ranked 3rd highest when measured against comparable Tier 2 cities along China's eastern coast, as shown in the charts above. Unlike cities such as Zhongshan, Suzhou and Dongguan which had experienced significant swings in their economic growth rates, Foshan's economy has been experiencing steady growth rates of between 17.2% and 22.6% from 2003 to 2008, reflecting the health, sustainability and resilience of its economy vis-à-vis the comparable cities.

Property market in Foshan

The property market in Foshan expanded rapidly from 2006 to the first half of 2007, in light of the aggressive participation from 18 new non-local developers during this period. Local developers on the other hand chose to withdraw their business from outlying areas of Foshan and to focus on Shanshui, Gaoming, Nanhai and other suburban areas around the city.



Over the past few years, Foshan saw remarkable growth in new residential construction, transaction volumes and housing prices, in line with the city's rapid economic growth and urban transformation. After six consecutive years of housing demand outstripping new supply, the supply of housing area caught up with demand in 2008 under the combined influence from the Central Government's control measures targeting the property market and the global financial crisis. Early indications for 2009 indicate a recovery of buyer confidence.



Prices of residential housing in Foshan have maintained an annual growth rate of 19.2% since 2003. The average selling price of residential housing in 2008 reached RMB5,475/sq m, a new high in recent years.

GENERAL INFORMATION ON OUR GROUP

Ever since the implementation of the macro-economic adjustments in 2004, Foshan has seen a constant and steady sales volume for nearly four years in a row. Sales volumes fell in 2008, although sales prices have continued on their upward trend. In 2008, the growth in average price began to stabilise amidst a declining economic growth rate, as the accumulated saving from years of rapid economic growth continues to bring new buyers into the market, but with more rational price expectations.

In the first quarter of 2009, the average price of residential housing in Foshan was RMB5,239/sq m, a decrease of 6.6% year on year and 4.3% compared with 2008. Developers have lowered their expectations on prices in order to increase sales. This represents a relatively minor decline compared to other cities in the Pearl River Delta region and the strength of early transaction volumes in 2009 is indicative of the fundamental demand factors driving the property market in Foshan.

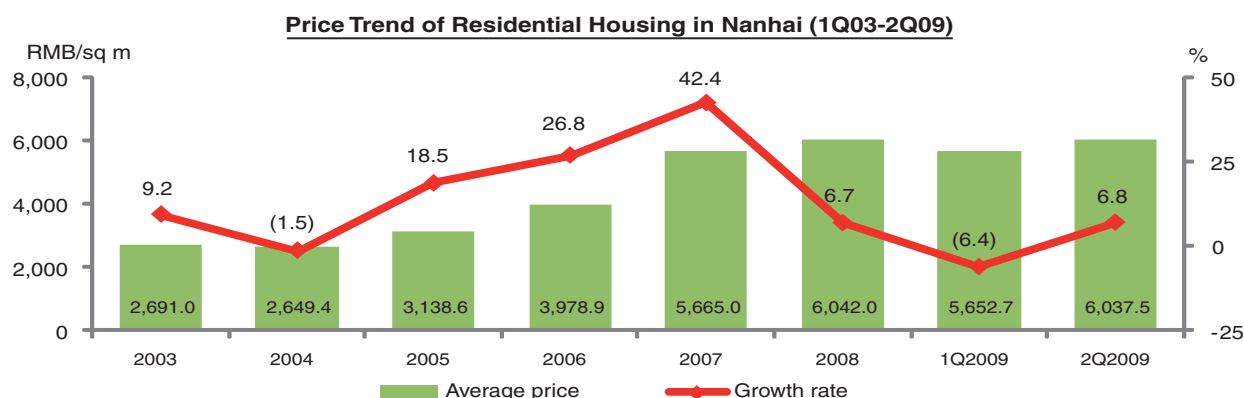
In the second quarter of 2009, the average price of residential housing in Foshan was RMB5,551/sq m, an increase of 6.0% over the previous quarter, signalling a potential stabilisation and possible recovery of the residential housing market in Foshan.

Property market in the Nanhai District



The implementation of “Guangzhou-Foshan city integration” and infrastructure improvements has created “hot spots” in the Nanhai District (as shown in the map above), namely, the Guicheng East region (桂城东板块), the Qindeng Lake region (千灯湖板块), the Guangfo region (广佛板块) and the Shishan region (狮山板块). Of these, the Guicheng East, the Qindeng Lake and the Guangfo area have massive market demand due to their close proximity to Guangzhou. In addition, the construction of Guangfo’s metro network is expected to significantly enhance the residential price of these areas. The positioning of Qindeng Lake as a financial district will help attract buyers’ attention, whilst Shishan’s natural environment characteristics enables it to pursue a high-end development strategy.

GENERAL INFORMATION ON OUR GROUP



Save for 2004 and 2007, the average transaction price of residential housing in the Nanhai District has been increasing steadily. In 2004, the average transaction price declined by 1.5% due to the impact of the SARS crisis, which impacted on confidence in the local market, as Foshan was the epicentre of the epidemic. In 2007, the average transaction price increased by 42.4% due to the release of supply of many mid to high-end residential projects and villas projects in the same year. The increase in the average transaction price moderated to 6.7% in 2008 due to, in part, the gradual reduction in asking price by the developers.

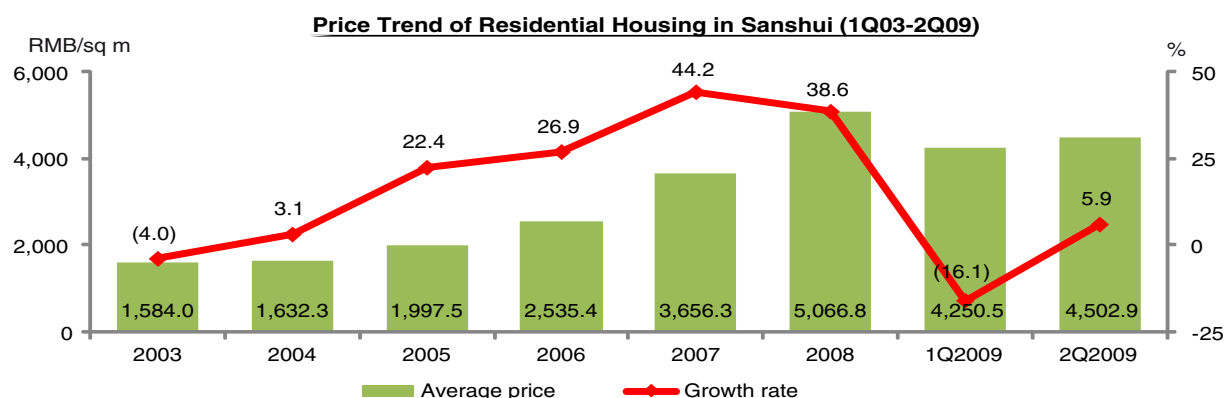
The long-term prospects of the property market in the Nanhai District remain optimistic due to its price competitiveness compared to Guangzhou and future development prospects.

Property market in the Sanshui District

Sanshui District has abundant land resources. In 2008, 16 pieces of land earmarked for commercial and residential use were transacted, at an average accommodation value of RMB528.8/sq m. The total area of this land was 1,580,000 sq m.

Most of the available land parcels zoned for commercial and residential uses are located in the south-west of the Sanshui district where the city is expanding. Recent land supply has been concentrated in this area to accommodate ongoing development.

Between January and May 2009, a total of 91,520 sq m of commercial and residential land was transacted in Sanshui District, with the average accommodation value reaching RMB675.5/sq m. The accommodation value of Sanshui's central district reached RMB2,304.35/sq m, indicating ongoing developer optimism regarding the property market in Foshan, despite the 2008/2009 slowdown in the general property market in China.



GENERAL INFORMATION ON OUR GROUP

Save for 2003, the average transaction price of residential housing in the Sanshui District has been increasing consistently. In 2003, the average transaction price declined by 4% due to the SARS crisis, which impacted the Foshan area especially hard. As people are looking to improve their standard of living, substantially more villas were launched in the Sanshui property market to meet the market demand. Average prices have risen from around RMB1,584/sq m in 2003 to RM5,067/sq m in 2008, representing a compounded annual growth rate of 20.57%.

Improvements in quality of housing, ease of access to transport and supporting facilities for residential housing projects have been launched since 2007. As such, these projects were able to command higher prices, leading to an increase in average residential housing prices for 2007. At the end of 2008, there was an increase in supply of high-end products, resulting in a corresponding increase in the average price.

The continued development of the three industrial parks located in the northern, central and southern areas of the Sanshui District is expected to continue to increase the purchasing power of residents. In addition, the on-going large scale housing resettlement plan by the local government is expected to create significant demand for residential properties.

BUSINESS OVERVIEW

We are an integrated property developer specialising in the building of quality integrated residential properties and commercial properties in the PRC. We have a vertically-integrated business model and operations with expertise to carry out various key aspects of property development, construction, marketing and management. Over the years, we have built a strong presence and brand name in developing quality integrated residential and commercial properties in Foshan City, Guangdong Province, which are mainly large-scale and multi-phased projects.

As testament of the quality of our operations and the properties developed by us, we received, *inter alia*, the Double Gold Prize (Construction and Environment) in the National Residential Construction, Planning and Design Competition in October 2004 for our property development project, Jiangnan Mingju Phases 1 to 4.

Through the leadership of our experienced and established management team, we have established a track record of completed property development projects with an aggregate GFA of approximately 635,000 sq m (including Xinliwan Garden and Debao Garden which Debao Property had taken over from its predecessors) as at the Latest Practicable Date. As at the Latest Practicable Date, the total size of our properties under, and held for future development stands at an aggregate of approximately 1,398,000 sq m. For details, please refer to the section titled "Details of our Property Developments" of this Prospectus.

As testament to the growth potential of our properties under, and held for future development, the valuation of our development properties (including our equity interest in Jin Long Garden) based on the Valuation Report prepared by CB Richard Ellis Limited was approximately RMB3.49 billion as at 31 July 2009. Please refer to Annex B of this Prospectus for the Valuation Report.

Our management is highly selective in choosing the land location of our property development projects as we believe vicinity and convenience are the critical buying factors. For the living comfort of the residents, we place a high emphasis on the workmanship and interior design of our residential properties, incorporating proper landscaping, recreational facilities and infrastructure to create an upscale, desirable living environment to attract our target customers. Our residential properties are also integrated with commercial and retail shops/space for the convenience of the residents, which also enhance the investment value of our properties.

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As a vertically-integrated property developer, our property development projects are mostly designed, built and managed in-house. This allows us to promptly deliver our commitments to the purchasers and control our quality, costs as well as development schedules. Currently, our construction arm carries out a majority of our property construction by working with other main contractors and subcontractors. For certain development projects, we will work with strategic partners to jointly develop properties by leveraging on each other's strengths and resources.

We hold selected commercial properties that we developed or bought for capital appreciation for recurring and stable rental income. We also provide auxiliary property related services, such as property management services primarily for properties that we have developed.

The different aspects of property development are carried out by our subsidiaries as follows:-

PRC subsidiary	Scope of business
Debao Property	: Property development, property investment holding, group management and administration
Guihe Construction	: Property construction, landscaping, renovation and installation works
Guiyu Property Management	: Property management

For larger property development projects, we will incorporate a subsidiary to undertake each of such projects. Jiangnan Property and Sanshui Property are such companies set up for Jiangnan Mingju and Shanshui Longpan respectively. Upon completion of each project, the said subsidiary set up for that project will cease operations.

The other aspects of property development which require specialised or professional knowledge are subcontracted to third parties. These would include architectural design of the developments and electrical, engineering and plumbing works.

Property Development

Our residential property developments are mainly large-scale, multi-phased projects. Our developments are of high quality and international standards; they are fully integrated with ancillary facilities such as childcare centres, kindergartens and schools, clubhouses, gym facilities, swimming pools, other sporting facilities and even retail establishments.

Our property development activities are carried out through our property development subsidiaries, namely Debao Property, Jiangnan Property and Sanshui Property. Debao Property has obtained a Grade 3 Qualification Certificate for Real Estate Development Enterprise in the PRC with which Debao Property is qualified to undertake real estate development projects with an individual GFA of up to 250,000 sq m, subject to renewal after 27 July 2011 and Jiangnan Property has obtained a Grade 4 Qualification Certificate for Real Estate Development Enterprise in the PRC with which it is qualified to undertake real estate development projects with an individual GFA of up to 250,000 sq m, subject to renewal after 30 June 2010. Sanshui Property has obtained a Provisional Qualification Certificate for Real Estate Development Enterprise in the PRC with which it is qualified to undertake real estate development projects with an individual GFA of up to 250,000 sq m, and is in the process of obtaining a Grade 4 Qualification Certificate for Real Estate Development Enterprise in the PRC.

We ensure that our residential property developments are built with quality workmanship and well-designed landscaping through our construction expertise. As a result, we are able to command good sale prices for our residential property developments. Our construction arm, Guihe Construction holds a Grade 3 Main Contractor License for Housing Construction and Engineering in the PRC (please refer to section titled "Property Development – Construction Work" of this Prospectus for more information) and carries out a majority of our property construction by working with other main contractors and subcontractors. Guihe Construction also performs construction works for our joint venture projects (namely, Jin Long Garden, during the financial periods under review) and third parties, which are recognised as our revenue from construction contracts. Please refer to the section titled "Management's Discussion and Analysis of Our Results of Operations and Financial Condition" of this Prospectus for more information.

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We also strive to ensure that our residential property developments are well managed by our subsidiary, Guiyu Property Management, which holds a Grade 2 Qualification Certificate for Property Management Enterprise in the PRC. Please refer to the section “Details of Our Property Developments” of this Prospectus for further details on our property developments.

Property Management

We provide residential property management services for residential properties developed by us through our subsidiary, Guiyu Property Management. Save for Qing Hua Garden which is managed by our joint venture partner, we provide management services for all our residential property developments. As at the end of FY2008 and 1H2009, the aggregate GFA of property managed by us was approximately 496,000 sq m and 496,000 sq m respectively. As we place strong emphasis on maintaining the quality of our property developments, we view our quality property management services activities as a way to increase our brand name and protect the integrity and image of our developments. We believe that this helps to preserve the value of our existing property developments and enhance our reputation as a responsible property developer.

Our full range of property management services includes security, building and equipment maintenance and repairs, cleaning services, facilities management and landscape maintenance.

Property Investment

As part of our strategy to generate additional and recurring revenue stream, we have acquired Jiao Tong Complex (now known as Debao Hotel Complex) which comprises of a hotel and office premises. The hotel block is currently leased and managed by the brother of our Executive Director, Mr Zhong Yu Zhao. Approximately 67.7% of the office premises have been leased as at the Latest Practicable Date. We also own commercial shop units in Debao Garden and Jiangnan Mingju Phases 1 to 4 as part of our portfolio of investment properties.

These investments allow us to take advantage of the growth potential of the commercial property segment in Foshan City and to provide recurring and stable income to our Group. 65.1% and 76.0% of the residential and commercial premises located in Debao Garden and Jiangnan Mingju Phases 1 to 4 respectively, have also been leased as at the Latest Practicable Date. As at the end of FY2008 and 1H2009, the aggregate GFA of our investment properties leased out stood at approximately 20,700 sq m and 15,900 sq m respectively. We intend to build up a portfolio of investment properties selectively and progressively, while continuing to grow our core residential property development business.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have enabled and will continue to enable us to take advantage of the growth potential of and to compete effectively in the PRC real estate market.

(a) Experienced and established management team

We have an experienced and established management team that has successfully led our operations through rapid organic growth and progressively expanded our portfolio of high-quality property development projects. Our management team has extensive experience in the property sector in the PRC property sector. Our Executive Chairman and CEO, Mr Yuan Le Sheng, and the key members of the management team, particularly many of the respective deputy general managers heading various aspects of our operations, have been substantially involved in our business since our inception. Mr Yuan and most of Executive Directors have more than 15 years of experience each in this industry. We believe that our extensive experience has helped us to anticipate the demand and preferences of our target markets. This ability to anticipate and to cater to customers' demands and preferences has been critical to our growth and success to date.

GENERAL INFORMATION ON OUR GROUP

The experience of our key management team dates back to the predecessors of Debao Property which are state-owned entities managed by our current management team. This experience has allowed our key management team to forge a strong network of government and industry contacts over the years. Our management also has extensive network, experience and market knowledge which provide our management with the acumen to source potential sites in emerging high-growth locations with attractive development opportunities and to purchase the most appropriate sites at the appropriate time and price, thereby positioning us to benefit from the ensuing rapid market growth. We believe that our management's strong grasp of market trends, network of government and industry contacts will lead us to continued success.

(b) Strong pipeline of large and well-located properties under development and held for future development with an aggregate GFA of 1,398,000 sq m

As at the Latest Practicable Date, we have a strong pipeline of three development projects comprising a total GFA of approximately 1,275,000 sq m of properties under development and approximately 123,000 sq m GFA of land held for future development in Guangdong province. Our development sites are strategically located in prime and highly accessible locations in our target markets. Please refer to the section "Details of our Property Developments" of this Prospectus for more information on our development projects. We believe that our strong pipeline of projects, which are expected to be separately completed in various phases between 2010 and 2013, will provide us with secure and strong business growth opportunities in the foreseeable future.

(c) Our demonstrated ability to develop award-winning quality large scale integrated residential and commercial property developments

We have completed five development projects (inclusive of Xinliwan Garden (新荔湾花苑) and Debao Garden (德宝花苑)) comprising an aggregate GFA of approximately 635,000 sq m. Our most recently completed project was award-winning Jiangnan Mingju Phases 1 to 4 which comprises 19 apartment towers with approximately 2,300 units with an aggregate GFA of approximately 350,000 sq m.

We believe that we are recognised as a developer of quality large scale integrated residential and commercial properties. Our property developments are positioned at a level of affordability that caters to a wide consumer segment ranging from mid to high-end income consumer markets. Nevertheless, our property developments come with quality integrated product offerings such as kindergartens, playgrounds, gymnasiums, swimming pools, function rooms and sports rooms, and are landscaped to offer our customers a complete lifestyle experience. We believe that our positioning as a property developer with a focus on quality enables us to command better selling prices. Furthermore, we typically develop and sell our properties in multiple phases with the average sales prices increasing with each subsequent phase. We have historically been able to achieve better average selling prices in the later phases as our projects mature with evolving communities and improving infrastructure.

We believe that the awards and certificates we have received bear testimony to the quality of our operations and the properties developed by us. We received the Double Gold Prize (Construction and Environment) in the National Residential Construction, Planning and Design Competition in October 2004 for our property development project, Jiangnan Mingju Phases 1 to 4, in recognition of our architectural innovation and management's capability. These distinctions enable us to command a strong market presence in our target markets as we established our "Debao" brand name with quality and innovative property developments. Please refer to the section titled "Awards and Certificates" of this Prospectus for further details of the awards and certifications received by our Group.

GENERAL INFORMATION ON OUR GROUP

(d) Established track record and brand name

We have an established track record of more than 10 years and we believe that we have successfully built the “Debao” brand name such that we are recognised as a developer of quality properties by local governments, the property industry and customers alike. We have primarily built up our brand name through the proven quality and prime locations of our property developments and their ancillary recreational facilities.

We ensure the quality of design, materials, finishings and construction through collaboration with leading architects, designers and contractors. Demand for our developments is illustrated by the fact that we have been able to achieve strong sales for our completed property development projects in the past. To-date, we have not experienced major complaints or litigation in relation to the quality of our developments. We believe that our brand name has also been significantly enhanced by the high standard of after-sales and property management services we provide. The high-quality management services we provide enhance customer satisfaction and our brand name.

We believe that our projects contribute to the overall development and upgrading of local communities, provide new models of residential development, and contribute to capital growth of properties in the vicinity of our projects. We believe local governments view us as a preferred developer, which we believe will give us a significant advantage in obtaining prime development sites and allows us to maintain a sufficient project pipeline that is integral to our ongoing growth. Given our track record in building quality and representative projects commanding good prices, our property developments were often visited by government officials. Such visits often lead to invitations for us to participate in development projects and provide us with early information on quality development sites in locations that we may be interested in, as well as timely and accurate information relating to property development policies and land policies. This gives us a competitive advantage in identifying and acquiring prime sites for our future developments.

(e) Effective and efficient vertically-integrated business model and operations

We are a vertically-integrated property developer with expertise to carry out various key aspects of property development, construction, marketing and management, which allows us to capture margins throughout our value chain.

We have recognised the synergistic effects of our vertically-integrated business model and operations and we believe that this enables us to better offer a comprehensive package of services ranging from site procurement, design and build services, project management to the marketing and management of the completed development.

Our Directors believe that we are one of the property development companies which have strong control of our development schedules and costs. Being able to manage and execute our own property construction also ensures that our development schedules are observed, project milestones are adhered to, and that our quality standards are met. In addition, we are able to enjoy economies of scale from bulk purchasing during our procurement of construction materials. In addition, our in-house development team closely monitors the progress of each stage of development as well as controls the costs of acquisition of materials. Please refer to the section titled “Property Development Process” of this Prospectus for the different aspects of property development carried out by our subsidiaries.

GENERAL INFORMATION ON OUR GROUP

PROPERTY DEVELOPMENT PROCESS

The diagram below summarises the stages and elements of our property development process.

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GENERAL INFORMATION ON OUR GROUP

Strategy Development

Property development begins with the formulation of our overall development strategies and investment plan. Our board and senior management will undertake an in-depth deliberation and consideration of certain key matters: the macro-economic policies and development plans of the PRC government and the likely impact on the economic growth and development of the city concerned and particularly, the impact on the real estate market; the economic growth and prospects and the demand and supply conditions in the real estate market of the city concerned; and the level of our proposed investment commitment within a three to six year time frame. Once our overall development and investment strategy is formed, we then analyse reports and investment proposals submitted by the management team after which we determine the amount of investment we are prepared to commit.

Site Identification and Market Analysis and Research

Our development committee is responsible for site selection. The development committee is led by our Executive Chairman and CEO, Mr Yuan Le Sheng, and its other members are Messrs Zhang Mao, He Ke Ping, Zhong Yu Zhao and Yang Qi Man.

Our development committee considers the following factors, among other things, in site selection:-

- zoning plans or city planning restrictions imposed by the government for the relevant site;
- accessibility of the area and the available supporting infrastructure;
- marketability of the development and demand for properties in that area;
- convenience and accessibility to the city centre and neighbouring large cities; and
- costs of development, investment and financial return ratios.

For every potential site acquisition, we have a project committee responsible for carrying out comprehensive feasibility studies into key factors including market supply and demand, comparable projects, potential pricing, site suitability, environment and competitors for residential properties in the vicinity. The project committee typically comprises employees involved in the design, planning, sales and marketing of our property developments. Based on the feasibility studies, the project committee prepares a proposal for site selection and land acquisition setting out certain key factors for consideration by the development committee, including the type of property development suitable for the market and chosen site, specific considerations that should be considered in the light of market and site conditions, and the initial financial modelling of the cost and financing of the land acquisition costs. This proposal is then presented to the development committee, which considers the findings of the feasibility study and the proposal and decides whether to seek to acquire the development site in question.

Land Acquisition

Pursuant to the Regulations on the Grant of State-Owned Land Use Rights through Competitive Bidding, Public Auction and Public Announcements (招标投标挂牌出让国有土地使用权规定) promulgated on 9 May 2002 by the State Bureau of Land Resources of the People's Republic of China, which was revised on 21 September 2007 and entitled as the Rules Regarding the Grant of State-Owned Construction Land Use Rights through Competitive Bidding, Public Auction and Public Announcements (招标投标挂牌出让国有建设用地使用权规定) which came into force on 1 November 2007, land use rights for the purposes of industrial use, commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction or listing-for-sale.

GENERAL INFORMATION ON OUR GROUP

After 1 July 2002, we have acquired and will continue acquiring all our land use rights in respect of our development projects through the following methods:-

- acquiring directly from the government land bureau through public tender or auction;
- acquiring companies that hold development sites; and
- forming joint ventures and partnerships with companies or entities that own development sites.

In a public tender of state-owned land use rights, the holder of these rights (“Grantor”) will issue a tender notice, invite specified or unspecified individuals/entities to participate in the tender, and the final evaluation shall be conducted by an evaluation team. Where a bidder satisfies each term of the integrated evaluation criteria as listed in the tender documents to the maximum degree, or, where he is able to meet the substantive requirements and bids the highest price, he shall be identified as the successful bidder.

In an auction, the Grantor issues a notice and the buyers shall conduct public bidding at a specified time and place with the highest bidder winning the auction.

We fund our land acquisitions primarily through internal resources. Typically, in the preliminary stages of our property developments, we use our internal resources to pay land premiums for the acquisition of land use rights. We are generally able to obtain bank loans to fund our project development costs only after we have attained the relevant development licences. We determine the amount of bank financing we require based on our available cash flow. The banks which we have relationships with would normally provide bank financing for up to 65% of development costs as projected by the developer and verified by the bank, with the remaining 35% financed by our Group through internal resources and proceeds from sales and pre-sales.

Project Conceptualisation, Planning and Design

Our in-house development team, which comprises civil engineers, is responsible for project conceptualisation for our property developments. After conceptualisation, tenders will be called for professional architectural firms to design the development. In selecting these firms, we consider their qualifications, reputation for reliability and quality, their size and portfolio.

Design contractors are typically selected through a tender process for each project. The development team constantly monitors the progress and quality of the design teams to ensure they meet our required standards.

In general, we will choose the design for a particular property development based on which architectural design meets our conceptual requirements and would be the most marketable.

Construction Work

After selecting the design for our property development, our development team would pass the project to our construction department comprising our staff under Guihe Construction. Currently, Guihe Construction holds a Grade 3 Main Contractor License for Housing Construction and Engineering in the PRC (“Grade 3 Main Contractor License”) and carries out a majority of our property construction by working with other main contractors and subcontractors. Please refer to the section titled “Permits, Approvals, License and Government Regulations” of this Prospectus for more information on the said licence. Due to the regulatory construction limits of Guihe’s Grade 3 Main Contractor License, we may appoint other third party main contractors with Grade 2 or Grade 1 licenses to act as the main contractor for our larger property development projects such as Jiangnan Mingju Phases 1 to 4 while Guihe Construction acts as the subcontractor to the appointed main contractor. Notwithstanding such arrangements, Guihe will still carry out the majority of the project construction where permissible within its license and its capacity. Guihe Construction also performs construction works for our joint venture projects (namely Jin Long Garden during the financial periods under review) and third parties, which are recognised as our revenue from construction contracts. Please refer to the section “Management’s

GENERAL INFORMATION ON OUR GROUP

Discussion and Analysis of Our Results of Operations and Financial Condition” of this Prospectus for more information. Where necessary, we also subcontract construction work to subcontractors. Subcontractors are either directly engaged by us or selected through an invitation tender process which process is governed by the Property Development and Municipal Facilities Construction Tender Management Regulations (房屋建筑和市政基础设施工程施工招标投标管理办法) promulgated in June 2001. Please refer to Annex C: “Summary of Relevant PRC Laws and Regulations” of this Prospectus for further details of the laws and regulations governing tender processes in the PRC. Criteria for selection of subcontractors include their portfolio, size and reputation for reliability and quality.

Guihe Construction and other construction contractors provide various services, including piling and foundation works, construction works, installation and fitting-out works.

Our standard construction contract contains warranties from the construction company in respect of quality and timely completion of construction. In accordance with the requirements of PRC property construction laws, perpetual warranties are given for structural works whilst warranties for other construction works such as electrical and plumbing will be as stipulated by PRC laws and regulations and are usually for periods between two to five years from the date of the completion inspection (竣工验收合格之日). In addition, the construction contract provides for the payment of a first instalment which is usually equivalent to 15% of the total construction cost and this first instalment is to be used for the purchase of construction materials. An amount equivalent to 3% to 5% of the total construction costs is retained by us for a period of 12 months after completion of the works to cover additional costs arising from defects and rectification works. We require Guihe Construction and/or any third party contractors to comply with the relevant PRC laws and regulations on the quality of construction products as well as our stringent quality control standards and requirements. Guihe Construction and any third party contractors are also subject to our internal quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. Construction progress payments are made following certification by a quantity surveyor based on the amount of works completed as per construction contracts. In the event of delay in construction, damages would be paid by the contractor and offset against payments due to them. For unsatisfactory quality of workmanship, the contractors are required to carry out the requisite rectification works. As at the Latest Practicable Date, we have not had any major disputes with any of our contractors.

Project Management

We have a project management team which is responsible for the management and supervision of the construction of our property developments. We also engage project management companies to manage and supervise each individual project. As required by PRC laws, our property developments are also inspected by the government Construction Department.

Our project management team is also responsible for ensuring that the construction of our properties progresses in a timely manner. Construction work is constantly monitored through regular on-site inspections and progress reports.

In line with our prudent financial management philosophy, we ensure that the construction of our property developments is carried out in a cost-effective manner. We have stringent financial controls and actively manage and control our costs through careful budget planning processes such as reviews of project expenditure reports. Our project management team ensures that our cost control policies are effectively applied in the construction process of our property developments.

Quality Control

Please refer to the section “Quality Assurance” of this Prospectus for information on our quality assurance procedures.

GENERAL INFORMATION ON OUR GROUP

Pre-Sales, Sales and Rental of Property

In line with our marketing strategy, we generally conduct pre-sales (i.e. selling property in advance of our construction completion) of our developments in accordance with applicable PRC laws. We must obtain from the relevant government authorities the Permit for Pre-completion Sale of Commodity Buildings before we can commence sales of our properties.

We commence pre-sales of our properties when the following conditions are met:-

- (a) the selling developer holds a valid legal registration certificate and a qualification certificate for real estate development enterprises;
- (b) the relevant land use rights certificates, the permit for construction project planning and the permit for commencement of construction have been obtained; and
- (c) the pre-sale permit has been obtained.

Under the Measures for Administration of Pre-completion Sale of Urban Commodity Buildings (城市商品房预售管理办法) promulgated by the Ministry of Construction in November 1994 and amended in July 2004 and the relevant regulations that govern the Guangdong Province, pre-sale permits will only be granted if:-

- (a) the land premium for the relevant land use rights has been fully paid and the relevant land use rights certificates have been obtained;
- (b) the permit for construction project planning and construction permit have been obtained;
- (c) at least 25% of the total amount to be invested in the development has been paid and the progress of works and the completion and delivery dates have been ascertained; and
- (d) at least a certain amount of the structural works of the development must have been completed. This amount is dependent on the height of the building. For example, two-thirds of the structural works must be completed for developments above seven storeys.

Delivery of our completed properties is subject to the following conditions:-

- (a) related basic facilities, including water, electricity, heat, gas and communication, shall be qualified for delivery and use. Other basic facilities and public facilities shall be qualified for use or the completion schedule and delivery date of each has been set;
- (b) the property management plan has been implemented;
- (c) the development units shall have passed completion, inspection and acceptance; and
- (d) receipt of the completion inspection record.

We set selling prices for our properties after taking into account local market trends, costs of development, expected investment returns and prevailing supply and demand conditions. We adopt a standard contract to be entered into between us and the purchaser. Our standard contract specifies the GFA of the property sold, purchase price, method and manner of payment, and date and manner of delivery of the completed property. There are also provisions for examination, acceptance and certification to be carried out by relevant government authorities before delivery of the completed property. We require from each purchaser an initial payment of between 20% and 30% of the sale price (depending on the type of property) upon the execution of a sale and purchase of property contract. The balance of the purchase price is satisfied by the purchaser either directly by the purchaser or through a mortgage facility between the purchaser and a bank (where the purchaser will repay the bank through instalment payments). Regardless of the payment method, the purchase price must be paid in full to us before completion of the development.

GENERAL INFORMATION ON OUR GROUP

We may enter into arrangements with certain domestic banks to provide mortgage financing schemes for purchasers to take out a mortgage. In line with the prevailing consumer banking practices in the PRC, banks generally only extend mortgage financing to our purchasers on the condition that we guarantee their loans until the real estate ownership certificate has been issued and the mortgage is registered. Typically, these guarantees last for up to one year.

For selected commercial properties held for investment purposes, we intend to enter into long-term tenancies with our customers.

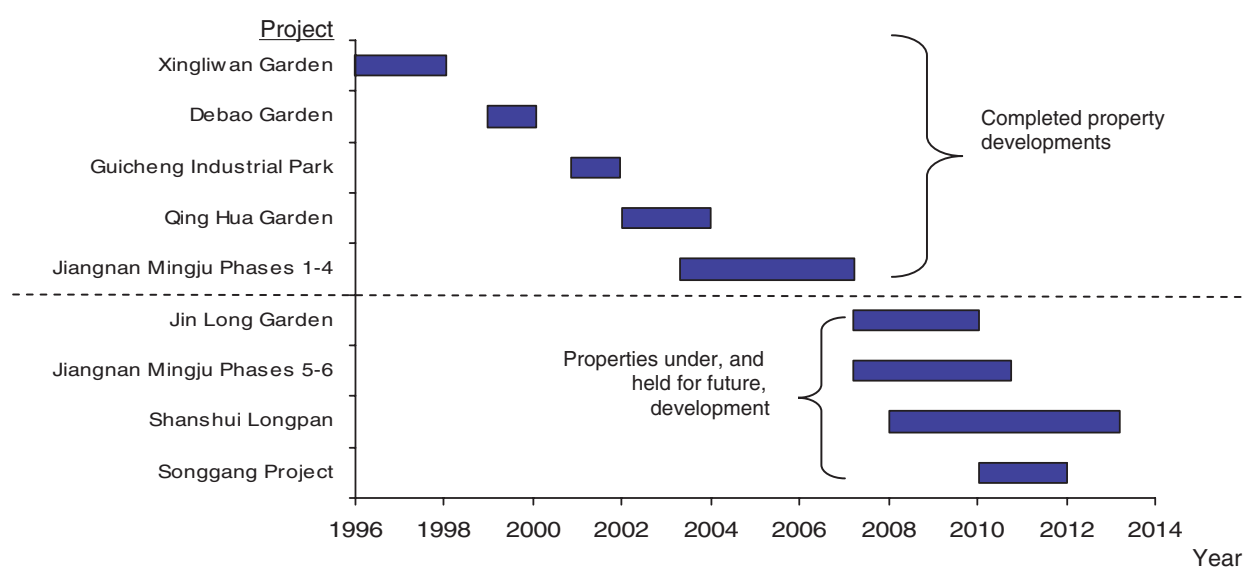
For details on our sales and marketing activities, please refer to the section titled “Sales and Marketing” of this Prospectus.

After-Sales Services

As part of our after-sales services, we assist our customers with the relevant registrations for their properties. We have a customer service department at each of our development projects to handle customer feedback. We believe that the provision of quality after-sales service enhances our brand name and goodwill, and helps to generate new sales and customer referrals for our properties.

DETAILS OF OUR PROPERTY DEVELOPMENTS

The chart below illustrates the timelines of our past and existing property developments (including Xinliwan Garden and Debao Garden which Debao Property had taken over from its predecessors) as at the Latest Practicable Date:-



Notes:-

- (1) The above timelines for our uncompleted property developments are based on management estimates. Actual completion timing may differ due to various factors such as changes in market conditions, progress of our actual construction schedules and availability of capital resources. Please refer to the section titled “Risk Factors” of this Prospectus for more details on these factors.
- (2) The above does not include the land at Danzao Town, Nanhai District, Foshan City, Guangdong Province, which we successfully auctioned for on 4 December 2009 (subsequent to the Latest Practicable Date). Please refer to the subsection titled “Description of our Properties Under, and Held for Future, Development” of this Prospectus section for more information.

GENERAL INFORMATION ON OUR GROUP

All of our past and existing property developments were located in Foshan City, Guangdong Province. The diagram below illustrates the location of these projects within Foshan City, and Foshan City within the PRC:-



GENERAL INFORMATION ON OUR GROUP

The tables below summarises the details of (i) our completed property developments (including Xinliwan Garden and Debao Garden which Debao Property had taken over from its predecessors); (ii) properties under development; and (iii) properties held for future development.

Completed Property Developments

Property development	Location / Type of development	Approximate total site area (sq m)	Approximate total GFA (sq m)	Approximate total Saleable GFA (sq m)	Approximate total GFA sold as at the Latest Practicable Date (sq m)	Interest attributable to us (%)	Year started	Year completed
Projects by Debao Property's predecessors								
Xinliwan Garden	Foshan / Integrated residential and commercial property	31,000	91,000	90,000	90,000	100	August 1996	September 1998
Debao Garden	Foshan / Integrated residential and commercial property	28,000	68,000	67,000	61,000 ⁽²⁾	100	March 1999	October 2000
		59,000	159,000	157,000	151,000			
Projects by our Group								
Guicheng Industrial Park (Joint venture project)	Foshan / Integrated residential and commercial property	26,000	48,000	48,000	48,000	100	September 2001	April 2002
Qing Hua Garden 清华园 (Joint venture project)	Foshan / Integrated residential and commercial property	28,000	78,000	78,000	78,000	50	August 2002	June 2004
Jiangnan Mingjiu Phases 1 to 4	Foshan / Integrated residential and commercial property	97,000	350,000	340,000	333,000 ⁽³⁾	100	March 2003	October 2007
		151,000	476,000	466,000	459,000			
Total		210,000	635,000	623,000	610,000			

GENERAL INFORMATION ON OUR GROUP

Notes:-

- (1) The above figures have been rounded to the nearest thousand.
- (2) Includes approximately 1,000 sq m of office and retail shop units held by our Group for investment.
- (3) Includes approximately 7,000 sq m of retail shop units and kindergarten held by our Group for investment.

For further details on our properties listed above, please refer to the Valuation Report set out in Annex B of this Prospectus.

All of the above completed projects were profitable and generated net positive cash flows. Net positive cash flows were typically obtained at the pre-sale stage of development of the above completed projects. There were no difficulties faced by our Group in the past when obtaining the financing for the above completed projects.

The length of time between the start of the date of pre-sales to the completion of projects, as well as the percentage of our Group's sales that had been pre-sold by completion date in respect of our Group's past completed projects are set out as follows:

Project	Estimated length of time between start of presales and completion	% of project pre-sold by completion date
Guicheng Industrial Park	N.A. ⁽¹⁾	100
Qing Hua Garden	13 months	80
Jiangnan Mingju Phase 1 to 4	46 months ⁽²⁾	97

Notes:-

- (1) Guicheng Industrial Park is a turnkey development project performed for the government of Guicheng District and hence considered 100% sold at point of completion.
- (2) Jiangnan Mingju Phase 1 to 4 was developed in phases and the above estimated length of time of 46 months commenced from the start of presales of phase 1 to the completion date of phase 4.

Our Group did not suffer any material losses relating to failure or delay in delivery of pre-sold properties during FY2006, FY2007, FY2008 and 1H2009.

GENERAL INFORMATION ON OUR GROUP

Properties Under and Held for Future Development

We set out below our properties under and held for future development as at the Latest Practicable Date.

Property development	Location / Type of development	Approximate total site area (sq m)	Approximate total GFA (sq m)	Approximate total Saleable GFA (sq m)	Approximate total GFA pre-sold as at the Latest Practicable Date (sq m)	Interest attributable to us (%)	Year started / Expected start date	Year completed / Expected date of completion
Properties under development								
Jiangnan Mingju Phases 5 and 6	Foshan / Integrated residential and commercial property	48,000	165,000	157,000	102,000	100	August 2007	August 2010
Jin Long Garden (Joint venture project)	Foshan / Integrated residential and commercial property	48,000	142,000	108,000	17,000	55	June 2004 (significant construction started in 2007)	December 2011
Shanshui Longpan	Foshan / Integrated residential and commercial property	994,000	968,000	790,000	–	100	December 2007 (significant construction started in 2008)	December 2013
		1,090,000	1,275,000	1,055,000	119,000			
Properties held for future development ⁽²⁾								
Songgang Project	Foshan / Integrated residential and commercial property	40,000	123,000	120,000	–	62	2010	2012
Total		1,130,000	1,398,000	1,175,000	119,000			

Notes:-

(1) The above figures have been rounded to the nearest thousand.

(2) This does not include the land at Danzao Town, Nanhai District, Foshan City, Guangdong Province with site area of approximately 106,000 sq m and estimated GFA of approximately 260,000 sq m, which we successfully auctioned for on 4 December 2009 (subsequent to the Latest Practicable Date). Please refer to the subsection titled "Description of our Properties Under, and Held for Future, Development" of this Prospectus section for more information.

GENERAL INFORMATION ON OUR GROUP

Description of our Completed Property Developments

Guicheng Industrial Park



Guicheng Industrial Park is located at Ping Er Road, Guicheng, Nanhai District, Foshan City (佛山市南海区桂城平二路). This integrated residential and commercial property development occupies a site area of approximately 26,000 sq m and has a GFA of approximately 48,000 sq m.

It comprises nine apartment towers, including retail shop units, cafeterias, six carparks and a cinema.

We commenced the construction of this development in September 2001 and completed construction in April 2002. All 48,000 sq m of the total saleable GFA had been sold.

Summary

Site Area	26,000 sq m
Total saleable GFA	48,000 sq m
Remaining saleable GFA	There is no remaining saleable GFA.
Use	Integrated residential and commercial property
Construction start date	September 2001
Construction end date	April 2002
Location	Ping Er Road, Guicheng, Nanhai District, Foshan City
Valuation	N.A. ⁽¹⁾
Interest attributable to us	100%

Note:-

- (1) N.A. means Not Applicable. No valuation was carried out on the aforementioned development as our Group had sold all saleable GFA.

GENERAL INFORMATION ON OUR GROUP

Qing Hua Garden



Qing Hua Garden located at No 11 Nanxing Yi Road, Guicheng, Nanhai District, Foshan City (南海区桂城南新一路11号) is a 50:50 joint venture with Nanhai Dong Yi Property Development Co., Ltd (佛山市南海东怡房地产开发有限公司). This integrated residential and commercial property development occupies a site area of approximately 28,000 sq m and has a GFA of approximately 78,000 sq m.

It comprises five apartment towers with approximately 940 units, including retail shop units, clubhouse, cafeterias and an underground carpark.

We commenced the construction of this development in August 2002 and completed construction in June 2004. All 78,000 sq m of the total saleable GFA had been sold.

Summary

Site Area	28,000 sq m
Total saleable GFA	78,000 sq m
Remaining saleable GFA	There is no remaining saleable GFA.
Use	Integrated residential and commercial property
Construction start date	August 2002
Construction end date	June 2004
Location	No 11 Nanxing Yi Road, Guicheng, Nanhai District, Foshan City
Valuation	N.A. ⁽¹⁾
Interest attributable to us	50%

Note:-

- (1) N.A. means Not Applicable. No valuation was carried out on the aforementioned development as our Group had sold all saleable GFA.

GENERAL INFORMATION ON OUR GROUP

Jiangnan Mingju Phases 1 to 4



Jiangnan Mingju Phases 1 to 4 is located at No. 39, G14 Zone, West Nanyi Road, Guicheng, Nanhai District, Foshan City (佛山市南海区桂城南一路西侧G14街区39号). It is built within the Qian Deng Lake District (千灯湖板块区) which is in the heart of Nanhai District of Foshan City and is in the vicinity of cultural and sports centres, schools, leisure parks and commercial retail spaces.

Resources have been allocated to build a comprehensive infrastructure within the District of Qian Deng Lake (千灯湖板块区), including the Guangfo Metro Line ("MTR") which is currently under construction to provide MTR services from Guangzhou City to Foshan City. This MTR service to Foshan City is expected to commence operations in 2010. Since the sales launch of Jiangnan Mingju Phases 1 to 4, the project has been receiving good responses from the market. In 2004, the project has been awarded the Double Gold Prize (Construction and Environment) in the National Residential Construction, Planning and Design Competition in recognition of our architectural innovation and management's capability.

This integrated residential and commercial property development occupies a site area of approximately 97,000 sq m and has a GFA of approximately 350,000 sq m. It comprises 19 apartment towers with approximately 2,300 units, retail shop units, clubhouses, cafeterias and an underground carpark.

We commenced the construction of this development in March 2003 and completed construction in October 2007. As at the Latest Practicable Date, 333,000 sq m of the total saleable GFA of 340,000 sq m had been sold.

Summary

Site Area	97,000 sq m
Total saleable GFA	340,000 sq m
Remaining saleable GFA as at the Latest Practicable Date	7,000 sq m
Use	Integrated residential and commercial property
Construction start date	March 2003
Construction end date	October 2007
Location	No. 39, G14 Zone, West Nanyi Road, Guicheng, Nanhai District, Foshan City
Valuation	N.A. ⁽¹⁾
Interest attributable to us	100%

Note:-

- (1) N.A. means Not Applicable. No valuation was carried out on the aforementioned development as our Group had sold almost all saleable GFA.

GENERAL INFORMATION ON OUR GROUP

Description of our Properties Under, and Held for Future, Development

As at the Latest Practicable Date, the total site area and GFA of our properties under, and held for future, development is approximately 1,398,000 sq m. Description of these properties as follows:-

Jin Long Garden



Jin Long Garden located at No. 91 Shidong Shang Road, Chancheng District, Foshan City (佛山市禅城区市东上路91号) is a 55:45 joint venture with Foshan Jing Fang. We are responsible for conceptualisation, design and construction management of Jin Long Garden. The project is situated right in the heart of Foshan City, which is in the vicinity of amenities such as school, recreational park, commercial mall and retail shops. Jin Long Garden is developed in two phases, the North Zone and the South Zone.

This integrated residential and commercial property development occupies a site area of approximately 48,000 sq m and has a GFA of approximately 142,000 sq m. It has a total saleable GFA of approximately 108,000 sq m.

We commenced this development in June 2004 and significant construction started in August 2007. Both phases are expected to be completed by December 2011. The pre-sale of the North Zone commenced in September 2008. Approximately 17,000 sq m of the total saleable GFA of approximately 18,000 sq m in the North Zone had been sold as at the Latest Practicable Date. Sales of the South Zone comprising the remaining saleable GFA of approximately 90,000 sq m is expected to commence by the the first quarter of FY2010.

Summary

Site Area	48,000 sq m
Total saleable GFA	108,000 sq m
Remaining saleable GFA as at the Latest Practicable Date	91,000 sq m
Use	Integrated residential and commercial property
Construction start date	June 2004 (significant construction started in August 2007)
Estimated construction end date	December 2011
Location	No. 91 Shidong Shang Road, Chancheng District, Foshan City
Valuation	RMB269.0 million ⁽¹⁾
Interest attributable to us	55%

Note:-

(1) Refer to page B-5 of the Valuation Report.

GENERAL INFORMATION ON OUR GROUP

Jiangnan Mingju Phases 5 and 6



Jiangnan Mingju Phases 5 and 6 is located at No. 39, G8 Zone, West Nanyi Road, Guicheng, Nanhai District, Foshan City (佛山市南海区桂城南一路西侧G8街区39号), adjacent to Jiangnan Mingju Phases 1 to 4.

This integrated residential and commercial property development occupies a site area of approximately 48,000 sq m and has a GFA of approximately 165,000 sq m. It has a total saleable GFA of approximately 157,000 sq m, comprising 13 apartment towers with approximately 1,400 units.

We commenced the construction of this development in August 2007 and it is expected to be completed by August 2010.

The pre-sale of this development commenced in July 2008. As at the Latest Practicable Date, approximately 102,000 sq m of the total saleable GFA of approximately 157,000 sq m has been pre-sold.

Summary

Site Area	48,000 sq m
Total saleable GFA	157,000 sq m
Remaining saleable GFA as at the Latest Practicable Date	55,000 sq m
Use	Integrated residential and commercial property
Construction start date	August 2007
Estimated construction end date	August 2010
Location	No. 39, G8 Zone, West Nanyi Road, Guicheng, Nanhai District, Foshan City
Valuation	RMB624.0 million ⁽¹⁾
Interest attributable to us	100%

Notes:-

(1) Refer to page B-5 of the Valuation Report.

(2) As the construction of Jiangnan Mingju Phases 5 and 6 has not been completed, the legal title has not yet been transferred to the purchasers of the pre-sold units. The Independent Valuer ascribed a value of RMB624.0 million to Jiangnan Mingju Phases 5 and 6 after taking into consideration, *inter alia*, the purchase prices of these pre-sold units as well as the achievable average selling prices of the remaining saleable GFA. Please refer to page B-16 of the Valuation Report for further details.

GENERAL INFORMATION ON OUR GROUP

Shanshui Longpan



Shanshui Longpan is located at No. 87 North Area, Foshan Household Appliances Industry Base of the National Torch Program, Baini Town, Sanshui District, Foshan City (三水区, 白泥镇, 国家火炬计划佛山电器产业基地北区87号), next to XianHu (仙湖), which is in the vicinity of high-end residential estates and amenities.

This integrated residential and commercial property development occupies a site area of approximately 994,000 sq m and has a GFA of approximately 968,000 sq m. It comprises a total saleable GFA of 790,000 sq m.

This development will comprise residential units and villas, bungalows, retail shop units, office units, a four-star hotel and three man-made lakes with an aggregate size of 10,000 sq m. We commenced the construction of this development in December 2007 in phases and expect to complete construction of the project by December 2013. Shanshui Longpan is generally divided into four main phases as follows:-

Main Phase	Type of development	Approximate size (GFA)		Timeline (Commencement to expected completion)
1	Hotel, villas	100,000	sq m	2009 - 2011
2	Apartments	200,000	sq m	2010 - 2012
3	Villas	150,000	sq m	2011 - 2013
4	Apartments	340,000	sq m	2011 - 2013
Overall		790,000	sq m	2009 - 2013

As at the Latest Practicable Date, this development is not ready for sale. Barring unforeseen circumstances, we expect to launch Shanshui Longpan Phase 1 villas development project by early 2010.

Summary

Site Area	994,000 sq m
Total saleable GFA	790,000 sq m
Remaining saleable GFA as at the Latest Practicable Date	790,000 sq m
Use	Integrated residential and commercial property
Construction start date	December 2007 (significant construction started in 2008)
Estimated construction end date	December 2013
Location	No. 87 North Area, Foshan Household Appliances Industry Base of the National Torch Program, Baini Town, Sanshui District, Foshan City
Valuation	RMB2,407.0 million ⁽¹⁾
Interest attributable to us	100%

Note:-

(1) Refer to page B-5 of the Valuation Report.

GENERAL INFORMATION ON OUR GROUP

Songgang Project

Songgang Project is located at Lianbiao Village, Songgang Office, Shishan Town, Nanhai District, Foshan City, Guangdong Province (佛山市南海区狮山镇松岗办事处联表村) and is a 62:38 joint venture with Huang Wei Quan. The current use of this piece of land is industrial. We intend to convert it to mixed use, i.e., for the development of residential and commercial properties.

This development occupies a site area of approximately 40,000 sq m and has a GFA of approximately 123,000 sq m. It comprises a total saleable GFA of approximately 120,000 sq m.

This development will comprise approximately 95,000 sq m GFA of residential units, 5,000 sq m GFA of retail shop units and 20,000 sq m GFA of carpark space.

We intend to commence the construction of this development in 2010 and expect to complete construction of the project by 2012.

As at the Latest Practicable Date, this development is not ready for sale.

Summary

Site Area	40,000 sq m
Total saleable GFA	120,000 sq m
Remaining saleable GFA as at the Latest Practicable Date	120,000 sq m
Use	Integrated residential and commercial property
Construction start date	2010
Estimated construction end date	2012
Location	Lianbiao Village, Songgang Office, Shishan Town, Nanhai District, Foshan City, Guangdong Province
Valuation	RMB17.7 million ⁽¹⁾
Interest attributable to us	62%

Note:-

- (1) Based on net book value in the Actual Consolidated Financial Statements. No valuation has been conducted as yet since this property was recently acquired and development has not commenced.

Danzao Project

On 4 December 2009 (subsequent to the Latest Practicable Date), we successfully auctioned for a piece of land (the "Danzao Land") at Industrial Avenue, Danzao Town, Nanhai District, Foshan City, Guangdong Province (佛山市南海区丹灶镇工业大道) ("Danzao Project"). The auction price of the Danzao Land was approximately RMB48.3 million, of which RMB5.0 million has been paid as a deposit on 4 December 2009. As at the date of this Prospectus, we have paid an aggregate of RMB30.0 million. After conducting our due diligence exercise on the land, we will enter into a land grant contract agreement with the PRC government and pay the balance of the auction price of RMB18.3 million. Thereafter, as the Danzao Land is allocated land (划拨土地), we have to convert the allocated land (划拨土地) to granted land (出让土地). An estimated land grant fee of approximately RMB12.0 million has to be paid to the relevant PRC government authority for the said conversion.

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We intend to convert the use of the Danzao Land to mixed use, i.e., for the development of residential and commercial properties, when approval is granted by the relevant PRC authority. The Danzao Land occupies a site area of approximately 106,000 sq m and has an estimated GFA of approximately 260,000 sq m (estimated total saleable GFA of approximately 250,000 sq m, comprising approximately 200,000 sq m GFA of residential units, 10,000 sq m GFA of retail shop units and 40,000 sq m GFA of carpark space). It is currently estimated that the development of this project will commence around 2011 and complete around 2013.

DETAILS OF OUR INVESTMENT PROPERTIES

The list of our Group's investment properties, size, valuation and other information is set out below:

Project Name	Size as at 31 July 2009 (sq m)	Valuation as at 31 July 2009 ⁽¹⁾ (RMB millions)	Average monthly rental per sq m as at Latest Practicable Date (RMB)	Occupancy rate as at Latest Practicable Date (%)	Date of expiry of leases
Debao Hotel Complex	12,051	99.60	40.92	85.3	February 2010 – January 2014
Jiangnan Mingju commercial units	9,217	53.95	14.89	65.1	December 2009 – December 2013
Debao Garden commercial units	1,315	8.76	14.37	76.0	December 2009 – October 2010
Total	22,583	162.31			

Note:-

(1) Please refer to Annex B for the Valuation Report for further details.

QUALITY ASSURANCE

We place strong emphasis on quality control to ensure that our properties comply with the relevant government regulations and are of high quality.

We implement strict quality control measures at every stage of the development process including project conceptualisation, planning and design and construction, which helps to ensure our compliance with the applicable national quality control standards and market practice. Our quality control measures include:-

- Requiring contractors to use construction materials and carry out construction work which meet our quality requirements;
- Engaging independent quality supervisory and management companies to carry out routine inspection on-site; and
- Inviting provincial and municipal quality control authorities to carry out inspection on-site.

In addition, we have a team of qualified personnel for each of our projects, including engineers and architects, who are responsible for supervising the construction of our properties, ensuring the implementation of our quality control measures and monitoring the progress of our projects. Furthermore, the relevant government authorities will also carry out routine inspection at various stages of construction of our property developments to ensure the quality of our construction work.

GENERAL INFORMATION ON OUR GROUP

We have established internal guidelines that we strictly enforce in respect of record-keeping, documentation, internal audit and service standards and will improve on our quality control measures where necessary.

In accordance with the requirements of PRC property construction laws, perpetual warranties are given for structural works whilst warranties for other construction works such as electrical and plumbing will be as stipulated by PRC laws and regulations and are usually for a period between two to five years. As at the Latest Practicable Date, we have not experienced any major claims or complaints from our customers in respect of any quality defect in our property developments.

AWARDS AND CERTIFICATES

As an endorsement of the quality of our products and services, we have been conferred the following awards and certifications:-

Award/Certification	Awarding Organisation	Recipient	Date of Issue
Double Gold Prize (Construction and Environment) in the National Residential Construction, Planning and Design Competition	National Residencies Construction and Planning Proposal Competition Committee	Debao Property for Jiangnan Mingju Phases 1 to 4	October 2004
Foshan Property Management Model District	Foshan Real Estate Association	Debao Property for Jiangnan Mingju	2008
Nanhai District Reliable Property Development Enterprise	Consumer Committee, Nanhai District, Foshan City	Debao Property	15 March 2004
Excellent Customer Award	China Agricultural Bank Co., Ltd., Nanhai Branch	Guihe Construction	2003 2004 2005 2006
Certificate of Membership	Foshan City Nanhai District Property Development Association	Debao Property	June 2006

SEASONALITY

Due to the nature of our business which is project-based, we have not observed any significant seasonal trends within each of the financial periods under review. Our Directors believe that there is no apparent seasonality factor affecting the property development industry.

GENERAL INFORMATION ON OUR GROUP

MAJOR SUPPLIERS

The following table sets forth our major suppliers accounting for 5.0% or more of our Group's total purchases for FY2006, FY2007, FY2008 and 1H2009 (based on our Proforma Consolidated Financial Statements):-

Major Supplier	Nature of supply	Project supplied to	Percentage of Total Purchases (%)			
			FY2006	FY2007	FY2008	1H2009
Foshan City Nanhai District Construction and Engineering Fourth Point Co., Ltd	Construction and engineering works	Jiangnan Mingju Phases 1 to 4	10.4	0.3	—	—
Foshan City Nanhai District Construction and Engineering Co., Ltd	Construction and engineering	Jiangnan Mingju Phases 1 to 4, Jiangnan Mingju Phases 5 and 6	2.0	6.0	20.7	23.6
Guicheng Municipal ⁽¹⁾	Road and drainage works	Jiangnan Mingju Phases 5 and 6, Shanshui Longpan	—	3.2	8.6	5.0
Foshan City Nanhai District Leju Trade and Commerce Storage and Transport Co., Ltd	Steel materials	Jiangnan Mingju Phases 1 to 4, Jiangnan Mingju Phases 5 and 6	7.8	5.2	13.0	—
Liang Er Jun (梁尔均) and Yuan Yu Sheng ⁽²⁾	Installation and furnishings	Jiangnan Mingju Phases 1 to 4, Jiangnan Mingju Phases 5 and 6, Shanshui Longpan	5.4	6.1	4.5	5.1
Lu Ri Sheng (卢日升) and Foshan Kangyi Decoration and Design Co., Ltd ⁽³⁾	Furnishing, utilities and landscaping	Jiangnan Mingju Phases 1 to 4	5.4	5.4	—	—
Guangdong Wanyuan Construction & Engineering Co., Ltd	Construction and engineering	Shanshui Longpan	—	—	—	5.6

Notes:-

- (1) Guicheng Municipal was a subsidiary of Debao Property prior to its disposal in 2007 to unrelated third parties. It was disposed to streamline our Group's business and operations because our Group considered this entity as a non-core subsidiary with low profit margins. Guicheng Municipal currently provides, *inter alia*, road and drainage works to regional property developers, including our Group. Please refer to the section titled "Restructuring Exercise" of this Prospectus for more information.
- (2) Messrs Liang Er Jun and Yuan Yu Sheng are business partners. Mr Liang Er Jun is the brother of our employee, Mr Liang Er Jia, and Mr Yuan Yu Sheng is the brother of our Executive Chairman and CEO, Mr Yuan Le Sheng. Messrs Liang Er Jun and Yuan Yu Sheng provide mainly furnishing and installation services to our Group. Please refer to the section titled "Interested Person Transactions" of this Prospectus for further details of the transactions between our Group and Messrs Liang Er Jun and Yuan Yu Sheng.

GENERAL INFORMATION ON OUR GROUP

- (3) Mr Lu Ri Sheng and Foshan Kangyi Decoration and Design Co., Ltd. (佛山市康怡装饰设计有限公司) are business partners. Kangyi Decoration and Design Co., Ltd. (佛山市康怡装饰设计有限公司) is wholly-owned by our Non-Executive Director, Ms Zheng Lihua. Mr Lu Ri Sheng and Foshan Kangyi Decoration and Design Co., Ltd. (佛山市康怡装饰设计有限公司) provided mainly furnishing, utilities and landscaping services to our Group. Please refer to the section titled “Interested Person Transactions” of this Prospectus for further details of the transactions between our Group and Mr Lu Ri Sheng and Foshan Kangyi Decoration and Design Co., Ltd. (佛山市康怡装饰设计有限公司).

The above were our appointed contractors for our different development projects. The purchases from these suppliers were generally in line with the construction progress of the above property development projects of our Group. Please refer to the section titled “Property Development Process” of this Prospectus for more details as to how our suppliers are selected.

Save as disclosed in notes (2) and (3) above, none of our Directors or Substantial Shareholders or any of their Associates is related or has any interest, direct or indirect, in any of the above major suppliers. To the best of our knowledge and belief, there are no arrangements or understanding with any suppliers pursuant to which any of our Directors and Executive Officers was appointed.

As at the Latest Practicable Date, our business or profitability is not materially dependent on any single supplier. Our Group does not consider itself materially dependent on any single abovementioned supplier as our Group believes that there are other qualified contractors that our Group is able to work with should any of these contractors provide unacceptable or uncompetitive terms. For example, the main-contractors for Shanshui Longpan project that our Group is currently working with are Guangdong Wanyuan Construction & Engineering Co., Ltd and Foshan Sanshui District Jingben Construction & Engineering Co., Ltd, which are different from the abovementioned main-contractor used for Jiangnan Mingju, namely Foshan City Nanhai District Construction and Engineering Co., Ltd.

MAJOR CUSTOMERS

Our customers are typically purchasers of our residential units in our development properties. Save for our unrelated third party joint venture partner, Foshan Jing Fang, none of our customers accounted for 5.0% or more of our total revenue for FY2006, FY2007, FY2008 and 1H2009 (based on our Proforma Consolidated Financial Statements).

Our construction contracts revenue derived from billings made to Foshan Jing Fang accounted for approximately 0.1%, 2.2%, 23.9% and 4.8% of our revenue for FY2006, FY2007, FY2008 and 1H2009 (based on our Proforma Consolidated Financial Statements) respectively. Please refer to the section titled “Management’s Discussion and Analysis of Our Results of Operations and Financial Condition” of this Prospectus for more information.

None of our Directors or Substantial Shareholders or any of their Associates is related or has any interest, direct or indirect, in any of the above major customers. To the best of our knowledge and belief, there are no arrangements or understanding with any customer pursuant to which any of our Directors and Executive Officers was appointed.

As at the Latest Practicable Date, our business or profitability is not materially dependent on any single customer.

For more information on the sales of our Group’s development properties to our Directors or Controlling Shareholders or their Associates, please refer to the section titled “Interested Persons Transactions – Present and Ongoing Interested Person Transactions” of this Prospectus.

GENERAL INFORMATION ON OUR GROUP

INVENTORY MANAGEMENT

Our inventory as at the end of FY2006, FY2007, FY2008 and 1H2009 (based on our Proforma Consolidated Financial Statements) are approximately RMB0.2 million, RM0.1 million, RMB0.1 million and RMB0.1 million respectively. These mainly relate to low-cost consumable items used for our construction activities that we do not capitalise as part of our development properties. Accordingly, please refer to the section “Property Development Process” of this Prospectus for information on our project management practices relating to our development projects.

CREDIT MANAGEMENT

Our finance department closely monitors the collection of our outstanding trade receivables. Our trade receivables as at the end of FY2006, FY2007, FY2008 and 1H2009 (based on our Proforma Consolidated Financial Statements) are approximately RMB33.8 million, RMB6.4 million, RMB19.1 million and RMB28.7 million respectively.

These trade receivables relate mainly to our customers who have chosen to finance their purchases of our development properties via mortgage financing. Trade receivables will be recorded in the period from the time the property units are pre-sold to the time of receipt of the balance of the purchase price from the purchaser upon disbursement by the lending bank. Please refer to section titled “Property Development Process – Pre-sales, Sales and Rental of Property” of this Prospectus for more information on our sales practices.

As at the Latest Practicable Date, we have collected RMB20.1 million of the outstanding trade receivables as at end of 1H2009.

Amount due from customers for contract work relates mainly to the construction work performed by Guihe Construction acting as the subcontractor to the main contractor engaged by our Group for our larger property development projects such as Jiangnan Mingju Phases 1 to 4 and Jin Long Garden. Please refer to the section “Property Development Process” of this Prospectus for information on the role of Guihe Construction in our Group.

Amount due from customers for contract work as at the end of FY2006, FY2007, FY2008 and 1H2009 (based on our Proforma Consolidated Financial Statements) are approximately RMB3.8 million, RMB30.9 million, RMB71.3 million and RMB64.4 million respectively, which arose mainly from the provision of services as the subcontractor to the main contractor engaged by our Group for our development projects as aforementioned. Accordingly, since we are the project managers for the development projects and control the cash flow payments to the main contractors, our finance department is able to closely monitor and effect the collection of the amount due from customers for contract work.

In line with market practices, we also provide guarantees to banks in connection with our customers’ borrowing of mortgage loans to finance their purchase of our properties. Please refer to the section titled “Material Commitments and Contingencies” for more information.

SALES AND MARKETING

Our Group’s overall sales and marketing activities are spearheaded by our Executive Chairman and CEO, Mr Yuan Le Sheng, who is supported by our Executive Director, Mr Zhong Yu Zhao, and our sales director, Mr Zheng Tai Lei. As at 30 June 2009, our Sales and Marketing Department comprised of 13 employees who are responsible for positioning our property developments in the market, formulating the appropriate sales and advertising strategies for our property developments, coordinating promotional activities, setting up show flats and on-site sale centres, collecting customer data and comments and recommending pricing strategies based on market research. In designing our property development projects, we also focus on innovative designs so as to differentiate our property development projects from competing projects.

GENERAL INFORMATION ON OUR GROUP

Our Directors believe that we have established a strong brand name among our target customers in Foshan, where our property developments are located. We believe that this has helped us in our sales and marketing efforts as it encourages potential customers to purchase as well as existing customers to recommend others to purchase properties developed by us. We also reward our existing customers by waiving a stipulated property management fee when they successfully refer others to purchase properties developed by us.

Our sales and marketing efforts are generally conducted through the media such as newspapers, magazines, outdoor advertising boards, television, radio, direct mailers and brochures. We also put up promotional banners around our property development and site areas which can be easily seen by the public as well as participate in property exhibitions.

RESEARCH AND DEVELOPMENT

We do not generally undertake any research and development activities due to the nature of our Group's business. During the financial periods under review in this Prospectus, we did not incur any significant research and development expenditure.

For our property development business, our layout designers generally seek to take advantage, as far as possible, of available technological innovations in building materials and construction methods and improve on the efficiency and design of our units.

STAFF TRAINING AND DEVELOPMENT

Our management views staff training as an important part of our corporate policy and strongly believes in the upgrading of our staff's skills and knowledge so that our Company can keep abreast of the changes and new developments in our industry. Although we do not have a specific program for training our staff, we will send our staff for training as and when it is required. If necessary, we will sponsor our staff to attend external courses conducted by local institutions and professional bodies or to seminars on areas related to our business. We also send our administration and finance staff for information technology and finance related courses to upgrade their existing skills. During the financial periods under review in this Prospectus, we did not incur any significant staff training and development expenditure.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we are in the process of applying for the registration of the following trademark:-

Trademark	Place of Registration	Application No.	Application Date	Class	Status
	PRC	7557353	21 July 2009	36 ⁽¹⁾	Pending
	PRC	7557372	21 July 2009	37 ⁽²⁾	Pending

Notes:-

- (1) Class 36 refers to insurance consultation, capital investment, stamp evaluation, immovable agency, immovable rental, immovable management, brokerage, guarantee, collection of benevolent fund and trust.
- (2) Class 37 refers to construction information, construction, construction of commercial properties, installation and repair of electric equipment, vehicle cleaning, furniture maintaining, dry-cleaning, disinfection, installation and repair of elevator, indoor decoration and repair.

GENERAL INFORMATION ON OUR GROUP

Our Directors believe that we do not have any patents, intellectual property licences or trademarks on which our business or profitability is materially dependent.

We have not paid or received any royalties for any licence or use of any intellectual property.

INSURANCE COVERAGE

There are currently no mandatory requirements under PRC laws and regulations which require a property developer to take out insurance policies in respect of its property developments or which are applicable to our Group save for motor vehicle insurance and employee-related social insurance such as elderly and medical insurance, which we have purchased accordingly (save for short term employees, the amount of which or any penalty for non-payment is not significant). We also have in place certain insurance coverage for our properties for destruction of or damage to our properties. A breakdown of our Group's properties and insurance coverage is set out in the table below:

	Book value as at 30 June 2009 (RMB millions) ⁽¹⁾	Net development cost (RMB millions) ⁽²⁾	Insurance coverage (RMB millions)	% insurance coverage over net development cost
Investment Properties	171.0	171.0	167.7	98%
Property held for sales	27.0	27.0	9.4	35%
Development Properties	1,513.2	465.0	170.9	37%
Total	1,711.2	663.0	348.0	52%

Notes:-

- (1) Based on the Actual Consolidated Financial Statements.
- (2) Net development cost represents the estimated quantifiable value-at-risk of our Group in the event of destruction or damages to our properties. It represents the book value of the respective assets held by our Group as at 30 June 2009 after netting off the associated land cost (in the case of development properties only) which our Group believes would not be subject to material risk of destruction or damages.

We believe that we have taken up sufficient insurance coverage in line with industry practice in the PRC, and we will conduct annual reviews of such coverage. As at the Latest Practicable Date, we have not suffered any loss or damage or incurred any liability relating to our properties that has a material and adverse effect on our business.

GENERAL INFORMATION ON OUR GROUP

PROPERTIES AND FIXED ASSETS

Properties under development

Name of property development / location	Type of development	Total site Area (sq m)	Total GFA (sq m)	Land use rights certificate number / expiry date	Interest attributable to us (%)	Appraised Value attributable to our Group as at 31 July 2009 (RMB million)	Percentage pre-sold as at the Latest Practicable Date (%)	Encumbrance
Jiangnan Mingju Phases 5 and 6 (江南名居 (5至6期), No. 39, G8 Zone, West Nanyi Road, Guicheng, Nanhai District, Foshan City, PRC	Integrated residential and commercial property	48,307	164,522	Fo Fu Nan Guo Yong (2006) No. 0115523 Fo Fu Nan Guo Yong (2009) No. 0110169 1 June 2046 (commercial) 1 June 2056 (other purposes) 1 June 2076 (residential)	100	624.0	65.0	–

GENERAL INFORMATION ON OUR GROUP

Name of property development / location	Type of development	Total site Area (sq m)	Total GFA (sq m)	Land use rights certificate number / expiry date	Interest attributable to us (%)	Appraised Value attributable to our Group as at 31 July 2009 (RMB million)	Percentage pre-sold as at the Latest Practicable Date (%)	Encumbrance
Jin Long Garden (锦隆花园), No. 91 Shidong Shang Road, Chancheng District, Foshan City, PRC	Integrated residential and commercial property	47,541	142,157	Fo Fu Guo Yong (2003) No 06000412503 15 July 2043 (commercial) 15 July 2073 (residential)	55	269.0	15.7	Fo Fu Guo Yong (2003) No 06000412503 (佛府国用(2003)第06000412503号) has been mortgaged to Rural Credit Union of Chancheng District, Foshan (佛山市禅城区农村信用联社) to secure loan relation to this project.
				Fo Fu Guo Yong (2001) No 06000410189 1 November 2040 (commercial) 1 November 2070 (residential)				
				Fo Fu Guo Yong (2008) No 06000420448				
				10 April 2048 (commercial) 10 April 2078 (residential)				
				Fo Fu Guo Yong (2008) No 06000420464				
				10 April 2048 (commercial) 10 April 2078 (residential)				
				Fo Fu Guo Yong (2008) No 06000420806				

GENERAL INFORMATION ON OUR GROUP

Name of property development / location	Type of development	Total site Area (sq m)	Total GFA (sq m)	Land use rights certificate number / expiry date	Interest attributable to us (%)	Appraised Value attributable to our Group as at 31 July 2009 (RMB million)	Percentage pre-sold as at the Latest Practicable Date (%)	Encumbrance
				10 April 2048 (commercial) 10 April 2078 (residential) 10 April 2058 (kindergarden use)				
				Fo Fu Guo Yong (2008) No. 06000420459				
				10 April 2048 (commercial) 10 April 2078 (residential)				
Shanshui Longpan, No. 87-1 to 87-11 North Area, Foshan Household Appliances Industry Base of the National Torch Program, Baini Town, Sanshui District, Foshan City, PRC ^{(1), (2)}	Integrated residential and commercial property	993,678	967,896	Fo San Guo Yong (2007) No. 20072100043 Fo San Guo Yong (2007) No. 20072100044 Fo San Guo Yong (2007) No. 20072100087 Fo San Guo Yong (2008) No. 20082100005 Fo San Guo Yong (2008) No. 20082100022	100	2,407.0	–	No 87-3, No 87-6 and 87-9 have been mortgaged to the China Construction Bank Co., Ltd., Foshan Branch, to secure loan facilities granted to Jiangnan Property.
				Fo San Guo Yong (2008) No. 20082100065 Fo San Guo Yong (2009) No. 20092100032				

GENERAL INFORMATION ON OUR GROUP

Name of property development / location	Type of development	Total site Area (sq m)	Total GFA (sq m)	Land use rights certificate number / expiry date	Interest attributable to us (%)	Appraised Value attributable to our Group as at 31 July 2009 (RMB million)	Percentage pre-sold as at the Latest Practicable Date (%)	Encumbrance
				Fo San Guo Yong (2009) No. 20092100033				No 87-1 and No 87-4 have been mortgaged to the China Agricultural Bank Co., Ltd., Foshan Nanhai Danzao Branch, to secure loan facilities granted to Sanshui Property.
				Fo San Guo Yong (2009) No. 20092100068				No 87-7 and 87-10 have been mortgaged to the Industrial and Commercial Bank of China Ltd, Foshan Pingzhou Sub-branch, to secure loan facilities granted to Sanshui Property.
				Fo San Guo Yong (2009) No. 20092100077				No 87-8 has been mortgaged to the China Merchants Bank Co., Ltd., Foshan Branch, to secure loan facilities granted to Guicheng Municipal.
				Fo San Guo Yong (2009) No. 20092100078				
				20 March 2047 (commercial)				
				20 March 2057 (office)				
				20 March 2077 (residential)				

GENERAL INFORMATION ON OUR GROUP

Name of property development / location	Type of development	Total site Area (sq m)	Total GFA (sq m)	Land use rights certificate number / expiry date	Interest attributable to us (%)	Appraised Value attributable to our Group as at 31 July 2009 (RMB million)	Percentage pre-sold as at the Latest Practicable Date (%)	Encumbrance

No 87-11 has been mortgaged to the China Merchant Bank Co., Ltd., Foshan Branch, to secure loan facilities granted to Guihe Construction.

GENERAL INFORMATION ON OUR GROUP

Property held for development ⁽¹⁾

Name of property development / location	Type of development	Approximate site area (sq m)	Approximate planned GFA (sq m)	Land use rights certificate number / expiry date	Interest attributable to us (%)	Appraised Value attributable to our Group as at 31 July 2009 (RMB million)	Encumbrance
Songgang Project Lianbiao Village, Songgang Office, Shishan Town, Nanhai District, Foshan City, Guangdong Province, PRC	Integrated residential and commercial property	40,354	123,000	Fo Fu Nan Guo Yong (2008) No. 0605254 Fo Fu Nan Guo Yong (2008) No. 0605253 Fo Fu Nan Guo Yong (2008) No. 0605142 8 July 2058 (industrial use)	62	17.7 ⁽²⁾	—

Notes:-

- (1) Does not include the land at Danzao Town, Nanhai District, Foshan City, Guangdong Province with site area of approximately 106,000 sq m and estimated GFA of approximately 260,000 sq m, which we successfully auctioned for on 4 December 2009 (subsequent to the Latest Practicable Date). Please refer to the section titled "Details of our Property Developments" of this Prospectus for more information.
- (2) Based on net book value in the Actual Consolidated Financial Statements. No valuation has been conducted as yet since the property was recently acquired and development has not commenced.

GENERAL INFORMATION ON OUR GROUP

Properties Owned by Us ⁽¹⁾

Building name / Land use rights / expiry date	Location	GFA (sq m)	Use	Property ownership certificate number	Appraised Value as at 31 July 2009 (RMB million)	Encumbrance
Debao Hotel Complex (formerly known as Jiao Tong Complex)	No 120, Second Foping Road, Guicheng, Nanhai County, PRC	4,792	Properties held for investment and rental	Yue Fang Di Zheng Zi No C4613501	99.6	Mortgaged to the Industrial Bank Co., Ltd., Foshan Branch, to secure loan facilities granted to Guihe Construction
Fo Fu Nan Guo Yong (2006) No 0110086 6 April 2046	No 136, Nanhai Avenue, Guicheng, Nanhai County, PRC	7,259		Yue Fang Di Zheng Zi No C4613502		Mortgaged to the Industrial Bank Co., Ltd. Foshan Branch, to secure loan facilities granted to Guicheng Municipal
Debao Garden	Debao Garden, Dienan, Guicheng, Nanhai, Foshan City, PRC	1,315	Properties held for investment and rental	Yue Fang Di Zheng Zi No C6649267 Yue Fang Di Zheng Zi No C6649268 Yue Fang Di Zheng Zi No C6649269 Yue Fang Di Zheng Zi No C6649270 Yue Fang Di Zheng Zi No C6649281 Yue Fang Di Zheng Zi No C6649282 Yue Fang Di Zheng Zi No C6649283	8.8	Save for Yue Fang Di Zheng Zi No C6966116 and Yue Fang Di Zheng Zi No C6966286, the other properties held for investment and rental have been mortgaged to Industrial Bank Co., Ltd. Foshan Branch to secure loan facilities granted to Guiyu Property Management

GENERAL INFORMATION ON OUR GROUP

Building name / Land use rights / expiry date	Location	GFA (sq m)	Use	Property ownership certificate number	Appraised Value as at 31 July 2009 (RMB million)	Encumbrance
Jiangnan Mingju Phases 1 to 4	No. 39, G14 Zone, West Nanyi Road, Guicheng, Nanhai District, Foshan City	9,217 ⁽²⁾	Properties held for investment and rental	Yue Fang Di Zheng Zi No C6649284		
				Yue Fang Di Zheng Zi No C6649285		
				Yue Fang Di Zheng Zi No C6649286		
				Yue Fang Di Zheng Zi No C6649287		
				Yue Fang Di Zheng Zi No C6649288		
				Yue Fang Di Zheng Zi No C6649289		
				Yue Fang Di Zheng Zi No C6966116		
				Yue Fang Di Zheng Zi No C6966286		
				Yue Fang Di Zheng Zi No C5975177	54.0 ⁽²⁾	Mortgaged to the Industrial Bank Co., Ltd. Foshan Branch to secure loan facilities granted to Guiyu Property Management

GENERAL INFORMATION ON OUR GROUP

Building name / Land use rights / expiry date	Location	GFA (sq m)	Use	Property ownership certificate number	Appraised Value as at 31 July 2009 (RMB million)	Encumbrance
				Yue Fang Di Zheng Zi No C5975185		
				Yue Fang Di Zheng Zi No C5975192		
				Yue Fang Di Zheng Zi No C5975197		
				Yue Fang Di Zheng Zi No C5975198		
				Yue Fang Di Zheng Zi No C5975215		

Notes:-

- (1) Does not include properties pending sale.
- (2) Includes a GFA of approximately 2,172 sq m with an appraised value of RMB19.3 million as at 31 July 2009 which has since been sold.

Properties Leased to Us

Location	Approximate area (sq m)	Use	Tenure	Rental (RMB '000)	Lessor
Cross area of Villagers' Group, Baishuitang, Xiangang village, Danzao Town, Nanhai District, Foshan	40,000	Access road	8 July 2009 to 8 July 2029	4,200 for the entire tenure	Danzao Town, Baishui Village Shareholding Economic Cooperative

Note:-

To the best of our knowledge, this lease agreement relates to a farmers-collectively-owned land. The Legal Advisers to the Company as to PRC Law has advised that farmers-collectively-owned land cannot be granted, transferred or leased for non-agricultural construction unless approved by relevant authorities. Accordingly, the said land cannot be leased to Sanshui Property for use as an access road. The lease is therefore invalid and Sanshui Property may be required by the relevant authorities to stop using the land as an access road. This will not materially affect Shanshui Longpan as there are other access roads. Both the landlord and Sanshui Property may be subject to a penalty by the relevant authorities (less than RMB30 per sq m on the illegally occupied land in respect of the lessee). The directors of Sanshui Property may also be made personally liable under PRC laws.

GENERAL INFORMATION ON OUR GROUP

PERMITS, APPROVALS, LICENCES AND GOVERNMENT REGULATIONS

To the best of our Directors' knowledge, as at the Latest Practicable Date, we have obtained all the necessary business permits, licenses, certificates and approvals for our business operations in the PRC and we are in compliance with all applicable PRC laws and regulations which are material to our business operations. In particular, Debao Property has obtained a Grade 3 Qualification Certificate for Real Estate Development Enterprise in the PRC with which Debao Property is qualified to undertake real estate development projects with an individual GFA of up to 250,000 sq m, subject to renewal after 27 July 2011. Jiangnan Property has obtained a Grade 4 Qualification Certificate for Real Estate Development Enterprise in the PRC with which it is qualified to undertake real estate development projects with an individual GFA of up to 250,000 sq m, subject to renewal after 30 June 2010. Sanshui Property has obtained a Provisional Qualification Certificate for Real Estate Development Enterprise in the PRC with which it is qualified to undertake real estate development projects with an individual GFA of up to 250,000 sq m, and is in the process of obtaining a Grade 4 Qualification Certificate for Real Estate Development Enterprise in the PRC.

Further, Guihe Construction, our construction arm, has obtained a Grade 3 Main Contractor License for Housing Construction and Engineering (房屋建筑工程施工总承包三级) in the PRC, with which it is qualified to carry out construction works which places certain limits on its construction activities (please see paragraph 10(h) of Annex C: "Summary of Relevant PRC Laws and Regulations" for details of the limits for each qualification). Guiyu Property Management, our property management arm, has obtained a Grade 2 Qualification Certificate for Property Management Enterprise in the PRC (中华人民共和国物业管理企业资质证书), with which it is qualified to carry out property management services for residential properties and non-residential properties with an individual GFA of up to 300,000 sq m and 80,000 sq m, respectively, subject to renewal on 31 May 2012.

In addition, we have to apply for the following key permits for each of our property development projects:-

- (i) Permit for Construction Land Use Planning;
- (ii) Title for State-Owned Land Use Right;
- (iii) Permit for Construction Project Planning; and
- (iv) Permit for Commencement of Construction.

For details on applicable PRC laws and regulations, please refer to Annex C: "Summary of Relevant PRC Laws and Regulations" of this Prospectus.

COMPETITION

We believe that the property development market is capital intensive and requires specialised industry knowledge. We believe that our major competitors are large national or regional property developers who engage in the development of mid to high-end residential developments. The principal competitive factors influencing the property development sector generally and in the select areas in the PRC where we operate include the pricing scheme adopted by the developers, the quality and workmanship of the projects, the location of the properties, the marketing strategies adopted by the developers and the timing of the launch of the property projects.

GENERAL INFORMATION ON OUR GROUP

To the best of our knowledge, we recognise that our key competitors in our current target markets include the following:-

Name	Place of Origin
Foshan Nanhai Clifford Land Co., Ltd.	PRC
China Overseas Land & Investment Ltd.	Hong Kong
China Vanke Co., Ltd.	PRC
Poly Real Estate. Co., Ltd.,	PRC
Capitaland Limited	Singapore

None of our Directors, Controlling Shareholders or Substantial Shareholders has any interest, direct or indirect, in any of the above competitors. Apart from these competitors, other competitors may also emerge in the cities that we are operating in.

To the best of our knowledge, there are no published statistics that can be used to accurately measure our market share of the property development business in the PRC.

Our Directors believe that our competitive strengths, as set out in the section titled “Competitive Strengths” of this Prospectus, set us apart from our competitors and potential competitors.

SELECTED GROUP FINANCIAL INFORMATION

The following selected group financial information should be read in conjunction with the full text of this Prospectus, including the Actual Consolidated Financial Statements as set out in Annexes E and F, and the Proforma Consolidated Financial Statements as set out in Annexes G and H of this Prospectus, where the selected group financial information has been derived from.

Bases of Preparation of Our Financial Statements

Our current Group structure as shown in the section “Group Structure” of this Prospectus was a result of the various steps taken in the Restructuring Exercise which culminated in our Company becoming the holding company of our Group. Our Company was incorporated on 16 August 2007 in Singapore. From September 2007 to March 2008, through a course of acquisitions by our Singapore subsidiaries held by our Company, we acquired our subsidiaries in the PRC from the original PRC shareholders, which altogether now form our Group. During the course of these acquisitions, Mr Wu Kwok Hung was the sole Shareholder of our Company. On 22 September 2008, Ms Zheng Lihua subscribed for new shares in our Company, resulting in her becoming our major Shareholder. Pursuant to the convertible loan and supplemental agreements entered into between our Company and the Pre-IPO Investors between 2007 and 2009, the Pre-IPO Investors invested a total of S\$80.0 million in our Company by way of convertible loan notes. The convertible loan notes were converted to Shares on 30 March 2010. Please refer to the section titled “Restructuring Exercise” of this Prospectus for further details on the abovementioned.

Under the Singapore Financial Reporting Standards (“SFRS”), the principles of merger accounting may be applied only from the time that the entities in a business combination are under common control. Based on the Restructuring Exercise, common control over our operating subsidiaries in the PRC by our existing Shareholders cannot be established from the start of 1 January 2006 (i.e. start of FY2006) due to changes in legal ownership of our operating subsidiaries. Accordingly, our Company is unable to provide audited combined financial statements of our Group under SFRS for all the relevant financial periods from 1 January 2006 onwards. Pursuant to the requirements of Part IX of the Fifth Schedule of the Securities and Futures Act, our Company has provided for inclusion in this Prospectus the Actual Consolidated Financial Statements, which starts from 16 August 2007 (being the date of incorporation of our Company) to the end of the last financial period under review (being 1H2009) in this Prospectus, where the acquisition of the PRC subsidiaries has been accounted for using the purchase method as these entities were acquired from parties other than common Shareholders. Please refer to Annexes E and F of this Prospectus for the full sets of the Actual Consolidated Financial Statements. Our Group’s future financial reports will be based on the Actual Consolidated Financial Statements.

In view of the limited time scope of the abovementioned Actual Consolidated Financial Statements of our Group, a review and analysis of the historical financial performance of our Group would not be meaningful and may not representative of the financial performance of our Group for the past three financial years ended 31 December 2008 and six-month period ended 30 June 2009. Accordingly, we have prepared the unaudited Proforma Consolidated Financial Statements of our Group for each of FY2006, FY2007 and FY2008, 1H2008 and 1H2009 where review and analysis of the historical financial performance of our Group based on these Proforma Consolidated Financial Statements would be more meaningful and representative of our Group’s performance for the same periods.

The unaudited Proforma Consolidated Financial Statements has been prepared in accordance with the accounting policies of our Group, and based on certain assumptions and after making certain adjustments, to show what the financial results, the changes in equity and cash flows of our Group for the same periods would have been if our Group Structure as at the date of lodgment of this Prospectus had been in place since 1 January 2006, and the financial positions of our Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 would have been if our Group structure as of the date of lodgement of this Prospectus had been in place at the end of the respective financial year. The Proforma Consolidated Financial Statements, because of their nature, may not give a true picture of our Group’s actual financial position, results, changes in equity and cashflows. Please refer to Annexes G and H of this Prospectus for the full sets of the Proforma Consolidated Financial Statements.

SELECTED GROUP FINANCIAL INFORMATION

Bases of Preparation of the sections titled “Review of Results of Operations” and “Liquidity and Capital Resources - Review of Cash Flows” of this Prospectus

As aforementioned, the Actual Consolidated Financial Statements cover only the periods commencing 16 August 2007 (being the date of incorporation of our Company) to the end of the last financial period under review (being 1H2009) in this Prospectus. In addition, since the acquisitions of all the PRC subsidiaries by our Group were completed during 2008, the earliest available period of the Actual Consolidated Financial Statements where our Group structure as of the date of lodgement of this Prospectus had been in place at the start of the period would be 1H2009. In view of the limited time scope of the Actual Consolidated Financial Statements of our Group, a review and analysis of the historical financial performance of the Group based on the Actual Consolidated Financial Statements would not be meaningful and may not representative of the financial performance of our Group since FY2006. Accordingly, for representative and comparative reasons, the sections titled “Review of Results of Operations” and “Liquidity and Capital Resources - Review of Cash Flows” of this Prospectus were prepared based on the relevant comparative financial information as extracted from the Proforma Consolidated Financial Statements for FY2006, FY2007, FY2008 and 1H2008, as well as the Actual Consolidated Financial Statements for 1H2009, respectively.

INCOME STATEMENT DATA

(RMB'000)	< Proforma Consolidated Financial Statements ⁽¹⁾ >				
	Unaudited				
	FY2006	FY2007	FY2008	1H2008	1H2009
Revenue	288,688	298,592	136,620	44,630	202,666
Cost of sales	(208,054)	(179,360)	(94,531)	(26,970)	(150,437)
Gross profit	80,634	119,232	42,089	17,660	52,229
Other Income	2,144	4,794	9,231	2,246	1,953
Selling and distribution expenses	(8,205)	(4,402)	(2,022)	(183)	(1,326)
Administrative expenses	(7,129)	(14,563)	(25,538)	(9,928)	(11,100)
Change in fair value of convertible loan notes	–	(303)	(8,942)	(5,753)	(16,137)
Share of jointly controlled operations' result	(5)	(68)	2,311	112	6,075
Change in fair value of investment properties	12,059	68,535	(2,883)	(2,398)	3,460
Finance costs	–	(6,045)	(1,782)	–	(2,730)
Profit before tax	79,498	167,180	12,464	1,756	32,424
Income tax expense	(27,407)	(55,219)	(9,713)	(5,128)	(12,696)
Net profit/(loss) attributable to Shareholders	52,091	111,961	2,751	(3,372)	19,728
EPS (based on the pre-Invitation share capital) (RMB fen) ⁽²⁾	5.21	11.23	1.17	0.24	3.59
EPS (based on the post-Invitation share capital) (RMB fen) ⁽³⁾	4.63	9.98	1.04	0.21	3.19

Notes:-

- (1) Based on the unaudited Proforma Consolidated Financial Statements. The unaudited Proforma Consolidated Financial Statements has been prepared in accordance with the accounting policies of our Group, and based on certain assumptions and after making certain adjustments, to show what the financial results, the changes in equity and cash flows of our Group for the same periods would have been if our Group Structure as at the date of lodgment of this Prospectus had been in place since 1 January 2006, and the financial positions of our Group as at 31 December 2006, 2007 and 2008, and 30 June 2009 would have been if our Group structure as of the date of lodgement of this Prospectus had been in place at the end of the respective financial year. The Proforma Consolidated Financial Statements, because of their nature, may not give a true picture of our Group's actual financial position, results, changes in equity and cashflows. Please refer to Annexes G and H of this Prospectus for the full sets of the Proforma Consolidated Financial Statements.

SELECTED GROUP FINANCIAL INFORMATION

- (2) For comparative purposes, EPS (based on the pre-Invitation share capital) for the periods under review is computed based on the net profit attributable to Shareholders (and adjusted for the change in fair value of convertible loan notes) and the pre-Invitation share capital of 1,000,000,000 Shares. Please refer to the Proforma Consolidated Financial Statements in Annexes G and H of this Prospectus for more information on EPS computation.
- (3) For comparative purposes, EPS (based on the post-Invitation share capital) for the periods under review is computed based on the net profit attributable to Shareholders (and adjusted for the change in fair value of convertible loan notes) and the post-Invitation share capital of 1,125,000,000 Shares.

INCOME STATEMENT DATA

	< Actual Consolidated Financial Statements ^{(1) (2)} >			
	← Audited →		← Unaudited →	
	For the period from 16 August 2007 to 31 December			
(RMB'000)	2007	FY2008	1H2008	1H2009
Revenue	—	124,041	32,069	202,666
Cost of sales	—	(112,655)	(26,839)	(196,555)
Gross profit	—	11,386	5,230	6,111
Other Income	—	8,222	1,237	1,953
Selling and distribution expenses	—	(2,011)	(202)	(1,326)
Administrative expenses	(658)	(22,747)	(7,136)	(11,100)
Change in fair value of convertible loan notes	(303)	(8,942)	(5,753)	(16,137)
Share of jointly controlled operations' result	—	1,577	130	4,868
Change in fair value of investment properties	—	(485)	—	3,460
Negative goodwill	255,881	139,097	139,097	—
Gain from acquisition of additional shares in a subsidiary	—	3,115	3,115	—
Gain from dilution of minority interest	—	72,859	72,859	—
Impairment of goodwill	—	(1,356)	(1,356)	—
Finance costs	—	(1,782)	—	(2,730)
Profit before tax	254,920	198,933	207,221	(14,901)
Income tax expense	—	(1,387)	(1,257)	(1,214)
Net profit/(loss) attributable to Shareholders	254,920	197,546	205,964	(16,115)
EPS (based on the pre-Invitation share capital) (RMB fen) ⁽³⁾	25.55	20.66	21.18	0.0022
EPS (based on the post-Invitation share capital) (RMB fen) ⁽⁴⁾	22.71	18.36	18.83	0.0020

Notes:-

- (1) Based on the Actual Consolidated Financial Statements. The Actual Consolidated Financial Statements, which starts from 16 August 2007 (being the date of incorporation of our Company) to the end of the last financial period under review (being 1H2009) in this Prospectus, has been prepared in accordance with the accounting policies of our Group and where the acquisition of the PRC subsidiaries has been accounted for using the purchase method as these entities were acquired from parties other than common Shareholders. Accordingly, our Group can only start the consolidation of the financial results and positions of our PRC subsidiaries, namely Jiangnan Property, Sanshui Property, Guihe Construction, Guiyu Property Management and Debao Property, into the Actual Consolidated Financial Statements upon the dates of legal completion of the acquisitions of these PRC subsidiaries by our Group, being 11 September 2007, 11 September 2007 (remaining 40% legal shareholding interest was acquired by 8 April 2008), 15 January 2008 and 15 January 2008 and 8 March 2008 respectively.

SELECTED GROUP FINANCIAL INFORMATION

- (2) The main differences in the income statements between the Actual Consolidated Financial Statements and the unaudited Proforma Consolidated Financial Statements relate to (i) pursuant to note (1) above, consolidation of the financial results and positions of the various PRC subsidiaries in the Actual Consolidated Financial Statements started only upon the above-mentioned dates of legal completion of the acquisitions of these entities, which is different from the unaudited Proforma Consolidated Financial Statements where consolidation of the various PRC subsidiaries started from 1 January 2006 based on certain assumptions; and (ii) certain adjustments (such as negative goodwill) in the Actual Consolidated Financial Statements arising from the differences between the respective purchases considerations for and the attributed fair values of the net tangible assets of each PRC subsidiary as a result of, *inter alia*, the application of SFRS 103 – Business Combinations on the accounting for the acquisitions of the PRC subsidiaries by our Group. These items will be discussed in further detail in the following section “Management’s Discussion and Analysis of Results of Operations and Financial Position”. Please also refer to Annexes E to H of this Prospectus for the full sets of the Actual Consolidated Financial Statements and unaudited Proforma Consolidated Financial Statements for more information.
- (3) For comparative purposes, EPS (based on the pre-Invitation share capital) for the periods under review is computed based on the net profit attributable to Shareholders (and adjusted for the change in fair value of convertible loan notes and minority interests) and the pre-Invitation share capital of 1,000,000,000 Shares. Please refer to the Actual Consolidated Financial Statements in Annexes E and F of this Prospectus for more information on EPS computation).
- (4) For comparative purposes, EPS (based on the post-Invitation share capital) for the periods under review is computed based on the net profit attributable to Shareholders (and adjusted for the change in fair value of convertible loan notes and minority interests) and the post-Invitation share capital of 1,125,000,000 Shares.

BALANCE SHEET DATA

(RMB'000)	< Proforma Consolidated Financial Statements ⁽¹⁾ >		< Actual Consolidated Financial Statements ⁽²⁾ >	
	← Unaudited →		← Audited →	← Unaudited →
	As at 31 December 2008	As at 30 June 2009	As at 31 December 2008	As at 30 June 2009
ASSETS				
Non-current assets				
Plant and equipment	5,094	10,943	5,094	10,943
Investment properties	167,490	170,950	167,490	170,950
Investment in a jointly controlled operation	74,671	64,779	81,060	69,275
Other investment	1,300	1,300	1,300	1,300
Deferred tax assets	3,002	1,533	2,390	1,215
Other non-current asset	3,000	3,000	3,000	3,000
Total non-current assets	254,557	252,505	260,334	256,683
Current assets				
Cash and cash equivalents	63,714	130,760	63,714	130,760
Restricted cash and cash equivalents	–	60,000	–	60,000
Trade and other receivables	59,916	70,000	59,916	70,000
Amount due from related parties	2,844	2,228	2,844	2,228
Amount due from customers for contract works	71,332	64,395	71,332	64,395
Inventories	154	97	154	97
Property held for sale	21,675	18,902	32,358	26,917
Development properties	958,157	1,098,719	1,415,555	1,513,355
Total current assets	1,177,792	1,445,101	1,645,873	1,867,752
Total assets	1,432,349	1,697,606	1,906,207	2,124,435
Net assets	155,394	173,957	513,947	496,667

SELECTED GROUP FINANCIAL INFORMATION

(RMB'000)	< Proforma Consolidated Financial Statements ⁽¹⁾ >		< Actual Consolidated Financial Statements ⁽²⁾ >	
	← Unaudited →		← Audited →	← Unaudited →
	As at 31 December 2008	As at 30 June 2009	As at 31 December 2008	As at 30 June 2009
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	230,021	360,808	230,021	360,808
Amount due to related parties	1,584	1,485	1,584	1,485
Bank loan	—	90,000	—	90,000
Convertible loan notes at fair value	300,830	383,850	300,830	383,850
Tax payables	18,089	21,449	18,089	21,449
Total current liabilities	550,524	857,592	550,524	857,592
Non-current Liabilities				
Bank and other loans	692,731	631,817	692,731	631,817
Convertible loan notes at fair value	—	—	—	—
Deferred tax liabilities	33,700	34,240	149,005	138,359
Total non-current liabilities	726,431	666,057	841,736	770,176
Proforma shareholders' equity/ Equity	155,394	173,957	513,947	496,667
Total liabilities and equity	1,432,349	1,697,606	1,906,207	2,124,435
NAV per Share (RMB fen) ⁽³⁾	15.54	17.40	51.39	49.67
Adjusted NAV per Share (RMB fen) ⁽⁴⁾	45.62	55.78	81.48	88.05

Notes:-

- (1) Based on the unaudited Proforma Consolidated Financial Statements.
- (2) Based on the Actual Consolidated Financial Statements.
- (3) NAV per share has been computed based on the respective net assets as at 31 December 2008 and 30 June 2009, and the pre-Invitation share capital of 1,000,000,000 shares.
- (4) Adjusted NAV per share has been computed based on the respective net assets as at 31 December 2008 and 30 June 2009, adjusted for the conversion of the convertible loan notes as at the respective balance sheet dates and the pre-Invitation share capital of 1,000,000,000 shares.
- (5) The main differences in the balance sheet between the Actual Consolidated Financial Statements and the unaudited Proforma Consolidated Financial Statements relate to (i) the recording of the attributed fair values of certain assets (such as development properties, property held for sales and investment in a jointly controlled operation) as at the respective dates of legal completion of the acquisitions of each PRC subsidiary as the book values of these assets in the Actual Consolidated Financial Statements, as compared with the unaudited Proforma Consolidated Financial Statements where the corresponding values of these assets were based on the historical purchase costs of the respective assets by the PRC subsidiaries; and (ii) the impact of the different income statements between Actual Consolidated Financial Statements and the unaudited Proforma Consolidated Financial Statements as mentioned in the preceding section. Please also refer to Annexes E to H of this Prospectus for the full sets of the Actual Consolidated Financial Statements (in particular, note 31 of Annex E) and unaudited Proforma Consolidated Financial Statements for more information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

You should read the following discussion and analysis of our results of operations and financial condition in conjunction with the Actual Consolidated Financial Statements and the unaudited Proforma Consolidated Financial Statements and the related notes thereto appearing elsewhere in this Prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but not limited to, those discussed below and elsewhere in this Prospectus, particularly in "Risk Factors".

This section has been prepared based on the relevant financial information extracted from the unaudited Proforma Consolidated Financial Statements and/or the Actual Consolidated Financial Statements for the relevant financial periods from 1 January 2006 onwards.

OVERVIEW

We are an integrated property developer specialising in the building of quality integrated residential properties and commercial properties in the PRC. We have a vertically-integrated business model and operations with expertise to carry out various key aspects of property development, construction, marketing and management. Over the years, we have built a strong presence and brand name in developing quality integrated residential and commercial properties in Foshan City, Guangdong Province, which are mainly large-scale and multi-phased projects.

As testament of the quality of our operations and the properties developed by us, we received, *inter alia*, the Double Gold Prize (Construction and Environment) in the National Residential Construction, Planning and Design Competition in October 2004 for our property development project, Jiangnan Mingju Phases 1 to 4.

Through the leadership of our experienced and established management team, we have established a track record of completed property development projects with an aggregate GFA of approximately 635,000 sq m (which includes Xinliwan Garden and Debao Garden which Debao Property had taken over from its predecessors) as at the Latest Practicable Date. As at the Latest Practicable Date, the total size of our properties under, and held for future, development stands at an aggregate of approximately 1,398,000 sq m. For details, please refer to the section titled "Details of our Property Developments" of this Prospectus.

As testament to the growth potential of our properties under, and held for future development, the valuation of our development properties (including our equity interest in Jin Long Garden) based on the Valuation Report prepared by CB Richard Ellis Limited was approximately RMB3.49 billion as at 31 July 2009. Please refer to Annex B of this Prospectus for the Valuation Report.

Our management is very selective on choosing land location for our property development projects as we believe vicinity and convenience are the critical buying factors for property purchasers. For the living comfort of the residents, we place a high emphasis on the design of our residential properties, incorporating proper landscaping and recreational facilities and infrastructure. Our residential properties are also integrated with commercial and retail shops/space for the convenience of the residents, which also enhanced the investment value of the properties.

As a vertically-integrated property developer, our property development projects are mostly designed, built and managed in-house. This allows us to promptly deliver our commitments to the purchasers and control our quality, costs as well as development schedules. Currently, our construction arm carries out a majority of our property construction by working with other main contractors and subcontractors. For certain development projects, we will work with strategic partners to jointly develop properties by leveraging on each other's strengths and resources.

We hold selected commercial properties that we developed or bought for capital appreciation for recurring and stable rental income. We also provide auxiliary property related services, such as property management services primarily for properties that we have developed. Please refer to the section titled "Business Overview" of this Prospectus for further details.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Significant Factors Affecting Our Results of Operations

Our Group's performance is generally not subject to seasonality. The major factors affecting our financial performance are, *inter alia*, as follows:

- (i) ability to identify and acquire land for development: our continuing growth will largely depend on our ability to identify and acquire suitable land for development in a timely manner and at commercially feasible prices;
- (ii) volume of properties we sell and the prices at which we make the sales: The volume of properties we can sell depend on the progress on the construction of our properties and the market response we obtain when we launch our property sales. Consistent with the practice of the property development industry in the PRC, we need to satisfy the conditions for pre-sale of our properties in accordance with the relevant PRC laws and regulations. For further details, please refer to section titled "General Information on Our Group – Property Development Process". The prices of our properties are determined by the market forces of supply and demand rather than by state guidance or state-prescribed pricing. We price our properties by reference to the market rates for similar types of properties at comparable locations. The average price of our projects will therefore depend on the location mix of properties sold and delivered during each fiscal period. In addition, we generally develop and sell our residential projects in phases. For each development, we generally price the initial launch lower than subsequent phases of the project to stimulate demand. Generally, we are able to then price subsequent phases higher, riding on the success of prior phases. While we generally may be involved in a number of projects at any given time, these projects may be differently sized and at varying stages of completion. Accordingly, even assuming a constant level of market demand for our properties, the number of properties that we have available for sale can vary significantly from period to period;
- (iii) percentage of completion and delivery schedules of our property developments: the length of time to complete the construction of a property development may take up to several years. While the pre-sale of a property may generate positive cash flows for us in the period the sales proceeds are received, revenue recognition is based on percentage of completion method. Please refer to the following sub-sections titled "Critical Accounting Policies" and "Revenue Recognition" of this Prospectus for details. Hence, this may cause significant fluctuations in our revenues from one year to another due to varying levels of completion of construction and delivery of our development properties. Furthermore, we face exposure to price volatility of construction materials. An increase in the cost of our construction materials such as steel and cement may have a negative impact on our profitability if we cannot pass on the increased costs to our customers as the cost of construction materials is a significant component of our cost of sales;
- (iv) general property market environment in the PRC: conditions in the property markets in which we operate change from time to time and are affected significantly by the general economic, social, political, government policy and regulatory developments in the PRC and in particular the specific regions that we operate in; and
- (v) ability to compete with our competitors: our revenue will be affected if we fail to compete successfully with other property developers in terms of pricing, design, quality, location and timely project delivery.

Please refer to the sections titled "Risk Factors" and "Prospects" of this Prospectus for details of the above factors and other factors which may affect our business operations, revenue and overall financial performance.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Critical Accounting Policies

Our financial statements are prepared in accordance with historical cost convention, except as disclosed in the accounting policies described in our full year financial statements attached hereto in Annex E and Annex G of this Prospectus respectively, and are drawn up in accordance with FRS. We have adopted all the FRS and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective to the earliest period reported. The accounting policies relating to business combination, revenue recognition and our property assets are discussed below. Please refer to our financial statements attached hereto in Annex E to Annex H of this Prospectus for details of the rest of our accounting policies.

Business Combination

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

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

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 balance sheet date, as measured by the proportion that 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) Revenue from 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 balance sheet date, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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.

- (iii) Sale of goods are recognised when goods are delivered and title has passed.
- (iv) 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.
- (v) Dividend income from investments is recognised when the shareholder's right to receive the dividend is legally established.
- (vi) Maintenance service fee income from maintenance work that is performed over a short duration is recognised when the service is completed.
- (vii) 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.

Investment Properties

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 our consolidated profit and loss statement for the period in which they arise.

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 are 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Revenue

During the periods under review, we derived a significant portion of our revenue from property development sales. We also derive revenues from construction contract works, recurring rental income from leasing out investment properties and property management services fees. The following table sets forth the breakdown of our revenues for the periods under review:-

(RMB'000)	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >			
	← Unaudited →					← Audited →	← Unaudited →		
	FY2006	FY2007	FY2008	1H2008	1H2009	For the period from 16 August 2007 to 31 December 2007	FY2008	1H2008	1H2009
Revenue									
Comprising:	288,688	298,592	136,620	44,630	202,666	–	124,041	32,069	202,666
- Property development sales	283,816	284,532	92,543	17,245	187,892	–	81,530	6,220	187,892
- Construction contracts	77	6,764	32,762	22,091	9,494	–	32,762	22,091	9,494
- Property management services and rental	4,795	7,296	11,315	5,294	5,280	–	9,749	3,758	5,280
Total	288,688	298,592	136,620	44,630	202,666	–	124,041	32,069	202,666

Note:-

- (1) The relatively lower revenues in the Actual Consolidated Financial Statements as compared to the unaudited Proforma Consolidated Financial Statements in FY2007 and FY2008 were mainly due to the start of consolidation of the revenues of the various PRC subsidiaries in the Actual Consolidated Financial Statements only from the dates of legal completion of the acquisitions of these entities as mentioned in the foregoing. As our acquisition of Guihe Construction was completed effective 15 January 2008, our construction contracts revenue for FY2008 in the Actual Consolidated Financial Statements was the essentially same as the unaudited Proforma Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Property development sales

Our property development sales accounted for approximately 98.3%, 95.3%, 67.7%, 38.6% and 92.7% of our total revenue for our respective Proforma Periods Under Review. As mentioned earlier, revenue recognition for our property development sales is based on percentage of completion method and accordingly, our property development sales revenues may not match the corresponding cash flows in the same period. The following table sets forth the summary of saleable GFA, average selling price ("ASP") and revenue by project for the periods covered in our Proforma Consolidated Financial Statements (the "Proforma Periods Under Review"):-

Revenue	Unaudited Proforma														
	FY2006			FY2007			FY2008			1H2009					
	GFA (m ²)	ASP ⁽¹⁾ (RMB/m ²)	Revenue (RMB'mil)	GFA (m ²)	ASP ⁽¹⁾ (RMB/m ²)	Revenue (RMB'mil)	GFA (m ²)	ASP ⁽¹⁾ (RMB/m ²)	Revenue (RMB'mil)	GFA (m ²)	ASP ⁽¹⁾ (RMB/m ²)	Revenue (RMB'mil)			
Jiangnan Mingju Phases 1 to 4	80,500	3,500	283.8	64,900	4,400	284.5	6,500	4,800	31.0	4,200	4,100	17.2	800	5,400	4.3
Jiangnan Mingju Phases 5 and 6	-	-	-	-	-	-	11,800	5,200	61.6	-	-	-	30,700	6,000	183.6
Total	80,500	3,500	283.8	64,900	4,400	284.5	18,300	5,100	92.6	4,200	4,100	17.2	31,500	6,000	187.9

Note:-

(1) Rounded to nearest hundred.

The increase in revenue from FY2006 to FY2007 was mainly due to increases in the ASP of the units sold in Jiangnan Mingju Phases 1 to 4 due to higher demand, which were partially offset by lower GFA sold and recognised for this project as it was sold out by FY2007. The decline in revenue from FY2007 to FY2008 was mainly due to delay in new launches of Jiangnan Mingju Phases 5 and 6 which resulted in decreases in GFA sold and recognised. This was in line with the slowdown of the PRC real estate industry in general during FY2008, which was a result of the anti-inflationary government policies in 1H2008 and subsequent global economic crisis in 2H2008. The increase in revenue from FY2008 to 1H2009 was mainly due to improved sentiments in the PRC real estate industry in general, which resulted in an increase in both ASP and GFA sold during 1H2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Construction contracts

Our construction arm, Guihe Construction holds a Grade 3 Main Contractor License for Housing Construction and Engineering in the PRC (please refer to section "Business Overview – Property Development" of this Prospectus for more information) and carries out a majority of our property construction by working with other main contractors and subcontractors. Guihe Construction also performs construction works for our joint venture projects (namely Jin Long Garden during the periods under review) and third parties, which are recognised as our revenue from construction contracts. In the case of the construction contracts performed for Jin Long Garden, the contracting counterparty (i.e. our customer) is our unrelated third party joint venture partner, Foshan Jing Fang. Please see the subsection "Share of jointly controlled operations' result" in this section of the Prospectus for more information.

In line with our accounting policy for construction contracts, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

In accordance with applicable accounting standards, the gross profits earned by Guihe Construction arising from construction work performed for Jin Long Garden is immediately recognised for the proportion relating to Foshan Jing Fang's 45% interest in Jin Long Garden.

However, gross profits arising from construction work performed for Jin Long Garden for the proportion relating to our 55% interest in Jin Long Garden will be recognised in accordance with the sales recognition level of Jin Long Garden. We can only recognise such gross profits earned by Guihe Construction attributable to our interest up to the same percentage of sales that has been recognised for Jin Long Garden. The residual gross profit in excess of such percentage is considered as unrealised profits and will be offset against the cost of construction contracts.

Our revenue from construction contracts comprise building structural projects and interior works for our jointly controlled operations, namely Jin Long Garden, and third parties. For each of the Proforma Periods Under Review, our revenue generated from construction contracts amounted to approximately RMB0.1 million, RMB6.8 million, RMB32.8 million, RMB22.1 million and RMB9.5 million respectively, or nil, 2.3%, 24.0%, 49.5% and 4.7% of our total revenue respectively. The increasing trend from FY2006 to FY2008 was mainly due to construction contracts work for our jointly controlled operations - Jin Long Garden as this project progressed in its Phase 1 development stage, which accounted for construction contracts revenue of approximately RMB0.1 million, RMB6.6 million, RMB31.6 million, RMB22.1 million and RMB9.4 million for each of the Proforma Periods Under Review respectively. We recorded lower construction contract revenue in 1H2009 as the bulk of construction contracts work for Jin Long Garden Phase 1 was completed in 2H2008.

Property management services and rental

We receive property management service fees from the properties that we manage and maintain, comprising mainly properties which we have developed and we receive recurring rental income from our investment properties that we developed or bought for capital appreciation. Our property management services and rental revenues accounted for approximately 1.7%, 2.4%, 8.3%, 11.9% and 2.6% of our total revenue for our respective Proforma Periods Under Review. The following table sets forth information relating to the GFA of property under our management and our property management income, and the GFA of our investment properties leased out and our rental income, for the Proforma Periods Under Review:

	← Unaudited Proforma →				
	FY2006	FY2007	FY2008	1H2008	1H2009
GFA of property under management at end of each period (m ²)	313,647	448,519	496,225	496,225	496,225
Property management income (RMB'000)	2,542	3,306	4,654	2,189	2,206
GFA of investment properties leased out (m ²)	5,048	17,323	21,904	21,514	19,729
Rental income (RMB'000)	2,253	3,990	6,661	3,105	3,074

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

From FY2006 to FY2008, our property management services and rental revenues were generally on increasing trend in line with (i) the increasing GFA of property under our management, which was mainly due to the completion of the various phases of Jiangnan Mingju; and (ii) the increasing GFA of our investment properties leased out, which was mainly due to the new commercial shop units in Debao Garden and Jiangnan Mingju Phases 1 to 4 that were added to our portfolio of investment properties. Our property management services and rental revenues recorded slightly lower in 1H2009 due mainly to the marginal decrease in rental income.

Cost of sales

Our cost of sales comprises costs incurred directly for our property development activities (which comprised land costs, construction costs and capitalised borrowing costs), and our costs incurred for our construction contracts. The following table sets forth information relating to the breakdown of the main components of our cost of sales for the Proforma Periods Under Review:-

	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >			
	← Unaudited →					← Audited →	← Unaudited →		
(RMB'000)	FY2006	FY2007	FY2008	1H2008	1H2009	For the period from 16 August 2007 to 31 December 2007	FY2008	1H2008	1H2009
Cost of sales	(208,054)	(179,360)	(94,531)	(26,970)	(150,437)	–	(112,655)	(26,839)	(196,555)
Comprising									
- Cost of property development sales									
- Land costs	(38,380)	(30,332)	(13,724)	(1,908)	(31,819)	–	(12,151)	(572)	(31,819)
- Construction costs	(156,392)	(132,981)	(41,418)	(1,543)	(96,028)	–	(36,670)	4,008	(96,105)
- Capitalised borrowing costs	(10,467)	(8,054)	(6,400)	(512)	(14,839)	–	(5,667)	(154)	(14,953)
- Fair value adjustment	–	–	–	–	–	–	(25,109)	(7,956)	(45,241)
	(205,239)	(171,367)	(61,542)	(3,963)	(142,686)	–	(79,597) ⁽²⁾	(4,674) ⁽²⁾	(188,118)
- Cost of construction contracts	(1)	(3,998)	(28,047)	(20,664)	(5,297)	–	(28,116) ⁽³⁾	(19,822) ⁽³⁾	(5,983) ⁽³⁾
- Cost of property management services and rental	(2,814)	(3,995)	(4,942)	(2,343)	(2,454)	–	(4,942) ⁽⁴⁾	(2,343)	(2,454)
Total	(208,054)	(179,360)	(94,531)	(26,970)	(150,437)	–	(112,655)	(26,839)	(196,555)
Average development cost per sq m ^{(5) (6)}	2,500	2,600	3,400	900 ⁽⁵⁾	4,500	–	5,200	3,800	6,000

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Notes:-

- (1) The differences in the cost of sales in the Actual Consolidated Financial Statements as compared to the unaudited Proforma Consolidated Financial Statements for FY2007, FY2008 and 1H2009 were mainly due to the start of consolidation of the cost of sales of the various PRC subsidiaries in the Actual Consolidated Financial Statements only from the dates of legal completion of the acquisitions of these entities as mentioned in the foregoing.
- (2) In relation to cost of property development sales for FY2008, as our acquisition of Debao Property was completed effective 8 March 2008, the land costs, construction costs and capitalised borrowing costs in the Actual Consolidated Financial Statements for FY2008 were relatively lower than those in the unaudited Proforma Consolidated Financial Statements. However, in the Actual Consolidated Financial Statements, as the acquisition of the subsidiaries was accounted for using purchase method under SFRS 103 – Business Combinations, the development properties held by the respective PRC subsidiary would need to be recorded at fair value at the respective dates of acquisition, which is higher than the historical costs. Accordingly, this resulted in relatively higher costs of sales in the Actual Consolidated Financial Statements as a result of the fair value adjustment to cost of property development sales. Please also refer to the explanatory notes to gross profits below, and the risk factor titled “Our gross profits and earnings for FY2009 and future financial periods/years based on the Actual Consolidated Financial Statements would be lower than those that would be prepared under the Proforma Consolidated Financial Statements mainly due to fair value adjustments to our future cost of property development sales in the Actual Consolidated Financial Statements as a result of application of Singapore Financial Reporting Standards 103 – Business Combinations (“SFRS 103”)” in the section “Risk Factors” of this Prospectus for further details.
- (3) In relation to cost of construction contracts, as our acquisition of Guihe Construction was completed effective 15 January 2008, our cost of construction contracts for FY2008 and 1H2009 in the Actual Consolidated Financial Statements was approximately the same as the unaudited Proforma Consolidated Financial Statements, save for minor adjustment relating to elimination of unrealised profits relating to our 55% interest in Jin Long Garden where we had wholly-recognised the billings made to Foshan Jing Fang as construction contract revenue.
- (4) In relation to cost of property management services and rental for FY2008, as our acquisitions of Guihe Construction and Guiyu Property Management were completed effective 15 January 2008, our cost of property management services and rental (Guiyu Property Management was also responsible for managing our investment properties) for FY2008 in the Actual Consolidated Financial Statements was essentially the same as the unaudited Proforma Consolidated Financial Statements.
- (5) Average development cost per sq m was computed based on cost of property development sales over the GFA sold and recognised in the respective period. The relatively lower average development cost per sq m in 1H2008 was mainly due to the crediting back of overbudgeted construction costs of RMB6.5 million for Jiangnan Mingju Phase 1 to 4 to cost of property development sales, and relatively lower GFA sold and recognised in the same period.
- (6) Rounded to nearest hundred.

The trend of our cost of sales was generally in line with the corresponding trend of the respective revenue items for the above Proforma Periods Under Review.

Cost of property development sales

Our cost of property development sales accounted for approximately 98.6%, 95.5%, 65.1%, 14.7% and 94.8% of our total cost of sales for our respective Proforma Periods Under Review. The decline in our cost of property development sales was generally in line with the lower GFA sold for each of the respective periods. Nevertheless, the increasing trend of our average development cost per sq m was in line with the general trend of increasing construction raw materials prices over the same periods. Our cost of property development sales comprise land costs, construction costs and capitalised borrowing costs, which are described below:-

Land costs

Our land costs include costs of acquisition of the rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with a land grant from the government or land obtained in the secondary property market. Typically, we obtain our land banks through the following methods: (i) acquiring directly from the local government land bureau through public tender, auction or listing for sale; (ii) acquiring companies that hold land reserves; and (iii) purchasing land from other companies. Please refer to the section titled “Properties and Fixed Assets” of this Prospectus for more information on our land banks. Land costs accounted for approximately 18.7%, 17.7%, 22.3%, 48.1% and 22.3% of our cost of property development sales for our respective Proforma Periods Under Review. The proportionately higher land costs during FY2008 and 1H2009 was due to the relatively higher land costs of Jiangnan

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Mingju Phases 5 and 6 (which was the key driver for the FY2008 and 1H2009 revenues) as compared to Jiangnan Mingju Phases 1 to 4 (which was the key driver for the FY2006 and FY2007 revenues). In addition, the proportionately higher land cost during 1H2008 was due to the proportionately lower construction cost as a result of the crediting back of overbudgeted construction costs of RMB6.5 million for Jiangnan Mingju Phase 1 to 4 to cost of property development sales.

Construction costs

Construction costs comprise costs for the design and construction of a project, including payments to independent contractors, costs of raw materials such as steel, cement, labour costs, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads, pipelines and landscaping. The overall construction costs of a property development may be substantially higher if the site conditions require more complex structure support and work procedures, or the property design requires more expensive materials due to the requirements of the design specifications. Construction costs accounted for approximately 76.2%, 77.6%, 67.3%, 39.0% and 67.3% of our cost of property development sales for our respective Proforma Periods Under Review. The proportionately lower construction costs during FY2008 and 1H2009 were due to proportionately higher land costs and capitalised borrowing costs as explained elsewhere in this section of the Prospectus. Furthermore, the proportionately lower construction cost in 1H2008 was a result of the crediting back of overbudgeted construction costs of RMB6.5 million for Jiangnan Mingju Phase 1 to 4 to cost of property development sales.

Capitalised borrowing costs

Capitalised borrowing costs represent interest costs arising from short-term and long-term borrowings to finance specific property developments. Borrowing costs are mainly affected by the level of interest rates charged by the lenders and the quantum of the borrowings to finance the project developments. Capitalised borrowing costs accounted for approximately 5.1%, 4.7%, 10.4%, 12.9% and 10.4% of our cost of property development sales for our respective Proforma Periods Under Review. The proportionately higher capitalised borrowing costs during FY2008 and 1H2009 were due to relatively higher interest rates and higher utilisation of bank loans for financing Jiangnan Mingju Phase 5 and 6 as compared to the prior Jiangnan Mingju Phases 1 to 4.

Cost of construction contracts

Our cost of construction contracts accounted for approximately 2.2%, 29.7%, 76.6% and 3.5% of our total cost of sales for our respective Proforma Periods Under Review. The trend of our cost of construction contracts was generally in line with the level of activities from construction contract work performed during the same periods. Cost of construction contracts represents costs of our construction contracts work, including raw materials costs, direct labour and overheads costs incurred for various construction contracts such as building structural projects as well as interior construction works. Such costs will be increased if the scope of work is more complex or requires more expensive materials to meet the design specifications.

Cost of property management services and rental

Our cost of property management services and rental accounted for approximately 1.4%, 2.2%, 5.2%, 8.7% and 1.6% of our total cost of sales for our respective Proforma Periods Under Review. The trend of our cost of property management services and rental was generally in line with the GFA of properties under management and for rental respectively. Costs of property management services and rental generally relate to the staff-related expenses and overheads of our department responsible for overseeing these business activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Gross profits

The following table sets forth our gross profit and gross profit margins for the periods covered in our financial statements:-

	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >			
	← Unaudited →					← Audited →	← Unaudited →		
(RMB'000)	FY2006	FY2007	FY2008	1H2008	1H2009	For the period from 16 August 2007 to 31 December 2007	FY2008	1H2008	1H2009
Gross profits	80,634	119,232	42,089	17,660	52,229	—	11,386	5,230	6,111
Comprising:-									
- Property development sales	78,577	113,165	31,001	13,282	45,206	—	1,933	1,546	(226)
- Construction contracts	76	2,766	4,715	1,427	4,197	—	4,646	2,269	3,511
- Property management services and rental	1,981	3,301	6,373	2,951	2,826	—	4,807	1,415	2,826
Total	80,634	119,232	42,089	17,660	52,229	—	11,386	5,230	6,111
Gross profit margins	27.9%	39.9%	30.8%	39.6%	25.8%	—	9.2%	16.3%	3.0%
Comprising									
- Property development sales	27.7%	39.8%	33.5%	77.0%	24.1%	—	2.4%	24.9%	(0.1)%
- Construction contracts	98.7%	40.9%	14.4%	6.5%	44.2%	—	14.2%	10.3%	37.0%
- Property management services and rental	41.3%	45.2%	56.3%	55.7%	53.5%	—	49.3%	37.7%	53.5%

Note:-

- (1) The relatively lower gross profits in the Actual Consolidated Financial Statements as compared to the unaudited Proforma Consolidated Financial Statements in FY2007, FY2008 and 1H2009 were mainly due to the start of consolidation of the gross profits of the various PRC subsidiaries in the Actual Consolidated Financial Statements only from the dates of legal completion of the acquisitions of these entities as mentioned in the foregoing.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

In respect of property development sales, the relatively lower gross profits and gross profit margin for FY2008 and 1H2009 in the Actual Consolidated Financial Statements were also due to relatively higher costs as a result of the fair value adjustment to cost of property development sales as explained earlier.

Our overall gross profit is affected by changes in gross profit margins and their respective revenue contribution of our respective revenue streams, namely project development sales, construction contracts and property management services and rental.

The overall gross profit margins were 27.9%, 39.9%, 30.8%, 39.6% and 25.8% respectively for the Proforma Periods Under Review. The increase in overall gross profit margin in FY2007 as compared to FY2006 was due mainly to increase of gross profit margin from property development sales mainly as a result of higher ASP sold per sq m (which increased by 25.7% from approximately RMB3,500 per sq m in FY2006 to approximately RMB4,400 per sq m in FY2007). The decrease in overall gross profit margin in FY2008 from FY2007 was due mainly to increase of construction raw materials costs, which increased our average development cost per sq m by 30.8% from approximately RMB2,600 per sq m in FY2007 to approximately RMB3,400 per sq m in FY2008. These effects were partially offset by increase in ASP sold per sq m (which increased by 15.9% from approximately RMB4,400 per sq m in FY2007 to approximately RMB5,100 per sq m in FY2008). The decrease in overall gross profit margin in 1H2009 from FY2008 was due mainly to increase of construction raw materials costs and land costs, which increased our average development cost per sq m by 32.3% from approximately RMB3,400 per sq m in FY2008 to approximately RMB4,500 per sq m in 1H2009. These effects were partially offset by increase in ASP sold per sq m which increased by 17.6% from approximately RMB5,100 per sq m in FY2008 to approximately RMB6,000 per sq m in 1H2009.

The gross profit margins of our construction contracts were 98.7%, 40.9% and 14.4% respectively. As our construction revenue were approximately RMB0.1 million, RMB6.8 million and RMB32.8 million for FY2006, FY2007 and FY2008 respectively, the gross profit margins for FY2006 and FY2007 are not representative of the usual margins earned in our construction contracts as the revenues in these two years pertain to relatively small scale works. Accordingly, the gross profit margin for FY2008 of 14.4% on revenue of RMB32.8 million would be more representative of the typical margins earned by us in our construction contracts works.

As mentioned in note (1) above, the gross profit margin of our property development sales in the Actual Consolidated Financial Statements for FY2008 and 1H2009 was 2.4% and (0.1)%, which was significantly lower than the gross profit margins of our property development sales in the unaudited Proforma Consolidated Financial Statements of 27.7%, 39.8%, 33.5%, 77.0% and 24.1% respectively for the Proforma Periods Under Review. The lower gross profit margin of our property development sales in the Actual Consolidated Financial Statements was due to the relatively higher costs of sales as a result of the fair value adjustment to cost of property development sales as explained earlier. The gross profit margin of (0.1)% occurred in the Actual Consolidated Financial Statements for 1H2009 was primarily due to the impact of the economy crisis which had results in the ASP achieved in 1H2009 to be slightly lower than the cost of property development sales (including fair value adjustment), subsequent to the dates of legal completion of the acquisitions of Jiangnan Property and Sanshui Property as mentioned in the foregoing, prior to its recovery towards the end of 2Q2009.

The fair value adjustment mainly arose from the recording of the attributed fair values of development properties as at the respective effective dates of acquisitions of our PRC subsidiaries that holds our development properties. In the unaudited Proforma Consolidated Financial Statements, the development properties were carried at their respective historical costs. Accordingly for our all existing development properties that were held by our current PRC subsidiaries, due to the higher book values in the Actual Consolidated Financial Statements, the costs of property development sales (and corresponding gross profit margin) in the Actual Consolidated Financial Statements would be higher (and correspondingly lower) than those that would have been reflected in the unaudited Proforma Consolidated Financial Statements for the same financial periods going forward. **As our Group's future financial reports will**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

be based on the Actual Consolidated Financial Statements, the above-mentioned historical gross profit margins of our property development sales in the unaudited Proforma Consolidated Financial Statements will not be indicative of our prospective gross profit margins of our property development sales for future financial periods where such property development sales relate to our existing development properties (mainly Jiangnan Mingju Phases 5 and 6 and Shanshui Longpan). Nevertheless, these fair value adjustments will not be affect our future operating cash flows from existing development properties, or the costs/gross profit margins of new development projects in the future.

Please also refer to the risk factor titled "Our gross profits and earnings for FY2009 and future financial periods/years based on the Actual Consolidated Financial Statements would be lower than those that would be prepared under the Proforma Consolidated Financial Statements mainly due to fair value adjustments to our future cost of property development sales in the Actual Consolidated Financial Statements as a result of application of Singapore Financial Reporting Standards 103 – Business Combinations ("SFRS 103")" in the section "Risk Factors" of this Prospectus for further details.

Save for property development sales, our gross profits of our other revenue items are not affected by the above-mentioned fair value adjustments going forward.

Other income

Other income comprises mainly interest income and other income comprised mainly miscellaneous surcharge income from property management services, as well as rebates from sales agency intermediaries. The following table sets forth our other income for the periods covered in our financial statements:-

	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >			
	← Unaudited →					← Audited →		← Unaudited →	
						For the period from 16 August 2007 to 31 December			
(RMB'000)	FY2006	FY2007	FY2008	1H2008	1H2009	2007	FY2008	1H2008	1H2009
Other income	2,144	4,794	9,231	2,246	1,953	—	8,222	1,237	1,953

Note:-

- (1) The relatively lower other income in the Actual Consolidated Financial Statements as compared to the unaudited Proforma Consolidated Financial Statements in FY2007 and FY2008 were mainly due to the start of consolidation of the other incomes of the various PRC subsidiaries in the Actual Consolidated Financial Statements only from the dates of legal completion of the acquisitions of these entities as mentioned in the foregoing.

The above increasing trend from FY2006 to FY2008 was due to higher interest income arising from higher average level of bank balances held, and sales rebate received from external sales agents for Jiangnan Mingju Phases 1 to 4 during FY2008.

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Selling and distribution expenses

The following table sets forth our selling and distribution expenses for the periods covered in our financial statements:-

(RMB'000)	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >			
	← Unaudited →					← Audited →	← Unaudited →		
	FY2006	FY2007	FY2008	1H2008	1H2009	For the period from 16 August 2007 to 31 December 2007	FY2008	1H2008	1H2009
Selling and distribution expenses	(8,205)	(4,402)	(2,022)	(183)	(1,326)	–	(2,011)	(202)	(1,326)

Note:-

- (1) The relatively lower selling and distribution expenses in the Actual Consolidated Financial Statements as compared to the unaudited Proforma Consolidated Financial Statements in FY2007 and FY2008 were mainly due to the start of consolidation of the selling and distribution expenses of the various PRC subsidiaries in the Actual Consolidated Financial Statements only from the dates of legal completion of the acquisitions of these entities as mentioned in the foregoing.

Selling and distribution expenses represented approximately 2.8%, 1.5%, 1.5%, 0.4% and 0.7% of our revenue for each of the Proforma Periods Under Review respectively. Selling and distribution expenses comprise mainly advertising and promotion (“A&P”) expenses, sales commissions, sales offices rental expenses and maintenance costs, real estate properties research cost and property development escrow account maintenance fees. The trend of selling and distribution expenses was generally in line with the level of sales activities during Proforma Periods Under Review.

Administrative expenses

The following table sets forth our administrative expenses for the periods covered in our financial statements:-

(RMB'000)	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >			
	← Unaudited →					← Audited →	← Unaudited →		
	FY2006	FY2007	FY2008	1H2008	1H2009	For the period from 16 August 2007 to 31 December 2007	FY2008	1H2008	1H2009
Administrative expenses	(7,129)	(14,563)	(25,538)	(9,928)	(11,100)	(658)	(22,747)	(7,136)	(11,100)

Note:-

- (1) The relatively lower administrative expenses in the Actual Consolidated Financial Statements as compared to the unaudited Proforma Consolidated Financial Statements in FY2007 and FY2008 were mainly due to the start of consolidation of the administrative expenses of the various PRC subsidiaries in the Actual Consolidated Financial Statements only from the dates of legal completion of the acquisitions of these entities as mentioned in the foregoing.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Administrative expenses accounted for approximately 2.5%, 4.9%, 18.7%, 22.2% and 5.5% of our revenue for each of the Proforma Periods Under Review respectively. Administrative expenses comprise various expenses such as salaries and staff-related expenses of general administrative staff, utilities, depreciation charges for buildings and office equipment, telecommunication expenses, entertainment expenses, audit and professional fee, administrative transportation expenses, allowance for doubtful debts and other general office overheads expenses.

In particular, salaries and staff-related expenses of general administrative staff accounted for approximately RMB3.1 million, RMB4.2 million, RMB8.7 million, RMB3.4 million and RMB3.7 million, which represented 43.5%, 28.8%, 34.1%, 34.2% and 33.3% of total administrative expenses, for each of the Proforma Periods Under Review respectively. Salaries and staff-related expenses has increased mainly as a result of increase in staff headcount to meet increased staffing needs arising from Jiangnan Mingju Phases 5 and 6 and Shanshui Longpan, and also increase in general corporate requirements. In FY2008, our Group also incurred Singapore head office general expenses of approximately RMB1.7 million.

Change in fair value of convertible loan notes

Our change in fair value of convertible loan notes comprise the fair value adjustments arising from our convertible loan notes issued to the Pre-IPO Investors. The convertible loan notes were issued by the Company between FY2007 and FY2009. Please refer to the section "Restructuring Exercise" of this Prospectus for more information. The related issuance expenses are debited against the book value of these notes. The convertible loan notes 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 and 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 notes discounted on the basis of the market interest rate implied by comparable loans. The fair value of the embedded derivative of the convertible loan notes was determined based on certain valuation methods which were determined to be appropriate for the type of embedded derivative by the independent valuer. The fair value adjustments of the convertible loan notes were determined through the use of an appropriate independent valuer to assess the fair value changes of the convertible loan notes for each period.

The following table sets forth our change in fair value of convertible loan notes for the periods covered in our financial statements:-

	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >				
	← Unaudited →					← Audited →		← Unaudited →		
						For the period from 16 August 2007 to 31 December				
(RMB'000)	FY2006	FY2007	FY2008	1H2008	1H2009	2007	FY2008	1H2008	1H2009	
Change in fair value of convertible loan notes	—	(303)	(8,942)	(5,753)	(16,137)	(303)	(8,942)	(5,753)	(16,137)	

Note:-

- (1) There were no differences in change in fair value of convertible loan notes between the Actual Consolidated Financial Statements and the unaudited Proforma Consolidated Financial Statements in FY2007 and FY2008 as the convertible loan notes were issued by the Company and hence the accounting for these notes were not affected by the Restructuring Exercise.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The changes in the fair value of convertible loan notes in each period were due to the offsetting of related issuance expenses against the book value of the convertible loan notes, and movements in the variables (such as the assumed discount rate and conversion price) affecting the valuations of the liability component and embedded derivative of the convertible loan notes.

Share of jointly controlled operations' result

Our share of jointly controlled operations' result relates to the contribution from Jin Long Garden. Jin Long Garden is an integrated residential and commercial estate project of approximately 142,000 sq m GFA jointly developed with an unrelated third party, Foshan Jing Fang. Please refer to the section "Details of our Property Developments" of this Prospectus for more information on the project. We have entered into a contractual arrangement with Foshan Jing Fang where we agreed that the proportion of the capital contribution and profit distribution of Jin Long Garden is 45% to Foshan Jing Fang and 55% to our Group. Accordingly, we do not hold direct equity interest in the project company of Jin Long Garden but instead are entitled to the proportionate profit distribution as part of our joint venture arrangement, which are then accounted for as our share of jointly controlled operations' result in our income statement.

The following table sets forth our share of jointly controlled operations' result for the periods covered in our financial statements:-

	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >			
	← Unaudited →					← Audited →		← Unaudited →	
						For the period from 16 August 2007 to 31 December			
(RMB'000)	FY2006	FY2007	FY2008	1H2008	1H2009	2007	FY2008	1H2008	1H2009
Share of jointly controlled operations' result	(5)	(68)	2,311	112	6,075	—	1,577	130	4,868

Note:-

- (1) The relatively lower share of jointly controlled operations' result in the Actual Consolidated Financial Statements as compared to the unaudited Proforma Consolidated Financial Statements in FY2007, FY2008 and 1H2009 were mainly due to the start of consolidation of the share of jointly controlled operations' result (where such interest in the jointly controlled operations was held under Debao Property) in the Actual Consolidated Financial Statements only from the date of legal completion of the acquisition of Debao Property being 8 March 2008, while the relatively lower figure for 1H2009 in the Actual Consolidated Financial Statements as compared to the unaudited Proforma Consolidated Financial Statements was mainly due to the fair value adjustment of approximately RMB1.2 million to the share of jointly controlled operations' result in our Actual Consolidated Financial Statements as a result of the application of SFRS 103. The quantum of the remaining fair value adjustments to our future share of jointly controlled operations' result in future periods is approximately RMB4.3 million.

We are responsible for the conceptualisation, design and construction management of Jin Long Garden. Phase 1 of this project was launched for sale towards the end of 3Q2008 with a total saleable GFA of approximately 21,000 sq m. The remaining phases of this project are expected to be launched gradually from the start of FY2010. Accordingly, we did not receive any profit distribution from this project in FY2006 and FY2007. With the start of sales launch, Jin Long Garden began to contribute profit to our Group as share of jointly controlled operations' result in FY2008 with approximately RMB2.3 million as shown in above table.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following table sets forth the summary of saleable GFA, average selling price ("ASP") and revenue for Jin Long Garden since its launch in 3Q2008:-

Revenue	← Unaudited Proforma →								
	FY2008			1H2008			1H2009		
	GFA (m ²)	ASP ⁽¹⁾ (RMB/m ²)	Revenue (RMB'mil)	GFA (m ²)	ASP ⁽¹⁾ (RMB/m ²)	Revenue (RMB'mil)	GFA (m ²)	ASP ⁽¹⁾ (RMB/m ²)	Revenue (RMB'mil)
Jin Long Garden	5,600	5,500	31.0	—	—	—	7,200	9,300	67.2
Comprising:									
Commercial Units	—	—	—	—	—	—	900	32,000	29.9
Residential Units	5,600	5,500	31.0	—	—	—	6,300	6,000	37.3

The increase in ASP for Jin Long Garden in 1H2009 from RMB5,500 per sq m to RMB9,300 per sq m is due mainly to the commencement of sales of commercial units in 1H2009, which has a higher ASP as compared to the residential units.

Change in fair value of investment properties

We hold selected commercial properties as investment properties for recurring and stable rental income as well as capital appreciation. The investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are measured at fair value. Gain or losses arising from changes in the fair value of investment properties are included in profit and loss statement for the period in which they arise. The fair values of our investment properties at balance sheet dates have been arrived at on the basis of open market valuation carried out at those dates by CB Richard Ellis Limited, as set forth in the following table:-

	< Proforma Consolidated Financial Statements ⁽¹⁾ >			
	← Investment properties →			
	Debao Hotel Complex	Debao Garden commercial units	Jiangnan Mingju commercial units	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Fair value as at 1 January 2006	20,995	—	34,400	55,395
Addition	9,446			9,446
Fair value adjustment (P&L)	6,059		6,000	12,059
Fair value as at 31 December 2006	36,500	—	40,400	76,900
Addition	13,559	8,106		21,665
Fair value adjustment (P&L)	47,641	8,694	12,200	68,535
Fair value as at 31 December 2007	97,700	16,800	52,600	167,100
Transfer from property held for sales	—	—	5,398	5,398
Fair value adjustment (P&L)	—	—	(2,398)	(2,398)
Balance as at 30 June 2008	97,700	16,800	55,600	170,100

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

< Proforma Consolidated Financial Statements ⁽¹⁾ >				
← Investment properties →				
	Debao Hotel Complex	Debao Garden commercial units	Jiangnan Mingju commercial units	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Addition	485	–	–	485
Disposal	–	–	(2,610)	(2,610)
Fair value adjustment (P&L)	(485)	–	–	(485)
Balance as at 31 December 2008	97,700	16,800	52,990	167,490
Fair value adjustment (P&L)	1,900	600	960	3,460
Balance as at 30 June 2009	99,600	17,400	53,950	170,950

The following table sets forth our change in fair value of investment properties for the periods covered in our financial statements:-

< Proforma Consolidated Financial Statements ⁽¹⁾ >						< Actual Consolidated Financial Statements ⁽¹⁾ >			
← Unaudited →						← Audited → ← Unaudited →			
						For the period from 16 August 2007 to 31 December			
(RMB'000)	FY2006	FY2007	FY2008	1H2008	1H2009	2007	FY2008	1H2008	1H2009
Change in fair value of investment properties	12,059	68,535	(2,883)	(2,398)	3,460	–	(485)	–	3,460

Note:-

- (1) The relatively lower change in fair value of investment properties in the Actual Consolidated Financial Statements as compared to the unaudited Proforma Consolidated Financial Statements in FY2007 and FY2008 were mainly due to the start of consolidation of the change in fair value of investment properties held under Debao Property in the Actual Consolidated Financial Statements only from the date of legal completion of the acquisition of Debao Property being 8 March 2008.

Gains arising from the change in fair value of investment properties in FY2006 and FY2007 were mainly due to increased valuations of Debao Hotel Complex and certain commercial properties held in Jiangnan Mingju and Debao Garden. The loss arising from the change in fair value of investment properties in FY2008 was mainly due to decreased valuation of the commercial properties held by us in Jiangnan Mingju.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Negative goodwill

Negative goodwill represents the excess of our Group's interest in the attributed net fair value of identifiable assets, liabilities and contingent liabilities of the respective PRC subsidiary acquired by our Group over the purchase consideration paid by our Group where such the excess is recognised immediately in profit or loss as negative goodwill. The following table sets forth the negative goodwill for the periods covered in our financial statements:-

(RMB'000)	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >			
	Unaudited					Audited		Unaudited	
	FY2006	FY2007	FY2008	1H2008	1H2009	For the period from 16 August 2007 to 31 December 2007	FY2008	1H2008	1H2009
Negative goodwill	—	—	—	—	—	255,881	139,097	139,097	—

Note:-

- (1) There was no negative goodwill in the unaudited Proforma Consolidated Financial Statements as it was prepared based on the assumptions that the acquisitions of the PRC subsidiaries have been completed, and our Group Structure have been in place, since 1 January 2006.

The negative goodwill in FY2007 represents the aggregate negative goodwill arising from the acquisitions of Jiangnan Property and Sanshui Property. The negative goodwill in FY2008 represents the aggregate negative goodwill arising from the acquisitions of Guihe Construction and Debao Property. Please refer to the Actual Consolidated Financial Statements, in particular note 31 of the financial statements, for more information.

Gain from acquisition of additional shares in a subsidiary

Gain from acquisition of additional shares in a subsidiary represents the difference between the attributed fair value of the minority interest acquired by our Group and the purchase consideration paid by our Group. The following table sets forth the gain from acquisition of additional shares in a subsidiary for the periods covered in our financial statements:-

(RMB'000)	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >			
	Unaudited					Audited		Unaudited	
	FY2006	FY2007	FY2008	1H2008	1H2009	For the period from 16 August 2007 to 31 December 2007	FY2008	1H2008	1H2009
Gain from acquisition of additional shares in a subsidiary	—	—	—	—	—	—	3,115	3,115	—

Note:-

- (1) There was no gain from acquisition of additional shares in a subsidiary in the unaudited Proforma Consolidated Financial Statements as it was prepared based on the assumptions that the acquisitions of the PRC subsidiaries have been completed, and our Group Structure have been in place, since 1 January 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The above RMB3.1 million gain from acquisition of additional shares in a subsidiary in FY2008 represents the difference between the attributed fair value of RMB17.9 million of the minority interest in Sanshui Property acquired by our Group and the purchase consideration of RMB14.8 million paid by our Group. Please refer to the Actual Consolidated Financial Statements, in particular note 31 of the financial statements, for more information.

Gain from dilution of minority interest

Gain from dilution of minority interest relate to the increase in our Group's proportionate share in the attributed fair value of the net assets in Sanshui Property as a result of capital injection by our Group which led to dilution of minority interest in Sanshui Property. The following table sets forth the Gain from dilution of minority interest for the periods covered in our financial statements:-

(RMB'000)	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >			
	← Unaudited →					← Audited →	← Unaudited →		
	FY2006	FY2007	FY2008	1H2008	1H2009	For the period from 16 August 2007 to 31 December 2007	FY2008	1H2008	1H2009
Gain from dilution of minority interest	—	—	—	—	—	—	72,859	72,859	—

Note:-

- (1) There was no gain from acquisition of additional shares in a subsidiary in the unaudited Proforma Consolidated Financial Statements as it was prepared based on the assumptions that the acquisitions of the PRC subsidiaries have been completed, and our Group Structure have been in place, since 1 January 2006.

The gain from dilution of minority interest of RMB72.9 million in FY2008 relate to the increase in our Group's proportionate share in the attributed fair value of the net assets in Sanshui Property as a result of RMB66.3 million capital injection by our Group on 2 February 2008 which led to dilution of minority interest in Sanshui Property. Please refer to the Actual Consolidated Financial Statements, in particular note 31 of the financial statements, for more information.

Impairment of goodwill

Impairment of goodwill relate to the impairment of goodwill arising from acquisition of Guiyu Management. The following table sets forth the impairment of goodwill for the periods covered in our financial statements:-

(RMB'000)	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >			
	← Unaudited →					← Audited →	← Unaudited →		
	FY2006	FY2007	FY2008	1H2008	1H2009	For the period from 16 August 2007 to 31 December 2007	FY2008	1H2008	1H2009
Impairment of goodwill	—	—	—	—	—	—	(1,356)	(1,356)	—

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Note:-

- (1) There was no impairment of goodwill in the unaudited Proforma Consolidated Financial Statements as it was prepared based on the assumptions that the acquisitions of the PRC subsidiaries have been completed, and our Group Structure have been in place, since 1 January 2006.

Upon acquisition of Guiyu Management, there was a goodwill of RMB1.4 million arising from the excess of the purchase consideration paid by our Group over the attributed fair value of net assets of Guiyu Management. Upon assessment the value in use calculation for the property management operations under Guiyu Management, it was determined that such goodwill should be fully impaired and charged to profit and loss.

Finance costs

Finance costs comprise mainly interest charges relating to our bank and other loans that were not capitalised as cost of development properties. The following table sets forth our finance costs for the periods covered in our financial statements:-

	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >			
	← Unaudited →					← Audited →	← Unaudited →		
						For the period from 16 August 2007 to 31 December 2007	FY2008	1H2008	1H2009
(RMB'000)	FY2006	FY2007	FY2008	1H2008	1H2009				
Finance costs	—	(6,045)	(1,782)	—	(2,730)	—	(1,782)	—	(2,730)

Note:-

- (1) There were no differences in finance costs in FY2008 between the Actual Consolidated Financial Statements and the unaudited Proforma Consolidated Financial Statements as the finance costs were incurred by Jiangnan Property and Sanshui Property, which were acquired by our Group before FY2008. Nevertheless, there were nil finance costs in FY2007 for the Actual Consolidated Financial Statements as compared to the RMB6.0 million finance costs in the unaudited Proforma Consolidated Financial Statements, which were incurred before the acquisition of the PRC subsidiaries.

In accordance with applicable accounting standards, the interest charges from the related bank loans can only be capitalised to cost of property development sales before the project is completed. As the term of the bank loan for a project is usually longer than the length of the project itself, upon the completion of the project, all such interest charges will be reflected as finance costs instead.

The amount of finance costs in FY2007 was relatively higher as our Group had completed the development of Jiangnan Mingju Phases 1 to 4 in 2007 and hence can no longer attribute the interest charges from the related bank loans taken for this project as capitalised borrowing costs part of cost of development properties.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Income tax expense

Our Group is subject to enterprise income tax and land appreciation tax in the PRC. The following table sets forth our income tax expense for the periods covered in our financial statements:-

	< Proforma Consolidated Financial Statements ⁽¹⁾ >					< Actual Consolidated Financial Statements ⁽¹⁾ >			
	← Unaudited →					← Audited →	← Unaudited →		
(RMB'000)	FY2006	FY2007	FY2008	1H2008	1H2009	For the period from 16 August 2007 to 31 December 2007	FY2008	1H2008	1H2009
Profit before tax	79,498	167,180	12,464	1,756	32,424	254,920	198,933	207,221	(14,901)
Income tax expense	(27,407)	(55,219)	(9,713)	(5,128)	(12,696)	—	(1,387)	(1,257)	(1,214)
Comprising									
- Current Tax									
- Enterprise income tax	(11,458)	(40,704)	(7,658)	(3,356)	(10,391)	—	(6,685)	(2,382)	(10,391)
- Land appreciation tax	(6,297)	(6,842)	(1,114)	(769)	(206)	—	(568)	(223)	(206)
	(17,755)	(47,546)	(8,772)	(4,125)	(10,597)	—	(7,253)	(2,605)	(10,597)
- Deferred tax:									
- Enterprise income tax	(10,663)	(9,129)	1,847	1,137	(2,099)	—	8,087	3,477	9,383
- Change in tax rate	—	9,044	—	—	—	—	—	—	—
- Land appreciation tax	1,011	(7,588)	(2,788)	(2,140)	—	—	(2,221)	(2,129)	—
	(9,652)	(7,673)	(941)	(1,003)	(2,099)	—	5,866	1,348	9,383
Total	(27,407)	(55,219)	(9,713)	(5,128)	(12,696)	—	(1,387)	(1,257)	(1,214)
% over profit before tax	34.5%	33.0%	77.9%	292.0%	39.2%	—	0.7%	0.6%	n.m.

Note:-

- (1) The relatively lower tax expenses in the Actual Consolidated Financial Statements as compared to the unaudited Proforma Consolidated Financial Statements in FY2007 and FY2008 were mainly due to the start of consolidation of the tax expenses of the various PRC subsidiaries in the Actual Consolidated Financial Statements only from the dates of legal completion of the acquisitions of these entities as mentioned in the foregoing.
- (2) n.m. means not meaningful

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Our income tax expense as a percentage over profits before tax was approximately 34.5%, 33.0%, 77.9%, 292.0% and 39.2% for each of the Proforma Periods Under Review respectively. The relatively higher percentage in FY2008 was mainly due to proportionately higher non tax-deductible expenses incurred during FY2008, which include certain corporate expenses amounting to RMB3.6 million incurred in Singapore (such as listing expenses, staff cost and foreign exchange translation differences) and the change in fair value of convertible loan notes of RMB8.9 million.

Enterprise Income Tax

The enterprise income tax refers to the tax chargeable at the prevailing tax rate of 33.0% prior to 1 January 2008 in respect of the assessable profits derived from our Group's operations in the PRC. Pursuant to the new PRC Enterprise Income Tax Law promulgated on 16 March 2007, the enterprise income tax rate for both domestic and foreign-invested enterprises will be unified at 25% effective from 1 January 2008. As required by the local tax authority, the income tax of certain PRC subsidiaries of our Group are levied on deemed profit method before 2008 which is calculated on 2%-10% of taxable revenue.

Land Appreciation Tax

Under PRC laws and regulations, our subsidiaries in the PRC engaging in property development are subject to land appreciation tax ("LAT"), which is collected by the local tax authorities. Pursuant to the Provisional Regulations of the PRC on Land Appreciation Tax ("LAT Regulations"), all income received from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC by all units and individuals is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined in the relevant tax laws, with certain exemptions available for the sale of ordinary standard residential houses if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sale of commercial properties which do not fall within the scope of ordinary standard residential houses is not eligible for this exemption. LAT is not levied on real estate properties constructed and held by such units or individuals for its own use or for lease. Whether a property qualifies for the ordinary standard residential houses exemption is determined by the local government taking into consideration the property's plot ratio, aggregate GFA and sales price. Sales of low-density luxury detached houses, townhouses and commercial retail shops typically have higher appreciation values, and are generally subject to higher LAT rates, compared with less expensive properties.

On 28 December 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises ("LAT Notice") which came into effect on 1 February 2007. Such notice provides further clarifications as to the settlement of LAT. Real estate developers shall settle and clear the LAT payment of their development projects that meet certain criteria. Further, the LAT Notice also stipulates that the local tax authorities may order real estate developers to pay LAT if either of the following criteria meet: (i) for real estate project that had passed checking and acceptance, the transferred GFA represents more than 85% of the total saleable GFA, or the proportion represented is less than 85%, but the remaining saleable GFA has been leased out or used by the developer; (ii) a property project has not been sold within three years from the grant of sale or pre-sale permit; (iii) the developer applies for cancellation of the tax registration without having settled the LAT; or (iv) other conditions stipulated by the tax authorities at the provincial level. Local provincial tax authorities at the provincial level can formulate their own implementation rules according to the LAT Notice and local situations.

We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and the LAT Regulations, but only pay a portion of such provisions each year as required by the local tax authorities under prevailing practice. The method in which the local tax authorities has implemented to calculate the LAT may result in a lower sum of LAT payable than if the LAT is determined based on the appreciation value of the properties as suggested under the LAT Regulations. In which case, the central PRC tax authorities may order our Group to pay the outstanding LAT.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

For each of FY2006, FY2007, FY2008 and 1H2009, based on our Proforma Consolidated Financial Statements, we made a provision for LAT in the amount of RMB4.0 million, RMB11.6 million, RMB11.9 million and RMB5.2 million respectively. For the same periods, we made LAT payments in the amount of RMB3.5 million, RMB3.5 million, RMB3.6 million and RMB4.6 million, respectively. Please see the section titled "Risk Factors" of this Prospectus for further details.

Deferred Tax

Deferred tax is computed in full on temporary differences under the balance sheet liability method at the rates that have been enacted or substantially enacted by the balance sheet date of the respective period under review.

REVIEW OF RESULTS OF OPERATIONS

As explained in the section "Selected Group Financial Information" of this Prospectus, the following review was prepared based on the relevant comparative financial information as extracted from the Proforma Consolidated Financial Statements for FY2006, FY2007, FY2008 and 1H2008, as well as the Actual Consolidated Financial Statements for 1H2009, respectively.

Proforma FY2006 vs Proforma FY2007

Revenue

Our revenue increased by RMB9.9 million or 3.4% from RMB288.7 million in FY2006 to RMB298.6 million in FY2007. The increase in revenue was contributed by:-

- (i) marginal increase of RMB0.7 million or 0.2% in revenue from property development sales of RMB283.8 million in FY2006 to RMB284.5 million in FY2007. The increase in revenue from property development sales from FY2006 to FY2007 was mainly due to increases in the ASP (which increased by 25.7% from approximately RMB3,500 per sq m in FY2006 to approximately RMB4,400 per sq m in FY2007) of the units sold in Jiangnan Mingju Phases 1 to 4 due to higher demand, which were offset by lower GFA sold and recognised (which decreased by 19.4% from approximately 80,500 sq m in FY2006 to approximately 64,900 sq m in FY2007) for this project as it was sold out by FY2007;
- (ii) increase in revenue contribution from construction contracts from RMB0.1 million in FY2006 to RMB6.7 million in FY2007. We recorded higher construction contract revenue in FY2007 due mainly to RMB6.6 million of construction contracts work for our jointly controlled operations - Jin Long Garden as this project progressed in its development stage; and
- (iii) increase in revenue from property management service and rental from our properties investment by aggregate of RMB2.5 million. Our property management income increased by RMB0.8 million or 32.0% from FY2006 to FY2007 mainly as a result of the new blocks in the Jiangnan Mingju project that we managed after the handover to purchasers (which increased our GFA of property under management by 43.0% from approximately 313,600 sq m as at end of FY2006 to 448,500 sq m as at end of FY2007). Our rental income also increased by RMB1.8 million or 77.1% from FY2006 to FY2007 mainly as a result of the acquisition of additional commercial shop units in the Debao Garden and Jiangnan Mingju in FY2007 (which increased our GFA of investment properties leased out by 246.0% from approximately 5,000 sq m as at end of FY2006 to 17,300 sq m as at end of FY2007).

Cost of sales and gross profit margin

Our cost of sales decreased by RMB28.7 million or 13.8% from RMB208.1 million in FY2006 to RMB179.4 million in FY2007. This was mainly attributed to a decrease in cost of property development sales by RMB33.8 million or 16.5%, which was mainly due to the decline of GFA sold by 19.4% from 80,500 sq m in FY2006 to 64,900 sq m in FY2007 and partially offset by a marginal increase in

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

construction raw material prices where our average development cost increased by 4.0% from RMB2,500 per sq m in FY2006 to RMB2,600 per sq m in FY2007. The effects of the decrease in cost of property development sales was partially offset by the increase in cost of construction contract works of RMB4.0 million and increase in cost of property management service and rental of RMB1.2 million, which were in line with the respective increases in the corresponding revenue items.

In terms of gross profit margin, our overall gross profit margin improved from 27.9% in FY2006 to 39.9% in FY2007, which was mainly due to increase of gross profit margin from property development sales which improved from 27.7% in FY2006 to 39.8% in FY2007. This was mainly as a result of higher ASP sold per sq m (where our ASP increased by 25.7% from approximately RMB3,500 per sq m in FY2006 to approximately RMB4,400 per sq m in FY2007, which was partially offset by the abovementioned 3.5% increase in average development cost).

Other income

Our other income increased by RMB2.7 million from RMB2.1 million in FY2006 to RMB4.8 million in FY2007. The increase was mainly due to increased interest income received mainly as a result of higher average bank balances in FY2007 as compared to FY2006.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB3.8 million or 46.3% from RMB8.2 million in FY2006 to RMB4.4 million in FY2007. The decrease in selling and distribution expenses was mainly attributable to a decrease in advertising and promotional expenses of RMB3.9 million or 50.6% from RMB7.7 million in FY2006 to RMB3.8 million in FY2007, which was due to the decreased level of marketing and sales activities after the final launch of Jiangnan Mingju Phases 1 to 4 at the end of FY2006.

Administrative expenses

Our administrative expenses increased by RMB7.5 million or 105.6% from RMB7.1 million in FY2006 to RMB14.6 million in FY2007. The increase in administrative expenses was due mainly to:-

- (i) audit and other professional fees of RMB3.7 million incurred for our corporate restructuring exercise in FY2007;
- (ii) higher business development and travelling cost of RMB1.6 million from RMB1.4 million in FY2006 as compared to RMB3.0 million in FY2007; and
- (iii) an increase in staff salaries and staff-related expenses of RMB0.9 million from RMB3.4 million in FY2006 to RMB4.4 million in FY2007 mainly as a result of an increase in staff strength to meet staffing needs arising from Jiangnan Mingju Phases 5 and 6 and Shanshui Longpan.

Change in fair value of convertible loan notes

Our change in fair value of convertible loan notes of RMB0.3 million in FY2007 as compared to nil in FY2006 was due to the fair value change of the convertible loan notes issued as at the end of FY2007, where the accumulated principal stood at S\$15.0 million.

Share of jointly controlled operations' result

There were no material changes between FY2006 and FY2007.

Change in fair value of investment properties

There was an increase of RMB56.4 million in gains arising from a change in fair value of investment properties in FY2007 from FY2006. This was mainly due to an appreciation in value of our investment properties, mainly comprising Debao Hotel Complex by RMB47.6 million and commercial shop units held in Jiangnan Mingju Phases 1 to 4 and Debao Garden by RMB12.2 million and RMB8.7 million respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Finance costs

In FY2006, we had nil finance costs as all interest charges could be attributed to Jiangnan Mingju Phases 1 to 4 as capitalised borrowing costs, which formed a part of cost of development properties. In FY2007, we incurred finance costs of RMB6.0 million as our Group had completed the development of Jiangnan Mingju Phases 1 to 4 in 2007 and hence could no longer attribute the interest charges from the related bank loans taken for this project as capitalised borrowing costs part of cost of development properties.

Income tax expense

Our income tax expense increased by RMB27.8 from RMB27.4 million in FY2006 to RMB55.2 million in FY2007. This was mainly due to an increase in our current enterprise income tax (which reflected the rise in profit before tax from FY2006 to FY2007) by RMB29.2 million.

Net profit attributable to Shareholders

As a result of the foregoing, our net profit for the year increased by RMB59.9 million, or 115.0%, from RMB52.1 million in FY2006 to RMB112.0 million in FY2007.

Proforma FY2007 vs FY2008

Revenue

Our revenue decreased by RMB162.0 million or 54.3% from RMB298.6 million in FY2007 to RMB136.6 million in FY2008.

The decrease in revenue was mainly due to a decrease of RMB191.9 million or 67.5% in revenue from Property development sales of RMB284.5 million in FY2007 to RMB92.6 million in FY2008. The decline in revenue from FY2007 to FY2008 was mainly due to a delay in new launches of Jiangnan Mingju Phases 5 and 6 which resulted in decreases in GFA sold and recognised by 71.8% from approximately 64,900 sq m in FY2007 to 18,300 sq m in FY2008 (where such effects were partially offset by increase in ASP by 15.9% from approximately RMB4,400 per sq m in FY2007 to approximately RMB5,100 per sq m in FY2007). The decline in GFA sold was in line with the slowdown of the PRC real estate industry in general during FY2008, which was a result of the anti-inflationary government policies in 1H2008 and the subsequent global economic crisis in 2H2008.

The decrease was partially offset by (i) an increase in revenue contribution from construction contracts by RMB26.1 million or 389.6% from RMB6.7 million in FY2007 to RMB32.8 million. We recorded higher construction contract revenue in FY2008 due mainly to RMB31.6 million of construction contracts work for our jointly controlled operations - Jin Long Garden as this project progressed in its development stage; and (ii) increases in revenue from property management service and rental from our properties investment by RMB1.4 million and RMB2.6 million respectively. Our property management income increased by RMB1.4 million or 42.4% from FY2007 to FY2008 mainly as a result of the new blocks in Jiangnan Mingju that we managed after the handover to purchasers (which increased our GFA of property under management by 10.6% from approximately 448,500 sq m as at end of FY2007 to 496,000 sq m as at end of FY2008). Our rental income also increased by RMB2.6 million or 65.0% from FY2007 to FY2008 mainly as a result of the acquisition and leasing of additional commercial shop units in Debao Garden and Jiangnan Mingju (which increased our GFA of investment properties leased out by 26.6% from approximately 17,300 sq m as at end of FY2007 to 21,900 sq m as at end of FY2008).

Cost of sales and gross profit margin

Our cost of sales decreased by RMB84.9 million or 47.3% from RMB179.4 million in FY2007 to RMB94.5 million in FY2008. This was mainly attributed to a decrease in cost of property development sales by RMB109.9 million or 64.1%, which was mainly due to the decline of GFA sold by 46,600 sqm or 72%, from 64,900 sq m in FY2007 to 18,300 sq m in FY2008. Such decline was offset by an increase in construction raw material prices where our average development cost increased by 30.8% from

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

RMB2,600 per sq m in FY2007 to RMB3,400 per sq m in FY2008. The effects of the decrease in cost of property development sales was partially offset by the increase of construction contract works costs by RMB24.0 million or 600% from RMB4.0 million in FY2007 to RMB28.0 million in FY2008, mainly as a result of the abovementioned increase in construction contract works.

In terms of gross profit margin, our overall gross profit margin decreased from 39.9% in FY2007 to 30.8% in FY2008, which was mainly due to decrease of gross profit margin from property development sales which decreased from 39.8% in FY2007 to 33.5% in FY2008. This was mainly as a result of higher construction raw material prices where resulted in the abovementioned 27.3% increase in our average development cost per sq m, which was partially offset by 15.9% increase in ASP sold per sq m from approximately RMB4,400 per sq m in FY2007 to approximately RMB5,100 per sq m in FY2008).

Other income

Other income increased by RMB4.4 million or 91.7% from RMB4.8 million in FY2007 to RMB9.2 million in FY2008. The increase was due mainly to a RMB4.6 million sales rebate received from external sales agents for Jiangnan Mingju Phases 1 to 4 in FY2008, which was due to a revision of commission terms from the previous years. Interest income stayed substantially the same from FY2007 to FY2008.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB2.4 million or 55% from RMB4.4 million in FY2007 to RMB2.0 million in FY2008. The decrease in selling and distribution expenses was due mainly to a decline in sales commission paid, mainly as a result of us having increased the use of our in-house professional sales teams which led to decreasing use of external sales agents in our sales launches.

Administrative expenses

Our administrative expenses increased by RMB10.9 million or 74.7% from RMB14.6 million in FY2007 to RMB25.5 million in FY2008, which was mainly attributable to:

- (i) an increase of staff salaries and staff-related expenses of RMB4.1 million or 93.2% from RMB4.4 million in FY2007 to RMB8.5 million in FY2008 mainly as a result of increased headcount arising from increased staffing needs arising from expansion in our business activities;
- (ii) the purchase of life insurance policies for key management team members of RMB1.9 million, as part of their remuneration;
- (iii) the payment of related levies and stamp duties for acquisition of certain investment properties of RMB1.4 million; and
- (iv) a write-off of several long outstanding debts of RMB0.9 million.

Change in fair value of convertible loan notes

Our change in fair value of convertible loan notes increased from RMB0.3 million in FY2007 to RMB8.9 million in FY2008. Accordingly, the increase in fair value change was due to increases in the absolute value of the outstanding convertible loan notes from S\$15.0 million as at end of FY2007 to S\$63.6 million as at the end of FY2008 as a result of additional issuance of S\$48.6 million of similar notes, related issuance expenses of RMB8.2 million, and movements in the variables (such as the assumed discount rate and conversion price) affecting the valuations of the liability component and embedded derivative of the convertible loan notes.

Share of jointly controlled operations' result

There was an increase in contribution from share of jointly controlled operations' result by RMB2.4 million from RMB(0.1) million in FY2007 to RMB2.3 million in FY2008. This was mainly due to the launch of phase 1 of Jin Long Garden towards the end of 3Q2008 with a total saleable GFA of approximately 21,000 sq m.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Change in fair value of investment properties

There was a loss arising from change in fair value of investment properties of RMB2.9 million in FY2008. This was mainly due to a decreased valuation of certain commercial shop units held in Jiangnan Mingju.

Finance costs

Our finance costs decreased by RMB4.2 million or 70% from RMB6.0 million in FY2007 to RMB1.8 million in FY2008. During FY2008, as we embarked on new projects such as Jiangnan Mingju Phases 5 & 6, we attributed the interest charges from the related bank loans taken for these projects as capitalised borrowing costs, which formed a part of cost of development properties. Hence, the residual interest charges not attributable to projects' development costs decreased accordingly.

Income tax expense

Our income tax expense decreased by RMB45.5 million or 82.4% from RMB55.2 million in FY2007 to RMB9.7 million in FY2008. This was mainly due to decreases in our current enterprise income tax (which reflected the decline in profit before tax from FY2007 to FY2008) by RMB33.0 million and current LAT by RMB5.7 million.

Net profit attributable to Shareholders

As a result of the foregoing, our net profit for the year decreased by RMB109.2 million from RMB112.0 million in FY2007 to RMB2.8 million in FY2008.

Proforma 1H2008 vs Actual 1H2009

Revenue

Our revenue increased by RMB158.1 million or 354.5% from RMB44.6 million in 1H2008 to RMB202.7 million in 1H2009.

The increase in revenue was mainly due to the increase of RMB170.7 million or 992.4% in revenue from Property development sales of RMB17.2 million in 1H2008 to RMB187.9 million in 1H2009. The increase in revenue from 1H2008 as compared to 1H2009 were mainly due to the commencement of sales of Jiangnan Mingju Phases 5 and 6 in 2H2008 which resulted in the increase of approximately 650.0% in GFA sold and recognised, from approximately 4,200 sq m in 1H2008 to 31,500 sq m in 1H2009, as well as increase in the ASP of approximately 46.3% from RMB4,100 in 1H2008 to RMB6,000 in 1H2009.

The increase in GFA sold and recognised was in line with the general recovery of the PRC real estate industry 1H2009, which was a result of the loosening of government monetary policies in 1H2009 as compared to 1H2008.

The increase was partially offset by a decrease in revenue contribution from construction contracts by RMB12.6 million or 57.0% from RMB22.1 million in 1H2008 to RMB9.5 million. We recorded lower construction contract revenue in 1H2009 due mainly to the RMB22.1 million of construction contracts work for our jointly controlled operations - Jin Long Garden in 1H2008 as compared to RMB9.4 million in 1H2009 as the bulk of construction contract work for Jin Long Garden Phase 1 was near completion in 2H2008, as well as the recognition of RMB3.0 million for construction work done for third-parties in 1H2008.

Revenue from Property management services and rental decreased marginally by approximately RMB14,000 or 0.3% due to the expiry of certain leases from our investment properties in 1H2009.

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Cost of sales and gross profit margin

Our cost of sales increased by RMB169.6 million or 628.8% from RMB27.0 million in 1H2008 to RMB196.6 million in 1H2009. This was mainly attributed to an increase in cost of property development sales by RMB184.2 million or 4,605.0%, which was mainly due to the increase of GFA sold and recognised by 27,300 sq m or 650.0%, from 4,200 sq m in 1H2008 to 31,500 sq m in 1H2009. The increase in the cost of property development sales is mainly due to the increase in construction costs in line with the increase of GFA sold and recognised. In addition, there was a fair value adjustment to the cost of property development sales in our Actual Consolidated Financial Statements, which increased the cost of property development sales by RMB45.2 million. The fair value adjustment to the cost of property development sales of RMB45.2 million is due mainly to the application SFRS 103 for the acquisition of the PRC subsidiaries by our Group where, *inter alia*, the development properties and property held for sale held by the respective PRC subsidiary would need to be recorded at fair value at the respective dates of acquisition, which is higher than the historical costs. Accordingly, this resulted in a corresponding fair value adjustment to cost of property development sales when the Group recorded sales for their sold properties during 1H2009.

The quantum of the total fair value adjustments to our cost of property development sales over time would be limited to the aggregate of the excess of the attributed fair values of these properties over the corresponding historical book values at time of acquisition of approximately RMB488.7 million (excluding the offset against estimated deferred tax liability adjustment of approximately RMB122.2 million). As the cumulative fair value adjustments to our cost of property development sales amounted to RMB69.8 million as at 1H2009, the aggregate of remaining fair value adjustments to our future cost of property development sales in the Actual Consolidated Financial Statements will only be up to RMB418.9 million (excluding the offset against estimated deferred tax liability adjustment of approximately RMB104.7 million, which will result in net future fair value adjustments of approximately RMB314.2 million only).

Please also refer to the risk factor titled "Our gross profits and earnings for FY2009 and future financial periods/years based on the Actual Consolidated Financial Statements would be lower than those that would be prepared under the Proforma Consolidated Financial Statements mainly due to fair value adjustments to our future cost of property development sales in the Actual Consolidated Financial Statements as a result of application of Singapore Financial Reporting Standards 103 – Business Combinations ("SFRS 103")" in the section "Risk Factors" of this Prospectus for further details.

The actual construction costs for Jiangnan Mingju Phases 1 to 4 were finalised during 1H2008 and were lower than the budgeted and recognised construction costs by RMB6.5 million. Such costs savings were recognised in 1H2008, which accounts for the lower than proportionate construction costs in 1H2008 as compared to 1H2009.

The increase in cost of sales was offset by the decrease in cost of construction contracts of RMB14.7 million or 71.0%. The decrease in the cost of construction contracts was due mainly to the offset of the unrealised profits of Guihe Construction for work done for our jointly controlled operations - Jin Long Garden (previously recognised as Investment in a jointly controlled operation in our balance sheet) against the cost of construction contracts in 1H2009. The unrealised profits were recognised in 1H2009, in line with our construction contracts profit recognition policy. Please refer to the section titled "Management's Discussion and Analysis of Results of Operations and Financial Position – Overview – Construction Contracts" of this Prospectus for further details.

Cost of property management services and rental rose marginally by approximately RMB0.1 million or 4.2%, to RMB2.5 million in 1H2009 due to increases in operational expenses.

In terms of gross profit margin, our overall gross profit margin decreased from 39.6% in 1H2008 to 3.0% in 1H2009, which was mainly due to decrease of gross profit margin from property development sales which decreased from 77.0% in 1H2008 to (0.1)% in 1H2009. This was mainly a result of the application of SFRS 103 for the acquisition of the PRC subsidiaries as aforementioned, which increases our cost of property development sales by RMB44.7 million in 1H2009 due to fair value adjustments, as well as

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

lower cost of property development sales in 1H2008. Such lower cost of property development sales experienced in 1H2008 were due to the lower than expected total construction costs for Jiangnan Mingju Phases 1 to 4, where the bulk of such construction costs had already been recognised as cost of property development sales in previous periods. The decrease in our gross profit margin was offset by the increase in the gross profit margin from construction contracts, as a result of the aforementioned recognition of unrealised profits in 1H2009.

Other income

Other income decreased by RMB0.3 million or 13.6% from RMB2.2 million in 1H2008 to RMB1.9 million in 1H2009. The decrease was due mainly to the reduction in interest income by RMB0.5 million, or 23.8% from RMB2.1 million in 1H2008 to RMB1.6 million in 1H2009, as a result repayment by our jointly controlled operations – Jin Long Garden of RMB18.7 million for loans made to Jin Long Garden for its working capital purposes. The decrease was offset by the recovery of bad-debts amounting to RMB0.2 million in 1H2009.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB1.1 million or 550.0% from RMB0.2 million in 1H2008 to RMB1.3 million in 1H2009. The increase in selling and distribution expenses was due mainly to the sales launch of Jiangnan Mingju Phase 5 & 6 in 1H2009, where, *inter alia*, rental fees for show room, sales commission and fees payable to banks for escrow accounts amounted to RMB1.0 million in 1H2009.

Administrative expenses

Our administrative expenses increased by RMB1.2 million or 12.1% from RMB9.9 million in 1H2008 to RMB11.1 million in 1H2009, which was mainly attributable to:

- (i) an increase of staff salaries and staff-related expenses of RMB0.3 million or 8.7% from RMB3.4 million in 1H2008 to RMB3.7 million in 1H2009 mainly as a result of increased headcount arising from increased staffing needs from expansion in our business activities;
- (ii) an increase in IPO-related expenses by RMB1.8 million from RMB0.8 million in 1H2008 to RMB2.6 million in 1H2009; and
- (iii) an increase in the payment of related levies and stamp duties for sales of development properties by RMB0.5 million from RMB1.1 million to RMB1.6 million.

The increase in administrative expenses was offset by one-off purchase of life insurance policies for key management team members in 1H2008 which amounted to RMB1.3 million.

Change in fair value of convertible loan notes

Our change in fair value of convertible loan notes increased from RMB5.8 million in 1H2008 to RMB16.1 million in 1H2009. Accordingly, the decrease in fair value change was due mainly to increase in value of the convertible loan notes as a results of the extension of the convertible loan notes for additional twelve months for conversion/redemption.

Share of jointly controlled operations' result

There was an increase in contribution from share of jointly controlled operations' result by RMB4.8 million from RMB0.1 million in 1H2008 to RMB4.9 million in 1H2009. This was mainly due to the launch of Phase 1 of Jin Long Garden towards the end of 3Q2008 with a total saleable GFA of approximately 21,000 sq m. As at the end of 1H2009, approximately 13,000 sq m of the total saleable GFA were sold and recognised.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Change in fair value of investment properties

There was a gain arising from change in fair value of investment properties of RMB3.5 million in 1H2009. This was mainly due to increases in the valuation of Debao Hotel Complex, certain commercial shop units held in Jiangnan Mingju and Debao Garden.

Finance costs

We did not incur any finance cost during 1H2008. Our finance costs increased by RMB2.7 million in 1H2009 as compared to 1H2008 due to the interest amounting to RMB2.2 million paid to our former shareholders of Debao Property, including our Executive Directors, for loans made to our Company by them. Please refer to the section "Interested Person Transactions" of this Prospectus for more information.

Income tax expense

Our income tax expense decreased by RMB3.9 million or 76.5% from RMB5.1 million in 1H2008 to RMB1.2 million in 1H2009. The decrease in our income tax expense was generally in line with the decrease in our profit before tax, which decreased by RMB16.7 million from a profit before tax of RMB1.8 million in 1H2008 to a loss before tax of RMB14.9 million in 1H2009. For 1H2009, notwithstanding the loss before tax of RMB14.9 million, we incurred income tax expense of RMB1.2 million as Debao Property and Guihe Construction were profitable during this period.

Net profit attributable to Shareholders

As a result of the foregoing, our net loss for the half-year period increased by RMB12.7 million from a net loss of RMB3.4 million in 1H2008 to a net loss of RMB16.1 million in 1H2009.

REVIEW OF PAST FINANCIAL POSITION

Review based on our Actual Consolidated Financial Statements

Non-current assets

Non-current assets comprised mainly investment properties and investment in jointly controlled operation. As at end of FY2008 and 1H2009, our non-current assets had an aggregate net book value of approximately RMB260.3 million and RMB256.7 million respectively, and accounted for approximately 13.7% and 12.1% of our total assets respectively.

Our investment properties are held to earn rental income and/or for capital appreciation. As at the end of FY2008 and 1H2009, our investment properties comprised mainly our Debao Hotel Complex and commercial premises located in Debao Garden and Jiangnan Mingju. The net book value of our investment properties was approximately RMB167.5 million and RMB171.0 million, which accounted for approximately 64.3% and 66.6% of our non-current assets as at the end of FY2008 and 1H2009 respectively.

Our investment in jointly controlled operation comprised our investment in Jin Long Garden, of which 55.0% of the profits will be attributed to us. As at the end of FY2008 and 1H2009, our investment in jointly controlled operation stood at approximately RMB81.1 million and RMB69.3 million respectively, which accounted for approximately 31.1% and 27.0% of our non-current assets as at the end of FY2008 and 1H2009 respectively.

The 14.5% decrease in our investment in jointly controlled operation was mainly due to the repayment of RMB18.7 million of loans by Jin Long Garden to our Company in 1H2009, which were partially offset by our Company's share of profit from our investment in jointly controlled operation of RMB4.9 million.

Current assets

Current assets comprised mainly development properties, amount due from customers for contract works, cash and bank balances, trade and other receivables and property held for sale. Our current assets as at the end of FY2008 and 1H2009 amounted to approximately RMB1,645.9 million and RMB1867.8 million, or 86.3% and 87.9% of our total assets respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The largest component of our current assets was development properties, which amounted to approximately RMB1,415.6 million and RMB1,513.4 million as at end of FY2008 and 1H2009 respectively. Development properties, which includes the cost of land, interest capitalised, and development and related costs, accounted for approximately 86.0% and 81.0% of our current assets as at the end of FY2008 and 1H2009 respectively.

Amount due from customers for contract works stood at approximately RMB71.3 million and RMB64.4 million as at end of FY2008 and 1H2009 respectively. These amounts pertain to construction contracts that have not yet been billed to our construction contract customers. The RMB6.9 million or 9.7% decrease in amount due from customers for contract works was mainly due to the substantial completion of the construction contract works for the North Zone of Jin Long Garden by Guihe Construction, where such amount due from customers for contract works was recognised as cost of construction contracts.

Cash and bank balances stood at approximately RMB63.7 million and RMB130.8 million at the end of FY2008 and 1H2009. Please refer to the section titled "Liquidity and Capital Resources" of this Prospectus for more information in relation to the changes in our cash and bank balances.

In addition, restricted cash and cash equivalents stood at nil and RMB60.0 million as at end of FY2008 and 1H2009 respectively, as a result of the pledging of RMB60.0 million to a bank to secure a short-term banking facility to our Group during 1H2009.

Trade and other receivables stood at approximately RMB59.9 million and RMB70.0 million at end of FY2008 and 1H2009 respectively. Property held for sale, which are completed but unsold units amounted to approximately RMB32.4 million and RMB26.9 million as at the end of FY2008 and 1H2009 respectively.

Amount due from related parties amounted to approximately RMB2.8 million and RMB2.2 million as at the end of FY2008 and 1H2009 respectively. These amounts relate to amounts owing by Zhong Yu Zeng (RMB2.1 million due to lease of the hotel block of Debao Hotel Complex) and Zhong Yu Xin (RMB0.7 million due to purchase of property), both of whom are the brothers of Mr Zhong Yu Zhao, our Executive Director. These balances will be settled before our listing on the SGX-ST. Please refer to the section "Interested Person Transactions" of this Prospectus for more information.

Current liabilities

Current liabilities comprised mainly trade and other payables, convertible loan notes, tax payables, and amount due to related parties.

Trade and other payables, which comprised mainly amounts payable to contractors and suppliers and advance receipts from property development sales, stood at approximately RMB230.0 million and RMB360.8 million at the end of FY2008 and 1H2009 respectively. The RMB130.8 million or 56.9% increase in trade and other payables was mainly due to an increase in advance receipts from property development sales amounting to RMB106.0 million (which was in line with our increase in revenue from the sales of Jiangnan Mingju Phases 5 and 6 in 1H2009) as well as an increase in trade payables amounting to RMB21.6 million as a result of construction progress of Jiangnan Mingju Phases 5 and 6. Tax payables stood at approximately RMB18.1 million and RMB21.4 million at the end of FY2008 and 1H2009 respectively. Amount due to related parties stood at approximately RMB1.6 million and RMB1.5 million at the end of FY2008 and 1H2009 respectively.

Convertible loan notes at fair value stood at approximately RMB300.8 million and RMB383.9 million at end of FY2008 and 1H2009 respectively. The RMB83.1 million or 27.6% increase in convertible loan notes at fair value was mainly due to the issuance of an additional RMB70.7 million of similar notes as well as a fair value adjustment of RMB16.1 million, and after offsetting certain transaction costs in relation to the issuance of the additional notes.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Non-current liabilities

Non-current liabilities comprised bank and other loans and deferred tax liabilities. Our bank and other loans comprised bank loans and loans from our Directors.

The largest component of our non-current liabilities was the bank and other loans, which amounted to approximately RMB692.7 million and RMB631.8 million as at the end of FY2008 and 1H2009 respectively. Please refer to the section "Capitalisation and Indebtedness" of this Prospectus for more information.

In FY2008, we received loans of RMB57.4 million from our Executive Directors, namely Messrs Yuan Le Sheng, Zhang Mao, He Ke Ping and Zhong Yu Zhao, mainly for the purpose of acquiring the land for Shanshui Longpan and for working capital uses. This loan amount stood at RMB56.5 million as at the end of 1H2009. Please refer to the section titled "Interested Person Transactions" of this Prospectus for more information.

Deferred tax liability amounted to approximately RMB149.0 million and RMB138.4 million as at the end of FY2008 and 1H2009 respectively.

Shareholders' equity

Equity comprised share capital, translation reserve and retained earnings. As at the end of FY2008 and 1H2009, our equity amounted to approximately RMB513.9 million and RMB496.7 million respectively. Please refer to the section titled "Share Capital" of this Prospectus for more information.

Key differences in the balance sheet items of our Actual Consolidated Financial Statements and our Proforma Consolidated Financial Statements

We set out below the key differences in the balance sheet items of our Actual Consolidated Financial Statements and our Proforma Consolidated Financial Statements:-

Balance sheet items (RMB'000)	Unaudited Proforma as at 31 December 2008 ⁽¹⁾	Audited as at 31 December 2008 ⁽²⁾	Difference	Unaudited Proforma as at 30 June 2009 ⁽¹⁾	Reviewed as at 30 June 2009 ⁽²⁾	Difference
Investment in a jointly controlled operation	74,671	81,060	6,389	64,779	69,275	4,496
Deferred tax assets	3,002	2,390	(612)	1,533	1,215	(318)
Property held for sale	21,675	32,358	10,683	18,902	26,917	8,015
Development properties	958,157	1,415,555	457,398	1,098,719	1,513,355	414,636
Deferred tax liabilities	(33,700)	(149,005)	(115,305)	(34,240)	(138,359)	(104,119)
Equity	155,394	513,947	358,553	173,957	496,667	322,710

Notes:-

(1) Based on the unaudited Proforma Consolidated Financial Statements.

(2) Based on the Actual Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The above differences in the balance sheet between the Actual Consolidated Financial Statements and the unaudited Proforma Consolidated Financial Statements relate to (i) the recording of the attributed fair values of the above-mentioned assets as at the respective dates of legal completion of the acquisitions of each PRC subsidiary as the book values of these assets in the Actual Consolidated Financial Statements, as compared with the unaudited Proforma Consolidated Financial Statements where the corresponding values of these assets were based on the historical purchase costs of the respective assets by the PRC subsidiaries; and (ii) the corresponding impact on deferred tax and the income statements of the Actual Consolidated Financial Statements. Please also refer to Annexes E to H of this Prospectus for the full sets of the Actual Consolidated Financial Statements (in particular, note 31 of Annex E) and unaudited Proforma Consolidated Financial Statements for more information.

LIQUIDITY AND CAPITAL RESOURCES

Our operations are funded by a combination of internal and external sources of funds. Internal sources of funds comprise mainly cash generated from our operating activities and cash and bank balances while external sources comprise mainly banks and other loans, convertible loan notes and capital contribution from Shareholders.

The principal uses of these funds are for working capital purposes such as payment of payables and tax payables, financing the costs of developing properties and construction contracts works, receivables balances and operating expenses, as well as for our capital expenditure and repayment of loans and advances.

Details of our cash and cash equivalents and indebtedness can be found in the section titled "Capitalisation and Indebtedness" of this Prospectus.

The following table sets forth our net cash flows for the periods covered in our financial statements:-

	< Proforma Consolidated Financial Statements ⁽¹⁾ >				< Actual Consolidated Financial Statements ⁽¹⁾ >		
	← Unaudited →				← Audited →		← Unaudited →
					For the period from 16 August 2007 to 31 December		
(RMB'000)	FY2006	FY2007	FY2008	1H2009	2007	FY2008	1H2009
Net cash from/(used in) operating activities	44,071	(296,695)	(350,154)	20,009	(120,758)	(332,936)	20,009
Net cash (used in)/from investing activities	(74,062)	25,431	(152,864)	12,332	224	(157,077)	12,332
Net cash from/(used in) financing activities	3,256	363,543	427,808	34,705	227,706	446,555	34,705
Net cash flow for the year	(26,735)	92,279	(75,210)	67,046	107,172	(43,458)	67,046
Cash and cash equivalents at beginning of year	73,380	46,645	138,924	63,714	–	107,172	63,714
Cash and cash equivalents at end of year/period	46,645	138,924	63,714	130,760	107,172	63,714	130,760

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Note:-

- (1) The relatively lower cash flows in the Actual Consolidated Financial Statements as compared to the unaudited Proforma Consolidated Financial Statements in FY2007 and FY2008 were mainly due to the start of consolidation of the cash flows of the various PRC subsidiaries in the Actual Consolidated Financial Statements only from the dates of legal completion of the acquisitions of these entities as mentioned in the foregoing. Accordingly, the cash flows for 1H2009 were the same for both the unaudited Proforma Consolidated Financial Statements and the Actual Consolidated Financial Statements.

Review of cash flows

As explained in the section "Selected Group Financial Information" of this Prospectus, the following review was prepared based on the relevant comparative financial information as extracted from the Proforma Consolidated Financial Statements for FY2006, FY2007, FY2008 and 1H2008, as well as the Actual Consolidated Financial Statements for 1H2009, respectively.

Net cash from operating activities

FY2006

In FY2006, our Group recorded a net cash inflow from operating activities of RMB44.0 million, which comprised operating cash inflows before movements in working capital of RMB66.7 million, adjusted for net working capital generated from operations of RMB7.5 million and finance cost and income tax paid of RMB14.6 million and RMB15.5 million respectively.

The net working capital outflows were mainly attributed to an increase in the property held for sale of RMB52.3 million. This was mainly offset by an increase in trade and other payables of RMB9.2 million and decreases of trade and other receivables and development properties of RMB25.4 million and RMB26.2 million respectively. The decrease in development properties was primarily due to reclassification of the completed properties for Jiangnan Mingju Phases 1 to 4 to property held for sale, and partially offset by development cost incurred for Jiangnan Mingju Phases 5 and 6. The decline in trade and other receivables were mainly due to lower sales during the fourth quarter of FY2006 for Jiangnan Mingju Phases 1 to 4 as compared to the sales during the fourth quarter of the previous financial year, and the increase in trade and other payables was largely due to our Group's increased construction work for Jiangnan Mingju Phases 5 and 6.

FY2007

In FY2007, our Group recorded a net cash outflow from operating activities of RMB296.7 million, which comprised operating cash inflows before movements in working capital of RMB102.0 million, mainly adjusted for net working capital used of RMB360.9 million, finance cost and income tax paid of RMB23.6 million and RMB14.2 million respectively.

The net working capital used was mainly attributed to (i) the initial land cost paid for Shanshui Longpan of RMB334.6 million; (ii) development cost incurred for Shanshui Longpan of RMB17.3 million; (iii) development cost incurred for Jiangnan Mingju Phases 5 and 6 of RMB9.5 million; and (iv) an increase in amount due from customers for contract works of RMB27.1 million. This was partially offset by a decrease in trade and other receivables of RMB28.1 million (which was mainly due to the RMB27.1 million decrease in trade receivables as a result of collection of trade receivables following the completion of Jiangnan Mingju Phases 1 to 4) and a decrease in the property held for sales of RMB19.3 million as a result of strong sales of Jiangnan Mingju Phases 1 to 4 in FY2007.

FY2008

In FY2008, our Group recorded a net cash outflow from operating activities of RMB350.2 million, which comprised operating cash inflows before movements in working capital of RMB22.0 million, adjusted for net working capital used of RMB290.2 million, finance cost and income tax paid of RMB47.9 million and RMB34.0 million respectively.

The net working capital used was mainly attributed to (i) land cost paid for Shanshui Longpan of RMB197.1 million; (ii) development cost incurred for Shanshui Longpan of RMB35.7 million; (iii) development cost for Jiangnan Mingju Phases 5 and 6 of RMB87.7 million; and (iv) an increase in amount due from customers for contract works of RMB40.5 million. This was partially offset by an

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

increase in trade and other payables of RMB83.3 million. The RMB83.3 million increase in trade and other payables was mainly due to (i) the RMB38.4 million increase in advances from sale of properties from RMB0.4 million in FY2007 to RMB38.8 million in FY2008 as a result of the launch of Jiangnan Mingju Phases 5 and 6 in FY2008; (ii) increase of RMB25.4 million in trade payables from RMB116.7 million in FY2007 to RMB142.1 million in FY2008 as a result of the commencement of construction work for Jiangnan Mingju Phases 5 and 6 in FY2008; and (iii) the RMB19.5 million increase in other payables to third parties, including but not limited to, land use tax and other tax payable to the government as a result of our acquisition of Shanshui Longpan.

1H2009

In 1H2009, our Group recorded a net cash inflow from operating activities of RMB20.0 million, which comprised operating cash outflows before movements in working capital of RMB5.5 million, adjusted for net working capital inflow of RMB58.0 million and finance cost and income tax paid of RMB25.2 million and RMB7.3 million respectively.

The net working capital inflow was mainly attributed to an increase in trade and other payables of RMB130.8 million. The increase in trade and other payables was mainly due to an increase in advance receipts from property development sales amounting to RMB106.0 million as well as an increase in trade payables amounting to RMB21.6 million, which was in line with our increase in revenue from Property development sales in 1H2009.

The net working capital inflows were mainly offset by an increase in development properties of RMB75.9 million. The increase in development properties was mainly due to the land cost paid for and development cost incurred for Shanshui Longpan amounting to RMB212.3 million, which were offset by the reduction in development properties of Jiangnan Mingju amounting to RMB105.6 million as well as capitalized interest expense of RMB25.2 million.

Net cash used in investing activities

FY2006

In FY2006, our Group recorded a net cash outflow from investing activities of RMB74.1 million, which was mainly due to advances made to related parties of RMB61.2 million, and addition in investment properties of RMB9.4 million.

FY2007

In FY2007, our Group recorded a net cash inflow from investing activities of RMB25.4 million, which was mainly due to (i) repayment from related parties of RMB42.5 million. This was partially reduced by additions in investment properties of RMB21.7 million.

FY2008

In FY2008, our Group recorded a net cash outflow from investing activities of RMB152.9 million, which was mainly due to the consideration paid for acquiring PRC subsidiaries of RMB156.4 million as part of the Restructuring Exercise.

1H2009

In 1H2009, our Group recorded a net cash inflow from investing activities of RMB12.3 million, which was mainly due to the repayment by our jointly controlled operations – Jin Long Garden of RMB18.7 million for loans made to Jin Long Garden for its working capital purposes. This was partly offset by the furnitures, fittings and equipment for the relocation of our headquarters and corporate office amounting to RMB6.5 million.

Net cash (used in)/from financing activities

FY2006

In FY2006, our Group recorded a net cash inflow from financing activities of RMB3.3 million, which was mainly due to increase in advances from related parties of RMB14.7 million and partially offset by repayment (net of new proceeds) of bank loans of RMB10 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

FY2007

In FY2007, our Group recorded a net cash inflow from financing activities of RMB363.5 million. This was mainly due to cash inflow from financing activities relating to new loans raised from long term bank loans of RMB650 million and convertible loans of RMB74.1 million. These inflows were offset by (i) repayment to related parties of RMB3.4 million and (ii) repayment of bank loans of RMB360 million. The proceeds from the convertible loans were used to finance the acquisition of landbank for Shanshui Longpan and the proceeds from the new bank loans were used to finance the development costs for both Jiangnan Mingju Phases 5 and 6 and Shanshui Longpan.

FY2008

In FY2008, our Group recorded a net cash inflow from financing activities of RMB427.8 million. This was mainly due to cash inflow from financing activities relating to (i) proceeds from injection of share capital by RMB47.8 million; (ii) proceeds from long term bank loans of RMB150.0 million; (iii) proceeds from convertible loans of RMB222.3 million; and (iv) loan of RMB72.7 million from our Group's Directors. These inflows were partially offset by the repayment to related parties amounting to RMB63.6 million.

1H2009

In 1H2009, our Group recorded a net cash inflow from financing activities of RMB34.7 million. This was mainly due to cash inflow from financing activities relating to (i) proceeds from long term bank loans of RMB90.0 million; and (ii) proceeds from convertible loans of RMB65.7 million. These inflows were partially offset by the repayment of (i) bank loans amounting to RMB60.0 million; and (ii) fixed deposits for bills payable issued amounting to RMB60.0 million.

MATERIAL CAPITAL EXPENDITURES AND DIVESTMENTS

The material capital expenditures made by our Group for the periods covered in our financial statements and for the period from 1 July 2009 up to the Latest Practicable Date were as follows:-

	< Proforma Consolidated Financial Statements ⁽¹⁾ >				< Actual Consolidated Financial Statements ⁽¹⁾ >			
	Unaudited				Audited	Unaudited		
					For the period from 16 August 2007 to 31 December 2007			From 1 July 2009 up to the Latest Practicable Date
(RMB'000)	FY2006	FY2007	FY2008	1H2009		FY2008	1H2009	
Acquisitions:-								
- Plant and equipment ⁽²⁾	315	2,645	2,738	6,549	-	2,729	6,549	2,256
Investment properties ⁽³⁾	9,446	21,665	485	-	-	485	-	-
	9,761	24,310	3,223	6,549	-	3,214	6,549	2,256
Divestments:-								
- Investment properties	-	-	(2,610)	-	-	(2,610)	-	(19,250)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Notes:-

- (1) There were no significant differences in material capital expenditures and divestments in FY2008 between the Actual Consolidated Financial Statements and the unaudited Proforma Consolidated Financial Statements as these expenditures/divestments mainly occurred after the completion of the acquisitions of the PRC subsidiaries. Nevertheless, there were nil expenditures in FY2007 for the Actual Consolidated Financial Statements as compared to the RMB24.3 million expenditures in the unaudited Proforma Consolidated Financial Statements, which occurred before the acquisition of the PRC subsidiaries.
- (2) The acquisitions of plant and equipment amounting to RMB6.5 million in 1H2009 relate mainly to the additional furniture, fittings and equipment purchase for our relocation of our headquarters and corporate office.
- (3) The acquisitions of the investment properties in FY2006 and FY2007 pertain mainly to certain commercial shop units in Jiangnan Mingju Phases 1 to 4 and Debao Garden that were added to our portfolio of investment properties.

MATERIAL COMMITMENTS AND CONTINGENCIES

We have various contractual obligations, some of which are required to be recorded as liabilities in our financial statements, including long-term and short-term loans. Others, such as purchase obligations and payment guarantees, are not generally required to be recorded as liabilities on our financial statements. We have certain additional commitments and contingencies that are not recorded on our financial statements but may result in future cash and other requirements.

Guarantees provided by our Group

The table below sets forth the aggregate principal amount of guarantees provided by our Group as of the dates indicated:-

(RMB'000)	< Proforma Consolidated Financial Statements ⁽¹⁾ >				< Actual Consolidated Financial Statements ⁽¹⁾ >			
	Unaudited				Audited	Unaudited		
	As at end of FY2006	As at end of FY2007	As at end of FY2008	As at end of 1H2009	As at end of FY2007	As at end of FY2008	As at end of 1H2009	As at the Latest Practicable Date
Guarantees given to banks in connection with facilities granted to								
- customers who purchase our properties	419,040	544,790	362,664	486,806	—	362,664	486,806	501,220
- jointly controlled operation	28,000	—	45,000	45,000	—	45,000	45,000	45,000
	447,040	544,790	407,664	531,806	—	407,664	531,806	546,220

Note:-

- (1) There were no differences in guarantees given to banks as at end of FY2008 between the Actual Consolidated Financial Statements and the unaudited Proforma Consolidated Financial Statements as our Group has completed the acquisitions of the PRC subsidiaries by the end of FY2008. Nevertheless, as Debao Property was the sole PRC subsidiary which provided the above guarantees and where its acquisition by our Group was only completed during FY2008, there were nil guarantees given to banks as at end of FY2007 for the Actual Consolidated Financial Statements as compared to the RMB544.8 million guarantees in the unaudited Proforma Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Guarantees given to banks in connection with facilities granted to customers who purchase our properties

In line with market practices, we provide guarantees to banks in connection with our customers' borrowing of mortgage loans to finance their purchase of our properties. These guarantees are discharged after the relevant individual property ownership certificates and certificates of other interests in the property are issued or until the loans are fully repaid. Most of our guarantees are discharged only after the relevant individual property ownership certificates and certificates of other interests in the property are issued. If a purchaser defaults on a loan, we have to assume the liabilities of the defaulting purchaser with respect of the loan, owing by the purchaser to the relevant mortgagee bank. In line with industry practice, we do not conduct independent credit checks on purchasers but rely on the credit checks conducted by the mortgagee banks.

Guarantees given to banks in connection with facilities granted to our jointly controlled operation

Our jointly controlled operation relates to Jin Long Garden with an unrelated third party, Foshan Jing Fang. Please refer to the section "Details of our Property Developments" of this Prospectus for more information on the project. We are co-guarantors with Foshan Jing Fang for the bank loans provided for the financing of Jin Long Garden developmental activities. As at the Latest Practicable Date, the total bank loans provided for the financing of Jin Long Garden developmental activities which we have provided guarantees for amounted to RMB45.0 million.

Encumbrance over our Group's properties

As at the Latest Practicable Date, most of our properties are mortgaged to various banks as security for our banking facilities. Please refer to the sections titled "Capitalisation and Indebtedness" and "Properties and Fixed Assets" of this Prospectus for details. In addition, our Group has provided certain properties as security for certain third parties' banking facilities as follows:-

Name of third party	Name of bank	Property provided as security	Amount of mortgage	Book value of property ⁽¹⁾	Mortgage Maturity Profile
Yueshi Trading	China Agricultural Bank Co., Ltd., Foshan Songgang Sub-branch	Various car/motorcycle parking spaces in Debao Garden	RMB11.6 million	RMB11.6 million	From March 2009 to March 2012
Guicheng Municipal	China Merchants Bank Co., Ltd, Foshan Branch	No 87-8 land parcel of Shanshui Longpan	RMB30.0 million	RMB37.8 million	From March 2009 to March 2011

Note:-

(1) Based on the Actual Consolidated Financial Statements as at end of 1H2009.

Yueshi Trading and Guicheng Municipal are currently business associates of our Group. Yueshi Trading was the ex-joint venture partner of our Group to develop Shanshui Longpan and currently is a co-guarantor for certain bank loans of our Group. As at the Latest Practicable Date, the aggregate amount co-guaranteed by Yueshi Trading amounted to RMB190.0 million (see section "Interested Person Transactions – Guarantees provided by our former Controlling Shareholder and our Directors and their Associates" of this Prospectus for details). Guicheng Municipal was a major supplier of our Group in FY2008 and subsidiary of Debao Property prior to its disposal to third parties in 2007 (see section "Major Suppliers" of this Prospectus for details). As at the Latest Practicable Date, Guicheng Municipal has made an advance (non-trade) of approximately RMB24.0 million to our Group. Our Group has provided the above mortgages for the bank loans of Yueshi Trading and Guicheng Municipal in view of the co-guarantees and advances extended by these parties for our Group's purposes.

As at the Latest Practicable Date, to the best of our knowledge, we believe that Yueshi Trading and Guicheng Municipal are in good financial health and are not aware of any breach by Yueshi Trading and Guicheng Municipal of any terms and conditions or covenants associated with the abovementioned bank loans secured by our properties which may affect our Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Our Group does not expect that the exposure from such mortgages to third parties' banking facilities to increase going forward. Accordingly, the Group will not renew these mortgages when they expire and will also not undertake new mortgages of such nature.

In addition, Mr Yuan Le Sheng, our Executive Chairman and CEO, and Ms Zheng Lihua, our majority Shareholder, had provided the following undertakings to our Group in relation to the aforementioned mortgages (the "Mortgages"):-

Mr Yuan Le Sheng and Ms Zheng Lihua had separately undertaken that in the event that (i) Yueshi Trading and/or Guicheng Municipal default on the loans granted by China Agricultural Bank Co., Ltd., Foshan Songgang Sub-branch and/or China Merchant Bank Co., Ltd., Foshan Branch and/or Industrial Bank Co., Ltd, Foshan Branch as the case may be; (ii) Yueshi Trading and/or Guicheng Municipal are not able to repay all or part of the original loan amounts; and (iii) Debao Property and/or Sanshui Property, as the case may be, are called upon to make good the difference, he or she will compensate Debao Property and/or Sanshui Property, as the case may be, for the financial outlay that they incur as a result of the guarantees (the "Compensation").

Mr Yuan Le Sheng had further undertaken that in the event that he is called upon to pay the Compensation to Debao Property and/or Sanshui Property, as the case may be, the Compensation shall be set off against his loan to our Group (the "Loan") as disclosed in the section titled "Interested Person Transactions" in this Prospectus, such that the amount of the Loan owing to him by our Group shall be correspondingly reduced by the amount of the Compensation. Mr Yuan had also undertaken that he will continue to extend a loan of such amount equivalent to the amount of the Mortgages for so long as the Mortgages are in effect.

Capital Commitments

As at the Latest Practicable Date, we have capital commitments arising from additions to properties, plant and equipment of RMB2.3 million.

In addition, on 4 December 2009 (subsequent to the Latest Practicable Date), we successfully auctioned for a piece of land at Industrial Avenue, Danzao Town, Nanhai District, Foshan City, Guangdong Province (佛山市南海区丹灶镇工业大道) (please refer to the section titled "Details of our Property Developments" of this Prospectus for more information). The auction price of this piece of land was approximately RMB48.3 million, of which RMB5.0 million has been paid as a deposit on 4 December 2009. As at the date of this Prospectus, we have paid an aggregate of RMB30.0 million. We will also need to pay an estimated land grant fee of approximately RMB12.0 million to the relevant PRC authority. The balance of the auction price of RMB18.3 million and the land grant fee of approximately RMB12.0 million aggregating to approximately RMB30.3 million represent the capital commitment arising from this auction.

Operating Lease Commitments

As at the Latest Practicable Date, our Group has operating lease commitments in respect of certain operating leases as follows:-

RMB'000	As at the Latest Practicable Date
Future minimum lease payments	
- within 1 year	32
- after 1 year but not more than 5 years	—
- after 5 years	—
	32

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Our Group expects to meet our operating lease commitments through our existing working capital.

Save as disclosed above and in the section titled "Prospects and Future Plans" of this Prospectus, we do not have other material plans on capital expenditures, divestments and commitments as at the Latest Practicable Date.

FOREIGN EXCHANGE EXPOSURE

Our reporting currency is in RMB. All our business operations are carried out in the PRC. During the periods under review, all of our purchases and sales, and substantially our expenses, were denominated in RMB. Our books and records are maintained in RMB. However, to the extent that we may enter into transactions in currencies other than RMB in the future, our financial results may be subject to fluctuations between such foreign currencies and RMB. Transactions in currencies other than the functional currency during the period, if any, will be translated into the functional currency at exchange rates in effect at the time of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currency at the balance sheet date, if any, will be translated into the functional currency in effect at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss accounts of our Group.

The table below sets forth our foreign currency exchange gain or loss margins for the periods covered in our financial statements:-

	< Proforma Consolidated Financial Statements ⁽¹⁾ >				< Actual Consolidated Financial Statements ⁽¹⁾ >		
	← Unaudited →				← Audited →	← Unaudited →	
(RMB'000)	FY2006	FY2007	FY2008	1H2009	For the period from 16 August 2007 to 31 December 2007	FY2008	1H2009
Net foreign exchange losses	—	—	(1,144)	(215)	—	(1,144)	(215)

Note:-

- (1) There were no differences in net foreign exchange losses change in fair value of convertible loan notes between the Actual Consolidated Financial Statements and the unaudited Proforma Consolidated Financial Statements in FY2007 and FY2008 as these net foreign exchange losses were incurred by the Singapore subsidiaries.

As shown above, we have no material net foreign currency exchange gain or loss during the periods under review. Currently, we do not have any hedging policy with respect to foreign exchange exposure and we did not use any financial instruments for hedging purposes during the Periods under review and up to the Latest Practicable Date. We will continue to monitor our foreign exchange exposure and may employ hedging instruments to manage our foreign exchange exposure should the need arise.

INFLATION

Our financial performance for the periods under review was not materially affected by inflation.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in our accounting policies for the last three financial years ended 31 December 2008 and six months ended 30 June 2009.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

PROSPECTS

The following discussion about our prospects includes forward-looking statements regarding events the fulfilment of which involves risks and uncertainties. Our actual results could differ materially from those that may be projected in these forward-looking statements. Please see the section titled “Cautionary Note Regarding Forward-looking Statements”.

The strong economic development and increasing urbanisation in the PRC has led to generally higher consumer disposable incomes and increasing affluence in recent years. In particular, there is a burgeoning middle class population and increasing consumer spending potential in the PRC. Our Directors believe that this will be a continuing trend and will lead to greater consumer consumption of quality residential properties in the PRC.

All our properties are currently located in Foshan City, the PRC, which is centrally located in the southern part of Guangdong Province, in the heart of the Pearl River Delta Region. Our Directors believe that the prominent geographical location that Foshan City enjoys and the local authorities’ continual efforts to develop Foshan will bring about opportunities for real estate development. In addition, Foshan City’s inter-city and intra-city transportation networks, currently in the planning stage, will integrate the various areas and eliminate city boundaries, thereby creating an expansion of land available for real estate development. Please refer to the section titled “Industry Overview” of this Prospectus for an overview of Foshan City’s economy and property market trends.

Our Directors believe that in tandem with growing affluence, PRC consumers will increasingly demand for higher quality residential properties and that the outlook for real estate development in the PRC, in particular, Foshan, continues to be promising. We believe that this bodes well for our Group as we have an established track record and brand name in developing quality residential properties in Foshan, placing emphasis on the location and design of our property development projects.

We believe in maintaining a sizeable land bank for future growth and have an aggregate GFA of approximately 1,398,000 sq m of properties under and held for future development as at the Latest Practicable Date. Details regarding our planned property development projects, and descriptions of their respective locations may be found in the section titled “Details of Our Property Developments” of this Prospectus.

Accordingly, our Directors believe that there will continue to be strong demand for residential and commercial properties like ours and our Group is adequately positioned to benefit from the strong demand and as such, our Directors are confident of our Group’s prospects.

TREND INFORMATION

As at the Latest Practicable Date, we have observed the following:-

- (i) sales demand and average selling prices of residential properties in Foshan have generally been increasing in the recent months up to the Latest Practicable Date. For the period commencing 1 July 2009 and up to the Latest Practicable Date, the major driver for pre-sales and sales of our Group was Jiangnan Mingju Phases 5 and 6, where we achieved pre-sales for the aforementioned period of an GFA of 35,535 sq m with an aggregate consideration of RMB273.6 million, or an average selling price of RMB7,699 per sq m, which represents a 28.3% increase from the average selling price of RMB6,000 per sq m in 1H2009;
- (ii) as a result of increases in land costs and cost of construction materials, cost of property development has started to increase. For the period commencing 1 July 2009 and up to the Latest Practicable Date, the aggregate cost of property development sales amounted to RMB165.3 million, representing an average development cost per sq m of RMB3,854. Going forward, we expect that the costs of property development will increase in the foreseeable future due to high

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

demand for building materials arising from rapid urbanisation. Interest rates have remained relatively stable in FY2009 up to the Latest Practicable Date. We cannot predict whether there will be an upward trend in interest rates resulting from implementation of fiscal policies by the PRC government to, *inter alia*, tighten the grant of banking loans for property sector to prevent overheating in the PRC property market; and

- (iii) as testament to the growth potential of our properties under, and held for future development, the valuation of our development properties (including our equity interest in Jin Long Garden) based on the Valuation Report prepared by CB Richard Ellis Limited was approximately RMB3.49 billion as at 31 July 2009. Please refer to Annex B of this Prospectus for the Valuation Report.

As mentioned in the section “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Prospectus, the gross profit margin of our property development sales in the Actual Consolidated Financial Statements for FY2008 and 1H2009 was 2.4% and (0.1)%, which was significantly lower than the gross profit margins of our property development sales in the unaudited Proforma Consolidated Financial Statements of 27.7%, 39.8%, 33.5%, 77.0% and 24.1% respectively for the Proforma Periods Under Review. The lower gross profit margins of our property development sales in the Actual Consolidated Financial Statements were mainly due to the application of purchase method (under SFRS 103) for the acquisition of the PRC subsidiaries by our Group where, *inter alia*, the development properties and properties held for sale held by the respective PRC subsidiary would need to be recorded at fair value at the respective dates of acquisition. Accordingly, this resulted in relatively higher costs of sales in the Actual Consolidated Financial Statements as a result of the fair value upwards adjustment to cost of property development sales. As our Group’s future financial reports will be based on the Actual Consolidated Financial Statements, the historical gross profit margins of our property development sales in the unaudited Proforma Consolidated Financial Statements will not be indicative of our prospective gross profit margins of our property development sales for future financial periods where such property development sales relate to our existing development properties (mainly Jiangnan Mingju Phases 5 and 6 and Shanshui Longpan). Nevertheless, these fair value adjustments will not affect our future operating cash flows from existing development properties, or the costs/gross profit margins of new development projects in the future. Please refer to the section “Risk Factors” of this Prospectus for further details of the above.

In accordance with applicable accounting standards, the underwriting and placement commissions and brokerage fees to be borne by our Company, as well as the professional fees and miscellaneous expenses in the proportion that the 125,000,000 New Shares bear to the post-Invitation share capital of 1,125,000,000 Shares, will be offset against the gross proceeds raised from the New Shares in our share capital account. The remaining professional fees and miscellaneous expenses will be treated as expenses in our financial statements, which is expected to amount to approximately S\$1,177,288 in 2H2009 and S\$553,132 in FY2010. Please refer to section titled “Use of Proceeds and Listing Expenses” in this Prospectus for further details.

The Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flows generated by our Group’s operations, our Group’s banking facilities our Group’s existing cash and bank balances, the financial resources (including cash flow) available to our Group, as at the date of lodgment of the Prospectus is sufficient for present requirements and for at least 12 months after the listing of our Company.

Saved as disclosed above and under the sections titled “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Industry Overview”, “Details of Our Property Developments” and “Prospects” in this Prospectus, and barring any unforeseen circumstances, our Directors are not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our revenue, profitability, liquidity or capital resources, or that would cause our reported financial information disclosed in this Prospectus to be not necessarily indicative of our operating results or financial condition.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

ORDER BOOKS

As our properties are not built to order, we do not have order books.

Notwithstanding the above, we have confirmed pre-sales and sales of units in existing uncompleted property development projects that are yet to be recognised as revenue in past financial periods. For uncompleted properties 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 balance sheet date, as measured by the proportion that construction costs incurred to date relative to the estimated total construction cost. As at the Latest Practicable Date, the aggregate of our confirmed pre-sales and sales of our existing uncompleted property development projects that are yet to be recognised as revenue in the financial periods up to 1H2009 amounted to approximately RMB404.1 million. Of this amount and based on the current estimated completion schedules of our existing uncompleted property development projects, approximately RMB337.9 million are expected to be recognised by end of FY2009 and approximately RMB66.2 million are expected to be recognised in FY2010.

BUSINESS STRATEGIES AND FUTURE PLANS

Leveraging on our brand name and network contacts, we have established ourselves in Foshan City and intend to strengthen our position as one of the leading property developers in southern PRC. To achieve our business objectives whilst maintaining our cost competitiveness, we plan to adopt the following strategies to drive our future growth and increase shareholder value.

(a) Continued focus on Foshan City region and expansion into other high growth cities

We will continue to focus on the Foshan City region and leverage our established brand name and market position in this city to ensure our sustained development. As at the Latest Practicable Date, we have three development projects comprising a total GFA of approximately 1,275,000 sq m of properties under development and approximately 123,000 sq m GFA of land held for future development in the Foshan City region. In addition, on 4 December 2009 (subsequent to the Latest Practicable Date), we successfully auctioned for a piece of land at Danzao Town, Nanhai District, Foshan City, Guangdong Province which has an estimated GFA of approximately 260,000 sq m. Please refer to the section titled "Description of our Properties Under, and Held for Future, Development" of this Prospectus for more information.

We believe that our existing strong pipeline of projects, which are expected to be separately completed in various phases between 2010 and 2013, will provide us with secure and strong business growth in the foreseeable future. We intend to utilise approximately S\$25.0 million of our net proceeds from the Invitation for our existing property development projects.

We also intend to expand our business in other high-growth cities in the PRC mainly in the Pearl River Delta region as well as other emerging regions such as Guangxi Province, Hunan Province, Jiangxi Province, Liaoning Province and Tianjin City to grow our regional presence and seek new business opportunities for assets acquisition and property development. Please also refer to the following future plan for more information.

(b) Continue to seek new and suitable opportunities to build up our land reserves and portfolio of investment properties through direct acquisitions, joint ventures or business alliances

We intend to continue to seek new and suitable opportunities to acquire land reserves that meet our selection criteria in our targeted markets in Foshan City and other high-growth cities in the PRC. This will allow us to add to our existing development projects pipeline and support our Group's continuous growth in our property development business in the future.

In addition, when suitable opportunities arise, we would also acquire suitable commercial properties and hotels to add to our existing portfolio of investment properties. We expect that the lease and management income from such commercial properties and hotels will generate an additional and recurrent revenue stream.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

We intend to conduct the abovementioned acquisition opportunities through direct acquisitions of ownership stakes in land and properties or companies which own the land and properties, or through joint ventures or business alliances with land-owners or other investment partners. We believe that our strategy will provide an efficient and effective means for us to add to our portfolio of properties and expand our revenue base.

We intend to utilise approximately S\$13.0 million of our net proceeds from the Invitation for acquisition opportunities.

(c) Continued focus on quality integrated residential and commercial property developments through our vertically-integrated business model

We will maintain our core business focus on the quality integrated residential and commercial property market in the PRC through our vertically-integrated business model which allows us the expertise to carry out various key aspects of property development, construction, marketing and management and capture margins throughout our value chain. We will continue to build on our long-standing industry experience, market knowledge and brand name and to use innovative concepts and creative designs as well as continue to emphasize on the quality of workmanship, interior design and integrated landscaping to meet the demands of our target mid to high-income customers.

(d) Maintaining an optimal balance between land bank and capital sufficiency

As mentioned above, we intend to continue building up our land reserves and portfolio of investment properties. Such acquisitions may be financed through a combination of internal and external sources of funds in the future. Please refer to the section “Liquidity and Capital Resources” of this Prospectus for more information on our sources of funds. Accordingly, we will seek to maintain adequate capital resources to fund our future acquisitions as and when suitable opportunities arise and we intend to diversify our financing arrangements in future by accessing the capital and debt markets where we believe is appropriate. In doing so, we intend to maintain an optimal balance between land bank and capital sufficiency so as to optimise our debt levels and returns to our Shareholders.

DIRECTORS, MANAGEMENT AND STAFF

DIRECTORS

Our Board of Directors is entrusted with the responsibility for the overall management of our Group. The following table provides information regarding our Directors as at the date of this Prospectus:-

Name	Age	Address	Country of Principal Residence	Designation / Current Occupation
Yuan Le Sheng	43	No 6/S, Hongmianyuan, Ocean Garden, Dangzai, Macau	PRC / Macau	Executive Chairman and CEO
He Ke Ping	48	Room 13A03, Block 8, Jiangnan Mingju Yuyuan, No. 39, Nanyi Road, Guicheng Town, Nanhai District, Foshan, Guangdong Province, PRC	PRC	Executive Director (Administration, Contracts and Procurement)
Zhang Mao	48	Room 306, Block 2, No. 6, Guihua Street, Guicheng Town, Nanhai District, Foshan, Guangdong Province, PRC	PRC	Executive Director (Engineering and Development)
Zhong Yu Zhao	34	No. 428, Dienan Chenfeng Village, Guicheng Town, Nanhai District, Foshan, Guangdong Province, PRC	PRC	Executive Director (Business Development, Sales and Marketing)
Zheng Lihua	45	No 6/S, Hongmianyuan, Ocean Garden, Dangzai, Macau	Macau	Non-Executive Director
Cheong Keng Chuan Alfred	41	9A Swanage Road Singapore 437199	Singapore	Lead Independent Director / executive director of Horwath First Trust LLP
Seetoh Kok Choi Watson	52	228 Westwood Avenue, #13-23, Singapore 648358	Singapore	Independent Director / group managing director of M.C. Packaging (Pte.) Ltd.
He Guo Quan	33	Room 2807, No. 8, Cuihu Street, Tianhe District, Guangzhou City, PRC	PRC	Independent Director / partner of Guangdong Zhengzhong Zhujiang Accounting Firm
Kong Yu Quan	44	706, Block 53, Lianhuabei, Futian District, Shenzhen City, Guangdong Province, PRC	PRC	Independent Director / Partner of Jingtian & Gongcheng

Information on the business and working experience of our Directors is set out below:-

Mr Yuan Le Sheng is our Executive Chairman and CEO and is the founder of our Group. He was appointed to our Board on 20 August 2009. He is involved in the overall management of our property development activities as well as the business of our Group and has been spearheading our expansion and growth. Mr Yuan is instrumental to our growth and development, responsible for our operations, marketing, public relations as well as formulating and implementing our business strategies and development plans. Mr Yuan has more than 15 years of experience in the construction and real estate development industries. Prior to the establishment of our Group, Mr Yuan was a researcher in the He Shun Town Committee, Nanhai District, from July 1984 to May 1988 and was the head of Nanhai Guicheng Town Judiciary Office from May 1988 to March 1992. From March 1992 to July 1995, Mr Yuan

DIRECTORS, MANAGEMENT AND STAFF

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. (佛山市南海区桂城大厦房地产有限公司) Mr Yuan was certified as an assistant construction engineer (建筑助理工程师) under the Nanhai Construction Series Beginner's Professional Technical Qualification for Work (南海市建筑系列初级专业技术职务任职资格) by the Human Resource Bureau of Nanhai District (南海市人事局) in January 2002 and obtained a bachelor's degree in construction project management from the Hubei Engineering College (湖北工学院) in 2003.

Mr He Ke Ping is our Executive Director appointed to our Board on 23 November 2009. Mr He is the overall in-charge of our Group's administration, property investments and management, maintenance, contracts and procurement departments. Mr He is also in-charge of our Group's finance functions, which he started handing over to Mr Chong Chee Hoong, our Chief Financial Officer, since October 2009. As at the date of this Prospectus, Mr Chong Chee Hoong has taken over the financial accounting and reporting functions from Mr He Ke Ping.

Mr He has over 30 years of experience in the business, hotel and property development industries and has been involved in the property development industry since 1986. Mr He started his career as an accountant with Nanhai Supply and Marketing Cooperative (南海供销社) in 1979. From June 1983 to October 1986, he was the finance manager of Nanhai Foreign Trade Cooperation Bureau (南海对外贸易合作局). 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 (南海黄岐开发有限总公司) 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 (世贸纺织城) and Dajindi Departmental Store City (大金地百货城) 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 (佛山地区财贸干部校财政学校).

Mr Zhang Mao is our Executive Director appointed to our Board on 23 November 2009. He 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 (南海桂城大厦房地产开发有限公司) as a manager of the engineering and development department from January 1996 to January 1998 and Nanhai Guicheng Debao Property Development Co., Ltd. (南海市桂城德宝房地产开发有限公司) 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 (广东惠州市建筑发展总公司) 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 specialised in Technical Management (建筑工程技术管理 高级工程师) by the Human Resource Department of Guangdong Province (广东省人事厅) in January 2001.

Mr Zhong Yu Zhao is our Executive Director appointed to our Board on 23 November 2009. He is responsible for our business development and sales and marketing 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 (大时代广告有限公司) 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. (佛山市南海区桂城大厦房地产有限公司) from August 1999 to November 2000. Mr Zhong holds a bachelor's degree in construction project management from Hubei Engineering College (湖北工学院) where he graduated in 2003.

DIRECTORS, MANAGEMENT AND STAFF

Ms Zheng Lihua is our Non-executive Director appointed to our Board on 20 August 2009. She is also the spouse of our founder and Executive Chairman and CEO, Mr Yuan Le Sheng, and is our Controlling Shareholder. 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 (佛山市南海区水利局桂城水利所) where her role was of an administrative nature and on a part-time basis with minimal involvement in the day-to-day operations (in particular from 2000 onwards when she moved to Macau). From 2003 to 2005, Ms Zheng was the general manager of Foshan Kangyi Decoration and Design Co., Ltd. (佛山市康怡装饰设计有限公司). Ms Zheng Lihua is currently the chairman and executive director of Foshan Nanhai Jiangnan Bilingual Arts Kindergarten (佛山市南海区江南双语艺术幼儿园), 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 is our Lead Independent Director appointed to our Board on 23 November 2009. He is currently an executive director of Horwath First Trust LLP (formerly known as First Trust Partnership), a local firm of certified public accountants. He has over 10 years of experience in the audit and financial consulting services industry, including serving six years at the legacy Arthur Andersen from January 1996 to May 2001 and two years at Protiviti Pte Ltd from March 2003 to April 2005. Mr Cheong also has extensive experience in commercial financial management having held the post of regional financial manager at Linklaters Allen & Gledhill Pte Ltd, an international legal firm from June 2001 to May 2002 and as the financial controller of Aztech Systems Ltd., a public listed company in Singapore from June 2002 to October 2002. He holds a Bachelor's degree in Commerce (with majors in Accountancy and Economics) from Deakin University, Australia and is a certified practising member of Certified Practising Accountants, Australia. Mr Cheong is currently an independent director and the chairman of the audit committees of C&G Industrial Holdings Limited, China Hongxing Sports Limited, Sinotel Technologies Ltd and Cacola Furniture International Ltd, all of which are companies listed on the Official List of the SGX-ST.

Mr Seetoh Kok Choi Watson is our Independent Director appointed to our Board on 17 December 2007. Mr Seetoh is a director of Sanshui Property, Jiangnan Property and Debao Property. Mr Seetoh has more than 20 years of experience in the financial industry and started his career as an accountant with Stal Astra Refrigeration SEA Pte Ltd in Singapore in 1983. Since then, he has held various financial positions with both local small and medium enterprises and foreign based multi-national corporations including Dyno Industries (S) Pte Ltd where he was the group accountant from 1984 to 1988. Dyno Industries (S) Pte Ltd manufactures formaldehyde as well as urea and phenol formaldehyde glues, alkyd and unsaturated polyester resins and expandable polystyrene with factories in Indonesia, Malaysia and Singapore. He was the vice president controller from 1992 to 1997 for the Stanley Works Asia Pacific Pte Ltd, a regional headquarter for Asia Pacific and regional distribution center for The Stanley Works, a company listed on the New York Stock Exchange. Mr Seetoh also held various senior financial positions in public companies in Singapore. He was the chief accountant of L&M Group Investment Ltd from 1988 to 1990, the group financial controller of Hartford Education Corporation Limited from 2001 to 2002 and the chief financial officer of Top Global Limited from 2002 to 2003, all of which are listed on the SGX-ST. Mr Seetoh joined M.C. Packaging (Pte.) Ltd, a company dealing in metal packing with operations in Singapore, Malaysia and the PRC, as a financial advisor in 2004 and was subsequently appointed as its group managing director in 2005, a position which he still holds to-date. Mr Seetoh passed the professional qualification examinations of the Association of Chartered and Certified Accountants, UK, in 1982 and was admitted as a fellow member of the Association of Chartered and Certified Accountant in 1991. He has also obtained a Master in Business Administration from the University of Western Sydney and an Advanced Professional Diploma in Business Innovation from Leeds Metropolitan University of UK.

DIRECTORS, MANAGEMENT AND STAFF

Mr He Guo Quan is our Independent Director appointed to our Board on 23 November 2009. Mr He has over 10 years of experience in the audit and financial consulting services industry. Mr He joined Guangdong Zhengzhong Zhujiang Accounting Firm in 1997 as an auditor and held positions such as manager and senior manager before he was made a partner in the audit department in 2005, a position which he holds to-date. Mr He graduated from the Zhongnan University of Finance and Economics with a degree in International Accounting and is a member of the Chinese Institute of Certified Public Accountants and the Certified Public Accountants, Australia. Mr He is also certified as a Certified Internal Auditor by the Institute of Internal Auditors.

Mr Kong Yu Quan is our Independent Director appointed to our Board on 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.

All our Directors possess the relevant experience and expertise to act as Directors of our Company, as evidenced by their business and working experience set out above. In addition, our Executive Directors, Messrs Yuan Le Sheng, He Ke Ping, Zhang Mao and Zhong Yu Zhao, our Non-Executive Director, Ms Zheng Lihua and our Independent Directors, Messrs Seetoh Kok Choi Watson and Mr He Guo Quan will be attending a course on directors' responsibilities and corporate governance of SGX-ST listed companies. Our Independent Directors, Mr Cheong Keng Chuan Alfred and Mr Kong Yu Quan are currently independent directors of companies listed in Singapore and China respectively.

Except as disclosed above and in the section titled "Principal Shareholders" of this Prospectus, none of our Directors is related by blood or marriage to one another or any of our Substantial Shareholders, and to the best of our Director's knowledge, there are no arrangements or understandings with any of our Substantial Shareholders, customers, suppliers, or any other person, pursuant to which any of our Directors was appointed.

The list of present and past directorships of each of our Directors held in the last five years preceding the date of this Prospectus can be found in the section titled "Material Background Information on Directors and Executive Officers" of this Prospectus.

MANAGEMENT

Our Executive Directors are assisted by our team of Executive Officers whose particulars are as follows:-

Name	Age	Address	Country of principal residence	Current Occupation
Chong Chee Hoong	35	Block 7 Marsiling Drive #06-62, Singapore 730007	Singapore	Chief Financial Officer
Lu Jin Ming	45	Room 302, Block 7, Huibaoge Debao Huayuan, Nanhai District, Foshan City, Guangdong Province, PRC	PRC	Deputy General Manager (Project Development)
Yang Qi Man	34	Room 1908, Block 8, Jiangnan Mingju Yuyuan, No. 39, Guicheng Nanyi Road, Guicheng Town, Nanhai District, Foshan City, Guangdong Province, PRC	PRC	Deputy General Manager (Construction and Project Budgeting)
Li Ke	30	Blk 13 Upper Boon Keng Road 15-943 Singapore 380013	Singapore	Finance Manager

DIRECTORS, MANAGEMENT AND STAFF

Information on the business and working experience of our Executive Officers is set out below:-

Mr Chong Chee Hoong is our Chief Financial Officer and joined our Group in March 2009. Mr Chong has more than 12 years of working experience in assurance practice and corporate management. Mr Chong currently oversees our Group's corporate development, financial reporting and investor relations matters. In addition, Mr Chong has also started taking over the role of overseeing of our Group's financial accounting and reporting functions from Mr He Ke Ping, our Executive Director, since October 2009. As at the date of this Prospectus, Mr Chong Chee Hoong has taken over the financial accounting and reporting functions from Mr He Ke Ping.

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

Please also refer to the section "Corporate Governance" of this Prospectus for the views of our Audit Committee on the appointment of Mr Chong as the Chief Financial Officer of our Group.

Ms Lu Jin Ming is our Deputy General Manager (Project Development) 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 (南海桂城大厦房地产开发有限公司) and Nanhai Guicheng Debao Property Development Co., Ltd. (南海市桂城德宝房地产开发有限公司) 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 (南海粤港大明鞋业有限公司) and Nanhai Guicheng Zhujiang Wires and Cables Plant (南海桂城珠江电线电缆厂) from June 1993 to August 1996. Ms Lu was certified as an assistant accountant (助理会计师) by Nanhai District Technology Committee (南海市科学技术委员会) in June 1993 and received the Certificate of Accounting Professional (会计从业资格证书) issued by the Nanhai District Finance Bureau (南海市财政局) in May 2002.

Mr Yang Qi Man is our Deputy General Manager (Construction and Project Budgeting) and is responsible for financial management and supervision of our Group's construction activities undertaken through our subsidiary, Guihe Construction. Mr Yang joined our Group as a deputy general manager in the engineering department in November 2000. He went on to become the manager in the contract budget department and was the assistant to the general manager before being appointment to his current position. Prior to joining our Group, Mr Yang was the deputy general manager of Nanhai Guicheng Debao Property Development Co., Ltd. (南海市桂城德宝房地产开发有限公司) 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 (广东工业大学) where he graduated in 1998. He was also certified as a construction engineering technical management engineer (建筑工程技术管理工程师) under the Foshan Construction Engineering Intermediate Professional Technical Qualification (佛山市建筑工程中级专业技术资格) by the Human Resource Bureau of Foshan City (佛山市人事局) in October 2003.

DIRECTORS, MANAGEMENT AND STAFF

Mr Li Ke is our Finance Manager and joined our Group in August 2008. Mr Li has more than six years experience in the audit and financial industry. He is in charge of the preparation of our Group's financial statements and financial reporting and is also responsible for our Group's internal controls and systems compliance review. He started his career as an audit assistant at C H Ng & Co from February 2004 to January 2006. From February 2006 to November 2006 and December 2006 to June 2007, Mr Li was an audit senior with Horwath First Trust and Deloitte & Touche respectively. Prior to joining our Group in August 2008, Mr Li was the finance manager of China KL International Pte. Ltd. from June 2007 to June 2008. Mr Li holds a Diploma in Finance and Trade from the Sichuan University of Science & Engineering (四川理工学院) (formerly known as Sichuan Light Chemical Industry College (四川轻化工学院)) 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.

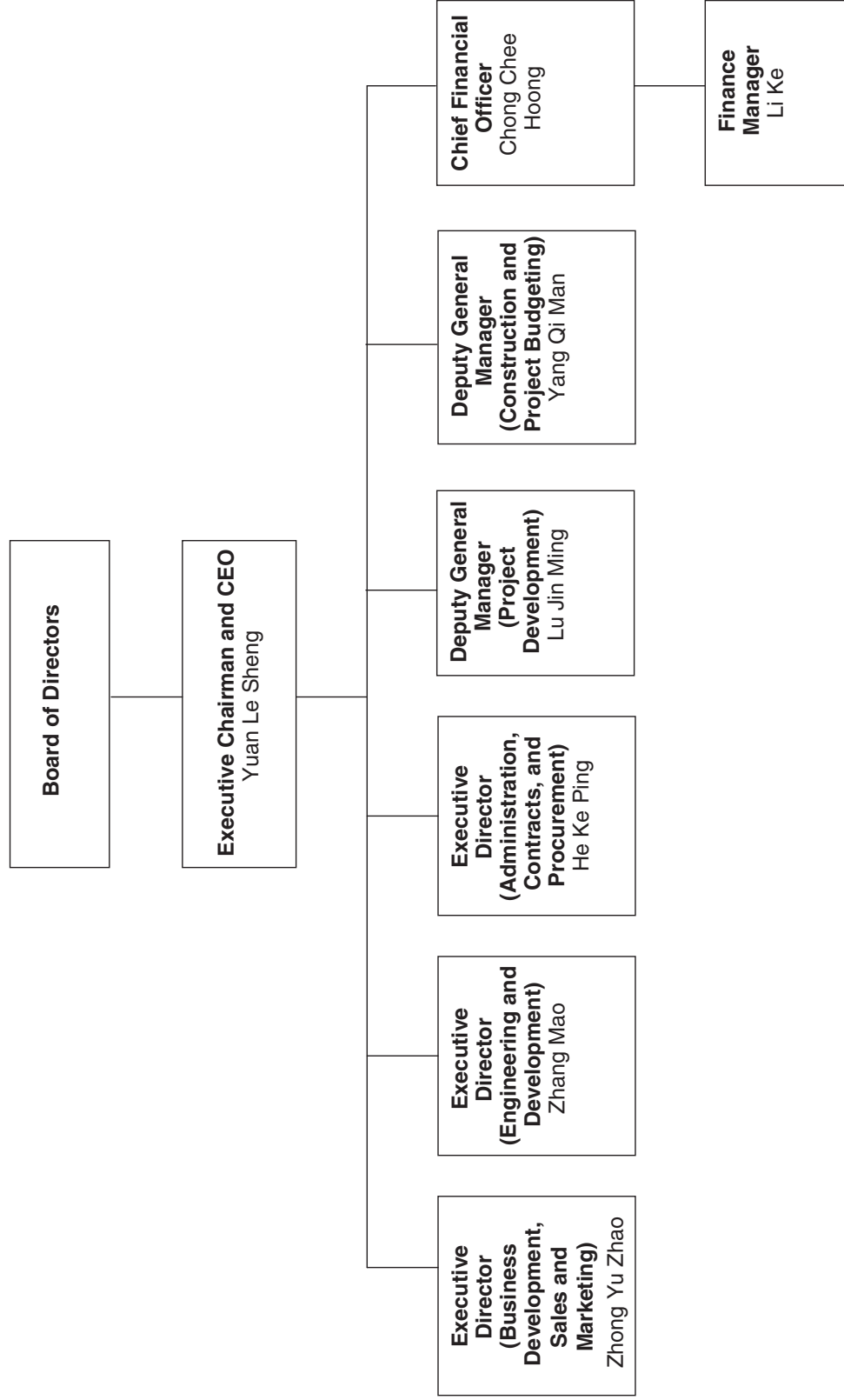
None of our Executive Officers is related by blood or marriage to one another or any of our Substantial Shareholders, and to the best of our Director's knowledge, there are no arrangements or understandings with any of our Substantial Shareholders, customers, suppliers, or any other person, pursuant to which any of our Executive Officers was appointed.

The list of present and past directorships of each of our Executive Officers held in the last five years preceding the date of this Prospectus can be found in the section titled "Material Background Information on Directors and Executive Officers" of this Prospectus.

DIRECTORS, MANAGEMENT AND STAFF

MANAGEMENT REPORTING STRUCTURE

The following chart shows our management reporting structure as at the Latest Practicable Date:-



DIRECTORS, MANAGEMENT AND STAFF

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The compensation paid to our Directors and Executive Officers for services rendered to our Group on an individual basis and in remuneration bands of S\$250,000 per annum for FY2007 and FY2008 (being the last two most recent completed financial years), and an estimate of the compensation payable for the current FY are as follows:-

	FY2007 S\$	FY2008 S\$	Estimated FY2009 S\$
Directors			
Yuan Le Sheng			
He Ke Ping			
Zhang Mao			
Zhong Yu Zhao			
Zheng Lihua	—	—	
Cheong Keng Chuan Alfred	—	—	
Seetoh Kok Choi Watson	—	—	
He Guo Quan	—	—	
Kong Yu Quan	—	—	
Executive Officers			
Chong Chee Hoong	—	—	
Lu Jin Ming			
Yang Qi Man			
Li Ke	—		

Notes:-

- (1) Band I : compensation of up to S\$250,000 per annum.
- (2) The estimated amount of remuneration payable in FY2009 excludes any bonuses payable and profit sharing or any other profit linked agreement or arrangement which has not been paid.

Save as required under the laws and regulations applicable to our Group, we have not set aside or accrued any amounts for our Directors and Executive Officers to provide for pension, retirement or similar benefits.

DIRECTORS, MANAGEMENT AND STAFF

REMUNERATION OF EMPLOYEES RELATED TO DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, we have six employees who are related to our Directors and Substantial Shareholders. Their details and relationships with our Directors and Substantial Shareholders are as follows:-

Name of Employee	Position(s) Held	Relationship with our Directors and/or Substantial Shareholders
Zheng Xiong Xian	Head of the administrative office	Brother of our Controlling Shareholder and Non-Executive Director, Ms Zheng Lihua
Yang Hui Yan	Finance clerk	Sister-in-law of our Executive Chairman and CEO, Mr Yuan Le Sheng
Yuan Jian Sheng	Administrative supervisor	Brother of our Executive Chairman and CEO, Mr Yuan Le Sheng
Fang Zai Ming	Sales director	Wife of our Executive Director, Mr Zhang Mao
Zheng Xiong Wei	Warehouse administrator	Brother of our Controlling Shareholder and Non-Executive Director, Ms Zheng Lihua
Yuan Jin Jiang	Site administrator	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. The aggregate remuneration in FY2007 and FY2008 of these five related employees amounted to approximately RMB289,000 and RMB307,000, respectively. This represents approximately 0.2% and 2.5% of our proforma profit before income tax for FY2007 and FY2008 respectively, adding back the remuneration of these five employees. Yuan Jin Jiang only commenced working for our Company in FY2009.

For the current financial year ended 31 December 2009, the estimated aggregate remuneration of the six employees who are related to our Directors and Substantial Shareholders amounted to approximately RMB329,000.

The total remuneration of these employees will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility. The total remuneration paid to employees who are related to our Directors for a financial year shall be disclosed in the annual report of our Company. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from the review.

DIRECTORS, MANAGEMENT AND STAFF

SERVICE AGREEMENTS

Directors

On 23 November 2009, our Company entered into separate service agreements (the “Service Agreements”) with each of our Executive Directors, Messrs Yuan Le Sheng, He Ke Ping, Zhang Mao and Zhong Yu Zhao (collectively, the “Executives”) for an initial term of three years commencing from the date of admission of our Company to the SGX-ST, which will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other, or in lieu of such notice, three months’ salary based on the Executives’ last drawn monthly salary. Pursuant to the terms of the Service Agreements, Mr Yuan Le Sheng is entitled to an annual salary of RMB1,500,000 whilst each of Messrs He Ke Ping, Zhang Mao and Zhong Yu Zhao is entitled to an annual salary of RMB540,000. Each Executive is entitled to bonus payments generally declared for our Company’s employees in accordance with our Company’s bonus policy.

In addition, each of the Executives will be entitled to participate in a profit sharing scheme (“Profit Share”) in respect of each financial year based on the profit of our Group before income tax (adjusted for the add-back of fair value adjustment to cost of sales – see note (1) below) based on the audited accounts of our Group for the relevant financial year, which will be determined in accordance with the following formula:-

Audited Profit Before Income Tax (adjusted for the add-back of fair value adjustment to cost of sales – see note (1) below)	Profit Share	
	Yuan Le Sheng	Each of He Ke Ping, Zhang Mao and Zhong Yu Zhao
PBT < RMB80 million	Nil	Nil
RMB80 million ≤ PBT < RMB150 million	1% of PBT	0.15% of PBT
RMB150 million ≤ PBT < RMB200 million	1.5% of PBT	0.2% of PBT
RMB200 million ≤ PBT < RMB250 million	2% of PBT	0.3% of PBT
PBT ≥ RMB250 million	2.5% of PBT	0.35% of PBT

Note:-

- (1) The profit before tax figure for the purpose of computing the profit share will be adjusted with the add-back of the fair value adjustments to cost of sales arising from, inter alia, the application of SFRS 103 for the acquisition of the PRC subsidiaries by our Group. Please see the section titled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Prospectus for further details of the fair value adjustment to cost of sales.

Where the employment of each of the Executives is not for a full financial year, his portion of the Profit Share will be pro rated accordingly.

During the employment, our Company will also provide for the use of a motor car to each of the Executives of such make, model and motor capacity as may be approved by the Board. Mr Yuan Le Sheng shall also be entitled to a transport allowance of up to RMB5,000 per month whilst each of the other Executives shall be entitled to a transport allowance of up to RMB3,000 per month.

The Executives shall not be entitled to any further Directors’ fees under the Service Agreements. We may terminate their respective Service Agreements if any of the Executives are guilty of dishonesty or serious or persistent misconduct or becomes bankrupt or otherwise acts to the prejudice of our Company. None of the Executives will be entitled to any benefits upon termination of their respective Service Agreements.

All travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by each Executive in the process of discharging his duties on behalf of our Group will be borne by our Company.

DIRECTORS, MANAGEMENT AND STAFF

Pursuant to their respective Service Agreements, each Executive shall not, at any time during the period of his employment with our Company and for a period of two years after the termination of his employment with our Company, within the relevant parts of the PRC and any other jurisdiction where our Group operates or where the property development projects of our Group are situated, directly or indirectly carry on or be engaged or interested in any capacity in any other business, trade or occupation whatsoever, except, in a business, trade or occupation which does not compete with the business of our Company or any member of our Group or as disclosed in this Prospectus; either solely or jointly with or on behalf of any person, firm or corporation directly or indirectly carry on or be engaged or interested in any business competing with the business of our Company or any member of our Group; or solicit the customer of any person who is or has been at any time during the period of his employment a customer of the Company for the purpose of offering to such customer goods or services similar to or competing with those of the business of the Company or our Group; or cause or permit any person or company directly or indirectly under his control or in which he has any beneficial interests to do any of the foregoing acts or things.

Executive Officers

Our Group has also previously entered into various letters of employment with all of the Executive Officers. Such letters typically provide for the salary payable to the Executive Officers, their working hours and grounds of termination.

There are no service agreements entered into between our Executive Officers with our Company or any of our subsidiaries which provide for benefits upon termination of employment.

EMPLOYEES

Our employees are unionised. The relationship and cooperation between our management and our employees have always been good and this is expected to continue. We have experienced no incidences of work stoppages, disruptions or labour disputes which affected our operations in the last three financial years ended 31 December 2008 and six months ended 30 June 2009. The number of full time employees is not subject to any significant fluctuations.

Our Directors consider that our Group offers a comprehensive and competitive remuneration and benefits package to all our employees. Any adjustment of the remuneration and benefits of our Group's staff will depend on their respective performance.

As at the Latest Practicable Date, our Group employed a total workforce of 446 employees, all of whom are employed in the PRC.

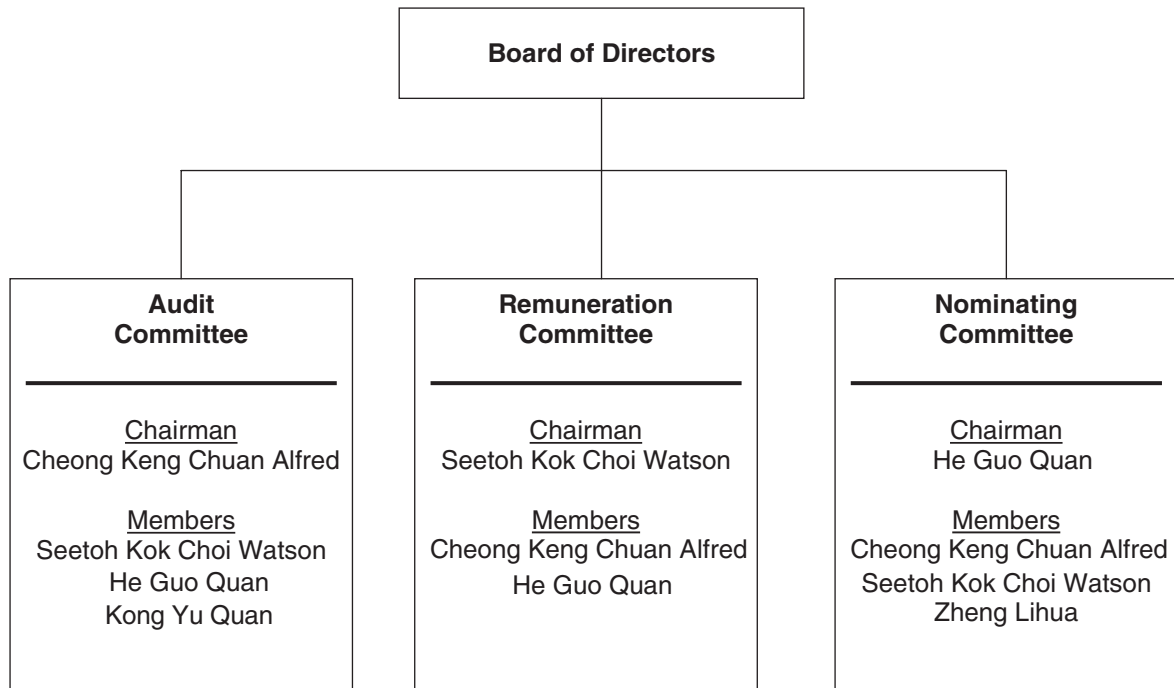
The functional distribution of our full-time employees as at the end of the last three financial years ended 31 December are as follows:-

Functions	Number of employees as at		
	FY2006	FY2007	FY2008
Management	7	7	8
Property development and construction	82	128	155
Property management	131	167	167
Finance	17	21	23
Sales and marketing	3	8	13
Administration and general support	21	36	45
Total	261	367	411

DIRECTORS, MANAGEMENT AND STAFF

CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance and in offering high standards of accountability to our Shareholders. Our Company has implemented the corporate governance model as set out below:-



Board of Directors

We currently have nine Directors on our Board, comprising four Executive Directors, one Non-Executive Director and four Independent Directors. Mr Cheong Keng Chuan Alfred, Mr Seetoh Kok Choi Watson, Mr He Guo Quan and Mr Kong Yu Quan have been appointed as our Independent Directors. Our Directors consider Mr Cheong Keng Chuan Alfred, Mr Seetoh Kok Choi Watson, Mr He Guo Quan and Mr Kong Yu Quan independent as they do not have any existing business or professional relationship with our Group, our Directors or Substantial Shareholders. They are also not related to any of our Directors or Substantial Shareholders.

In view of Mr Yuan Le Sheng's appointment as our Executive Chairman and CEO, we have appointed Mr Cheong Keng Chuan Alfred as the Lead Independent Director of the Company, pursuant to the recommendations of the Code of Corporate Governance issued by the Committee on Corporate Governance (as from time to time amended, modified or supplemented) (the "Code of Corporate Governance"). In accordance with the recommendations in the Code of Corporate Governance, the Lead Independent Director will be available to our Shareholders in respect of concerns which contact through the normal channel of the Chairman has failed to resolve or for which such contact is inappropriate.

None of our Directors is appointed for any fixed term. Each Director shall retire from office at least once every three years. Directors who retire are eligible to stand for re-election.

The Company will be appointing at least one Independent Director on the board of directors of all its principal operating subsidiaries. Accordingly, Mr Seetoh had been appointed as a director of Sanshui Property, Jiangnan Property and Debao Property. Going forward, the Company will also appoint an Independent Director onto the board of directors of any new principal operating subsidiary.

DIRECTORS, MANAGEMENT AND STAFF

Audit Committee

Our Audit Committee comprises Mr Cheong Keng Chuan Alfred, Mr Seetoh Kok Choi Watson, Mr He Guo Quan and Mr Kong Yu Quan with Mr Cheong Keng Chuan Alfred as chairman. The chairman of the Audit Committee shall have an additional casting vote in the event of an equality of votes. They are the Independent Directors and they meet periodically to:-

- (a) to review the audit plans of the internal and external auditors of our Company with the Chief Financial Officer to ensure the adequacy of our Company's system of accounting controls and the co-operation given by our Company's management to the external and internal auditors;
- (b) to review significant financial reporting issues and judgments with the Chief Financial Officer and the external auditors so as to ensure the integrity of the financial statements of our Company and any formal announcements relating to our Group's financial performance before their submission to our Board of Directors;
- (c) to review the adequacy and effectiveness of our Company's material internal controls with the Chief Financial Officer and the external auditors, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- (d) to meet with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- (e) to review legal and regulatory matters with the Chief Financial Officer and the external auditors that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (f) to review the co-operation given by our management to our auditors;
- (g) to consider the appointment and re-appointment of the external auditors;
- (h) to review the cost effectiveness and the independence and objectivity of the external auditors;
- (i) to review the nature and extent of non-audit services provided by the external auditors;
- (j) to recommend to our Board of Directors the external auditors to be nominated, to approve the compensation of the external auditors, and to review the scope and results of the audit;
- (k) to report actions and minutes of the Audit Committee to our Board of Directors with such recommendations as the Audit Committee considers appropriate;
- (l) to review interested person transactions in accordance with the requirements of the Listing Manual;
- (m) to review and resolve potential conflict of interests; and
- (n) to generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

Upon the admission of our Company to the Official List of the SGX-ST, our Audit Committee will appoint a suitable accounting firm ("Internal Auditor") for the purpose of internal audit to review and assess the system of internal controls of our Group on an annual basis. Before each annual internal audit, the appointed Internal Auditor will propose an internal audit plan to our Audit Committee and obtain the approval of our Audit Committee before the appointed Internal Auditor can proceed with the internal audit plan. The findings of such internal audit will be submitted by the appointed Internal Auditor to our Audit Committee for their review.

DIRECTORS, MANAGEMENT AND STAFF

The Audit Committee has the power to conduct or authorise investigations into any matters within the Audit Committee's scope of responsibility. Our management has put in place, and the Audit Committee has endorsed, arrangements by which staff of our Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

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

Views of our Audit Committee on the appointment of Mr Chong Chee Hoong as the Chief Financial Officer of our Group

Our Audit Committee has reviewed Mr Chong's curriculum vitae and professional experiences as well as conducted interview sessions with Mr Chong. Our Audit Committee noted that Mr Chong has more than 12 years of professional experiences in international audit practices and subsequently corporate management. Between mid 2005 and joining our Group, Mr Chong was involved in corporate management and development roles based in the PRC. In addition, Mr Chong was previously involved in the audit of several property and construction companies when he was an auditor with international public accounting firms.

Our Audit Committee has, in the course of preparing for the listing of our Company on SGX-ST, observed and noted Mr Chong's contributions at various occasions, discussions and meetings such as his responses to queries posed to him at various meetings. Through the responses provided by Mr Chong to such queries, the Audit Committee is of the view that he has demonstrated his understanding of our Group's businesses and familiarity with the finance and accounting functions of our Group. In addition, our Audit Committee noted the process in which Mr Chong, together with Mr Li Ke, our Finance Manager, and in consultation with the Auditors and Reporting Accountants, prepared our Group's financial statements for inclusion in the Prospectus and applied the proper accounting standards and principles. Accordingly, our Audit Committee believes that Mr Chong and Mr Li Ke have demonstrated their knowledge and experience in accounting and financial reporting for listed companies, in particular compliance with the Singapore Financial Reporting Standards and related listing requirements in Singapore.

Our Audit Committee has also observed that Mr Chong has established strong working relationships and rapport with the members of our Group's finance department since joining our Group. Our Audit Committee, through its dealings with Mr Chong to-date, believes that Mr Chong has appropriate character and integrity to act as the chief financial officer of a SGX-ST listed company.

Having carefully considered the above, our Audit Committee is of the opinion that Mr Chong is able to discharge his duties as our Chief Financial Officer satisfactorily and assist our Group in achieving its next stage of growth going forward.

Handover of oversight of our Group's financial accounting and reporting functions to Mr Chong Chee Hoong

In addition, as disclosed in the section titled "Directors, Management and Staff" of the Prospectus, Mr Chong has taken over the financial accounting and reporting functions from Mr He Ke Ping, our Executive Director, and has confirmed to our Audit Committee that he has complete oversight and is fully responsible for the financial accounting and reporting functions of our Group. As at the date of this Prospectus, our Audit Committee has reviewed the reporting structure after the handover has been completed and has confirmed to the SGX-ST that they are satisfied that the financial accounting and reporting oversight role has been completely handed over to Mr Chong.

DIRECTORS, MANAGEMENT AND STAFF

Remuneration Committee

Our Remuneration Committee comprises Mr Cheong Keng Chuan Alfred, Mr Seetoh Kok Choi Watson and Mr He Guo Quan, with Mr Seetoh Kok Choi Watson as chairman. Our Remuneration Committee will recommend to our Board a remuneration framework for our Directors and Executive Officers, and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee will be submitted for endorsement by the Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind will be considered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his own remuneration package.

Nominating Committee

Our Nominating Committee comprises Mr Cheong Keng Chuan Alfred, Mr Seetoh Kok Choi Watson, Mr He Guo Quan and Ms Zheng Lihua, with Mr He Guo Quan as the chairman. The chairman of the Nominating Committee shall have an additional casting vote in the event of an equality of votes. Our Nominating Committee will be responsible for:-

- (i) making recommendations to the Board on all board appointments, including the re-nomination of our existing Directors having regard to their contribution and performance and nomination of proposed new Directors having regard to their experience, expertise and potential contribution to the Company;
- (ii) determining annually whether or not a Director is independent;
- (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director; and
- (iv) making evaluation, assessment and recommendations before the appointment of any proposed new Executive Officers.

Our Nominating Committee will, subject to the approval of our Board, decide how our Board's performance is to be evaluated and propose objective performance criteria which address how our Board has enhanced long-term Shareholders' value. Our Board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution by each individual Director to the effectiveness of our Board. Each member of our Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

PRINCIPAL SHAREHOLDERS

OWNERSHIP STRUCTURE

Our Shareholders and their respective shareholdings in our Company immediately before and after the Invitation are set out below:-

	Before the Invitation			After the Invitation		
	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	Direct Interest Number of Shares	%	Deemed Interest Number of Shares
Directors						
Yuan Le Sheng ^{(1), (2), (5)}	–	–	605,930,232	–	–	605,930,232
He Ke Ping	–	–	–	–	–	–
Zhang Mao	–	–	–	–	–	–
Zhong Yu Zhao	–	–	–	–	–	–
Zheng Lihua ^{(1), (2), (5)}	–	–	605,930,232	–	–	605,930,232
Cheong Keng Chuan Alfred	–	–	–	–	–	–
Seetoh Kok Choi Watson	–	–	–	–	–	–
He Guo Quan	–	–	–	–	–	–
Kong Yu Quan	–	–	–	–	–	–
Substantial Shareholders (other than Directors)						
Billion Equity Holdings Limited ⁽²⁾	583,953,488	58.40	–	583,953,488	51.91	–
East Hero Trading Limited ^{(3), (4)}	95,348,840	9.53	–	92,047,511	8.18	–
Other Shareholders						
Other Pre-IPO Investors ⁽⁴⁾	276,744,184	27.67	–	267,806,430	23.80	–
Wu Kwok Hung	21,976,744	2.20	–	21,215,827	1.89	–
Pride Capital Investment Holdings Limited ⁽⁵⁾	21,976,744	2.20	–	21,976,744	1.95	–
Public ⁽⁶⁾	–	–	–	138,000,000	12.27	–
Total	1,000,000,000	100.00	–	1,125,000,000	100.00	–

PRINCIPAL SHAREHOLDERS

Notes:-

- (1) Our Executive Chairman and CEO, Mr Yuan Le Sheng, and our Non-Executive Director, Ms Zheng Lihua, are husband and wife. Accordingly, they are deemed interested in each other's interests in our Company. In addition, Mr Yuan Jiajun is the son of Mr Yuan Le Sheng and Ms Zheng Lihua. Accordingly, each of Mr Yuan Le Sheng and Ms Zheng Lihua is deemed interested in Mr Yuan Jiajun's interests in our Company.
- (2) Billion Equity Holdings Limited is a company incorporated in the British Virgin Islands and wholly-owned by our Non-Executive Director, Ms Zheng Lihua. Accordingly, Ms Zheng Lihua is deemed interested in the Shares of our Company held by Billion Equity Holdings Limited.
- (3) The legal owner of East Hero Trading Limited is Ajia Partners Special Situations G.P. Limited. Ajia Partners Inc is the legal and beneficial owner of Ajia Partners Situations G.P. Limited and is owned by 16 unrelated individual and corporate shareholders. More than 90% of the shareholdings in Ajia Partners Inc is held, directly and indirectly, by its management.
- (4) Please refer to the sections titled "Vendor Shares" and "Moratorium" of this Prospectus for more information on East Hero Trading Limited and the other Pre-IPO Investors.
- (5) Pride Capital Investment Holdings Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr Yuan Jiajun, the son of Mr Yuan Le Sheng and Ms Zheng Lihua. Accordingly, Mr Yuan Jiajun is deemed interested in the Shares of our Company held by Pride Capital Investment Holdings Limited. Please refer to the section "Restructuring Exercise" of this Prospectus for more information on Pride Capital Investment Holdings Limited.
- (6) The public float requirements under Rule 210(1) of the Listing Manual will be met through the 138,000,000 Invitation Shares and 37,187,500 Shares held by existing public Shareholders not under moratorium, which amount to an aggregate of 175,187,500 Shares, which represents approximately 15.6% of our post-Invitation share capital. Please refer to the section titled "Moratorium" of this Prospectus for further details of the Shares held by existing public Shareholders not under moratorium.

Save as disclosed above, there is no other relationship between our Directors and Substantial Shareholders.

As at the date of this Prospectus, our Company has only one class of Shares. The rights and privileges of our Shares are stated in the Articles of our Company. There are no founder, management or deferred Shares. The Shares owned by our Directors and Substantial Shareholder are not entitled to any different voting rights from the New Shares.

Save as disclosed above, our Company is not directly or indirectly owned or controlled by another corporation, any government or other natural or legal person whether severally or jointly.

There is no known arrangement the operation of which may, at a subsequent date, result in a change in control of our Company.

There has not been any public take-over by a third party in respect of our Shares or by our Company in respect of the shares of another corporation which has occurred between the beginning of the most recent completed financial year and the Latest Practicable Date.

Save as disclosed above and in the section titled "Restructuring Exercise" of this Prospectus, no shares or debentures were issued or agreed to be issued by our Company for cash or for a consideration other than cash during the last three years preceding the date of lodgment of this Prospectus.

There are no shares in the Company that are held by or on behalf of our Company or by our subsidiaries.

Save as disclosed above, no employee holds 5.0% or more of the post-Invitation share capital of our Company nor is related to any Directors or Substantial Shareholder of our Company.

Save as disclosed in this section and in the section titled "Restructuring Exercise" of this Prospectus, there were no significant changes in the percentage of ownership of the issued share capital of our Company in the last three years prior to the date of this Prospectus.

PRINCIPAL SHAREHOLDERS

SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP

The changes in the percentage of ownership of Shares in our Company from the date of our Company's incorporation up to the Latest Practicable Date are as follows:-

Name of Shareholder	Percentage of ownership of our Shares (%)		
	Before Restructuring Exercise	After Restructuring Exercise (before Conversion)	After Restructuring Exercise (after Conversion)
Billion Equity Holdings Limited (wholly-owned by Zheng Lihua)	—	93.0	58.4
Pride Capital Investment Holdings Limited (wholly-owned by Yuan Jiajun)	—	3.5	2.2
Wu Kwok Hung	100.0	3.5	2.2
Pre-IPO Investors	—	—	37.2
	100.0	100.0	100.0

Note:-

- (1) Please refer to the section titled "Restructuring Exercise" of this Prospectus for further details of the above.

PRINCIPAL SHAREHOLDERS

VENDOR SHARES

Details of the Vendors and the number of Vendor Shares they will be offering pursuant to the Invitation are set out below:-

Name / address of Vendors	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		Shares held after the Invitation	
	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of post-Invitation share capital
Jun Teng Development Limited Flat/RM A Blk 1 50/F The Belcher's 89 Pok Fu Lam Road Hong Kong	20,930,233	2.09	724,683	0.07	20,205,550	1.80
John Lyn Hian Woon #07-37 28 Wilby Road Singapore 276309	9,302,326	0.93	322,081	0.03	8,980,245	0.80
Skyven Growth Capital Fund Pte Ltd 2 Alexandra Road #06-02 Delta House Singapore 159919	4,651,163	0.47	161,041	0.02	4,490,122	0.40
Representations International Inc 78 Shenton Way #28-01 Singapore 079120	4,651,163	0.47	161,041	0.02	4,490,122	0.40
2G Capital Pte Ltd 5 Shenton Way #21-05 UIC Building Singapore 068808	4,651,163	0.47	161,041	0.02	4,490,122	0.40

PRINCIPAL SHAREHOLDERS

Name / address of Vendors	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		Shares held after the Invitation	
	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of post-Invitation share capital
Pow Kim Hoo 13 Tuas South Street 1 Singapore 638063	6,976,744	0.70	241,561	0.02	6,735,183	0.60
Kong Hwai Ming 133 New Bridge Road #25-02 Chinatown Point Singapore 059413	4,651,163	0.47	161,041	0.02	4,490,122	0.40
Ben Neo Ban Leong 29 Cornwall Gardens Singapore 269656	2,325,581	0.23	80,520	0.01	2,245,061	0.20
Yeo Chun Heong 128 Pasir Ris Street 11 #02-345 Singapore 510128	2,325,581	0.23	80,520	0.01	2,245,061	0.20
Enhance Assets Ltd 200 Jalan Sultan #03-23 Singapore 199018	2,325,581	0.23	80,520	0.01	2,245,061	0.20
Glanster Investments Limited Room 5-3-5A, Yang Guang Zong Lv Yuan Qian Hai Road Nanshan District, Shenzhen, PRC	2,325,581	0.23	80,520	0.01	2,245,061	0.20

PRINCIPAL SHAREHOLDERS

Name / address of Vendors	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		Shares held after the Invitation	
	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of post-Invitation share capital
Pitt Meadow Holdings Limited 20, 2nd Street, Section C, Fairview Park Yuen Long, Hong Kong	2,325,581	0.23	80,520	0.01	2,245,061	0.20
Asia Investments Arm (AIA) S.A. Edificio Vallarino, Penthouse, Calle 52y Elvira Mendez City of Panama, Republic of Panama	19,069,767	1.91	660,266	0.07	18,409,501	1.64
East Hero Trading Limited Trident Chambers, P.O. Box 146, Road Town Tortola, British Virgin Islands	95,348,840	9.53	3,301,329	0.33	92,047,511	8.18
Yang Jinzhong No 1, Lane 2, Guicheng Dong Er Nan Xin Cun Da Jie Nanhai District, Foshan City, Guangdong Province, PRC	13,953,488	1.40	483,122	0.05	13,470,366	1.20
Global Ace Enterprises Limited OMC Chambers, Wickhams Cay 1, Road Town Tortola, British Virgin Islands	27,906,977	2.79	966,243	0.10	26,940,734	2.39

PRINCIPAL SHAREHOLDERS

Name / address of Vendors	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		Shares held after the Invitation	
	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of post-Invitation share capital
Allied Asset Holdings Limited OMC Chambers, Wickhams Cay 1, Road Town Tortola, British Virgin Islands	41,860,465	4.19	1,449,365	0.14	40,411,100	3.59
Lim Sing Tat 7 Fulton Road Singapore 578891	4,651,163	0.47	161,041	0.02	4,490,122	0.40
Aw Cheok Huat 10 Anson Road #29-01 International Plaza Singapore 079903	4,651,163	0.47	161,041	0.02	4,490,122	0.40
Chau-Chan Sui Yung 3 Moulmein Rise #02-03, The Springs Singapore 308144	2,325,581	0.23	80,520	0.01	2,245,061	0.20
Corona Capital Limited Commonwealth Trust Limited, P.O. Box 3321, Road Town Tortola, British Virgin Islands	2,325,581	0.23	80,520	0.01	2,245,061	0.20
Mohamed Hamdan Abdulla Alshamsi Villa 25 Road 48, AlTwar 1 P.O. Box 25969 Dubai	4,651,163	0.47	161,041	0.02	4,490,122	0.40

PRINCIPAL SHAREHOLDERS

Name / address of Vendors	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		Shares held after the Invitation	
	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of post-Invitation share capital
Finance Department Government of Sharjah Legal Department-Ruler's Office United Arab Emirates	9,302,326	0.93	322,081	0.03	8,980,245	0.80
3VS1 Asia Growth Fund Ltd 80 Raffles Place #32-01 UOB Plaza Singapore 048624	6,976,744	0.70	241,561	0.02	6,735,183	0.60
Ang Yee Lim 41 Tampines Street 92 #03-00 ABR Building Singapore 528881	6,976,744	0.70	241,561	0.02	6,735,183	0.60
Henry Sim Beng Huat 22 Sungei Kadut Avenue 5 Singapore 729657	4,651,163	0.47	161,041	0.02	4,490,122	0.40
Yvonne Ong Ai Ling 61 Robinson Road #12-01 Singapore 068893	2,325,581	0.23	80,520	0.01	2,245,061	0.20
Triumph Success Investments Limited P.O. Box 957, Offshore Incorporations Centre Road Town, Tortola British Virgin Islands	13,953,488	1.40	483,122	0.05	13,470,366	1.20

PRINCIPAL SHAREHOLDERS

Name / address of Vendors	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		Shares held after the Invitation	
	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of post-Invitation share capital
Clear Elite Investments Limited P.O. Box 957, Offshore Incorporations Centre Road Town, Tortola British Virgin Islands	13,953,488	1.40	483,122	0.05	13,470,366	1.20
Providence SOGF Limited 50 Raffles Place #33-06 Singapore Land Tower Singapore 048623	4,651,163	0.47	161,041	0.02	4,490,122	0.40
Ng Chee Beng 3791 Jalan Bukit Merah #03-08 E-Centre @ Redhill Singapore 159471	6,511,628	0.65	225,457	0.02	6,286,171	0.56
Wu Kwok Hung Blk 6, Unit 20 A Jin Cheng Hua Ting, Feng Huang Road, Luo Hu Shenzhen, PRC	21,976,744	2.20	760,917	0.08	21,215,827	1.89

None of our Directors has any direct or indirect interest in the Vendor Shares, and save for Mr Wu Kwok Hung, who was the former Controlling Shareholder and ex-Director of our Company, the Vendors do not have any position, office or other material relationship with our Group within the period of three years before the date of lodgment of this Prospectus.

PRINCIPAL SHAREHOLDERS

MORATORIUM

To demonstrate their commitment to our Company,

- (1) Our Substantial Shareholder, Billion Equity Holdings Limited, who will hold 583,953,488 Shares representing approximately 51.91% of our Company's post-Invitation issued share capital, has undertaken not to dispose of or transfer any part of its interests in the issued share capital of our Company immediately after the Invitation for a period of six months from the date of admission of our Company to the Official List of the SGX-ST (the "Listing Date") and for a period of six months thereafter, not to reduce its interests in our Company to below 50% of its original shareholdings in our Company.
- (2) Mr Wu Kwok Hung who will hold 21,215,827 Shares representing approximately 1.89% of our Company's post-Invitation issued share capital, has undertaken not to dispose of or transfer any part of his interests in the issued share capital of our Company immediately after the Invitation for a period of six months from the Listing Date.
- (3) Pride Capital Investment Holdings Limited, who will hold 21,976,744 Shares representing approximately 1.95% of our Company's post-Invitation issued share capital, has undertaken not to dispose of or transfer any part of its interests in the issued share capital of our Company immediately after the Invitation for a period of six months from the date of admission of our Company to the Official List of the SGX-ST (the "Listing Date") and for a period of six months thereafter, not to reduce its interests in our Company to below 50% of its original shareholdings in our Company.
- (4) Each of the Pre-IPO Investors, who will collectively hold 359,853,941 Shares representing approximately 31.99% of our Company's post-Invitation issued share capital, has undertaken not to dispose of or transfer any part of their collective interests of 309,853,941 Shares or 27.54% of our Company's post-Invitation issued share capital, immediately after the Invitation for a period of six months from the Listing Date. Accordingly, 50,000,000 Shares or 4.45% of our Company's post-Invitation issued Share Capital are not held under moratorium.

The following table sets out the number of Shares held by each of the Pre-IPO Investors under moratorium and not under moratorium respectively.

		Shares held after the Invitation		Shares not under moratorium		Shares under moratorium	
		No. of Shares	% of post -Invitation share capital	No. of Shares	% of post -Invitation share capital	No. of Shares	% of post -Invitation share capital
Pre-IPO Investors							
1	Jun Teng Development Limited	20,205,550	1.80%	2,812,500	0.25%	17,393,050	1.55%
2	Chua Hong Thuan	6,976,744	0.62%	937,500	0.08%	6,039,244	0.54%
3	Tham Keng Chuen	6,976,744	0.62%	937,500	0.08%	6,039,244	0.54%
4	John Lyn Hian Woon	8,980,245	0.80%	1,250,000	0.11%	7,730,245	0.69%
5	Skyven Growth Capital Fund Pte Ltd	4,490,122	0.40%	625,000	0.06%	3,865,122	0.34%
6	Representations International Inc	4,490,122	0.40%	625,000	0.06%	3,865,122	0.34%
7	2G Capital Pte Ltd	4,490,122	0.40%	625,000	0.06%	3,865,122	0.34%
8	Pow Kim Hoo	6,735,183	0.60%	937,500	0.08%	5,797,683	0.52%
9	Kong Hwai Ming	4,490,122	0.40%	625,000	0.06%	3,865,122	0.34%
10	Ben Neo Ban Leong	2,245,061	0.20%	312,500	0.03%	1,932,561	0.17%

PRINCIPAL SHAREHOLDERS

		Shares held after the Invitation		Shares not under moratorium		Shares under moratorium	
		No. of Shares	% of post -Invitation share capital	No. of Shares	% of post -Invitation share capital	No. of Shares	% of post -Invitation share capital
Pre-IPO Investors							
11	Yeo Chun Heong	2,245,061	0.20%	312,500	0.03%	1,932,561	0.17%
12	Enhance Assets Ltd	2,245,061	0.20%	312,500	0.03%	1,932,561	0.17%
13	Glanster Investments Limited	2,245,061	0.20%	312,500	0.03%	1,932,561	0.17%
14	Pitt Meadow Holdings Limited	2,245,061	0.20%	312,500	0.03%	1,932,561	0.17%
15	Asia Investments Arm (AIA) S.A.	18,409,501	1.64%	2,562,500	0.23%	15,847,001	1.41%
16	Skylight Enterprises Group Limited	4,651,163	0.41%	625,000	0.06%	4,026,163	0.36%
17	East Hero Trading Limited ⁽¹⁾	92,047,511	8.18%	12,812,500	1.14%	79,235,011	7.04%
18	Yang Jinzhong	13,470,366	1.20%	1,875,000	0.17%	11,595,366	1.03%
19	Global Ace Enterprises Limited	26,940,734	2.39%	3,750,000	0.33%	23,190,734	2.06%
20	Allied Asset Holdings Limited	40,411,100	3.59%	5,625,000	0.50%	34,786,100	3.09%
21	Lim Sing Tat	4,490,122	0.40%	625,000	0.06%	3,865,122	0.34%
22	Aw Cheok Huat	4,490,122	0.40%	625,000	0.06%	3,865,122	0.34%
23	Chau-Chan Sui Yung	2,245,061	0.20%	312,500	0.03%	1,932,561	0.17%
24	Corona Capital Limited	2,245,061	0.20%	312,500	0.03%	1,932,561	0.17%
25	Mohamed Hamdan Abdulla Alshamsi	4,490,122	0.40%	625,000	0.06%	3,865,122	0.34%
26	Finance Department Government of Sharjah	8,980,245	0.80%	1,250,000	0.11%	7,730,245	0.69%
27	3VS1 Asia Growth Fund Ltd	6,735,183	0.60%	937,500	0.08%	5,797,683	0.52%
28	Ang Yee Lim	6,735,183	0.60%	937,500	0.08%	5,797,683	0.52%
29	Henry Sim Beng Huat	4,490,122	0.40%	625,000	0.06%	3,865,122	0.34%
30	Yvonne Ong Ai Ling	2,245,061	0.20%	312,500	0.03%	1,932,561	0.17%
31	Triumph Success Investments Limited	13,470,366	1.20%	1,875,000	0.17%	11,595,366	1.03%
32	Clear Elite Investments Limited	13,470,366	1.20%	1,875,000	0.17%	11,595,366	1.03%
33	Providence SOGF Limited	4,490,122	0.40%	625,000	0.06%	3,865,122	0.34%
34	Ng Chee Beng	6,286,171	0.56%	875,000	0.08%	5,411,171	0.48%
Total		359,853,941	31.99%	50,000,000	4.45%	309,853,941	27.54%

Note:-

(1) Save for East Hero Trading Limited, all the Pre-IPO Investors are considered public as defined by the Listing Manual.

In addition:-

- (i) Our Non-Executive Director, Ms Zheng Lihua, being the sole shareholder of Billion Equity Holdings Limited, has undertaken not to dispose of or transfer any part of her interest in the issued share capital of Billion Equity Holdings Limited immediately after the Invitation for a period of twelve months from the Listing Date.

PRINCIPAL SHAREHOLDERS

- (ii) Mr Yuan Jiajun, being the sole shareholder of Pride Capital Investment Holdings Limited, has undertaken not to dispose of or transfer any part of his interest in the issued share capital of Pride Capital Investment Holdings Limited immediately after the Invitation for a period of twelve months from the Listing Date.
- (iii) Messrs Xu Qiujin and Ma Yik Yung, who collectively hold the entire issued share capital of Jun Teng Development Limited, have undertaken not to dispose of or transfer any part of their respective interests in the issued share capital of Jun Teng Development Limited immediately after the Invitation for a period of six months from the Listing Date.
- (iv) Skyven Growth Capital Fund Pte Ltd is a private equity investment fund managed by Skyven Asset Management Pte Ltd. Skyven Asset Management Pte Ltd has undertaken not to sell, realise, transfer or otherwise dispose of any part of the Shares held by Skyven Growth Capital Fund Pte Ltd for a period of six months from the Listing Date.
- (v) Asia Resource Corporation Pte Ltd, Allcore Global Ltd and Dr Henry Tay Yun Chwan, who collectively hold the entire issued share capital of Representations International Inc have undertaken not to dispose of or transfer any part of their respective interests in the issued share capital of Representations International Inc immediately after the Invitation for a period of six months from the Listing Date.

Resource Pacific Holding Pte Ltd, Pontirep Investments Ltd, MCI Investment Incorporated, Messrs Patrick Sandjojo, Chew Leong Chee, Thang Kwek Min, Tauhidah B A Bakar, Tan Hui Tiang, Lim Siew Hock, Tan Chay Hoon, Chong Kah Lai, Tan Kheng Kit, Teo Kah Kah, Royston Yang Chin Hoon, and Ludovico S. Serrano, who collectively hold the entire issued share capital of Asia Resource Corporation Pte Ltd have undertaken not to dispose of or transfer any part of their respective interests in the issued share capital of Asia Resource Corporation Pte Ltd immediately after the Invitation for a period of six months from the Listing Date.

Mr Luis P. Lorenzo, being the sole shareholder of Allcore Global Ltd, has undertaken not to dispose of or transfer any part of his interest in the issued share capital of Allcore Global Ltd immediately after the Invitation for a period of six months from the Listing Date.

- (vi) Mr Tommie Goh Thiam Poh, being the sole shareholder of 2G Capital Pte Ltd, has undertaken not to dispose of or transfer any part of his interest in the issued share capital of 2G Capital Pte Ltd immediately after the Invitation for a period of six months from the Listing Date.
- (vii) Messrs James Tjiunardi and Tan Boon Siong, who collectively hold the entire issued share capital of Enhance Assets Ltd have undertaken not to dispose of or transfer any part of their respective interests in the issued share capital of Enhance Assets Ltd immediately after the Invitation for a period of six months from the Listing Date.
- (viii) Mr Rao Liang, being the sole shareholder of Glanster Investments Limited, has undertaken not to dispose of or transfer any part of his interest in the issued share capital of Glanster Investments Limited immediately after the Invitation for a period of six months from the Listing Date.
- (ix) Messrs Patrick Chun Kwok Tsang, Lo Shek Hon John, Wong Koon Hung, Yeung Kim Ting, Chung Wing Keung, Chung Wing Keung Kenny and Lau Suk Yi, who collectively hold the entire issued share capital of Pitt Meadow Holdings Limited have undertaken not to dispose of or transfer any part of their respective interests in the issued share capital of Pitt Meadow Holdings Limited immediately after the Invitation for a period of six months from the Listing Date.
- (x) Mr Samer S. Khoury, being the sole shareholder of Asia Investments Arm (AIA) S.A., has undertaken not to dispose of or transfer any part of his interest in the issued share capital of Asia Investments Arm (AIA) S.A. immediately after the Invitation for a period of six months from the Listing Date.

PRINCIPAL SHAREHOLDERS

- (xi) Mdm Koh Siew Hiang Maria, being the sole shareholder of Skylight Enterprises Group Limited, has undertaken not to dispose of or transfer any part of her interest in the issued share capital of Skylight Enterprises Group Limited immediately after the Invitation for a period of six months from the Listing Date.
- (xii) Ajia Partners Special Situations G.P. Limited, being the sole shareholder of East Hero Trading Limited, has undertaken not to dispose of or transfer any part of its interest in the issued share capital of East Hero Trading Limited immediately after the Invitation for a period of six months from the Listing Date.

Ajia Partners Inc., being the sole shareholder of Ajia Partners Special Situations G.P. Limited, has undertaken not to dispose of or transfer any part of its interest in the issued share capital of Ajia Partners Special Situations G.P. Limited immediately after the Invitation for a period of six months from the Listing Date.
- (xiii) Mr Ye Rui Chu, being the sole shareholder of Global Ace Enterprises Limited, has undertaken not to dispose of or transfer any part of his interest in the issued share capital of Global Ace Enterprises Limited immediately after the Invitation for a period of six months from the Listing Date.
- (xiv) Mr Yang Jinzhong, being the sole shareholder of Allied Asset Holdings Limited, has undertaken not to dispose of or transfer any part of his interest in the issued share capital of Allied Asset Holdings Limited immediately after the Invitation for a period of six months from the Listing Date.
- (xv) Ms Zhang Na, being the sole shareholder of Corona Capital Limited, has undertaken not to dispose of or transfer any part of her interest in the issued share capital of Corona Capital Limited immediately after the Invitation for a period of six months from the Listing Date.
- (xvi) 3VS1 Asia Growth Fund Ltd is a private equity investment fund managed by 3V SourceOne Capital Pte. Ltd.. 3V SourceOne Capital Pte. Ltd. has undertaken not to sell, realise, transfer or otherwise dispose of any part of the Shares held by 3VS1 Asia Growth Fund Ltd for a period of six months from the Listing Date.
- (xvii) Messrs Jane Ng, Lee Yu Chuan, Helen Ng, David Brown, Margaret Sim, Fiona Brown and Maggie Ng, who collectively hold the entire issued share capital of Triumph Success Investments Limited have undertaken not to dispose of or transfer any part of their respective interests in the issued share capital of Triumph Success Investments Limited immediately after the Invitation for a period of six months from the Listing Date.
- (xviii) Clear Elite Investments Limited is a wholly-owned subsidiary of LAPP Strategic Master Fund I, which in turn, is a fund managed by LAPP Strategic Investment Pte Ltd. LAPP Strategic Investment Pte Ltd has undertaken not to dispose of or transfer any part of the Shares held by Clear Elite Investments Limited for a period of six months from the Listing Date.
- (xix) Providence SOGF Limited is a discretionary fund managed by Providence Capital Management Pte Ltd. Providence Capital Management Pte Ltd has undertaken not to sell, realise, transfer or otherwise dispose of any part of the Shares held by Providence SOGF Limited for a period of six months from the Listing Date.

INTERESTED PERSON TRANSACTIONS

Transactions between our Group and any interested persons (namely, our Directors, our Chief Executive Officer or any of our Controlling Shareholders, or the Associates of such persons) are generally known as interested person transactions.

Save as disclosed in the section titled “Restructuring Exercise”, the section titled “Service Agreements” and this section, there are no past or present and on-going interested party transactions entered into by our Group between the beginning of the three most recent completed financial years and up to the Latest Practicable Date.

PAST INTERESTED PERSON TRANSACTIONS

(a) Advances from our former Controlling Shareholder, Mr Wu Kwok Hung

On 22 August 2008, Mr Wu Kwok Hung, who wholly owned our Company prior to the Restructuring Exercise, had advanced a sum of S\$4.0 million to our Company to finance the Restructuring Exercise. The advance was interest-free and unsecured with no fixed terms of repayment and accordingly, was not carried out on an arm’s length basis. This advance has been fully repaid on 22 September 2008. We do not intend to take up any further loans from Mr Wu Kwok Hung in the future following our listing on the SGX-ST.

(b) Renovations provided by Mr Yuan Yu Sheng, brother of our Executive Chairman and CEO, Mr Yuan Le Sheng

In the last three financial years ended 31 December 2008 and six months ended 30 June 2009, we had transactions with Mr Yuan Yu Sheng, the brother of our Executive Chairman and CEO, Mr Yuan Le Sheng, and Mr Liang Er Jun, the brother of our employee, Mr Liang Er Jia. Messrs Yuan Yu Sheng and Liang Er Jun are business partners. They provided renovation services for our developments, Jiangnan Mingju Phases 1 to 4, Jiangnan Mingju Phases 5 and 6 and Shanshui Longpan. Please refer to the section “Major Suppliers” of this Prospectus for details.

The value of contracts given to Messrs Yuan Yu Sheng and Liang Er Jun for FY2006, FY2007, FY2008, 1H2009 and up to the Latest Practicable Date are as follows:-

	FY2006		FY2007		FY2008		1H2009		Up to the Latest Practicable Date	
	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA
Value of contract	8,754	5.8 ⁽¹⁾	14,375	4.2 ⁽²⁾	8,651	1.7 ⁽²⁾	6,276	1.3 ⁽²⁾	7,982	1.9

Notes:-

(1) Based on the unaudited Proforma Consolidated Financial Statements.

(2) Based on the Actual Consolidated Financial Statements.

The above transactions were conducted at arm’s length and on normal commercial terms. We do not intend to continue to transact with Messrs Yuan Yu Sheng and Liang Er Jun following our listing on the SGX-ST.

INTERESTED PERSON TRANSACTIONS

(c) Furnishings, utilities and landscaping services provided by Foshan Kangyi Decoration and Design Co., Ltd.

In the last three financial years ended 31 December 2008 and six months ended 30 June 2009, we had transactions with Foshan Kangyi Decoration and Design Co., Ltd. (佛山市康怡装饰设计有限公司), which is wholly-owned by our Non-Executive Director, Ms Zheng Lihua, and Mr Lu Ri Sheng. Foshan Kangyi Decoration and Design Co., Ltd. (佛山市康怡装饰设计有限公司) and Mr Lu Ri Sheng are business partners. They provided furnishings, utilities and landscaping services for our development, Jiangnan Mingju Phases 1 to 4. Please refer to the section titled "Major Suppliers" of this Prospectus for details.

The value of contracts given to Foshan Kangyi Decoration and Design Co., Ltd. (佛山市康怡装饰设计有限公司) and Mr Lu Ri Sheng for FY2006, FY2007, FY2008, 1H2009 and up to the Latest Practicable Date are as follows:-

	FY2006		FY2007		FY2008		1H2009		Up to the Latest Practicable Date	
	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA
Value of contract	17,667	11.8 ⁽¹⁾	23,955	6.9 ⁽²⁾	—	— ⁽²⁾	—	—	—	—

Notes:-

(1) Based on the unaudited Proforma Consolidated Financial Statements.

(2) Based on the Actual Consolidated Financial Statements.

The above transactions were conducted at arm's length and on normal commercial terms. We do not intend to continue to transact with Foshan Kangyi Decoration and Design Co., Ltd. (佛山市康怡装饰设计有限公司) and Mr Lu Ri Sheng following our listing on the SGX-ST.

(d) Rental of a van from our Executive Director, Mr Zhong Yu Zhao

Our Executive Director, Mr Zhong Yu Zhao, rented a van to our Group for its operations. Under the rental agreement dated 1 June 2007, the term of the lease was for two years commencing 1 June 2007 to 31 May 2009. The rental agreement was terminated with effect from 30 June 2008.

Rentals received by Mr Zhong Yu Zhao are set out as follows:-

	FY2006		FY2007		FY2008		1H2009		Up to Latest Practicable Date	
	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA
	—	—	35	0.01 ⁽¹⁾	30	0.01 ⁽¹⁾	—	—	—	—

Note:-

(1) Based on the Actual Consolidated Financial Statements.

The monthly rental of RMB5,000 was determined based on indicative market rental at the time the lease agreement was entered into. Accordingly, the above transaction was carried out on an arm's length basis. We do not expect to enter into similar transactions in the future following our listing on the SGX-ST.

INTERESTED PERSON TRANSACTIONS

PRESENT AND ONGOING INTERESTED PERSON TRANSACTIONS

(a) Sale of Residential and Commercial Property Units and Carpark Lots to Directors and their Associates

We have sold residential and commercial units and carpark lots to our Directors and their Associates, values of which are as follows:-

	FY2006		FY2007		FY2008		1H2009	Up to Latest Practicable Date		
	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA
Yuan Le Sheng and Zheng Lihua	2,282	1.5 ⁽¹⁾	—	—	—	—	519	0.1 ⁽²⁾	3,231	0.6
Zhang Mao	111.8	0.1 ⁽¹⁾	—	—	—	—	519	0.1 ⁽²⁾	658	0.1
He Ke Ping	95.0	0.1 ⁽¹⁾	—	—	—	—	—	—	—	—
Zhong Yu Zhao	—	—	—	—	1,195	0.2 ⁽²⁾	103	0.02 ⁽²⁾	103	0.01

Notes:-

(1) Based on the unaudited Proforma Consolidated Financial Statements.

(2) Based on the Actual Consolidated Financial Statements.

The residential and commercial units and carpark lots were sold at approximately 4% and 10% discount to the prevailing selling price, in accordance with our Company's staff benefit policy. Accordingly, the above transactions were carried on arm's length basis based on the staff benefit policy. Sales of residential and commercial units and carpark lots are expected to continue in the future at prices to be determined in accordance with our Company's staff benefit policy. We will comply with the provisions in Chapter 9 of the Listing Manual in respect of all future Interested Person Transactions, and if required under the Listing Manual, the Companies Act or the Securities and Futures Act, we will seek our Shareholders' approval for such transactions. In addition, to ensure that the transactions undertaken are on normal commercial terms in accordance with our Group's usual practices and policies, the following procedures will be implemented:

- (i) the amount of discount for each sale shall not be more than 10% of prevailing selling prices;
- (ii) the sale must be approved by two Executive Directors; and
- (iii) for Executive Directors, the sale is to be approved by at least two Independent Directors.

(b) Lease of hotel block of Debao Hotel Complex to Mr Zhong Yu Zeng

Mr Zhong Yu Zeng is the brother of Mr Zhong Yu Zhao, our Executive Director. Mr Zhong Yu Zeng leases the hotel block of Debao Hotel Complex from us to operate Debao Hotel as well as its Chinese restaurant. Under the latest lease agreement dated 1 June 2007, the area covered under the lease is approximately 7,100 sq m and the term of the lease is for five years commencing 1 June 2007 at a monthly rental of RMB213,000 (which is equivalent to RMB30 per sq m per month). The current monthly rental was determined based on indicative market rental of RMB30 per sq m per month at the time the lease agreement was entered into. Save for the lease area and rental amount which have been disclosed above, there are no other material terms and conditions in the lease agreement.

INTERESTED PERSON TRANSACTIONS

Rentals received from Mr Zhong Yu Zeng are set out as follows:-

FY2006		FY2007		FY2008		1H2009		Up to Latest Practicable Date	
RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA
–	–	1,614	0.5 ⁽¹⁾	2,556	0.5 ⁽¹⁾	1,365	0.3	2,343	0.5

Note:-

(1) Based on the Actual Consolidated Financial Statements.

The above transaction was carried out on arm's length basis as the rental was based on the then indicative market rate. As at the Latest Practicable Date, the outstanding term of this lease is approximately 30 months. We intend to renew the current lease upon expiry on commercial terms and on an arm's length basis such that the terms will not be less favourable compared to what we would obtain from third party tenants/operators. Such terms will also be subject to the review and approval of our Audit Committee. We will comply with the provisions in Chapter 9 of the Listing Manual in respect of all future Interested Person Transactions with Mr Zhong Yu Zeng, and if required under the Listing Manual, the Companies Act or the Securities and Futures Act, we will seek our Shareholders' approval for such transactions.

(c) Lease of kindergarten premises at Jiangnan Mingju Phases 1 to 4 to Foshan Nanhai Jiangnan Bilingual Arts Kindergarten

Foshan Nanhai Jiangnan Bilingual Arts Kindergarten (佛山市南海区江南双语艺术幼儿园) ("Jiangnan Kindergarten") leases a premises with an area of 2,818 sq m at Jiangnan Mingju Phases 1 to 4 to operate as a kindergarten. This area is designated for kindergarten use only, and cannot be used for any other purpose. Jiangnan Kindergarten is wholly-owned by our Controlling Shareholder and Non-Executive Director, Ms Zheng Lihua, who is the spouse of our Executive Chairman and CEO, Mr Yuan Le Sheng.

Under the latest lease agreement dated 1 January 2008, the term of the lease is for five years commencing 1 January 2008 at a monthly rental of RMB19,726 (which is equivalent to RMB7 per sq m per month). The current monthly rental was determined in reference to indicative market rental of approximately RMB8 per sq m per month at the time the lease agreement was entered into, and was marginally adjusted as the anticipated level of enrollment at the kindergarten was not expected to be high enough for the kindergarten to be operating at optimum capacity. Save for the lease area and rental amount which have been disclosed above, there are no other material terms and conditions in the lease agreement.

Rentals received from Jiangnan Kindergarten are set out as follows:-

FY2006		FY2007		FY2008		1H2009		Up to Latest Practicable Date	
RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA	RMB ('000)	% of Group's NTA
–	–	–	–	236.7	– ⁽¹⁾	118.4	0.0 ⁽¹⁾	217.0	– ⁽¹⁾

Note:-

(1) Based on the Actual Consolidated Financial Statements.

INTERESTED PERSON TRANSACTIONS

The above transaction was carried out on arm's length basis as the rental was determined in reference to indicative market rate, and marginally adjusted for commercial reasons as aforementioned. As at the Latest Practicable Date, the outstanding term of this lease is approximately 37 months. We intend to renew the current lease upon expiry on commercial terms and on an arm's length basis such that the terms will not be less favourable compared to what we would obtain from third party tenants. Such terms will also be subject to the review and approval of our Audit Committee. We will comply with the provisions in Chapter 9 of the Listing Manual in respect of all future Interested Person Transactions with Ms Zheng Lihua, and if required under the Listing Manual, the Companies Act or the Securities and Futures Act, we will seek our Shareholders' approval for such transactions.

(d) Loans from former shareholders of Debao Property to Debao Property, including our Executive Directors

In August 2008, the former shareholders of Debao Property extended a three-year loan aggregating RMB72,730,998 to Debao Property. These shareholders include our Executive Directors namely Messrs Yuan Le Sheng, Zhang Mao, He Ke Ping and Zhong Yu Zhao who loaned an aggregate of RMB57,384,758. The loans were made to finance our Group's working capital and were made on an arm's length basis. Interest based on prevailing bank lending rates of 7.296% per annum shall be paid upon repayment. Upon the request of Debao Property, the term of the loans may be extended for another two years.

Details of the balance outstanding to Messrs Yuan Le Sheng, Zhang Mao, He Ke Ping and Zhong Yu Zhao were as follows:-

	As at 31 December 2006 (RMB)	As at 31 December 2007 (RMB)	As at 31 December 2008 (RMB)	As at 30 June 2009 (RMB)	As at the Latest Practicable Date
Mr Yuan Le Sheng	—	—	49,748,000	50,084,000	50,084,000
Mr Zhang Mao	—	—	3,637,000	2,387,000 ⁽¹⁾	3,637,000 ⁽¹⁾
Mr He Ke Ping	—	—	364,000	364,000	364,000 ⁽²⁾
Mr Zhong Yu Zhao	—	—	3,637,000	3,637,000	3,637,000 ⁽³⁾
Total			57,386,000	56,472,000	57,722,000

Notes:-

- (1) Mr Zhang Mao took an advance of RMB1.25 million from our Group during 1H2009, which has been offset against his loan to our Group. This advance had been repaid in October 2009.
- (2) Mr He Ke Ping took an advance of RMB125,000 from our Group during 2H2009, which has been offset against his loan to our Group. This advance had been repaid in October 2009.
- (3) Mr Zhong Yu Zhao took an advance of RMB1.25 million from our Group during 2H2009, which has been offset against his loan to our Group. This advance had been repaid in October 2009.

The highest amounts outstanding to each of Messrs Yuan Le Sheng, Zhang Mao, He Ke Ping and Zhong Yu Zhao over the last three financial years ended 31 December 2006, 2007 and 2008 and six month period ended 30 June 2009 are RMB50,084,000, RMB3,636,550, RMB363,655 and RMB3,636,550 respectively. The interest expense incurred in respect of the above loans from our Executive Directors was RMB1,394,000 and RMB 1,758,000 for FY2008 and 1H2009, respectively

We do not expect to enter into similar transactions in the future following our listing on the SGX-ST.

INTERESTED PERSON TRANSACTIONS

(e) Guarantees provided by our former Controlling Shareholder and our Directors and their Associates

Our former Controlling Shareholder, Mr Wu Kwok Hung, our Executive Directors, namely, Messrs Yuan Le Sheng, Zhang Mao, He Ke Ping and Zhong Yu Zhao as well as Ms Fang Zai Ming and Mr Zheng Xiong Xian have provided personal guarantees to procure a series of loans and bank facilities for Sanshui Property, Jiangnan Property, Guihe Constructin and Guiyu Property Management. Ms Fang Zai Ming is the spouse of our Executive Director, Mr Zhang Mao and Mr Zheng Xiong Xian is the brother of our Non-Executive Director and Controlling Shareholder, Ms Zheng Lihua.

Bank	Name of Executive Director who has provided guarantee	Nature	Maximum amount guaranteed	Largest outstanding bank loan amount	Outstanding bank loan amount as at the Latest Practicable Date
China Agricultural Bank Co., Ltd., Foshan Nanhai Sub-branch	Yuan Le Sheng, Zhang Mao, He Ke Ping and Zhong Yu Zhao ⁽¹⁾	Loans granted to Jiangnan Property for the development of Jiangnan Mingju Phases 5 and 6	RMB120,000,000	RMB120,000,000	RMB30,000,000
China Agricultural Bank Co., Ltd., Foshan Nanhai Danzao Sub-branch	Yuan Le Sheng, Zhong Yu Zhao and Wu Kwok Hung ⁽²⁾	Loans granted to Sanshui Property for the development of Shanshui Longpan	RMB600,000,000	RMB150,000,000	RMB150,000,000
China Construction Bank Co., Ltd., Foshan Branch	Yuan Le Sheng, Zhang Mao, He Ke Ping, Zhong Yu Zhao, Fang Zai Ming and Zheng Xiong Xian ⁽³⁾	Loans granted to Jiangnan Property for the development of Jiangnan Mingju Phases 5 and 6	RMB428,480,000	RMB350,000,000	RMB220,000,000
Industrial and Commercial Bank of China Ltd, Foshan Pingzhou Sub-branch	Yuan Le Sheng ⁽⁴⁾	Loans granted to Sanshui Property for the development of Shanshui Longpan	RMB100,000,000	RMB90,000,000	RMB90,000,000
Industrial Bank Co., Ltd.) Foshan Branch	Yuan Le Sheng and Zhong Yu Zhao ⁽⁵⁾	Loans granted to Guiyu Property Management for working capital	RMB35,000,000	RMB35,000,000	RMB35,000,000
China Merchants Bank Co., Ltd, Foshan Branch	Yuan Le Sheng and Zhang Mao ⁽⁶⁾	Loans granted to Guihe Construction for working capital	RMB40,000,000	RMB40,000,000	RMB40,000,000

Notes:-

- (1) Certain of these loans are jointly guaranteed by our subsidiary, Debao Property, our Executive Officers, namely Messrs Yang Qi Man and Lu Jin Ming, as well as unrelated third parties, Yueshi Trading, Mr Zhou Rong Chang and Mr Ye Yong Liang. Yueshi Trading was a joint venture partner of Debao Property to establish Sanshui Property and develop Shanshui Longpan, and Mr Zhou Rong Chang is the legal representative of Yueshi Trading. Pursuant to the Restructuring Exercise, Infinity acquired the entire equity interest in Sanshui Property from Debao Property and Yueshi Trading. Mr Ye Yong Liang was a former employee of our Group.

INTERESTED PERSON TRANSACTIONS

- (2) Certain of these loans are jointly guaranteed by our subsidiaries, Debao Property and Infinity, as well as unrelated third parties namely, Yueshi Trading, Messrs Zhou Rong Chang and Yu Hong Tu. Yueshi Trading was a joint venture partner of Debao Property to establish Sanshui Property and develop Shanshui Longpan. Mr Zhou Rong Chang and Mr Yu Hong Tu are the legal representative and an officer of Yueshi Trading respectively. Pursuant to the Restructuring Exercise, Infinity acquired the entire equity interest in Sanshui Property from Debao Property and Yueshi Trading.
- (3) Certain of these loans are jointly guaranteed by our subsidiary, Debao Property, our Executive Officers, namely Messrs Yang Qi Man and Lu Jin Ming, the former shareholders of Debao Property and/or employees of our Group namely, Messrs Xu Li Ming, Xu Yan Fang, Liang Er Jia, Tang Guo Hong and Yang Hui Yan, and an unrelated third party, Mr Ye Yong Liang, who was a former employee of our Group.
- (4) Certain of these loans are jointly guaranteed by our subsidiary, Debao Property.
- (5) Certain of these loans are jointly guaranteed by our subsidiary, Debao Property, and a former subsidiary of our Group, Foshan Nanhai District Guicheng Debao Real Estate Development Co., Ltd., which was disposed in 2007.
- (6) Certain of these loans are jointly guaranteed by our subsidiary, Sanshui Property.

The above interested persons, acting as guarantors to our banking facilities, have undertaken to remain as guarantors for as long as the banking facilities are outstanding. Under the guarantee agreements with the banks, the guarantors, whether interested persons or otherwise, shall continue to provide the guarantees until discharged upon repayment of the bank loans or after two years from the expiry date of the bank loans guaranteed by them. The above transactions were not conducted on an arm's length basis as Messrs Wu Kwok Hung, Yuan Le Sheng, Zhang Mao, He Ke Ping, Zhong Yu Zhao, Fang Zai Ming and Zheng Xiong Xian have not received any benefit in kind, commission or interest from our Group in relation to these personal guarantees.

Subsequent to the Invitation, we intend to obtain the release and discharge of the above guarantees from the respective banks and replace these with corporate guarantees provided by our Group. We do not expect the revised terms and conditions of the banking facilities following the discharge of the above guarantees and the replacement by corporate guarantees provided by us, to have any material adverse impact on our Group. Should any of the financial institutions be unwilling to release and discharge the above guarantees, Messrs Wu Kwok Hung, Yuan Le Sheng, Zhang Mao, He Ke Ping, Zhong Yu Zhao, Fang Zai Ming and Zheng Xiong Xian have undertaken to continue to provide the guarantees for so long as it is required by the respective financial institutions.

In addition, our Non-Executive Director, Ms Zheng Lihua, has undertaken, and our Executive Directors have further undertaken, that they will provide guarantees or such security required for any loan in the event that any other guarantor in respect of the loans is unable, for whatever reason, to continue providing its guarantee or security. In the event that the banks do not consent to the provision of the guarantees or security provided by our Executive Directors, our Directors are of the view that they are able to secure alternative banking facilities on terms similar to those applicable to our current facilities.

INTERESTED PERSON TRANSACTIONS

(f) Undertakings provided by Mr Yuan Le Sheng and Ms Zheng Lihua in respect of mortgages provided for third parties' banking facilities

Our Group has provided certain properties as security for certain third parties' banking facilities as follows:-

Name of third party	Name of bank	Property provided as security	Amount of mortgage	Book value of property ⁽¹⁾	Mortgage Maturity Profile
Yueshi Trading	China Agricultural Bank Co., Ltd., Foshan Songgang Sub-branch	Various car/motorcycle parking spaces in Debao Garden	RMB11.6 million	RMB11.6 million	From March 2009 to March 2012
Guicheng Municipal	China Merchants Bank Co., Ltd, Foshan Branch	No 87-8 land parcel of Shanshui Longpan	RMB30.0 million	RMB37.8 million	From March 2009 to March 2011

Note:-

(1) Based on the Actual Consolidated Financial Statements as at end of 1H2009.

Mr Yuan Le Sheng, our Executive Chairman and CEO, and Ms Zheng Lihua, our Non-executive Director and Controlling Shareholder, had provided the following undertakings to our Group in relation to the aforementioned mortgages (the "Mortgages"):-

Mr Yuan Le Sheng and Ms Zheng Lihua had separately undertaken that in the event that (i) Yueshi Trading and/or Guicheng Municipal default on the loans granted by China Agricultural Bank Co., Ltd., Foshan Songgang Sub-branch and/or China Merchant Bank Co., Ltd., Foshan Branch as the case may be; (ii) Yueshi Trading and/or Guicheng Municipal are not able to repay all or part of the original loan amounts; and (iii) Debao Property and/or Sanshui Property, as the case may be, are called upon to make good the difference, he or she will compensate Debao Property and/or Sanshui Property, as the case may be, for the financial outlay that they incur as a result of the guarantees (the "Compensation").

Mr Yuan Le Sheng had further undertaken that in the event that he is called upon to pay the Compensation to Debao Property and/or Sanshui Property, as the case may be, the Compensation shall be set off against his loan to our Group (the "Loan") as disclosed in the section titled "Interested Person Transactions" in this Prospectus, such that the amount of the Loan owing to him by our Group shall be correspondingly reduced by the amount of the Compensation. Mr Yuan had also undertaken that he will continue to extend a loan of such amount equivalent to the amount of the Mortgages for so long as the Mortgages are in effect.

REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

To ensure that the transactions with interested persons are undertaken on normal commercial terms and are consistent with our Group's usual business practices and policies, which are generally no more favourable to the interested person than those extended to unrelated third parties, the following procedures will be implemented by our Group:-

- (i) All Interested Person Transactions above \$100,000 are to be approved by a Director who shall not be an interested person in respect of the particular transaction. Any contracts to be made with an interested person shall not be approved unless the pricing is determined in accordance with our usual business practices and policies, consistent with the usual margin given or price received by us for the same or substantially similar type of transactions between us and unrelated parties and the terms are no more favourable to the interested person than those extended to or received from unrelated parties.

INTERESTED PERSON TRANSACTIONS

For the purposes above, where applicable, contracts for the same or substantially similar type of transactions entered into between us and unrelated third parties will be used as a basis for comparison to determine whether the price and terms offered to or received from the interested person are no more favourable than those extended to unrelated parties.

- (ii) In addition, we shall monitor all Interested Person Transactions entered into by us categorising the transactions as follows:-
 - (a) a category one Interested Person Transaction is one where the value thereof is in excess of 5% of the NTA of our Group; and
 - (b) a category two Interested Person Transaction is one where the value thereof is below or equal to 5% of the NTA of our Group.

Category one Interested Person Transaction must be approved by the Audit Committee prior to entry. Category two Interested Person Transaction need not be approved by the Audit Committee prior to entry but shall be reviewed on a half-yearly basis by the Audit Committee.

We will prepare relevant information to assist our Audit Committee in its review.

Before any agreement or arrangement that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from our Audit Committee. In the event that a member of our Audit Committee is interested in any of the Interested Person Transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by our Audit Committee.

We will also comply with the provisions in Chapter 9 of the Listing Manual in respect of all future Interested Person Transactions, and if required under the Listing Manual, the Companies Act or the Securities and Futures Act, we will seek our Shareholders' approval for such transactions.

POTENTIAL CONFLICTS OF INTERESTS

Save as disclosed in the section titled "Interested Person Transactions" of this Prospectus, during the past three financial years ended 31 December and up to the Latest Practicable Date:-

- (a) none of our Directors or Controlling Shareholders or any of their Associates has had any interest, direct or indirect, in any material transactions to which we were or are a party;
- (b) none of our Directors or Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any company carrying on the same business or carrying on a similar trade as us; and
- (c) none of our Directors or Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any enterprise or company that is our customer or supplier of goods or services.

INTERESTS OF EXPERTS

No expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Prospectus, been acquired or disposed of by or leased to our Company or any of our subsidiaries or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.

No expert is engaged on a contingent basis by our Company or any of our subsidiaries, or has a material interest, whether direct or indirect, in our Shares, our subsidiaries or has a material economic interest, whether direct or indirect, in our Company including an interest in the success of the Invitation.

INTERESTED PERSON TRANSACTIONS

INTERESTS OF UNDERWRITERS

In the reasonable opinion of our Directors, the Adviser to the Company in relation to the Invitation and the Joint Underwriters and Placement Agents do not have a material relationship with our Company save as disclosed below:-

- (a) the offer is underwritten by the Joint Underwriters; and
- (b) the Placement is undertaken by the Joint Placement Agents.

In addition, one of our Vendors, Representations International Inc is wholly-owned by Asia Resource Corporation Pte Ltd, Allcore Global Ltd and Dr Henry Tay Yun Chwan. Dr Henry Tay Yun Chwan is an independent director of UOB Kay Hian. Mr Chew Leong Chee is a majority shareholder of Asia Resource Corporation Pte Ltd and is an associate of UOB Kay Hian's executive director, Mr Esmond Choo Liong Gee.

Save as disclosed above, there is no other material relationship between the Joint Underwriters and Placement Agents with our Company.

DESCRIPTION OF ORDINARY SHARES

The following statements are brief summaries of the rights and privileges of our Shareholders conferred by the laws of Singapore, the Listing Manual and our Articles of Association (“Articles”). These statements summarise the material provisions of our Articles but are qualified in entirety by reference to our Articles, a copy of which is available for inspection at our registered office during normal business hours for a period of six months from the date of this Prospectus.

Ordinary Shares

All of our Shares are in registered form. We may, subject to the provisions of the Companies Act and the rules of the SGX-ST, purchase our Shares. However, we may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

New Shares

New Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to such approval may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital, of which the aggregate number of Shares to be issued other than on a pro rata basis to our Shareholders may not exceed 20% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital (the percentage of issued share capital being based on our Company’s issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of Shares). The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier. Subject to the foregoing, the provisions of the Companies Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our Board of Directors who may allot and issue the same with such rights and restrictions as it may think fit.

Shareholders

Only persons who are registered in our Register of Shareholders and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the Shares, are recognised as our Shareholders. We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the Depository Register for that Share. We may close our Register of Shareholders for any time or times if we provide the SGX-ST at least ten clear Market Days’ notice. However, the Register of Shareholders may not be closed for more than 30 days in aggregate in any calendar year. We typically close our Register of Shareholders to determine Shareholders’ entitlement to receive dividends and other distributions.

Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law or the Listing Manual or the rules or by-laws of any stock exchange on which our Company is listed. Our Board of Directors may decline to register any transfer of Shares which are not fully paid Shares or Shares on which we have a lien. Our Shares may be transferred by a duly signed instrument of transfer in a form approved by the SGX-ST or any stock exchange on which our Company is listed. Our Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if it is properly notified and if the applicant pays a fee which will not exceed \$2 and furnishes any evidence and indemnity that our Board of Directors may require.

DESCRIPTION OF ORDINARY SHARES

General Meetings of Shareholders

We are required to hold an annual general meeting every year. Our Board of Directors may convene an Extraordinary General Meeting whenever it thinks fit and must do so if Shareholders representing not less than 10% of the total voting rights of all Shareholders request in writing that such a meeting be held. In addition, two or more Shareholders holding not less than 10% of our issued share capital may call a meeting. Unless otherwise required by law or by our Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at the meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to the Memorandum of Association and our Articles, a change of our corporate name and a reduction in our share capital. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to each of our Shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

Voting Rights

A holder of our Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be Shareholders. A person who holds Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a Shareholder if his name appears on the Depository Register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles, two or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every Shareholder present in person and by proxy shall have one vote (provided that in the case of a Shareholder who is represented by two proxies, the chairman of the meeting shall be entitled to treat the first named proxy as the authorised representative to vote on a show of hands), and on a poll, every Shareholder present in person or by proxy shall have one vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting or by any two Shareholders present in person or by proxy and entitled to vote. In the case of an equality of votes, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits and we may satisfy dividends by the issue of Shares to our Shareholders. All dividends are paid pro rata among our Shareholders in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Unless otherwise directed, dividends are paid by cheque, warrant or post office order sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

Bonus and Rights Issue

Our Board of Directors may, with approval of our Shareholders at a general meeting, capitalise any reserves or profits and distribute the same as bonus Shares credited as paid-up to our Shareholders in proportion to their shareholdings. Our Board of Directors may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

DESCRIPTION OF ORDINARY SHARES

Takeovers

Under the Singapore Code on Take-overs and Mergers ("Singapore Take-over Code"), issued by the Authority pursuant to section 321 of the Securities and Futures Act, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30% or more of the voting Shares must extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Take-over Code. In addition, a mandatory takeover offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30% and 50% of the voting shares acquires additional voting shares representing more than 1% of the voting shares in any 6 month period. Under the Singapore Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:-

- (a) the following companies:-
 - (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of (i), (ii), (iii) or (iv); and
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:-
 - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
 - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10% or more of the customer's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:-
 - (i) an individual;
 - (ii) the close relatives of (i);

DESCRIPTION OF ORDINARY SHARES

- (iii) the related trusts of (i);
- (iv) any person who is accustomed to act in accordance with the instructions of (i); and
- (v) companies controlled by any of (i), (ii), (iii) or (iv).

Under the Singapore Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding six months.

Liquidation or Other Return of Capital

If we liquidate or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

Indemnity

As permitted by Singapore law, our Articles provide that, subject to the Companies Act, our Board of Directors and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgment is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

Limitations on Rights to Hold or Vote Shares

Except as described in “Voting Rights” and “Takeovers” above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident Shareholders to hold or vote in respect of our Shares.

Minority Rights

The rights of minority Shareholders of Singapore-incorporated companies are protected under section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations where:-

- (a) our affairs are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our Shareholders; or
- (b) we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our Shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, the Singapore courts may:-

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of our affairs in the future;
- (c) authorise civil proceedings to be brought in our name of, or on behalf of, by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority Shareholder's Shares by our other Shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital; or
- (e) provide that we be wound up.

TAXATION

SINGAPORE TAXATION

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force as at the Latest Practicable Date, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur.

The discussion is limited to a general description of income tax, stamp duty and goods and services tax ("GST") consequences in Singapore with respect to the purchase, holding or disposal of the Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase, hold and dispose of the Shares. Prospective investors should consult their tax advisors regarding Singapore tax and other tax consequences of purchasing, holding and disposing of the Shares. It is emphasised that neither our Company, our Directors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Shares.

Singapore Income Tax

General

(i) Individual Taxpayers

An individual is tax resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as a Director of a company) for 183 days or more, or if he resides in Singapore.

Individual taxpayers who are Singapore tax residents are subject to Singapore Income Tax on income accruing in or derived from Singapore. All foreign-sourced income received (except for income received through a partnership in Singapore) in Singapore on or after 1 January 2004 by Singapore tax resident individuals is exempt from Singapore income tax if the Inland Revenue Authority of Singapore is satisfied that the tax exemption would be beneficial to the individual.

For a Singapore tax resident individual, his taxable income (after deduction of personal reliefs) is subject to tax on a progressive scale varying from 0% to a current maximum rate of 20%.

Non-resident individuals, subject to certain exceptions, are subject to Singapore income tax on income accruing in or derived from Singapore.

(ii) Corporate Taxpayers

A company is tax resident in Singapore if the control and management of its business is exercised in Singapore.

Corporate taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore and, subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore from outside Singapore. Foreign-sourced income in the form of dividends, branch profits and service income received or deemed to be received in Singapore by Singapore tax resident companies on or after 1 June 2003 are exempt from tax if certain prescribed conditions are met.

Non-resident corporate taxpayers, subject to certain exceptions, are subject to Singapore income tax on income accruing in or derived from Singapore, and on foreign-sourced income received or deemed to be received in Singapore from outside Singapore.

With effect from the Year of Assessment 2008, the corporate tax rate is 18% after allowing for tax exemption on three quarters of up to the first \$10,000 and up to one-half of the next \$290,000 of a company's chargeable income. The Minister for Finance has, in his 2009 Budget Statement, announced that the corporate tax rate will be reduced to 17% with effect from the Year of Assessment 2010.

TAXATION

Dividend Distributions

With effect from 1 January 2003, Singapore adopts the one-tier corporate tax system. Under the one-tier system, the tax collected from corporate profits is final and dividends paid by a Singapore tax resident company to its shareholders (referred hereinafter as “one-tier tax exempt dividends”) are exempt from tax.

Our Company is currently considering its tax residency status for income tax purposes at this juncture.

If our Company is considered to be tax resident in Singapore, it will be under the one-tier corporate tax system as our Company was incorporated in August 2007. Under this system, when our Company distributes dividends, we will pay one-tier tax exempt dividends and such dividends are tax exempt in the hands of our shareholders.

If our Company is not considered to be tax resident in Singapore, dividends paid by our Company would be considered as sourced outside Singapore. In this respect, the foreign-sourced dividends received or deemed received in Singapore by an individual not resident in Singapore is exempt from Singapore income tax. This exemption will also apply in the case of a Singapore tax resident individual who has received or deemed received his foreign-sourced income in Singapore on or after 1 January 2004, other than income received by him through a partnership in Singapore. Dividends on our Shares received or deemed received by Singapore tax resident corporate taxpayers in Singapore may be subject to Singapore income tax as the conditions for the exemption of foreign income received on or after 1 June 2003 are unlikely to be met.

Dividends on the Shares received or deemed received in Singapore by corporate investors who are not tax resident in Singapore and without business presence in Singapore will generally not be subject to tax in Singapore. However, where foreign companies have activities in Singapore, the dividend will be subject to tax in Singapore if the dividends are in respect of investments made through their Singapore-based activities or the dividends are otherwise connected with their Singapore-based activities.

Singapore does not currently impose withholding tax on dividends paid to Singapore resident or non-resident shareholders.

Gains on Disposal of the Shares

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains. Hence, gains arising from the disposal of the Shares are not taxable in Singapore unless the Inland Revenue Authority of Singapore regards the seller as carrying on a trade of buying and selling of shares, in which case, the profits on disposal will be construed to be of an income nature and taxable.

Stamp Duty

There is no stamp duty payable on the subscription of the Shares.

Stamp duty is payable on the instrument of transfer of the Shares at the rate of \$0.20 for every \$100.00 or any part thereof, computed based on the consideration or market value of the Shares, whichever is higher. The purchaser is liable for stamp duty unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. If the instrument of transfer is executed outside Singapore, stamp duty is payable if it is received in Singapore.

The above stamp duty is not applicable to scripless transfer of the Shares through the CDP system.

TAXATION

Goods and Services Tax (“GST”)

The sale of the Shares by a GST-registered investor belonging in Singapore through an SGX-ST member or to another person belonging in Singapore is an exempt sale not subject to GST. GST which is incurred by a GST-registered investor in making such supplies may not be set-off against GST to be paid to or recovered from the Comptroller of GST, unless certain requirements of the GST Act are satisfied.

Where the Shares are sold by a GST-registered investor belonging in Singapore to a person belonging outside Singapore for GST purposes, the sales would generally be a taxable sale subject to GST at zero-rate. Any GST incurred by a GST-registered investor in the making of this supply in the course or furtherance of a business, subject to the provisions of the GST Act, may be set-off against GST to be paid to the Comptroller of GST.

However, if the Shares are sold by a GST-registered person who is on a fixed input tax recovery rate, the above is not applicable as the seller will be entitled to recover input tax based on the fixed rate as agreed upfront with the Comptroller.

Services consisting of arranging, broking, underwriting or advising on the issue, allotment or transfer of ownership of the Shares rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor’s purchase, sale, holding of shares will be subject to GST at the prevailing rate of 7%. Similar services supplied contractually to and for the direct benefit of a person belonging outside Singapore for GST purposes are subject to GST at zero-rate.

PRC TAXATION

Details of PRC Taxation are set out in Annex C: “Summary of Relevant PRC Laws and Regulations - Taxation” of this Prospectus.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on SGX-ST, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of the Shares through SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts. The law of incorporation of our Company only recognises the registered owners or registered holders of our Shares as its members. Accordingly, CDP Depositors and Depository Agents on whose behalf CDP holds Shares, would not be accorded the full rights of membership, such as voting rights, the right to appoint proxies, or the right to receive shareholders' circulars, proxy forms, annual reports, prospectuses and takeover documents. In such an event, CDP Depositors and Depository Agents will be accorded only such rights as CDP may make available to them pursuant to CDP's Terms and Conditions to act as Depository for foreign securities.

Persons holding our Shares in Securities Accounts may withdraw the number of our Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on SGX-ST, although they will be prima facie evidence of title and may be transferred in accordance with our Articles. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S\$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S\$0.20 per S\$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$20.00 is payable upon the deposit of each instrument or transfer with CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer or stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on SGX-ST is payable at the rate of 0.04% of the transaction value subject to a maximum of S\$600.00 per transaction.

The clearing fee, instrument of transfer, deposit fee and share withdrawal fee may be subject to Singapore Goods and Services Tax at the prevailing rate of 7%.

Dealings of our Shares will be carried out in Singapore dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following Market Day.

CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a CDP Depository Agent. The CDP Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

GENERAL AND STATUTORY INFORMATION

MATERIAL BACKGROUND INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. The name, address, age, principal occupation and business and working experience of each of our Directors and Executive Officers are set out under the section titled “Directors, Management and Staff” of this Prospectus.
2. The present and past directorships other than directorships held in our Company (held in the five years preceding the date of this Prospectus) of each of our Directors, in other companies are as follows:-

Name	Present Directorships	Past Directorships
Yuan Le Sheng	<u>Group Companies</u> Debao Property Sanshui Property	<u>Group Companies</u> Jiangnan Property
	<u>Other Companies</u> Nil	<u>Other Companies</u> Nil
He Ke Ping	<u>Group Companies</u> Debao Property Sanshui Property	<u>Group Companies</u> Nil
	<u>Other Companies</u> Nil	<u>Other Companies</u> Nil
Zhang Mao	<u>Group Companies</u> Debao Property Jiangnan Property Sanshui Property Guihe Construction	<u>Group Companies</u> Nil
	<u>Other Companies</u> Nil	<u>Other Companies</u> Nil
Zhong Yu Zhao	<u>Group Companies</u> Debao Property Sanshui Property Guiyu Property Management	<u>Group Companies</u> Nil
	<u>Other Companies</u> Nil	<u>Other Companies</u> Nil
	<u>Other Companies</u> Nil	<u>Other Companies</u> Nil
Zheng Lihua	<u>Group Companies</u> Nil	<u>Group Companies</u> Nil
	<u>Other Companies</u> Jiangnan Kindergarten	<u>Other Companies</u> Nil
Cheong Keng Chuan Alfred	<u>Group Companies</u> Nil	<u>Group Companies</u> Nil
	<u>Other Companies</u> C&G Industrial Holdings Ltd Cacola Furniture International Ltd Central Capital Pte Ltd China Hongxing Sports Ltd First Trust Capital Pte Ltd Horwath First Trust Risk Advisory Pte Ltd Sinotel Technologies Ltd	<u>Other Companies</u> Cosmic Petroluem Limited First Trust Corporate Services Pte. Ltd. Protiviti Pte Ltd Steamvpn Asia Pte Ltd (Struck Off)

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Name	Present Directorships	Past Directorships
Seetoh Kok Choi Watson	<u>Group Companies</u> Debao Property Derong Dynamic Jiangnan Property Infinity Sanshui Property <u>Other Companies</u> Allenvale Universal Ltd Cayman Consulting Group Pte. Flexipak Pte Ltd KMC Packaging Sdn Bhd M.C. Packaging (Pte.) Ltd MC-Nutri Can (Pte) Ltd Nutricare Products Pte. Ltd. Nutri Food & Packaging (Malaysia) Sdn Bhd Universal Product (Shanghai) Co Ltd	<u>Group Companies</u> Nil <u>Other Companies</u> Beijing Origin Xin Mei Metal Containers Co., Ltd Ltd. Beijing Origin Packaging Containers Co Ltd Executive's Desk Pte Ltd
He Guo Quan	<u>Group Companies</u> Nil <u>Other Companies</u> Nil	<u>Group Companies</u> Nil <u>Other Companies</u> Nil
Kong Yu Quan	<u>Group Companies</u> Nil <u>Other Companies</u> Huaxi Securities Co. Ltd. Inner Mongolia Huolinhe Lutian Coal Stock Co., Ltd. Shahe Stock Co., Ltd. Shenzhen Yingweiteng Electric Stock Co., Ltd.	<u>Group Companies</u> Nil <u>Other Companies</u> Nil

3. The present and past directorships (held in the five years preceding the date of this Prospectus) of each of our Executive Officers are as follows:-

Name	Present Directorships	Past Directorships
Chong Chee Hoong	<u>Group Companies</u> Nil <u>Other Companies</u> Nil	<u>Group Companies</u> Nil <u>Other Companies</u> Nil
Lu Jin Ming	<u>Group Companies</u> Debao Property <u>Other Companies</u> Nil	<u>Group Companies</u> Nil <u>Other Companies</u> Nil

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Name	Present Directorships	Past Directorships
Yang Qi Man	<u>Group Companies</u> Debao Property Jiangnan Mingju	<u>Group Companies</u> Nil
	<u>Other Companies</u> Nil	<u>Other Companies</u> Nil
Li Ke	<u>Group Companies</u> Nil	<u>Group Companies</u> Nil
	<u>Other Companies</u> Nil	<u>Other Companies</u> Nil

4. Save as disclosed in the section titled “Principal Shareholders” of this Prospectus, none of our Directors or Executive Officers has any shareholding interests in our Company or any of our subsidiaries as at the date of this Prospectus.
5. None of our Directors and Executive Officers or Controlling Shareholder:-
 - (a) has at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;
 - (b) has at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business on the ground of insolvency;
 - (c) has any unsatisfied judgment against him;
 - (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
 - (e) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
 - (f) has at any time during the last 10 years, had judgment entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has he been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
 - (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
 - (h) has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;

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- (i) has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity;
 - (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
 - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or
 - (k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.
6. Save as disclosed in this Prospectus, none of our Directors and Executive Officers is related by blood or marriage to one another nor are they so related to any of our Substantial Shareholders.
7. None of our Directors and Executive Officers was appointed pursuant to an arrangement or understanding with any of our Substantial Shareholders, customers or suppliers.
8. Save as disclosed in this Prospectus, no option to subscribe for shares in, or debentures of, our Company or our subsidiaries has been granted to, or was exercised by, any Director or Executive Officer within the two financial years preceding the date of this Prospectus.
9. No person has been, or is entitled to be, given an option to subscribe for or purchase any securities of our Company or any of our subsidiaries.
10. Save as disclosed in the section titled "Service Agreements" of this Prospectus, there are no existing or proposed service contracts between our Directors and our Company or any of our subsidiaries.
11. There is no shareholding qualification for our Directors in our Articles.
12. No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or any corporation in which such Director or expert holds shares or debentures, in cash or in shares or otherwise, by any person to induce him to become, or qualify him as, a Director, or otherwise for services rendered by him or by such firm or corporation in connection with the promotion or formation of our Company.

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SHARE CAPITAL

13. Save as disclosed below and set out in the sections titled “Share Capital” and “Restructuring Exercise” of this Prospectus, there were no changes in the issued and paid-up share capital of our Company or our subsidiaries within the three years preceding the Latest Practicable Date:-

Company	Date of issue	Increase in Issued / Registered Capital	Purpose of Increase / Consideration	Resultant Issued / Registered Capital
Debao	16 August 2007	S\$1	Incorporation	S\$1
	11 December 2007	S\$159	Increase in issued share capital	S\$160
	22 September 2008	S\$349,840	Capitalisation of loan by Mr Wu Kwok Hung	S\$350,000
	22 September 2008	S\$9,650,000	Subscription by Ms Zheng Lihua	S\$10,000,000
Jiangnan Property	28 March 2007	RMB7,000,000	Increase in registered capital	RMB12,000,000
Sanshui Property	4 April 2007	RMB12,000,000	Establishment	RMB12,000,000
	24 April 2009	RMB740,000,000	Increase in registered capital	RMB752,000,000
Guiyu Property Management	7 November 2008	RMB2,500,000	Increase in registered capital	RMB3,000,000
	28 January 2010	RMB2,000,000	Increase in registered capital	RMB5,000,000

Save as disclosed above, no shares have been issued for consideration other than cash within the three years preceding the date of lodgment of this Prospectus.

MEMORANDUM AND ARTICLES OF ASSOCIATION

14. The nature of our Company’s business has been stated earlier in this Prospectus. The Memorandum of Association of our Company states, amongst others, that the liability of members of our Company is limited.

An extract of our Articles relating to, *inter alia*, Directors’ powers to vote on contracts in which they are interested, Directors’ remuneration, Directors’ borrowing powers, Directors’ retirement, Directors’ share qualification, rights pertaining to shares, convening of general meetings and alteration of capital are set out in Annex D of this Prospectus. Our Memorandum and Articles of Association are available for inspection at our registered office as set out in the section titled “Documents Available for Inspection” of this Prospectus.

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MATERIAL CONTRACTS

15. The following contracts, not being contracts entered into in the ordinary course of business of our Company and our subsidiaries (as the case may be), have been entered into by our Company and our subsidiaries (as the case may be) within the two years immediately preceding the date of lodgment of this Prospectus and are or may be material:-
- (a) Two convertible loan agreements dated 25 December 2007 and two supplemental agreements dated 11 August 2008 entered into by our Company pursuant to which Dubai Ventures Limited, Jun Teng Development Limited, Better Ace International Limited, Chua Hong Thuan, Tham Keng Chuen, John Lyn Hian Woon, Skyven Growth Capital Fund Pte Ltd, Representations International Inc, 2G Capital Pte Ltd, Pow Kim Hoo, Kong Hwai Ming, Tan Guan Pei, Ben Neo Ban Leong, Yeo Chun Heong, Enhance Assets Ltd, Glanster Investments Limited and Pitt Meadow Holdings Limited extended a convertible loan aggregating S\$33,000,000 to our Company. Please refer to the section titled “Restructuring Exercise” of this Prospectus for further information.
 - (b) Lease agreement dated 1 January 2008 between Jiangnan Property and Jiangnan Kindergarten pursuant to which Jiangnan Kindergarten leases premises with an area of 2,818 sq m at Jiangnan Mingju Phases 1 to 4 to operate as a kindergarten. The term of the lease is for five years commencing 1 January 2008 at a monthly rental of RMB19,726. Please refer to the section titled “Interested Persons Transactions – Present and Ongoing Interested Person Transactions” of this Prospectus for further information.
 - (c) Share transfer agreement dated 9 January 2008 between Debao Property and Jiangnan Property pursuant to which Jiangnan Property acquired the entire registered capital of Guiyu Property Management from Debao Property at a consideration of RMB500,000. Please refer to the section titled “Restructuring Exercise” of this Prospectus for further information.
 - (d) Share transfer agreement dated 9 January 2008 between Debao Property and Jiangnan Property pursuant to which Jiangnan Property acquired the entire registered capital of Guihe Construction from Debao Property at a consideration of RMB6,000,000. Please refer to the section titled “Restructuring Exercise” of this Prospectus for further information.
 - (e) Share transfer agreement dated 28 January 2008 between Derong and Messrs Yuan Le Sheng, He Ke Ping, Zhang Mao, Ye Yong Liang, Lu Jin Ming, Zhong Yu Zhao, Yang Qi Man, Fang Zai Ming, Xu Li Ming, Xu Yan Fang, Liang Er Jia, Zheng Xiong Xian, Tang Guo Hong and Yang Hui Yan pursuant to which Derong acquired the entire registered capital of Debao Property at a consideration of RMB150,413,748. Please refer to the section titled “Restructuring Exercise” of this Prospectus for further information.
 - (f) Share transfer agreement dated 21 February 2008 between Infinity and Yueshi Trading pursuant to which Infinity acquired 40% of the equity interest in Sanshui Property from Yueshi Trading at a consideration of RMB14,800,000. Please refer to the section titled “Restructuring Exercise” of this Prospectus for further information.
 - (g) Three convertible loan agreements dated 18 June 2008, 23 June 2008 and 16 July 2008 and three supplemental agreements dated 11 August 2008 entered into by our Company pursuant to which Jun Teng Development Limited, Asia Investments Arm (AIA) S.A., Skylight Enterprises Group Limited and Plenitude Investments Ltd. extended an additional convertible loan aggregating S\$6,100,000 to our Company. Please refer to the section titled “Restructuring Exercise” of this Prospectus for further information.
 - (h) Two convertible loan agreements dated 11 August 2008 and a convertible loan agreement dated 14 August 2008 entered into by our Company pursuant to which East Hero Trading Limited, Mr Yang Jinzhong and Nanyang Capital Investments Pte. Ltd. extended a convertible loan aggregating S\$24,500,000 to our Company. Please refer to the section titled “Restructuring Exercise” of this Prospectus for further information.

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- (i) Loan agreement dated 22 August 2008 between our Company and Mr Wu Kwok Hung pursuant to which Mr Wu Kwok Hung extended a S\$4,000,000 loan to our Company for the purpose of the Restructuring Exercise. Please refer to the sections titled “Restructuring Exercise” and “Interested Person Transactions – Past Interested Person Transactions” of this Prospectus for further information.
- (j) Loan Agreements dated 28 August 2008 between Debao Property and each of our Executive Directors namely, Messrs Yuan Le Sheng, He Ke Ping, Zhang Mao and Zhong Yu Zhao, pursuant to which our Executive Directors extended a three-year loan of RMB49,748,003, RMB363,655, RMB3,636,550 and RMB3,636,550 to Debao Property respectively. Please refer to the section titled “Interested Persons Transactions – Present and Ongoing Interested Person Transactions” of this Prospectus for further information.
- (k) Two convertible loan agreements dated 6 March 2009 and 25 March 2009 entered into by our Company pursuant to which Global Ace Enterprises Limited and Allied Asset Holdings Limited extended a convertible loan aggregating S\$15,000,000 to our Company. Please refer to the section titled “Restructuring Exercise” of this Prospectus for further information.
- (l) Four novation agreements dated 4 August 2009, 12 August 2009, 20 August 2009 and 28 August 2009 pursuant to which Nanyang Capital Investments Pte. Ltd., Tan Guan Pei, Plenitude Investments Ltd, Better Ace International Limited and Dubai Ventures Limited novated their CLAs to Lim Sing Tat, Aw Cheok Huat, Chau-Chan Sui Yung, Corona Capital Limited and Mohamed Hamdan Abdulla Alshamsi, Finance Department Government of Sharjah, 3VS1 Asia Growth Fund Ltd, Ang Yee Lim, Henry Sim Beng Huat, Yvonne Ong Ai Ling, Triumph Success Investments Limited, Clear Elite Investments Limited, Providence SOGF Limited and Ng Chee Beng. Please refer to the section titled “Restructuring Exercise” of this Prospectus for further information.
- (m) A supplemental agreement dated 25 July 2009 and four supplemental agreements dated 4 August 2009, 12 August 2009, 20 August 2009 and 28 August 2009 pursuant to which the Pre-IPO Investors extended the term of the Loan for an additional twelve months, such term to expire on 25 July 2010. Please refer to the section titled “Restructuring Exercise” of this Prospectus for further information.

LITIGATION

16. Save as disclosed below, neither our Company nor any of our subsidiaries is engaged in any legal or arbitration proceedings either as plaintiff or defendant in respect of any claims or amounts which may have or have had during the previous 12 months immediately preceding the date of lodgment of this Prospectus a significant effect on our Group's financial position. Our Directors have no knowledge and are not aware of any proceedings, litigation or claim of material importance which are pending or threatened against our Company or any of our subsidiaries or of any facts likely to give rise to any such litigation, arbitration or claim. Our Directors are also not aware of any legal or arbitration proceedings involving third parties which may have or have had in the past 12 months any material adverse effects on the financial position or profitability of our Group.
- (a) On 29 August 2007, Jian Da Ling commenced legal proceedings against Deng Wen Feng and Foshan Nanhai District Guihe Trading Co., Ltd. (佛山市南海区桂和贸易有限公司) (the “Defendants”) for RMB1,000,000, together with all interests accrued thereto (the “Amount”), for the repayment of RMB1,000,000, being a loan made by Jian Da Ling to the Defendants. Guihe Construction was named as a co-defendant to the legal proceedings.

Guihe Construction was first established by Deng Wen Feng (holding 90% shareholdings) and Lin Ping (holding 10% shareholdings). Deng Wen Feng was then the legal representative of Guihe Construction. In May 2003, Yuan Le Sheng, Zhang Mao and Guicheng Municipal acquired Guihe Construction from Deng Wen Feng. After the disposal by Deng Wen Feng and Lin Ping of their shareholdings in Guihe Construction, neither of them continued to operate or manage Guihe Construction.

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Judgment was awarded in favour of the plaintiff on 5 March 2009 by the Foshan Nanhai District People's Court (佛山市南海区人民法院) and whereby the Defendants were ordered to repay the Amount to the plaintiff within ten days. As the details of Guihe Construction, including its name and address, was stated on the certificate of indebtedness signed by Deng Wen Feng to Jian Da Ling, and as Deng Wen Feng was the legal representative of Guihe Construction at the time of the loan, Guihe Construction was ordered to bear joint and several liabilities for the repayment of the Amount to Jian Da Ling. Guihe Construction has since paid approximately RMB33,000 in settlement of this Amount.

- (b) In December 2009, Zhao Hui (赵辉) commenced legal proceedings ("Current Litigation") against Guangdong Yehao Mechanism Manufacturing Co., Ltd. (广东业豪机械制造有限公司) ("Yehao") to make good damage caused by Yehao in the course of installing machinery for Jiangnan Property. Jiangnan Property was named as a co-defendant to bear joint and several liabilities with Yehao. As Yehao has, prior to the Current Litigation, commenced legal proceedings against Zhao Hui (the "Former Litigation"), the Guangdong Provincial Foshan Nanhai District People's Court (广东省佛山市南海区人民法院) ordered, on 9 January 2009, that judgment for the Current Litigation be suspended until judgment for the Former Litigation has been passed. On 29 September 2009, the Guangdong Provincial Foshan Nanhai District People's Court (广东省佛山市南海区人民法院) issued a notice to appoint a professional institution to carry out a judicial appraisal of the damaged property. While the said appraisal is currently being carried out, our Directors estimates that the maximum amount of liability arising from the Current Litigation will not be in excess of RMB100,000. Accordingly, our Directors believe that this litigation does not have any material adverse effect on the financial position or profitability of our Group and accordingly, no provisions have been made for this claim.
- (c) On 14 September 2009, the Bank of China, Foshan Nanhai Sub-branch (中国银行股份有限公司佛山南海支行) ("BOC"), commenced legal proceedings against Li Xin Hua (李新华) and Zhang Xiao Hui (张小惠) (the "BOC Defendants") at Guangdong Provincial Foshan Nanhai District People's Court (广东省佛山市南海区人民法院) for RMB638,320.15, being repayment of a loan of RMB713,000 together with all interests accrued thereto (the "BOC Loan"), made by BOC to the BOC Defendants. BOC also sought to discharge the Individual Property Mortgage Loan Contract (个人房屋抵押借款合同) entered into between BOC and the Defendants. Debao Property is named as a co-defendant in the legal proceedings to bear joint and several liabilities with the BOC Defendants as it is a guarantor for the BOC Loan taken by the BOC Defendants to finance their purchase of a property developed by Debao Property. On 16 November 2009, Guangdong Provincial Foshan Nanhai District People's Court (广东省佛山市南海区人民法院) has ordered that the relevant property be sold and the sales proceeds be applied towards repayment of the BOC Loan. Our Directors believe that this litigation does not have a material effect on the financial position or profitability of our Group as (i) the guarantee will only be called upon if the sales proceeds are insufficient to repay the outstanding BOC Loan; and (ii) our Directors believe that the sales proceeds will be sufficient to repay the outstanding BOC Loan.
- (d) On 9 October 2009, Foshan Nanhai District Rural Credit and Cooperation Union, Guicheng Branch (佛山市南海区农村合作联社桂城信用社) ("RCCU"), commenced legal proceedings against Luo Bing An (罗炳安) at Guangdong Provincial Foshan Nanhai District People's Court (广东省佛山市南海区人民法院) for RMB293,336.60 being repayment of a loan of RMB440,000 together with all interests accrued thereto (the "RCCU Loan"), made by RCCU to Luo Bing An. Debao Property is named as a co-defendant in the legal proceedings to bear joint and several liabilities with Luo Bing An as it is a guarantor for the RCCU Loan taken by Luo Bing An to finance his purchase of a property developed by Debao Property. On 18 November 2009, Guangdong Provincial Foshan Nanhai District People's Court

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(广东省佛山市南海区人民法院) has ordered that the relevant property be sold and the sales proceeds be applied towards repayment of the RCCU Loan. Our Directors believe that this litigation does not have a material effect on the financial position or profitability of our Group as (i) the guarantee will only be called upon if the sales proceeds are insufficient to repay the outstanding RCCU Loan; and (ii) our Directors believe that the sales proceeds will be sufficient to repay the outstanding RCCU Loan.

MISCELLANEOUS

17. The amount payable on application is S\$0.43 for each Invitation Share. Save as disclosed in the section titled “Restructuring Exercise”, there has been no previous issue of Shares by our Company or offer for sale of its Shares to the public within the two years preceding the date of this Prospectus.
18. There have been no public take-over offers by third parties in respect of our Shares or by us in respect of other companies’ shares which have occurred during the last and current financial year.
19. In the opinion of our Directors, there are no minimum amounts which must be raised by the issue of the New Shares.
20. No amount of cash or securities or benefit has been paid or given to any promoter within the last two years preceding the Latest Practicable Date or is proposed or intended to be paid or given to any promoter at any time.
21. Application monies received by our Company in respect of all successful applications (including successfully balloted applications which are subsequently rejected) will be placed in a separate non-interest bearing account with the Receiving Banker. There is no sharing arrangement between the Receiving Banker and our Company in respect of interest or revenue or any other benefit in respect of the deployment of application monies in the interbank monies market, if any. Any refund of the application monies to unsuccessful or partially successful applicants will be made without any interest or share of such revenue or other benefit arising therefrom.
22. Save as disclosed in this Prospectus, our Directors are not aware of any relevant material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our subsidiaries.
23. Save as disclosed in this Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:-
 - known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;
 - material commitments for capital expenditure;
 - unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
 - known trends or uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on revenues of operating income.

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24. Details, including the name, address and professional qualifications (including membership in a professional body) of the auditors of our Company for the last three financial years are as follows:-

Name and address	Professional body	Partner-in-charge / Professional qualification
Deloitte & Touche LLP 6 Shenton Way #32-00, DBS Building Tower Two Singapore 068809	Institute of Certified Public Accountants of Singapore	Jeremy Toh Yew Kuan / Certified Public Accountants

We currently have no intention of changing our auditors after the listing of our Company on the SGX-ST.

25. Save as disclosed in the section titled “Use of Proceeds and Listing Expenses” of this Prospectus, no property has been purchased or acquired or proposed to be purchased or acquired by our Company or our subsidiaries which is to be paid for, wholly or partly, out of the proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of this Prospectus other than property in respect of which the contract for the purchase or acquisition whereof was entered into in our ordinary course of business or in the ordinary course of business of our subsidiaries, such contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.
26. Save as disclosed in this Prospectus, the Directors are not aware of any event which has occurred since the end of 30 June 2009 which may have a material effect on the financial information provided in the Actual Consolidated Financial Statements and Proforma Consolidated Financial Statements as set out in Annexes E to H of this Prospectus respectively.

CONSENTS

27. Deloitte & Touche LLP, the Auditors and Reporting Accountants, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its name and references thereto in the form and context in which they appear in this Prospectus and the inclusion of the “Independent Auditors’ Report and Financial Statements for the Year Ended December 31, 2008 and the Period from August 16, 2007 (Date of Incorporation) to December 31, 2007” as set out in Annex E; the “Independent Auditors’ Review Report and the Condensed Consolidated Interim Financial Statements for the Six-Month Period Ended June 30, 2009” as set out in Annex F; the “Accountant’s Report of the Reporting Auditors and the Proforma Group Financial Information for the Years Ended December 31, 2006, 2007 and 2008” as set out in Annex G; and the “Report of the Reporting Auditors and the Unaudited Condensed Proforma Group Interim Financial Information for the Six-Month Period Ended June 30, 2009” as set out in Annex H of this Prospectus, in the form and context in which they are included and to act in such capacity in relation to this Prospectus.
28. The Issue Manager and the Joint Underwriters and Placement Agents have each given and have not withdrawn their respective written consents to the issue of this Prospectus with the inclusion of their respective names and references thereto in the form and context in which they respectively appear in this Prospectus and to act in such capacities in relation to this Prospectus.
29. Yuan Tai Law Offices, the Legal Advisers to the Company as to PRC Law, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its name and references thereto in the form and context in which they appear in this Prospectus and the inclusion of its opinions and advice (as set out in the sections titled “Risk Factors”, “Restructuring Exercise” and “Properties and Fixed Assets”) in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.

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30. GFE Law Office, the Legal Advisers to the Joint Underwriters as to PRC Law, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its name and references thereto in the form and context in which they appear in this Prospectus and the inclusion of its opinion (as set out in the section titled “Restructuring Exercise”) in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
31. CB Richard Ellis Limited, our Independent Valuer, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its name and references thereto in the form and context in which they appear in this Prospectus and the inclusion of the “CB Richard Ellis Limited Valuation Report” as set out in Annex B of this Prospectus, in the form and context in which they are included and to act in such capacity in relation to this Prospectus.
32. DTZ Debenham Tie Leung has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion of its name and references thereto in the form and context in which they appear in this Prospectus and the inclusion of the extracts of the Market Report in the section titled “Industry Overview” of this Prospectus, in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.
33. Each of the Joint Placement Agents, the Solicitors to the Invitation and Legal Advisers to the Company on Singapore Law, the Solicitors to the Issue Manager and the Joint Underwriters and Placement Agents, the Adviser to the Company in relation to the Invitation, the Registrar for the Invitation and the Receiving Banker does not make or purport to make any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in or omissions from this Prospectus.

RESPONSIBILITY STATEMENT BY OUR DIRECTORS AND THE VENDORS

34. This Prospectus has been seen and approved by our Directors and the Vendors and they collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and that there are no other material facts the omission of which would make any statements herein misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation, our Company and our subsidiaries.

DOCUMENTS AVAILABLE FOR INSPECTION

35. Copies of the following documents may be inspected at the office of Shook Lin & Bok LLP at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542, during normal business hours for a period of six months from the date of registration of this Prospectus:-
 - (a) the Memorandum of Association and Articles of our Company;
 - (b) the material contracts referred to in the section titled “Material Contracts” of this Prospectus;
 - (c) the Service Agreements referred to in the section titled “Service Agreements” of this Prospectus;
 - (d) the letters of consent referred to in the section titled “Consents” of this Prospectus;
 - (e) the Valuation Report as set out in Annex B of this Prospectus;
 - (f) the Market Report as referred to in the sections titled “Industry Overview” and “Prospects, Business Strategies and Future Plans – Prospects” of this Prospectus;

GENERAL AND STATUTORY INFORMATION

- (g) the “Independent Auditors’ Report and Financial Statements for the Year Ended December 31, 2008 and the Period from August 16, 2007 (Date of Incorporation) to December 31, 2007” as set out as Annex E of this Prospectus;
- (h) The “Independent Auditors’ Review Report and the Condensed Consolidated Interim Financial Statements for the Six-Month Period Ended June 30, 2009” as set out as Annex F of this Prospectus;
- (i) the “Accountant’s Report of the Reporting Auditors and the Proforma Group Financial Information for the Years Ended December 31, 2006, 2007 and 2008” as set out in Annex G of this Prospectus; and
- (j) the “Report of the Reporting Auditors and the Unaudited Condensed Proforma Group Interim Financial Information for the Six-Month Period Ended June 30, 2009” as set out in Annex H of this Prospectus.

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

You are invited to apply and subscribe for the Invitation Shares at the Invitation Price for each Invitation Share subject to the following terms and conditions:-

- (a) **YOUR APPLICATION FOR THE INVITATION SHARES MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES OR INTEGRAL MULTIPLES THEREOF. APPLICATIONS FOR ANY OTHER NUMBER OF INVITATION SHARES WILL BE REJECTED.**
- (b) Your application for Offer Shares may be made by way of printed Offer Shares Application Forms or by way of electronic applications through the ATMs of the Participating Banks ("ATM Offer Shares Applications") or through the internet banking ("IB") websites of the relevant Participating Banks ("Internet Offer Shares Applications" which, together with ATM Offer Shares Applications, shall be referred to as "Electronic Applications").

Your application for the Placement Shares may only be made by way of Placement Shares Application Forms.

YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE INVITATION SHARES.

- (c) **You are allowed to submit only one application in your name for the Offer Shares. If you submit an application for Offer Shares by way of an Application Form, you MAY NOT submit another application for Offer Shares by way of an Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at our discretion.**

If you submit an application for Offer Shares by way of an ATM Electronic Application, you MAY NOT submit another application for Offer Shares by way of an Internet Electronic Application and vice versa such separate applications shall be deemed to be multiple applications and shall be rejected.

If you (being other than an approved nominee company) have submitted an application for Offer Shares in your own name, you should not submit any other application for Offer Shares, whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at our discretion.

You are allowed to submit only one application in your own name for the Placement Shares. Any separate application by you for the Placement Shares shall be deemed to be multiple applications and we have the discretion whether to accept or reject such multiple applications.

If you, being other than an approved nominee company, have submitted an application for Placement Shares in your own name, you should not submit any other application for Placement Shares for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at our discretion.

If you have made an application for Placement Shares, and you have also made a separate application for Offer Shares either by way of an Application Form or through an Electronic Application, we shall have the discretion to either (i) reject both of such separate applications or (ii) accept any one (but not the other) out of such separate applications.

Conversely, if you have made an application for Offer Shares either by way of an Application Form or through an Electronic Application, and you have also made a separate application for Placement Shares, we shall have the discretion to either (i) reject both of such separate applications or (ii) accept any one (but not the other) out of such separate applications.

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

Joint applications shall be rejected. Multiple applications for Invitation Shares will be liable to be rejected at our discretion. If you submit or procure submissions of multiple share applications (whether for Offer Shares, Placement Shares or both Offer Shares and Placement Shares), you may be deemed to have committed an offence under the Penal Code (Chapter 224) of Singapore and the Securities and Futures Act (Chapter 289) of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be liable to be rejected at our discretion.

- (d) We will not accept applications from any person under the age of 18 years, undischarged bankrupts, sole-proprietorships, partnerships, or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the name of the deceased at the time of application.
- (e) We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/their own name(s) and without qualification or, where the application is made by way of an Application Form in the name(s) of an approved nominee company or approved nominee companies must comply with paragraph (f) below.
- (f) **WE WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licenced securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.
- (g) **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if your application is by way of an Application Form), or you will not be able to complete your Electronic Application (if your application is by way of an Electronic Application). If you have an existing Securities Account but fail to provide your Securities Account number or provide an incorrect Securities Account number in section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph (h) below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.
- (h) **If your address stated in the Application Form or, in the case of an Electronic Application, in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and other correspondence from the CDP will be sent to your address last registered with CDP.**
- (i) **We reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn or improper form of remittance. We further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the terms and conditions of this Prospectus and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (j) We reserve the right to reject or accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and we will not entertain any enquiry and/or correspondence on our decision. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment which will be at our discretion, we will give due consideration to the desirability of allotting and/or allocating the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.
- (k) Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of the Invitation Shares allotted to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by us. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
- (l) In the event of an under-subscription for Offer Shares as at the close of the Application List, the number of Offer Shares under-subscribed shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an under-subscription for Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors, after consultation with the Issue Manager and the Joint Underwriters and Placement Agents, and approved by the SGX-ST.

- (m) You consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and share application amount from your account with the relevant Participating Bank to the Registrar for the Invitation and Singapore Share Transfer Agent, SCCS, SGX-ST, CDP, the Company and the Issue Manager. You irrevocably authorize CDP to disclose the outcome of your application, including the number of Invitation Shares allotted to you pursuant to your application, to the Company, the Issue Manager, the Joint Underwriters and Placement Agents and any other parties so authorized by CDP, the Company, the Issue Manager and/or the Joint Underwriters and Placement Agents. CDP shall not be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to Electronic Applications.
- (n) Any reference to “you” or the “applicant” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Application Form or by way of an Electronic Application, or for the Placement Shares through the Joint Placement Agents.
- (o) In the event that our Company lodges a supplementary or replacement prospectus pursuant to the Securities and Futures Act or any applicable legislation in force from time to time prior to the close of the Invitation, and the Invitation Shares have not been issued and/or sold, we will (as required by law) at our Company’s sole and absolute discretion either:-
 - (i) within 7 days of the lodgment of the supplementary or replacement prospectus, give you a copy of the supplementary or replacement prospectus, as the case may be, and provide you with an option to withdrawn your application; or

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (ii) deem your application as withdrawn and cancelled and refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the lodgment of the supplementary or replacement prospectus.

In the event that at any time of the lodgment, the Invitation Shares have already been issued and/or sold but trading has not commenced, we will (as required by law) at our Company's sole and absolute discretion either:-

- (i) within 7 days of the lodgment of the supplementary or replacement prospectus, give you a copy of the supplementary or replacement prospectus, as the case may be, and provide you with an option to return the Invitation Shares; or
- (ii) deem the issue and/or sale of the Invitation Shares as void and refund your payment for the Invitation Shares (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the lodgment of the supplementary or replacement prospectus.

Additional terms and instructions applicable upon the lodgment of the supplementary or replacement prospectus, including instructions on how you can exercise the option to withdraw your application or return the Invitation Shares allotted to you, may be found in such supplementary or replacement prospectus.

Where an applicant has notified us within 14 days from the date of lodgment of the supplementary or replacement prospectus of his wish to exercise his option under the Securities and Futures Act to withdraw his application or return the Invitation Shares allotted to him, we shall pay to him all monies paid by him on account of his application for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, within 7 days from the receipt of such notification.

- (p) By completing and delivering an Application Form or by making and completing an Electronic Application, by (in the case of an ATM Offer Shares Application) pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Offer Shares Application) clicking "Submit" or "Continue" or "Yes" or "Confirm" or any other relevant key on the IB website screen in accordance with the provisions herein, you:-
 - (i) irrevocably offer to subscribe for and/or purchase the number of the Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Invitation Price and agree that you will accept such Invitation Shares as may be allotted to you, in each case on the terms of, and subject to the conditions set out in, this Prospectus and our Memorandum of Association and Articles;
 - (ii) agree that in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the ATMs or the internet banking websites of the relevant Participating Banks, the terms and conditions set out in this Prospectus shall prevail;
 - (iii) agree that the aggregate Invitation Price for the Invitation Shares applied for is due and payable to us forthwith; and
 - (iv) warrant the truth and accuracy of the information provided in your application.
- (q) Our acceptance of applications will be conditional upon, *inter alia*, our Company being satisfied that:-
 - (i) permission has been granted by the SGX-ST to deal in and for quotation of all the existing Shares and the Invitation Shares on the Official List of the SGX-ST;

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (ii) the Management and Underwriting Agreement and the Placement Agreement referred to under the section titled “Plan of Distribution” of this Prospectus and under the section titled “Management, Underwriting and Placement Arrangements” of this Prospectus have become unconditional and have not been terminated or cancelled prior to such date as our Company may determine; and
 - (iii) no stop order has been issued by the Authority under the Securities and Futures Act
- (r) We will not hold any application in reserve.
- (s) We will not allot and/or allocate Shares on the basis of this Prospectus later than six months after the date of registration of this Prospectus.
- (t) In the event that a stop order in respect of the Invitation Shares is served by the Authority or other competent authority; and
 - (i) if the Invitation Shares have not been issued and/or sold, we will (as required by law) deem all applications as withdrawn and cancelled and we shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or
 - (ii) if the Invitation Shares have been issued and/or sold but trading has not commenced, the issue and/or sale of the Invitation Shares will (as required by law) be deemed to be void; and:-
 - (aa) in the case where the Invitation Shares have been issued, we shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or
 - (bb) in the case where the Invitation Shares have been sold, (1) we will inform you to return such documents to our Company within 14 days from the date of the stop order; and (2) we will refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the receipt of those documents (if applicable) or the date of the stop order, whichever is later.

This shall not apply where only an interim stop order has been served.

In the event that an interim stop order in respect of the Invitation Shares is served by the Authority or other competent authority, no Invitation Shares shall be issued and/or sold to you until the Authority revokes the interim stop order

- (u) Additional terms and conditions for applications by way of Application Forms are set out on pages A-6 to A-8 of the Prospectus.
- (v) Additional terms and conditions for Electronic Applications are set out on pages A-8 to A-16 of this Prospectus.

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

You shall make an application by way of Application Forms made on and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under this Annex, as well as the Memorandum of Association and the Articles of our Company.

- (a) Your application must be made using the **WHITE** Application Forms and official envelopes “A” and “B” for Offer Shares and the **BLUE** Application Forms for Placement Shares accompanying and forming part of this Prospectus. Attention is drawn to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **We reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn or improper forms of remittances.**
- (b) Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
- (c) All spaces in the Application Forms except those under the heading “FOR OFFICIAL USE ONLY” must be completed and the words “NOT APPLICABLE” or “N.A.” should be written in any space that is not applicable.
- (d) Individuals, corporations, approved nominee companies and trustees must give their names in full. You must make your application, in the case of individuals, in your full name as it appears in your identity card (if applicants have such an identification document) or in your passport and, in the case of corporations, in your full name as registered with a competent authority. If you are a non-individual completing the Application Form under the hand of an official, you must state the name and capacity in which that official signs. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association, Articles or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association, Articles or equivalent constitutional documents must be lodged with the Registrar for the Invitation and Singapore Share Transfer Agent. We reserve the right to require you to produce documentary proof of identification for verification purposes.
- (e)
 - (i) You must complete page 1 and Sections A and B of the Application Forms.
 - (ii) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Forms. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).
 - (iii) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Forms, your application is liable to be rejected.
- (f) You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or a permanent resident of Singapore or corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation (whether incorporated or unincorporated and wherever incorporated or constituted) in which citizens or permanent residents of Singapore or any body corporate (whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore) have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (g) Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "**DEBAO SHARE ISSUE ACCOUNT**" crossed "A/C PAYEE ONLY", with your name and address written clearly on the reverse side. We will not accept applications accompanied by ANY OTHER FORM OF PAYMENT. We will reject remittances bearing "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement or receipt will be issued by our Company or the Issue Manager for applications and application monies received.

Unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours after balloting at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List.

- (h) Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
- (i) By completing and delivering the Application Form, you agree that
- (i) in consideration of us having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 8 April 2010** or such other time or date as we may, in consultation with the Issue Manager and the Joint Underwriters and Placement Agents, decide and by completing and delivering the Application Form, you agree that:-
 - (aa) your application is irrevocable; and
 - (bb) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
 - (ii) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (iii) in respect of the New Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on our behalf;
 - (iv) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
 - (v) in making your application, reliance is placed solely on the information contained in this Prospectus and neither our Company, our Directors, the Issue Manager, the Joint Underwriters and Placement Agents nor any other person involved in the Invitation shall have any liability for any information not so contained.

Applications for Offer Shares

- (a) Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Form and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.
- (b) You must:-
- (i) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Prospectus in the **WHITE** envelope "A" provided;

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (ii) in the appropriate spaces on **WHITE** envelope "A":-
 - (aa) write your name and address;
 - (bb) state the number of Offer Shares applied for;
 - (cc) tick the relevant box to indicate the form of payment; and
 - (dd) affix adequate Singapore postage;
 - (iii) SEAL **WHITE** envelope "A";
 - (iv) write, in the special box provided on the larger **WHITE** envelope "B" addressed to **Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623**, the number of Offer Shares for which the application is made; and
 - (v) insert **WHITE** envelope "A" into **WHITE** envelope "B", seal **WHITE** envelope "B", affix adequate Singapore postage on **WHITE** envelope "B" (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND at your own risk to Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, so as to arrive by 12.00 noon on 8 April 2010 or such other date and time as we may, in consultation with the Issue Manager and the Joint Underwriters and Placement Agents, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
- (c) Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances are liable to be rejected.

Applications for Placement Shares

- (a) Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Form. **ONLY ONE APPLICATION** should be enclosed in each envelope.
- (b) The completed **BLUE** Placement Shares Application Form and your remittance (in accordance with the terms and conditions of this Prospectus) for the full amount payable in respect of the number of Placement Shares you have applied for, with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at your own risk to Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, **to arrive by 12.00 noon on 8 April 2010 or such other date and time as we may, in consultation with the Issue Manager and the Joint Underwriters and Placement Agents, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications at ATMs of the Participating Banks are set out on the ATM screens (in the case of ATM Offer Shares Applications) and the IB website screens (in the case of Internet Offer Shares Applications) of the relevant Participating Banks. Currently, the UOB Group and DBS Bank are the only Participating Banks through which Internet Offer Shares Applications can be made. For illustration purposes, the procedures for Electronic Applications through the ATMs and the IB website of the UOB Group are set out respectively in the sections "Steps for ATM Offer Shares Applications through ATMs of the UOB Group" and "Steps for Internet Offer Shares Applications through the Internet Banking website of the UOB Group" (the "Steps") appearing on pages A-14 and A-16 of this Prospectus.

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

The Steps set out the actions that you must take at an ATM or IB website of the UOB Group to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” or the “applicant” in this section “Additional terms and Conditions for Electronic Applications” and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs of the relevant Participating Bank. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Offer Shares Application, you must have an existing bank account with an Internet Banking User Identification (“User ID”) and a Personal Identification Number/Password given by a relevant Participating Bank. The Steps set out the actions that you must take at ATMs or the Internet Banking website of the UOB Group to complete an Electronic Application. The actions that you must take at ATMs or the IB websites of other Participating Banks are set out on the ATM screens or the IB screens of the relevant Participating Banks. Upon the completion of your ATM Offer Shares Application transaction, you will receive an ATM transaction slip (“Transaction Record”), confirming the details of your ATM Offer Shares Application. The Transaction Record or your printed record of the Confirmation Screen is for retention by you and should not be submitted.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

You must ensure, when making an Internet Offer Shares Application, that your mailing address is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise, your application is liable to be rejected.

You shall make an Electronic Application on the terms, and subject to the conditions, of this Prospectus including but not limited to the terms and conditions appearing below and those set out under this section as well as the Memorandum of Association and Articles of our Company.

- (a) In connection with your Electronic Application, you are required to confirm statements to the following effect in the course of activating the ATM or the IB website for your Electronic Application:-
- (i) that you have received a copy of this Prospectus (in the case of ATM Offer Shares Application only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;
 - (ii) that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, and share application amount (the “Relevant Particulars”) from your account with the relevant Participating Bank to the Share Registrar, the SGX-ST, CDP, SCCS, the Company, the Issue Manager and the Joint Underwriters and Placement Agents (the “Relevant Parties”); and
 - (iii) that this is your only application and it is made in your own name and at your own risk.

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM or on the IB website unless you press the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM or click “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement (a)(ii) above, your confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including section 47(4) of the Banking Act (Chapter 19) of Singapore to the disclosure by that Participating Bank of the Relevant Particulars to the Relevant Parties.

- (b) **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS A NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS BENEFICIAL OWNER.**

YOU SHALL MAKE ONLY ONE ELECTRONIC APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATION FOR OFFER SHARES, WHETHER AT AN ATM OR THE IB WEBSITE (IF ANY) OF ANY PARTICIPATING BANK OR ON AN APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER SHARES ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION AND VICE VERSA.

- (c) You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed. **Any Electronic Application which does not conform strictly to the instructions set out on the screens of the ATM or IB website through which your Electronic Application is being made shall be rejected.**

You may make an ATM Offer Shares Application at an ATM of any Participating Bank or an Internet Offer Shares Application at the IB website of a relevant Participating Bank for Offer Shares using cash only by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

- (d) You irrevocably agree and undertake to subscribe for and/or purchase the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any less number of Offer Shares that may be allotted to you in respect of your Electronic Application. In the event that we decide to allot or allocate any less number of such Offer Shares or not to allot or allocate any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM or clicking “Confirm” or “OK” or any other relevant key on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted to you and your agreement to be bound by the Memorandum of Association and Articles of our Company.
- (e) **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) in Singapore currency to you by being automatically credited to your account with your Participating Bank within 24 hours after balloting. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List.

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

Responsibility for timely refund of application monies arising from unsuccessful or partially unsuccessful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from an unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted to you before trading the Offer Shares on the SGX-ST. None of the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, our Directors, the Issue Manager and the Joint Underwriters and Placement Agents assumes any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

- (f) If your Electronic Application is unsuccessful, no notification will be sent by the relevant Participating Banks.

If you make an Electronic Application through an ATM or the IB website of one of the following Participating Banks, you may check the provisional results of your Electronic Application as follows:-

Bank	Telephone	Available at	Operating Hours	Service expected from
DBS Bank	1800 339 6666 (for POSB account holders) 1800 111 1111 (for DBS account holders)	Internet Banking http://www.dbs.com ⁽¹⁾	24 hours a day	Evening of the balloting day
UOB Group	1 800 222 2121	ATM (Other Transactions – “IPO Enquiry”)	ATM/Phone Banking - 24 hours a day	Evening of the balloting day
		http://www.uobgroup.com ⁽¹⁾⁽²⁾	Internet Banking - 24 hours a day	Evening of the balloting day
OCBC	1 800 363 3333	Phone Banking / ATM / Internet Banking / http://www.ocbc.com ⁽³⁾	ATM/Phone Banking 24 hours a day	Evening of the balloting day

Notes:-

- (1) If you have made your Internet Offer Shares Application through the IB website of the UOB Group or DBS Bank, you may also check the result of your application through the same channels relating to Electronic Application listed in the table above.
- (2) If you have made your Electronic Application through an ATM or the IB website of the UOB Group, you may check the results of your application through UOB Personal Internet Banking, ATMs of the UOB Group or UOB PhoneBanking services.
- (3) If you have made your Electronic Application through the ATMs of OCBC Bank, you may check the result of your application through the same channels listed in the table above.
- (g) Electronic Applications shall close at 12.00 noon on 8 April 2010 or such other date and time as we may, in consultation with the Issue Manager and the Joint Underwriters and Placement Agents, decide. Subject to paragraph (j) below, an Internet Offer Shares Application is deemed to be received when it enters the designated information system of the relevant Participating Bank.
- (h) We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. We will reject any application by any person acting as nominee.

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (i) You are deemed to have requested and authorised us to:-
 - (i) register the Offer Shares allotted to you in the name of CDP for deposit into your Securities Account;
 - (ii) send the relevant Share certificate(s) to CDP;
 - (iii) return or refund (without interest or any share of revenue or other benefit arising therefrom) the application monies in Singapore currency, should your Electronic Application be rejected, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of balloting; and
 - (iv) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies in Singapore currency, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.
- (j) You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, our Company and the Issue Manager and if, in any such event, we, the Issue Manager and/or the relevant Participating Bank do not record or receive your Electronic Application, or data relating to your Electronic Application or the tape containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against us, the Issue Manager and/or the relevant Participating Bank for the Offer Shares applied for or for any compensation, loss or damage.
- (k) All your particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you shall promptly notify your Participating Bank.
- (l) **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical; otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.
- (m) By making and completing an Electronic Application, you are deemed to have agreed that:-
 - (i) In consideration of us making available the Electronic Application facility through the ATMs of the Participating Banks acting as our agents, at the ATMs and the IB websites (if any):-
 - (aa) your Electronic Application is irrevocable; and
 - (bb) your Electronic Application, our acceptance and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (ii) none of our Company, our Directors, the Issue Manager or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph (j) above or to any cause beyond their respective controls;

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

- (iii) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on our behalf and not otherwise, notwithstanding any payment received by or on our behalf;
- (iv) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
- (v) in making your application, reliance is placed solely on information contained in this Prospectus and that none of the Company, the Issue Manager and the Joint Underwriters and Placement Agents nor any other person involved in the Invitation shall have any liability for any information not so contained.

The instructions for Electronic Applications will appear on the ATM screens and the IB website screens of the respective Participating Banks. For illustrative purposes, the steps for making an Electronic Application through the ATMs or IB website of the UOB Group are shown below. Instructions for Electronic Applications appearing on the ATM screens and the IB website screens (if any) of the relevant Participating Banks (other than the UOB Group) may differ from that represented below.

Owing to space constraints on the UOB Group's ATM screens, the following terms will appear in abbreviated form:-

"&"	: And
"A/C" and "A/CS"	: ACCOUNT AND ACCOUNTS, respectively
"ADDR"	: ADDRESS
"AMT"	: AMOUNT
"APPLN"	: APPLICATION
"CDP"	: THE CENTRAL DEPOSITORY (PTE) LIMITED
"CPF"	: CENTRAL PROVIDENT FUND BOARD
"CPFINVT A/C"	: CPF INVESTMENT ACCOUNT
"ESA"	: ELECTRONIC SHARE APPLICATION
"IC/PSSPT"	: NRIC or PASSPORT NUMBER
"NO" or "NO."	: NUMBER
"PERSONAL NO"	: PERSONAL IDENTIFICATION NUMBER
"REGISTRARS"	: SHARE REGISTRARS
"SCCS"	: SECURITIES CLEARING & COMPUTER SERVICES (PTE) LTD
"YR"	: YOUR

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

Steps for ATM Electronic Application through ATMs of the UOB Group

1. Insert your personal Unicard, Unipus card or UOB VISA/MASTER card and key in your personal identification number.
2. Select "CASHCARD/OTHER TRANSACTIONS".
3. Select "SECURITIES APPLICATION".
4. Select the share counter which you wish to apply for.
5. Read and understand the following statements which will appear on the screen:-
 - THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT (Customer to press "ENTER" to continue)
 - PLEASE CALL 1800-22-22-121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT
 - WHERE APPLICABLE, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT (Customer to press "ENTER" to confirm that you have read and understood the above statements.)
6. Read and understand the following terms which will appear on the screen:-
 - YOU HAVE READ, UNDERSTOOD & AGREED TO ALL TERMS OF THE PROSPECTUS/DOCUMENT/SUPPLEMENTARY DOCUMENT & THIS ELECTRONIC APPLICATION
 - YOU CONSENT TO DISCLOSE YOUR NAME, IC/PSSPT, NATIONALITY, ADDR, APPLN AMT, CPFINVT A/C NO & CDP A/C NO FROM YOUR A/CS TO CDP, CPF, SCCS, REGISTRARS, SGX-ST & ISSUER/VENDOR(S)
 - THIS IS YR ONLY FIXED PRICE APPLN & IS IN YR NAME AND AT YR RISK (Customer to press "ENTER" to continue)
7. Screen will display:-

NRIC/Passport No. XXXXXXXXXXXX

IF YOUR NRIC NO / PASSPORT NO IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.
(Customer to press "CANCEL" or "CONFIRM")
8. Select mode of payment i.e. "CASH ONLY". You will be prompted to select Cash Account type to debit (i.e., "CURRENT ACCOUNT / I-ACCOUNT", "CAMPUS" OR "SAVINGS ACCOUNT / TX ACCOUNT"). Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select.

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

9. After you have selected the account, your CDP Securities Account Number will be displayed for you to confirm or change (This screen with your CDP Securities Account number will be shown if your CDP Securities Account number is already stored in the ATM system of UOB Group). If this is the first time you are using UOB Group's ATM to apply for Shares, your CDP Securities Account number will not be stored in the ATM system of UOB Group, and the following screen will be displayed for your input of your CDP Securities Account number.
10. Read and understand the following terms which will appear on the screen:-
 1. **PLEASE DO NOT APPLY FOR YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
 2. **PLEASE USE YOUR OWN ATM CARD**
 3. **DO NOT KEY IN THE CDP A/C NO. OF YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
 4. **KEY IN YOUR CDP A/C NO. (12 DIGITS) 1681-XXXX-XXXX**
 5. **PRESS ENTER KEY**
11. Key in your CDP Securities Account number (12 digits) and press the "ENTER" key.
12. Select your nationality status.
13. Key in the number of Shares you wish to apply for and press the "ENTER" key.
14. Check the details of your Electronic Application on the screen and press "ENTER" key to confirm your Electronic Application.
15. Select "NO" if you do not wish to make any further transactions and remove the Transaction Record. You should keep the Transaction Record for your own reference only.

Steps for Internet Offer Shares Applications through the IB website of the UOB Group

Owing to space constraints on UOB Group's IB website screens, the following terms will appear in abbreviated form:-

"CDP"	:	The Central Depository (Pte) Limited
"CPF"	:	Central Provident Fund Board
"NRIC" or "I/C"	:	National Registration Identity Card
"PR"	:	Permanent Resident
"SGD" or "\$"	:	Singapore Dollars
"SCCS"	:	Securities Clearing & Computer Services (Pte) Ltd
"SGX"	:	Singapore Exchange Securities Trading Limited

1. Connect to UOB website at <http://www.uobgroup.com>
2. Locate the Login icon on the left hand side next to "Internet Banking"
3. Click on Login and at drop list select "UOB Personal Internet Banking"
4. Enter your Username and Password and click "Submit"

ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

5. Select "Investment Services" ("IPO" should be the default transaction that appears, select "Application")
6. Read the IMPORTANT notice and complete the declarations found on the bottom of the page by answering Yes/No to the questions
7. Click "Continue"
8. Select your country of residence (you must be residing in Singapore to apply) and click "Continue"
9. Select the IPO counter from the drop list (if there are concurrent IPOs) and click "Continue"
10. Check the share counter, select the mode of payment and account number to debit and click on "Continue"
11. Read the important instructions and click on "Continue" to confirm that:-
 1. **You have read, understood and agreed to all terms and conditions of this application and the Prospectus/Document or Supplementary Document.**
 2. **You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account number, CPF Investment Account number (if applicable), and application details to the share registrars, SGX, SCCS, CDP, CPF Board and issuer/vendor(s).**
 3. **This application is made in your own name and at your own risk.**
 4. **For FIXED/MAX price shares application, this is your only application. For TENDER price shares application, this is your only application at the selected tender price.**
 5. **For FOREIGN CURRENCY securities, subject to the terms of the issue, please note the following: The application monies will be debited from your bank account in \$, based on the Bank's prevailing board rates at the time of application. The different prevailing board rates at the time of application and at the time of refund of application monies may result in either a foreign exchange profit or loss, or application monies may be debited and refunds credited in \$ at the same exchange rate.**
 6. **For 1ST-COME-1ST-SERVE securities, the number of securities applied for may be reduced, subject to the availability at the point of application.**
12. Check your personal details, details of the share counter you wish to apply for and account to debit.

Select (a) Nationality;
Enter (b) your CDP securities account number; and
 (c) the number of shares applied for
Click "Submit"
13. Check the details of your application, your NRIC/Passport number, CDP securities account number and the number of shares applied for, share counter, payment mode and account to debit
14. Click "Confirm", "Edit" or "Cancel"
15. Print the Confirmation Screen (optional) for your own reference

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this prospectus received from CB Richard Ellis Limited, an independent valuer, in connection with their valuations as at 31 July 2009 of the property interests of the Group.



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18 Harbour Road
Wanchai, Hong Kong
T 852 2820 2800
F 852 2810 0830

香港灣仔港灣道十八號中環廣場三十四樓
電話852 2820 2800 傳真 852 2810 0830

www.cbre.com.hk

9 December 2009

The Board of Directors
Debao Property Development Ltd.
1 Robinson Road
#17-00 AIA Tower
Singapore 048542

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Debao Property Development Ltd. (hereinafter referred to as the “Company”) and its subsidiaries (collectively referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 31 July 2009 (the “Date of Valuation”).

Our valuation is made on the basis of Market Value which is defined by the HKIS to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Unless otherwise stated, our valuation is prepared in accordance with the “First Edition of The HKIS Valuation Standards on Properties” published by The Hong Kong Institute of Surveyors (“HKIS”). In valuing the property interests of the Group, we have complied with all the requirements contained in Part VII of Chapter 2 of the Listing Manual (the “Exchange Listing Rules”) issued by the Singapore Exchange Securities Trading Limited.

Our valuation has been made on the assumption that the owner sells the properties on the open market without any benefit or burden of deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement, which would serve to affect the values of the properties.

No allowance has been made in our valuation for any charge, mortgage or amount owing on the property interests or for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrance, restriction and outgoing of an onerous nature which could affect their values.

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For the purpose of area measurement in our valuation, Saleable Gross Floor Areas (“Saleable GFAs”) refer to the internal floor areas and common areas exclusively allocated to that unit including balconies and other similar features comprising common areas such as staircases and lift lobbies. Non-saleable Gross Floor Areas (“Non-saleable GFAs”) refer to the floor areas of certain public ancillary facilities, including, among others, clubhouses, kindergartens, power distribution houses and connecting corridors between apartment buildings. The Gross Floor Areas (“GFAs”) of a project or a phase of a project includes both Saleable GFAs and Non-saleable GFAs, excluding GFAs for underground car parks.

Unless otherwise stated, all the property interests are valued by the direct comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison is based on prices realized on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analyzed, and carefully weighed against all respective advantages and disadvantages in order to arrive at fair comparisons of values.

For the property interests in Group I, which are held by the Group for investment in the PRC, we have valued each of those property interests by the direct comparison approach assuming sales of each of these property interests in its existing state with the benefit of vacant possession and making references to comparable sale transactions as available in the relevant markets. We have also valued the property interests by the capitalization approach taking into account the current rents passing of the property interests and the reversionary potentials of the tenancies.

For the property interests in Group II, which are completed real estate developments held by the Group for sales in the PRC, we have valued these property interests by the direct comparison method assuming sales of these property interests in their existing states with the benefits of vacant possession and making references to comparable sales transactions as available in the relevant markets.

For the purpose of our valuation, completed real estate developments are those the Completed Construction Works Certified Reports thereof have been issued by the relevant local authorities.

For the property interests in Group III, which are held by the Group for development in the PRC, we have valued the property interests on the basis that the property will be developed and completed in accordance with the Group’s latest development schemes provided to us. We have assumed that approvals from relevant authorities for the proposals have been obtained. In arriving at our opinion of value, we have adopted the direct comparison method by making reference to comparable sales evidence as available in the relevant market to arrive the capital value of the property as if the property is completed at the date of valuation and have also taken into consideration the development costs already spent and to be spent to reflect the quality of the completed development. The “capital value of the property as if the property is completed at the date of valuation” represents our opinion of the aggregate selling prices of the development assuming that it would have been completed at the date of valuation.

For the purpose of our valuation, the properties for development are those the Construction Works Commencement Permits thereof have been issued while the Construction Works Completion Certified Reports thereof have not been issued.

For the property interests in Group IV, which are held by the Group for future developments in the PRC, we have valued each of these property interests by the direct comparison method assuming sales of these property interests in their existing states with the benefits of vacant possession and making references to comparable sales transactions as available in the relevant markets.

In our valuation, the properties for future development are those the Construction Works Commencement Permit(s) is (are) not issued while the Land Use Rights Certificate(s) has (have) been obtained.

For the property interests in Group V, which are held by the Group contractual related to properties in the PRC, we have valued the property interests on the basis that each of these properties will be developed and completed in accordance with the Group’s latest development schemes provided to us. We have assumed that approvals for such schemes by the relevant authorities have been obtained. In arriving at

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

our opinions, we have adopted the direct comparison method by making references to comparable sales evidences as available in the relevant markets and also taken into accounts of the development costs provided by the Group to reflect the qualities of the developments.

In the course of our valuation of the property interests in the PRC, we have relied on the legal opinion provided by the Group's PRC legal advisor, Yuan Tai Law Offices (the "PRC Legal Opinion"). We have been provided with extracts of title documents relating to such property interests. We are not, however, provided with the original documents to verify the ownership titles or the existence of any amendment which may not appear on the copies handed to us. All such documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, the records of unsold units, planning approvals, statutory notices, easements, tenancies, floor areas (including Gross Floor Areas, Saleable Gross Floor Areas and Non-saleable Gross Floor Areas). No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both in inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor were any tests made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Renminbi ("RMB").

We enclose herewith a summary of values and our valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Leo M Y LO
MHKIS MRICS
Director
Valuation & Advisory Services

Note: Mr. Lo is a member of Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He has over 6 years' valuation experience in Hong Kong, the PRC and Asia Pacific Region.

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

SUMMARY OF VALUES

Property Interests	Capital Value in existing state as at 31 July 2009 (RMB)	Interests attributable to the Group	Capital Value attributable to the Group as at 31 July 2009 (RMB)
Group I — Property Interests held by the Group for Investment in the PRC			
1. Debao Hotel Complex, No.136 Nanhai Avenue South, Nanhai District, Foshan City, Guangdong Province, the PRC ("Debao Hotel Complex")	99,600,000	100%	99,600,000
2. 15 retail shop units, Debao Garden, Nanhai District, Foshan City Guangdong Province, the PRC ("Debao Garden")	8,760,000	100%	8,760,000
3. Various retail shop units and a kindergarten, Phases I to IV, Jiangnan Mingju, No. 39 Nanyi Road, Nanhai District, Foshan City, Guangdong Province, the PRC ("Jiangnan Mingju Phases I to IV")	53,950,000	100%	53,950,000
Group I Sub-total:			162,310,000
Group II — Property Interests held by the Group for Sales in the PRC			
4. 156 car parking spaces and motorcycle parking spaces, Debao Garden, Nanhai District, Foshan City Guangdong Province, the PRC	17,900,000	100%	17,900,000
5. Various apartment units, car parking spaces and motorcycle parking spaces, Phases I to IV, Jiangnan Mingju, No. 39 Nanyi Road, Nanhai District, Foshan City, Guangdong Province, the PRC	8,380,000	100%	8,380,000
Group II Sub-total:			26,280,000

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

Property Interests	Capital Value in existing state as at 31 July 2009 (RMB)	Interests attributable to the Group	Capital Value attributable to the Group as at 31 July 2009 (RMB)
Group III — Property Interests held by the Group for Development in the PRC			
6. Phases V and VI, Jiangnan Mingju, Nanyi Road, Nanhai District, Foshan City, Guangdong Province, the PRC	624,000,000	100%	624,000,000
7. The developing portion of Shanshui Longpan, Baini Town, Sanshui District, Foshan City, Guangdong Province, the PRC	1,742,000,000	100%	1,742,000,000
Group III Sub-total:			2,366,000,000
Group IV — Land held by the Group for Future Development in the PRC			
8. The development land of Shanshui Longpan, Baini Town, Sanshui District, Foshan City, Guangdong Province, the PRC	665,000,000	100%	665,000,000
Group IV Sub-total:			665,000,000
Group V — Contractual Interest held by the Group in the PRC			
9. Jinlong Garden, No. 91 Shidong Upper Road, Chancheng District, Foshan City, Guangdong Province, the PRC	489,000,000	55%	268,950,000
Group V Sub-total:			268,950,000
Grand Total:			3,488,540,000

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

Group I — Property Interests held by the Group for Investment in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2009 (RMB)
1. Debao Hotel Complex, No.136 Nanhai Avenue South, Nanhai District, Foshan City, Guangdong Province, the PRC (“Debao Hotel Complex”)	The property, with a site area of approximately 2,913 sq.m. and a total gross floor area of approximately 12,051 sq.m, comprises two office building with 11-storey and 7-storey respectively and a 3-storey podium for retail shop use. The property was completed in 1992. The property is held under a land use term to be expired on 6 April 2046.	Various portions of the property with a total gross floor area of approximately 10,500 sq.m. are tenanted for a total monthly rent of RMB420,547 for various terms with the latest expiry on 31 January 2014. The remaining portions of the property with a total gross floor area of approximately 1,551 sq.m. is currently vacant.	99,600,000 (100% interests attributable to the Group: RMB99,600,000)

Notes:

- a) Pursuant to State-owned Land Use Right Certificate Fo Fu Nan Guo Yong (2006) No. 0110086 dated 12 May 2005, the land use rights of the Development with a total site area of approximately 2,912.570 sq.m. had been granted to the Group for commercial use and a land use term to be expired on 6 April 2046.
- b) Pursuant to the following Realty Title Certificates, the property with a total gross floor area and a site area of approximately 12,050.78 sq.m. and 2,912.57 sq.m. respectively are held by the Group for office and retail shop uses for a land use term to be expired on 6 April 2046.

Realty Title Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)
Yue Fang Di Zheng Zi No. C4613501	30 May 2006	4,791.58
Yue Fang Di Zheng Zi No. C4613502	31 May 2006	7,259.20
Total:		12,050.78

- c) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:
 - i) The Group has duly obtained the land use rights and property ownership as mentioned in note a) and b) above, and is entitled to occupy, use, transfer, lease, mortgage and otherwise dispose the lands and properties;
 - ii) All the mortgages listed in note iv) below are valid and enforceable, and have been duly registered in compliance with PRC laws and regulations;
 - iii) Having examined the Lease Agreements, the legal advisor is of the opinion that the Material Contracts are valid and enforceable, and all the terms and conditions of the respective Lease Agreements are in compliance with the PRC laws; and

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- iv) The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consent from the mortgagee:

Corresponding Certificate Number	Encumbrance Number	Creditor
State-owned Land Use Rights Certificate: Fo Fu Nan Guo Yong (2006) No. 0110086	(1) Xing Yin Yue Bao Di Jie Zi (Guicheng) No. 200912010526	(1) Foshan Branch, Industrial Bank Co., Ltd.
	(2) Nil	(2) Foshan Branch, Industrial Bank Co., Ltd.
Realty Title Certificate: Yue Fang Di Zheng Zi No. C4613501	Xing Yin Yue Bao Di Jie Zi (Guicheng) No. 200912010526	Foshan Branch, Industrial Bank Co., Ltd.
Realty Title Certificate: Yue Fang Di Zheng Zi No. C4613502	Nil	Foshan Branch, Industrial Bank Co., Ltd.

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VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2009 (RMB)
2. 15 retail shop units, Debao Garden, Nanhai District, Foshan City Guangdong Province, the PRC ("Debao Garden")	The property comprises 15 retail shop units with a total gross floor area of approximately 1,315 sq.m.. Debao Garden ("the Development"), occupying a site with an area of approximately 27,863 sq.m., has been developed into a residential development with a total gross floor area of approximately 64,950 sq.m. The property was completed in 2000. The property is held for various land use terms with the latest expiry on 16 August 2068.	12 shop units with a total gross floor area of approximately 999 sq.m. are tenanted for a total monthly rent of RMB14,361 for various terms with the latest expiry on 31 October 2010. The remaining portions of the property with a total gross floor area of approximately 316 sq.m. are currently vacant.	8,760,000 (100% interests attributable to the Group: RMB8,760,000)

Notes:

- a) Pursuant to the following Realty Title Certificates, the property with a total gross floor area of approximately 1,315.22 sq.m. is held by the Group.

Realty Title Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Yue Fang Di Zheng Zi No. C6649288	25 June 2008	102.07	Retail
Yue Fang Di Zheng Zi No. C6966116	13 October 2008	43.23	Retail, Financial and Information
Yue Fang Di Zheng Zi No. C6649267	26 June 2008	184.30	Retail
Yue Fang Di Zheng Zi No. C6649287	25 June 2008	102.07	Retail
Yue Fang Di Zheng Zi No. C6649268	26 June 2008	173.31	Retail
Yue Fang Di Zheng Zi No. C6649285	25 June 2008	78.93	Retail
Yue Fang Di Zheng Zi No. C6649283	25 June 2008	54.79	Retail
Yue Fang Di Zheng Zi No. C6649289	25 June 2008	42.85	Retail
Yue Fang Di Zheng Zi No. C6649282	25 June 2008	85.26	Retail
Yue Fang Di Zheng Zi No. C6649269	26 June 2008	72.17	Retail
Yue Fang Di Zheng Zi No. C6649284	25 June 2008	72.17	Retail
Yue Fang Di Zheng Zi No. C6649286	25 June 2008	72.17	Retail
Yue Fang Di Zheng Zi No. C6649270	26 June 2008	77.53	Retail
Yue Fang Di Zheng Zi No. C6649281	25 June 2008	77.61	Retail
Yue Fang Di Zheng Zi No. C6966286	13 October 2008	76.76	Retail, Financial and Information
Total:		<u>1,315.22</u>	

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- b) As advised by the Group, a second floor office unit of Debao Garden with a total gross floor area of approximately 1,965.81 sq.m. will be transferred to the Group. Had the Group obtained relevant title certificate(s), the capital value of the office unit as at 31 July 2009 was in the sum of RMB8,640,000 (100% interests attributable to the Group: RMB8,640,000).
- c) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:
- i) The Group has duly obtained the property ownership as mentioned in note a) above, and is entitled to occupy, use, transfer, lease, mortgage and otherwise dispose the properties;
 - ii) All the mortgages listed in note iv) below are valid and enforceable, and have been duly registered in compliance with PRC laws and regulations;
 - iii) Having examined the Lease Agreements, the legal advisor is of the opinion that the Material Contracts are valid and enforceable, and all the terms and conditions of the respective Lease Agreements are in compliance with the PRC laws; and
 - iv) The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consent from the mortgagee:

Corresponding Realty Title Certificates	Encumbrance Number	Creditor
Yue Fang Di Zheng Zi No. C6649288	Xing Yin Yue Bao Di	Foshan Branch,
Yue Fang Di Zheng Zi No. C6649267	Jie Zi (Guicheng)	Industrial Bank
Yue Fang Di Zheng Zi No. C6649287	No. 200907170394	Co., Ltd.
Yue Fang Di Zheng Zi No. C6649268		
Yue Fang Di Zheng Zi No. C6649285		
Yue Fang Di Zheng Zi No. C6649283		
Yue Fang Di Zheng Zi No. C6649289		
Yue Fang Di Zheng Zi No. C6649282		
Yue Fang Di Zheng Zi No. C6649269		
Yue Fang Di Zheng Zi No. C6649284		
Yue Fang Di Zheng Zi No. C6649286		
Yue Fang Di Zheng Zi No. C6649270		
Yue Fang Di Zheng Zi No. C6649281		

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2009 (RMB)
3. Various retail shop units and a kindergarten,, Phases I to IV, Jiangnan Mingju, No. 39 Nanyi Road, Nanhai District, Foshan City, Guangdong Province, The PRC	The property comprises 21 retail shop units with a total gross floor area of approximately 6,718 sq.m. and a kindergarten with a total gross floor area of approximately 2,499 sq.m.. Phases I to IV of Jiannan Mingju, occupying a site with an area of approximately 96,809 sq.m., has been developed into a large-scale residential development with a total gross floor area of approximately 354,097 sq.m.. Jiangnan Mingju (the "Development") occupying a site with a site area of approximately 145,116 sq.m. will be developed into a large-scale residential development with a total gross floor area of approximately 518,619 sq.m.. The property was completed in phases in 2005 and 2007. The property is held under a land use term to be expired on 24 September 2072.	Various retail shop units with a total gross floor area of approximately 2,758 sq.m. and the kindergarten are tenanted to various tenants for a total monthly rent of RMB102,201 for various terms with the latest expiry on 31 January 2014. The remaining portions of the property with a total gross floor area of approximately 3,959 sq.m. of the property are currently vacant.	53,950,000 (100% interests attributable to the Group: RMB53,950,000)

Notes:

- a) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of part of the Development, at which the property is located, with a total site area of approximately 96,809.02 sq.m. were granted to the Group for residential use for a land use term to be expired on 24 September 2072.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)
Nan Fu Guo Yong (2002) No. Te 010284	20 December 2002	908.56
Nan Fu Guo Yong (2002) No. Te 010285	20 December 2002	95,900.46
Total:		96,809.02

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

- b) Pursuant to the following Realty Title Certificates dated 24 September 2007, the 21 retail shops of the property with a total gross floor area of approximately 6,717.71 sq.m. were held by the Group for retail use for a land use term to be expired on 24 September 2072.

Realty Title Certificate Number	Gross Floor Area (sq.m.)
Yue Fang Di Zheng Zi No. C5975176	137.54
Yue Fang Di Zheng Zi No. C5975177	300.39
Yue Fang Di Zheng Zi No. C5975180	150.76
Yue Fang Di Zheng Zi No. C5975181	134.44
Yue Fang Di Zheng Zi No. C5975182	137.54
Yue Fang Di Zheng Zi No. C5975183	141.11
Yue Fang Di Zheng Zi No. C5975184	135.22
Yue Fang Di Zheng Zi No. C5975185	1,141.31
Yue Fang Di Zheng Zi No. C5975187	183.21
Yue Fang Di Zheng Zi No. C5975188	81.81
Yue Fang Di Zheng Zi No. C5975189	89.79
Yue Fang Di Zheng Zi No. C5975190	191.73
Yue Fang Di Zheng Zi No. C5975191	163.41
Yue Fang Di Zheng Zi No. C5975192	222.04
Yue Fang Di Zheng Zi No. C5975193	171.97
Yue Fang Di Zheng Zi No. C5975196	148.20
Yue Fang Di Zheng Zi No. C5975197	1,385.87
Yue Fang Di Zheng Zi No. C5975198	1,199.45
Yue Fang Di Zheng Zi No. C5975199	198.32
Yue Fang Di Zheng Zi No. C5975200	106.50
Yue Fang Di Zheng Zi No. C5975215	297.10
Total:	6,717.71

- c) Pursuant to the Property Ownership Certificate No.0101-00022 dated 3 January 2008, a 3-storey kindergarten, erected on the site as mentioned in note a) above, with a gross floor area of approximately 2,498.59 sq.m. was held by the Group.
- d) As advised, 15 retail shops of the property, with a total gross floor area of approximately 2,171.55sq.m., had been determined to be transferred to other parties. We have included the value of this portion in the capital value. The capital value of the aforesaid portion as at the 31 July 2009 was in the sum of RMB19,250,000.
- e) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:
- i) The Group has duly obtained the land use rights and property ownership as mentioned in note a), b) and c) above, and is entitled to occupy, use, transfer, lease, mortgage and otherwise dispose the lands and properties;
 - ii) All the mortgages listed in note iv) below are valid and enforceable, and have been duly registered in compliance with PRC laws and regulations;
 - iii) Having examined the Lease Agreements, the legal advisor is of the opinion that the Material Contracts are valid and enforceable, and all the terms and conditions of the respective Lease Agreements are in compliance with the PRC laws; and

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- iv) The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consent from the mortgagee:

Corresponding Realty Title Certificates	Encumbrance Number	Creditor
Yue Fang Di Zheng Zi No. C5975177	Xing Yin Yue Bao	Foshan Branch,
Yue Fang Di Zheng Zi No. C5975185	Di Jie Zi (Guicheng)	Industrial Bank
Yue Fang Di Zheng Zi No. C5975192	No. 200907170394	Co., Ltd.
Yue Fang Di Zheng Zi No. C5975197		
Yue Fang Di Zheng Zi No. C5975198		
Yue Fang Di Zheng Zi No. C5975215		

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Group II — Property Interests held by the Group for Sales in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2009 (RMB)
4. 156 car parking spaces and motorcycle parking spaces, Debao Garden, Nanhai District, Foshan City, Guangdong Province, the PRC “Development”).	The property comprises 156 car parking spaces in Debao Garden (the “Development”). The Development, occupying a site with an area of approximately 27,863 sq.m., has been developed into a residential development with a total gross floor area of approximately 64,950 sq.m. The property was completed in 2000. The property is held for various land use terms with the last one to be expired on 16 August 2068.	The property is currently vacant.	17,900,000 (100% interests attributable to the Group: RMB17,900,000)

Notes:

- a) Pursuant to 156 Realty Title Certificates, the property is held by the Group for car parking use.
- b) We have been provided with a legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
 - i) The Group has duly obtained property ownership as mentioned in note a) above, and is entitled to occupy, use, transfer, lease, mortgage and otherwise dispose the properties;
 - ii) All the mortgages listed in note iii) below are valid and enforceable, and have been duly registered in compliance with PRC laws and regulations; and
 - iii) Pursuant to the Mortgage Contract of Maximum Amount No. 44906200900003015 dated 2 April 2009, 156 car parking spaces of Debao Garden have been mortgaged to Foshan Nanhai Songgang Sub-branch of China Agricultural Bank Co., Ltd..

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2009 (RMB)
5. Various apartment units, car parking spaces and motorcycle parking spaces, Phases I to IV, Jiangnan Mingju, No. 39 Nanyi Road, Nanhai District, Foshan City, Guangdong Province, the PRC	The property comprises 4 apartment units with a total gross floor area of approximately 589 sq.m., 2 parking spaces and 572 motor parking spaces. Phases I to IV of Jiannan Mingju, occupying a site with an area of approximately 96,809 sq.m., has been developed into a large-scale residential development with a total gross floor area of approximately 354,097 sq.m.. Jiannan Mingju (the "Development") occupying a site with a site area of approximately 145,116 sq.m. will be developed into a large-scale residential development with a total gross floor area of approximately 518,619 sq.m.. The property was completed in phases in 2005 and 2007. The property is held under a land use term to be expired on 24 September 2072.	The property is currently vacant.	8,380,000 (100% interests attributable to the Group: RMB8,380,000)

Notes:

- a) Pursuant to the State-owned Land Use Rights Transfer Contract No. De Fang Zi G (2002) 5 dated 9 October 2002, the land use rights of part of the Development, at which the property is located, with a site area of approximately 96,809.02sq.m. had been agreed to be transferred to the Group for a consideration of RMB80,000,000.
- b) Pursuant to the following State-owned Land Use Rights Certificates dated 20 December 2002, the land use rights of part of the Development, at which the property is located, with a total site area of approximately 96,809.02 sq.m. were granted to the Group for residential use for a land use term to be expired on 24 September 2072.

State-owned Land Use Rights Certificate Number	Site Area (sq.m.)
Nan Fu Guo Yong (2002) No. Te 010284	908.56
Nan Fu Guo Yong (2002) No. Te 010285	95,900.46
Total:	96,809.02

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- c) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:
- i) The State-owned Land Use Rights Transfer Contract as mentioned in note a) above is valid and enforceable under the PRC laws;
 - ii) The Group has duly obtained the land use rights as mentioned in note b) above, and is entitled to occupy, use, transfer, lease, mortgage and otherwise dispose the lands;
 - iii) All approvals, licences and registrations required by applicable PRC laws and regulations for its establishment and business operation as well as for its property development projects have been duly obtained by the Group. The Group has also obtained all relevant approvals and licences required for the pre-sale of its property development projects.
- d) A summary of major certificate / approvals is shown as follows:
- | | | |
|------|--|-----|
| i) | State-owned Land Use Rights Grant Contract | Yes |
| ii) | State-owned Land Use Rights Certificate | Yes |
| iii) | Construction Land Use planning Permit | Yes |
| iv) | Construction Works Planning Permit | Yes |
| v) | Construction Works Commencement Permit | Yes |
| vi) | Pre-sale Permit | Yes |
| vii) | Construction Works Completion Certified Report | Yes |

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

Group III — Property Interests held by the Group for Development in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2009 (RMB)
6. Phases V and VI, Jiangnan Mingju, Nanyi Road, Nanhai District, Foshan City, Guangdong Province, the PRC	The property comprises the whole of phases V and VI of Jiangnan Mingju. The property, occupying a site with the site area of approximately 48,307 sq.m., will be developed into a large-scale high-rise residential development with a total gross floor area of approximately 164,522 sq.m. comprising various apartment units with a total gross floor area of approximately 118,425 sq.m., various retail shops with a total gross floor area of approximately 3,984 sq.m. and 600 car parking spaces. Jiangnan Mingju (the “Development”) occupying a site with a site area of approximately 145,116 sq.m. will be developed into a large-scale residential development with a total gross floor area of approximately 518,619 sq.m.. As advised by the Group, the total construction cost and the incurred construction cost of the property are RMB323,000,000 and RMB222,000,000 respectively (excluding marketing, finance and other indirect costs). The property will be completed in 2010. The site is held for various land use terms with the latest expiry on 1 June 2076.	The property is under developing.	624,000,000 (100% interests attributable to the Group: RMB624,000,000)

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

Notes:

- a) According to the State-owned Land Use Rights Grant Contract No. 440605-2006-000128 dated 2 June 2006, the land use rights of the property with a site area of approximately 48,313.25 sq.m. were agreed to be granted to the Group for a consideration of RMB185,000,000.
- b) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the property with a total site area of approximately 48,307.04 sq.m. were granted to the Group for land use terms expiring on 1 June 2076 for residential use, 1 June 2046 for commercial use and 1 June 2056 for other use.

State-owned Land Use Rights Certificate Number

Date of Issuance

Site Area (sq.m.)

Fo Fu Nan Guo Yong (2006) No. 0115523	22 December 2006	8,056.79
Fo Fu Nan Guo Yong (2008) No. 0107861	11 July 2008	16,126.60
Fo Fu Nan Guo Yong (2008) No. 0107862	11 July 2008	9,265.70
Fo Fu Nan Guo Yong (2008) No. 0107863	11 July 2008	4,663.80
Fo Fu Nan Guo Yong (2008) No. 0107864	11 July 2008	10,194.10

Total: 48,307.04

- c) As advised by the Group, portions of the property comprising 766 apartment units with a gross floor area of approximately 66,782 sq.m., and 7 retail units with a gross floor area of approximately 2,634 sq.m. had been contracted to be sold for a total considerations of RMB408,272,933. In arriving at our opinion on the capital value of the property, we have taken into account of the purchase prices of these portions.
- d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
- i) The contract as mentioned in note a) above are all binding and enforceable, all the terms and conditions of the respective contracts are in compliance with the PRC laws;
 - ii) The Group has duly obtained the land use rights as mentioned in note b) above, and is entitled to occupy, use, transfer, lease, mortgage and otherwise dispose the lands provided that all relevant PRC laws and regulations are complied with, including but not limited to: the Group has invested for development as agreed upon in the grant contract and has fulfilled twenty-five percent or more of the total investment for development in accordance with the Urban Real Estate Management Law;
 - iii) All approvals, licenses and registrations required by applicable PRC laws and regulations for its establishment and operation as well as for its projects under construction have been duly obtained by the Group. The Group has also obtained all relevant approvals and licences required for the pre-sale of its property development projects.
 - iv) All relevant agreements in relation to the transfer of the above lands are valid and enforceable under the PRC laws;
 - v) According to the Group, all the land grant fees and relevant taxes have been fully paid by the Group; and
 - vi) There is no mortgage or other encumbrance on the lands as mentioned in note b) above.

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e) A summary of major certificate / approvals is shown follows:

i)	State-owned Land Use Rights Grant Contract	Yes
ii)	Stated-owned Land Use Rights Certificate	Yes
iii)	Construction Land Use planning Permit	Yes
iv)	Construction Works Planning Permit	Yes
v)	Construction Works Commencement Permit	Yes
vi)	Pre-sale Permit	Yes
vii)	Construction Works Completed Certified Report	N/A

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2009 (RMB)
7. The developing portion of Shanshui Longpan, Baini Town, Sanshui District, Foshan City, Guangdong Province, the PRC	The property comprises of the whole of the developing portion of Shanshui Longpan. The property will be developed into a low-rise residential development comprising various residential units with a total gross floor area of approximately 643,201 sq.m., a hotel with a total gross floor area of approximately 17,187 sq.m., and 5,963 car parking spaces. Shanshui Longpan (the "Development") occupying a site with a site area of approximately 993,678 sq.m. (the "Site") will be developed into a large-scale residential development with a total gross floor area of approximately 794,942 sq.m.. As advised by the Group, the total construction cost and the incurred construction cost of the property are RMB1,340,000,000 and RMB107,000,000 respectively (excluding marketing, finance and other indirect costs). The development of the property will be completed in 2014. The site is held for various land use terms with the latest expiry on 19 April 2077.	The property is under developing.	1,742,000,000 (100% interests attributable to the Group: RMB1,742,000,000)

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

Notes:

- a) Pursuant to the following State-owned Land Use Rights Grant Contracts, the land use rights of part of the Site with a total site area of approximately 993,677.60 sq.m., at which the property is located, were agreed to be granted to the Group for a total consideration of RMB623,998,311.13.

State-owned Land Use Rights Grant Contract Number	Date of Issuance	Site Area (sq.m.)	Consideration (RMB)
440607-2007-000238	20 April 2007	125,000.00	78,496,071.78
440607-2007-000239	20 April 2007	125,000.00	78,496,071.78
440607-2007-000754	17 September 2007	133,333.30	83,729,133.33
440607-2008-000051	21 January 2008	94,455.20	59,314,895.50
440607-2008-000210	18 March 2008	98,408.20	61,797,250.39
440607-2008-000436	29 May 2008	79,333.60	49,819,007.58
440607-2009-000140	25 February 2009	66,666.20	41,864,280.28
440607-2009-000139	25 February 2009	56,666.10	35,584,531.48
440607-2009-000236	8 April 2009	95,114.90	59,729,168.02
440607-2009-000289	21 April 2009	57,509.20	36,113,970.26
440607-2009-000288	21 April 2009	62,190.90	39,053,930.73
Total:		993,677.60	623,998,311.13

- b) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of part of the Site with a total site area of approximately 993,677.60 sq.m., at which the property is located, were granted to the Group for various land use terms with the last one to be expired on 19 April 2077.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)
Fo San Guo Yong (2007) No. 20072100043	25 April 2007	125,000.00
Fo San Guo Yong (2007) No. 20072100044	25 April 2007	125,000.00
Fo San Guo Yong (2007) No. 20072100087	18 September 2007	133,333.30
Fo San Guo Yong (2008) No. 20082100005	21 January 2008	94,455.20
Fo San Guo Yong (2008) No. 20082100022	24 March 2008	98,408.20
Fo San Guo Yong (2008) No. 20082100065	3 June 2008	79,333.60
Fo San Guo Yong (2009) No. 20092100032	26 February 2009	66,666.20
Fo San Guo Yong (2009) No. 20092100033	26 February 2009	56,666.10
Fo San Guo Yong (2009) No. 20092100068	8 April 2009	95,114.90
Fo San Guo Yong (2009) No. 20092100077	23 April 2009	57,509.20
Fo San Guo Yong (2009) No. 20092100078	23 April 2009	62,190.90
Total:		993,677.60

- c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:
- i) The contracts as mentioned in note a) above are all binding and enforceable, all the terms and conditions of the respective contracts are in compliance with the PRC laws;
 - ii) The Group has duly obtained the land use rights of the property as mentioned in note b) above, and is entitled to occupy, use, transfer, lease, mortgage and otherwise dispose the lands provided that all relevant PRC laws and regulations are complied with, including but not limited to: the Group has invested for development as agreed upon in the grant contract and has fulfilled twenty-five percent or more of the total investment for development in accordance with the Urban Real Estate Management Law;

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

- iii) All approvals, licences and registrations required by applicable PRC laws and regulations for its establishment and business operation as well as for its projects under construction have been duly obtained by the Group and the Group has the right to conduct business during the term of operation as stipulated in its Business License;
- iv) All relevant agreements in relation to the transfer and mortgage of the above lands are valid and enforceable under the PRC laws, and all the mortgages above have been duly registered in compliance with relevant PRC laws and regulations; and
- v) The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consent from the mortgagee:

Corresponding State-owned Land Use Rights Certificate	Encumbrance Number	Creditor
Fo San Guo Yong (2007) No. 20072100043	44101200800001065	Foshan Nanhai Danzao Sub-Branch, Agricultural Bank of China
Fo San Guo Yong (2007) No. 20072100044	44101200700002261	Foshan Nanhai Sub-branch, Agricultural Bank of China
Fo San Guo Yong (2007) No. 20072100087 Fo San Guo Yong (2008) No. 20082100022 Fo San Guo Yong (2008) No. 20082100065 Fo San Guo Yong (2009) No. 20092100068	Y2007 Fang Zi No. 9, 11, 12, 13	Foshan Branch, China Construction Bank Co., Ltd.
Fo San Guo Yong (2008) No. 20082100005	N044101200800001065	Foshan Nanhai Sub-branch, Agricultural Bank of China
Fo San Guo Yong (2009) No. 20092100033	2009 Nian Cheng Zi No. 1009280005	Foshan Branch, China Merchants Bank Co., Ltd.
Fo San Guo Yong (2009) No. 20092100078	Credit Agreement Y2009 Cheng Zi No. 0109280005	Foshan Branch, China Merchants Bank Co., Ltd.
Fo San Guo Yong (2009) No. 20092100032 Fo San Guo Yong (2009) No. 20092100077	2009 Nian Ping Zhou Fang Kai Zi No.001, 002	Foshan Pingzhou Sub-branch, Industrial and Commercial Bank of China Ltd.

- d) A summary of major certificate / approvals is shown follows:

i) State-owned Land Use Rights Grant Contract	Yes
ii) Stated-owned Land Use Rights Certificate	Yes
iii) Construction Land Use planning Permit	Yes
iv) Construction Works Planning Permit	Yes
v) Construction Works Commencement Permit	Yes
vi) Pre-sale Permit	N/A
vii) Construction Works Completion Certified Report	N/A

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

Group IV — Property Interests held by the Group for Future Development in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2009 (RMB)
8. The parcel of land in Shanshui Longpan, Baini Town, Sanshui District, Foshan City, Guangdong Province, the PRC Longpan.	The property comprises a site for future development as part of the Shanshui Upon completion, the property will be developed into a large-scale residential development with a total gross floor area of approximately 134,554 sq.m. comprising various residential units with a total gross floor area of approximately 126,616 sq.m., a kindergarten with a gross floor area of approximately 6,000 sq.m., a clubhouse with a gross floor area of approximately 1,938 sq.m. and 340 car parking spaces. Shanshui Longpan (the "Development") occupying a site with a site area of approximately 993,678 sq.m. (the "Site") will be developed into a large-scale residential development with a total gross floor area of approximately 794,942 sq.m.. The development of the property will be completed in 2011. The property is held for various land use terms with the last one to be expired on 19 April 2077.	The property is currently vacant.	665,000,000 (100% interests attributable to the Group: RMB665,000,000)

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Notes:

- a) Pursuant to the following State-owned Land Use Rights Grant Contracts, as the below, the land use rights of part of the Site with a total site area of approximately 993,677.60 sq.m., at which the property is located, were agreed to be granted to the Group for a total consideration of RMB623,998,311.13.

State-owned Land Use Rights Grant Contract Number	Date of Issuance	Site Area (sq.m.)	Consideration (RMB)
440607-2007-000238	20 April 2007	125,000.00	78,496,071.78
440607-2007-000239	20 April 2007	125,000.00	78,496,071.78
440607-2007-000754	17 September 2007	133,333.30	83,729,133.33
440607-2008-000051	21 January 2008	94,455.20	59,314,895.50
440607-2008-000210	18 March 2008	98,408.20	61,797,250.39
440607-2008-000436	29 May 2008	79,333.60	49,819,007.58
440607-2009-000140	25 February 2009	66,666.20	41,864,280.28
440607-2009-000139	25 February 2009	56,666.10	35,584,531.48
440607-2009-000236	8 April 2009	95,114.90	59,729,168.02
440607-2009-000289	21 April 2009	57,509.20	36,113,970.26
440607-2009-000288	21 April 2009	62,190.90	39,053,930.73
Total:		993,677.60	623,998,311.13

- b) Pursuant to the following State-owned Land Use Rights Certificates, as the below, the land use rights of part of the Site with a total site area of approximately 993,677.60 sq.m., at which the property is located, were granted to the Group for various land use terms with the last one to be expired on 19 April 2077.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)
Fo San Guo Yong (2007) No. 20072100043	25 April 2007	125,000.00
Fo San Guo Yong (2007) No. 20072100044	25 April 2007	125,000.00
Fo San Guo Yong (2007) No. 20072100087	18 September 2007	133,333.30
Fo San Guo Yong (2008) No. 20082100005	21 January 2008	94,455.20
Fo San Guo Yong (2008) No. 20082100022	24 March 2008	98,408.20
Fo San Guo Yong (2008) No. 20082100065	3 June 2008	79,333.60
Fo San Guo Yong (2009) No. 20092100032	26 February 2009	66,666.20
Fo San Guo Yong (2009) No. 20092100033	26 February 2009	56,666.10
Fo San Guo Yong (2009) No. 20092100068	8 April 2009	95,114.90
Fo San Guo Yong (2009) No. 20092100077	23 April 2009	57,509.20
Fo San Guo Yong (2009) No. 20092100078	23 April 2009	62,190.90
Total:		993,677.60

- c) The Group has commenced the construction works on a part of the Site as mentioned in note b) above. The developing portion of the Development is contained in Property 7 of this valuation report. This property comprises the remaining part of the Development for future works.
- d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:
- i) The contracts as mentioned in note a) above are all binding and enforceable, all the terms and conditions of the respective contracts are in compliance with the PRC laws;

ANNEX B: CB RICHARD ELLIS LIMITED VALUATION REPORT

- ii) The Group has duly obtained the land use rights of the property as mentioned in note b) above, and is entitled to occupy, use, transfer, lease, mortgage and otherwise dispose the lands provided that all relevant PRC laws and regulations are complied with, including but not limited to: the Group has invested for development as agreed upon in the grant contract and has fulfilled twenty-five percent or more of the total investment for development in accordance with the Urban Real Estate Management Law;
- iii) All relevant agreements in relation to the transfer and mortgage of the above lands are valid and enforceable under the PRC laws, and all the mortgages above have been duly registered in compliance with relevant PRC laws and regulations; and
- iv) The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consent from the mortgagee:

Corresponding State-owned Land Use Rights Certificate	Encumbrance Number	Creditor
Fo San Guo Yong (2007) No. 20072100043	44101200800001065	Foshan Nanhai Danzao Sub-Branch, Agricultural Bank of China
Fo San Guo Yong (2007) No. 20072100044	44101200700002261	Foshan Nanhai Sub-branch, Agricultural Bank of China
Fo San Guo Yong (2007) No. 20072100087 Fo San Guo Yong (2008) No. 20082100022 Fo San Guo Yong (2008) No. 20082100065 Fo San Guo Yong (2009) No. 20092100068	Y2007 Fang Zi No. 9, 11, 12, 13	Foshan Branch, China Construction Bank Co., Ltd.
Fo San Guo Yong (2008) No. 20082100005	N044101200800001065	Foshan Nanhai Sub-branch, Agricultural Bank of China
Fo San Guo Yong (2009) No. 20092100033	2009 Nian Cheng Zi No. 1009280005	Foshan Branch, China Merchants Bank Co., Ltd.
Fo San Guo Yong (2009) No. 20092100078	Credit Agreement Y2009 Cheng Zi No. 0109280005	Foshan Branch, China Merchants Bank Co., Ltd.
Fo San Guo Yong (2009) No. 20092100032 Fo San Guo Yong (2009) No. 20092100077	2009 Nian Ping Zhou Fang Kai Zi No.001, 002	Foshan Pingzhou Sub-branch, Industrial and Commercial Bank of China Ltd.

- e) A summary of major certificate / approvals is shown follows:

i) State-owned Land Use Rights Grant Contract	Yes
ii) Stated-owned Land Use Rights Certificate	Yes
iii) Construction Land Use planning Permit	Yes
iv) Construction Works Planning Permit	N/A
v) Construction Works Commencement Permit	N/A
vi) Pre-sale Permit	N/A
vii) Construction Works Completion Certified Report	N/A

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Group V — Contractual Interests held by the Group in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 July 2009 (RMB)
9. Jinlong Garden, No. 91 Shidong Upper Road, Chancheng District, Foshan City, Guangdong Province, the PRC	The property comprises of the whole development of Jinlong Garden. Jinlong Garden (the "Development") occupying a site with a site area of approximately 47,541 sq.m. (the "Site") will be developed into a residential development with a construction area of approximately 140,798 sq.m. comprising various apartment units with a total gross floor area of approximately 115,581 sq.m., various retail shops with a total gross floor area of approximately 4,707 sq.m., 259 car parking spaces and 1,710 motorcycle parking spaces. As advised by the Group, the total construction cost and the incurred construction cost of the property are RMB263,000,000 and RMB43,400,000 respectively (excluding marketing, finance and other indirect costs). The property will be completed in 2012. The property is held for various land use terms with the latest expiry on 10 April 2078.	The portion of property is under developing.	489,000,000 (55% interests attributable to the Group: RMB268,950,000) (subject to the assumption made as stated in note b) below)

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Notes:

- a) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the Site with a total site area of approximately 47,541.00 sq.m. had been granted to Foshan Jingfang Industrial Development Co., Ltd. (the “Jinlong Project Company”) for various land use terms.

State-owned Land Use Rights Certificate Number	Site Area (sq.m.)	Use / Date of Expiry
Fo Fu Guo Yong (2001) Zi No. 06000410189	10,795.00	Commercial: 1 November 2040 Residential: 1 November 2070
Fo Fu Guo Yong (2003) Zi No. 06000412503	16,465.00	Commercial: 15 July 2043 Residential: 15 July 2073
Fo Fu Guo Yong (2008) Zi No. 06000420448	7,715.00	Commercial: 10 April 2048 Residential: 10 April 2078
Fo Fu Guo Yong (2008) Zi No. 06000420459	922.00	Commercial: 10 April 2048 Residential: 10 April 2078
Fo Fu Guo Yong (2008) Zi No. 06000420464	1,456.00	Commercial: 10 April 2048 Residential: 10 April 2078
Fo Fu Guo Yong (2008) Zi No. 06000420806	10,188.00	Commercial: 10 April 2048 Kindergarten: 10 April 2058 Residential: 10 April 2078
Total:	47,541.00	

- b) We were advised that the Jinlong Project Company will transfer various apartment units with a total gross floor area of approximately 23,600 sq.m. as a part of the land premium of the Development to other third party without compensation. We have made an assumption that the property can be sold without any encumbrance condition and our valuation has included the value of these portions to be transferred. The capital value of these portions as if completed as at 31 July 2009 was in the sum of RMB168,000,000.
- c) Portions of the property comprising 219 apartment units with a total gross floor area of approximately 15,288 sq.m. and 18 retail shop units with a total gross floor area of approximately 1,388 sq.m. had been contracted to be sold for a total considerations of RMB131,726,308. In arriving at our opinion on the capital value of the property, we have taken into account of the purchase prices of these portions.
- d) We have been provided with a legal opinion on the property prepared by the Group’s PRC legal advisors, which contains, inter alia, the following information:
- i) The Jinlong Project Company has duly obtained the land use rights of the property as mentioned in note a) above, and is entitled to occupy, use, transfer, lease, mortgage and otherwise dispose the lands;
 - ii) A Joint Contract of Developing Commercial Houses signed by Foshan Jingfang Industrial Development Co., Ltd. and the Group dated 26 September 2001, for a land parcel with a total site area of 69,761 sq.m.;
 - iii) The Group has only a contractual interest instead of any direct ownership interest in the Property. The aforesaid cooperative agreement should be legal and enforceable;
 - iv) All approvals, licences and registrations required by applicable PRC laws and regulations for its establishment and business operation as well as for its property development projects have been duly obtained by the Jinlong Project Company. Jinlong Project Company has also obtained all relevant approvals and licences required for the pre-sale of its property development projects. Jinlong Project Company has the right to conduct business during the term of operation as stipulated in its Business License.

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- v) All the mortgages listed in note vi) below are valid and enforceable, and have been duly registered in compliance with PRC laws and regulations; and
- vi) Based on the Loan Contract Guaranteed by Guarantee and Warrant of Maximum Amount with the reference number of Nong Xin Gao Di Bao Jie Zi (Company) No. 20080902 dated 25 August, 2008, the State-owned Land Use Right Certificate Fo Fu Guo Yong (2003) No. 06000412503 has been mortgaged to Rural Credit Union of Chancheng District, Foshan to secure the loans from Rural Credit Union of Chancheng District, Foshan whose period is from 25 August 2008 to 21 December 2013.
- e) A summary of major certificate / approvals is shown follows:
- | | | |
|------|--|------|
| i) | State-owned Land Use Rights Grant Contract | Yes |
| ii) | State-owned Land Use Rights Certificate | Yes |
| iii) | Construction Land Use planning Permit | Yes |
| iv) | Construction Works Planning Permit | Yes |
| v) | Construction Works Commencement Permit | Part |
| vi) | Pre-sale Permit | Part |
| vii) | Construction Works Completion Certified Report | N/A |

ANNEX C: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

1. PRC legal system

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents.

The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing the state organs, civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may promulgate administrative rules and directives applicable to their own administrative area. These local laws and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on 10th June, 1981, the Supreme People's Court has the power to issue general interpretations on the application of laws in judicial proceedings in addition to its power to issue specific interpretations in specific cases. The State Council and its ministries and commissions are also vested with the power to issue interpretations of the rules and regulations promulgated by itself. At the regional level, the power to issue interpretations of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All such interpretations carry the force of law.

2. Judicial system

The People's Courts are the judicial organs of the PRC. Under the PRC Constitution and the Law of Organisation of the People's Courts of the People's Republic of China, the People's Courts comprise the Supreme People's Court, the People's local courts, military courts and other special People's Courts. The People's local courts are divided into three levels, namely, the basic People's Courts, intermediate People's Courts and higher People's Courts. The basic People's Courts are divided into civil, criminal and administrative divisions. The intermediate People's Courts have divisions similar to those of the basic People's Courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The judicial functions of People's Courts at lower levels are subject to supervision of People's Courts at higher levels. The People's procuratorates also have the right to exercise legal supervision over the proceedings of People's Courts of the same or lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the People's Courts of all levels.

The People's Court adopts a two-tier appeal system. At first instance a party may, before a judgment or order takes effect, appeal against the judgment or order of a Local People's Court to the People's Court of the next higher level. Judgments or orders at the second instance at the next higher level of the People's Court are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding. If, however, the Supreme People's Court or a People's Court of a higher level finds an error in a final and binding judgment of any People's

ANNEX C: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

Court of a lower level which has taken effect, a retrial of the case may be conducted according to the judicial supervision procedures. If the president of a People's Court at any level finds a definite error in a legally effective judgment or written order of his court and deems it necessary to have the case retried, he shall refer it to the judicial committee for discussion and decision.

The PRC civil procedures are governed by the Civil Procedure Law of the People's Republic of (the "Civil Procedure Law") adopted on 9th April 1991, which was amended on 28 October 2007 and effected on 1 April 2008. The Civil Procedure Law governs the institution of a civil action, the jurisdiction of the People's Courts, the procedures for the conduct of a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The jurisdiction may also be selected by express agreement of the contractual parties provided that the jurisdiction of the People's Court so selected is connected with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or performed in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. In respect of litigation, a foreign national or foreign enterprise is accorded the same rights and subject to the same obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or order made by a People's Court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the People's Court to enforce the judgment, order or award. There are time limits on the right to apply for such enforcement. Where at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other entities, the time limit is six months. However, from 1 April 2008, such time limit has been extended to two years, no matter the nature of the parties to the dispute.

A party seeking to enforce a judgment or order of a People's Court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to PRC enforcement procedures by the people's courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the People's Court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

3. Arbitration and enforcement of arbitral awards

The Arbitration Law of the PRC (the "Arbitration Law") was promulgated by the Standing Committee of the NPC on 31st August, 1994 and came into effect on 1st September, 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a People's Court.

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party may apply to the People's Court for enforcement. A People's Court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee.

A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

ANNEX C: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award (“New York Convention”) adopted on 10th June, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2nd December, 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and noncontractual merchantile legal relations.

4. Foreign exchange control

Prior to 31 December 1993, enterprises in the PRC requiring foreign currency were required to obtain approval from the State Planning Committee and the Ministry of Foreign Trade and Economic Cooperation before it could convert RMB into foreign currency, and such conversion had to be effected at the official rate prescribed by the State Administration for Foreign Exchange (“SAFE”). RMB reserved by foreign investment enterprises (“FIE”s) could also be converted into foreign currency at swap centres with the prior examination and verification by SAFE. The exchange rates used by swap centres were largely determined by the supply of and demand for foreign currencies and RMB.

On 28 December 1993, the People’s Bank of China announced that the dual exchange rate system for RMB against foreign currencies would be abolished with effect from 1 January 1994 and be replaced by the unified exchange rate system. Under the new system, the People’s Bank of China publishes the RMB exchange rate against the United States dollar daily. The daily exchange rate is set by reference to the RMB/US\$ trading price on the previous day on the “inter-bank foreign exchange market”.

On 1 April 1996, the Foreign Exchange Control Regulations of the PRC (as amended on 14 January 1997) came into effect. On 20 June 1996, the Regulations on Sale and Purchase of and Payment in Foreign Exchange were promulgated by the People’s Bank of China and came into effect on 1 July 1996.

On 25 October 1998, the People’s Bank of China and SAFE issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, foreign exchange transactions for FIEs may only be conducted at designated banks.

On 9 September 2002, Notice on Further Policy and Related Issues Concerning Current Transaction Foreign Exchange Accounts of Domestic Entities was promulgated by SAFE. On 21 October 2005, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (“Notice 75”) which came into effect on 1 November 2005. Under Notice 75, PRC residents, including PRC Companies and PRC resident individuals, have to register their foreign investments with the local SAFE prior to incorporating or taking control of a special purpose vehicle (the “SPV”). Where a PRC resident contributes the assets or stock rights of a domestic enterprise that it owns into a SPV, or engages in capital financing abroad after contributing assets or stock rights into the SPV, it has to register such change. Other than the abovementioned registration requirement, Notice 75 also requires PRC residents to register, modify or record with the local foreign exchange authority within 30 days from the date of increase/decrease of capital, share transfer, mergers or division, change in long-term equity or debt investments and guarantees in or by the SPV. In addition, the proceeds from overseas listing of the SPV shall, according to the repatriation plan submitted to the foreign

ANNEX C: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

exchange administration for record, be repatriated according to current regulations for the administration of foreign exchange. In addition, the foreign exchange income from profits, bonus and capital change obtained by the PRC residents from the SPV shall be repatriated within 180 days.

On 6 June 2006, SAFE issued a Circular on the Revision of Certain Foreign Exchange Control Policies Relating to Overseas Investment ("Circular 27"), which came into effect on 1 July 2006. Circular 27 provides the preliminary resources and procedures for the purchase and payment of foreign exchange required of domestic investors qualified as legal persons when investing overseas and sets out the requirements for purpose of use and the maximum amount of the preliminary costs for an overseas investment project to be remitted out of the PRC as well as the approval procedures for the remittance thereof.

On 12 August 2007, SAFE promulgated Notice on the Retaining of Foreign Exchange Earnings by Domestic Entity, which provides that from 12 August 2007, domestic entity may retain its recurrent foreign exchange earnings according to their needs for operation.

On 1 August 2008, the revised Foreign Exchange Control Regulations of the PRC was adopted by the State Council and was promulgated for implementation on 5 August 2008.

In summary, taking into account the promulgation of the recent new regulations and to the extent the existing provisions stipulated in previous regulations do not contradict these new regulations, the present position under the PRC law relating to foreign exchange control are as follows:-

1. The previous dual exchange rate system for RMB was abolished and a managed floating exchange rate system based largely on supply and demand with reference to a basket of currencies was introduced. The People's Bank of China, will announce the closing price of foreign currencies against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for trading against the RMB on the following working day.
2. Foreign exchange earnings of domestic entities may be transferred to China or held abroad according to the regulations stipulated by SAFE.
3. FIEs may have their own foreign currency accounts and are also permitted to retain their recurrent exchange earnings according to their needs of operation and the sums retained may be deposited into foreign exchange bank accounts maintained with designated banks.
4. Reservation or sale of capital account foreign exchange earnings to designated banks shall be approved by the foreign exchange control administration unless stated otherwise. Foreign exchange funds from capital account shall only be used according to the purpose approved by the foreign exchange control administration and the relevant competent authorities.
5. Where a foreign enterprise makes a direct investment or carries out the issuance and/or business of securities or other derivatives within the PRC, or where a domestic entity makes a direct investment or carries out the issuance and/or business of securities or other derivatives outside the PRC, it shall go through the registration procedure according to the relevant regulations stipulated by SAFE. A guarantee or a commercial loan provided to the entity outside the PRC by a domestic entity shall be subject to approval and registration with relevant foreign exchange administration. The utilisation of foreign debts by an enterprise shall be in compliance with relevant regulations and has to undergo foreign debt registration with the foreign exchange control administration.
6. FIEs which require foreign exchange for their ordinary trading activities such as trade services and payment of interest on foreign debts may purchase foreign exchange from designated foreign exchange banks if the application is supported by proper payment notices or supporting documents.

ANNEX C: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

7. FIEs may require foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as distributing profits to their foreign investors. They can withdraw funds from their foreign exchange bank accounts kept with designated foreign exchange banks, subject to the due payment of tax on dividends. Where the amount of the funds in foreign exchange is insufficient, the FIE may, upon the presentation of the resolutions of the directors on the profit distribution plan and other relevant documents, purchase foreign exchange from designated foreign exchange banks.
8. FIEs may apply to the Bank of China or other designated foreign exchange banks to remit profit out of the PRC to the foreign parties if the requirements provided by the PRC laws, rules and regulations are met.
9. Strict supervision and control by foreign exchange control administration has been imposed upon FIEs established in the manner of acquisitions of the PRC enterprises by foreign enterprises with PRC residents as shareholders.

5. Taxation

1. Income tax on foreign investment enterprises

Pursuant to the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises, together with its Implementation Rules which came into effect on 1 July 1991, (collectively the "Income Tax Law") sino-foreign equity joint ventures, sino-foreign cooperative ventures and wholly-owned foreign investment enterprises in PRC (collectively, FIEs) are subject to a 30% income tax plus a 3% local income tax. FIEs engaged in production having a period of operation of not less than 10 years shall be exempted from income tax for the first 2 profit making years and a 50% reduction in the income tax payable for the next 3 years. If, in any year after the expiration of the period of tax exemption and reduction, the value of the products exported by a FIE constitutes 70% or more of its total turnover, the enterprise qualifies as an "export-oriented" enterprise, and will be entitled to a 50% tax reduction for that year. For those "export-oriented" enterprises established in the 5 special economic zones of PRC, the minimum tax rate is 10%.

All FIEs established in the 5 special economic zones of PRC, for example, Shenzhen Special Economic Zone, and FIEs of a production nature located in one of the "economic and technological development zones" are entitled to pay a national income tax rate of 15%. Preferential income tax rates of 24% are also available to, amongst others, FIEs of a production nature located in one of the designated "open economic zones" in the coastal regions of PRC. The 3% local income tax may be reduced or waived by the local government at the provincial level of the place in which the FIEs are located. Income tax is computed annually and payable on a quarterly basis.

Under the Income Tax Law, the foreign investor in a FIE is not required to pay income tax on profits or dividends derived from the FIE and will not be subject to any withholding tax on the outward remittance on such profits or dividends.

The law of the People's Republic of China on Enterprise Income Tax (the "New Income Tax Law") was promulgated by NPC on 16 March 2007 and came into effect on 1 January 2008. The Chinese domestic enterprises and FIEs are treated equally on the income tax rate, and the enterprise income tax rate shall be 25%. In accordance with the New Income Tax Law and its implementing regulations, the non-resident enterprise which has no establishment in China, or has establishment but the income has no relationship with such establishment, it shall pay enterprise income tax on such income sourced from China, and the income tax rate shall be 10%, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specially exempted from tax under the applicable tax laws, regulations, notices and decisions which relate to FIEs and their investors.

ANNEX C: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

The enterprises that were approved and established prior to the promulgation hereof and that, in accordance with then effective tax laws and administrative regulations, enjoy a special lower tax rate shall, in accordance with the provisions of the State Council, progressively transit to the tax rate specified herein within 5 years following the implementation hereof. Those enterprises that enjoy a fixed-term tax exemption or tax reduction shall, in accordance with the provisions of the State Council, continue to enjoy such exemption or reduction after the implementation hereof until the expiration of the term of such exemption or reduction. However, if an enterprise did not enjoy such preferential treatment because it has not yet achieved profitability, the term of such preferential treatment shall be calculated from 1 January 2008 until the expiration of the term of such exemption or reduction.

Based on the Notice of State Administration of Taxation on Issues Relating to Prepayment of Enterprise Income Tax for Real Estate Development Enterprises promulgated by the State Administration of Taxation on 7 April 2008, a real estate development enterprise shall prepay enterprise income tax on the monthly (or quarterly) basis according to the actual profit of the current year, an estimated amount of profit shall be worked out on the monthly (or quarterly) basis and calculated into total profits for prepayment, on the basis of the revenue which is derived from pre-sale of residences and commercial buildings under development and construction, as well as other buildings, ancillary facilities and supporting facilities under development prior to their completion and according to the estimated rate of profit as prescribed.

The estimated rate of profit shall be temperately determined according to the following standards:-

(1) If the non-economically affordable housing development projects are:-

- A. In urban areas and suburbs of the cities where the people's governments of the provinces, autonomous regions, municipalities directly under the Central Government and specially designated cities in the State plan are located, the estimated rate of profit shall not be lower than 20%;
- B. In urban areas and suburbs of prefecture-level cities, regions, unions, prefectures, the estimated rate of profit shall not be lower than 15%; and
- C. In other regions, the estimated rate of profit shall not be lower than 10%;

(2) The affordable housing development projects:-

If the economically affordable housing development projects comply with relevant regulations prescribed in Notice on Printing and Distributing Administrative Measures on Economically Affordable Housing (Jian Zhu Fang No. 77 [2007]) that is issued by Ministry Land and Resources and The People's Bank of China, the estimated rate of profit shall not be lower than 3%.

2. Value added tax

Pursuant to the The Provisional Regulations of the People's Republic of China Concerning Value Added Tax promulgated by the State Council came into effect on 1 January 1994(as amended on 10 November 2008 and came into effect on 1 January 2009) and its Implementation Rules, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

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A FIE, if it is not qualified as a small-scale VAT tax payer, is subject to value added tax at the rate of 17% on the sale and import of goods (unless the goods fall within Article 2(2) of the VAT Regulations, such as grain, water, gas and newspapers, in which case the VAT rate is 13%) as well as on processing, repair and replacement services. Goods exported will be taxed at a rate of 0%, except where otherwise determined by the State Council. A FIE importing goods will pay value added tax on the total value of the goods.

3. Business tax

Pursuant to the Provisional Regulations of the PRC Concerning Business Tax promulgated by the State Council which came into effect on 1 January 1994 (as amended on 10 November 2008 and came into effect on 1 January 2009) and its Implementation Rules, business that provide services (including entertainment business), assign intangible assets or sell immovable property became liable to business tax at a rate ranging from three to twenty per cent of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

4. Land Appreciation Tax

Pursuant to the PRC Provisional Regulations on Land Appreciation Tax (the "Provisional Regulations") promulgated by the State Council on 13 December 1993 and effected on 1 January 1994, and the PRC Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (the "Detailed Implementation Rules") which was promulgated and effected on 27 January 1995, any appreciation amount gained from taxpayer's transfer of property shall be subject to land appreciation tax. Land appreciation tax ("LAT") is calculated based on a 4-band excess progressive tax rate: for the portion with appreciation not exceeding 50% of the deductible amount, the applicable tax rate is 30%; the applicable tax rate for the portion with appreciation exceeding 50% but not exceeding 100% of the deductible amount is 40%; the applicable tax rate for the portion exceeding 100%, but not exceeding 200% of the deductible amount is 50%; the applicable tax rate for the portion exceeding 200% of the deductible amount is 60%. The related deductible items aforesaid include the following:-

- (e) amount paid for obtaining the land use right;
- (f) costs and expenses for development of land;
- (g) costs and expenses of new buildings and ancillary facilities, or evaluated prices of old buildings and constructions;
- (h) related tax payable for transfer of property; and
- (i) other deductible items as specified by the Ministry of Finance.

According to the requirements of the Provisional Regulations, the Detailed Implementation Rules and the Notice issued by the Ministry of Finance in respect of the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before 1 January 1994, which was announced by the Ministry of Finance on 27 January 1995, LAT is exempted under any one of the following circumstances:-

- (i) taxpayers constructing ordinary standard residences for sale (i.e. the residences built in accordance with the local standard for general civilian used residential properties. Deluxe apartments, villas, resorts, etc. are not under the category of ordinary standard residences), where the appreciation amount does not exceed 20% of the sum of deductible items;
- (ii) real estate taken over and repossessed according to laws due to the construction requirements of the State;

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- (iii) due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of which they have been living there for five years or more, and after obtaining tax authorities' approval;
- (iv) for real estates assignments which were signed before 1 January 1994, whenever the properties are transferred, the LAT shall be exempted; and
- (v) either when the real estates assignments were signed before 1 January 1994 or when the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, the LAT shall be exempted if the properties are transferred within five years after 1 January 1994 for the first time. The date of signing the assignment shall be the date of signing the Sale and Purchase Agreement. Particular real estates projects which are approved by the Government for the development of the whole piece of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by Ministry of Finance and State Taxation Bureau, the tax-free period would then be appropriately prolonged.

On 24 December 1999, the Ministry of Finance and the State Taxation Bureau issued the "Notice in respect of the extension of the period for the Land Appreciation Tax Exemption Policy" that extended the period for the LAT exemption policy as mentioned in paragraph (5) hereinabove to the end of 2000.

After the enactment of the Provisional Regulations and the Detailed Implementation Rules, due to the longer period for the real estate development and transfer, many districts, while they were implementing the regulations and rules, did not force the real estate development enterprises to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Taxation Bureau, Ministry of Construction and State Land Administration Bureau had separately and jointly issued several notices to restate the following: After the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estates are located, and pay the LAT in accordance with the amount as calculated by the tax authority and the time as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority shall not process the relevant title change procedures, and shall not issue the real estate title certificate.

The State Taxation Bureau also issued the "Notice issued by the State Taxation Bureau in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax" on 10 July 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of real estates. That notice also pointed out that either for the real estates assignments which were signed before 1 January 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within five years after 1 January 1994 for the first time is expired, and such tax shall be levied again.

According to the Circular on Several Issues of the Levy and Administration of Land Appreciation Tax promulgated jointly by the State Administration of Taxation and the State Land Administration Bureau on January 1996 and the Circular on Issues related to the Administration and Levy of the Land Appreciation Tax promulgated by the State Administration of Taxation and the Ministry of Construction in April 1996, the taxation authorities at all levels should cooperate with the land resource and real estate management authorities on the levy and administration of the LAT in accordance with the related regulations and the above two circulars.

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On 2 March 2006, the Ministry of Finance and State Administration of Taxation issued the Notice on Several Points on Land Appreciation Tax to clarify the relevant issues regarding land appreciation tax as follows:-

- (a) Tax collection and exemption in the sale of ordinary standard residential housing as built by taxpayers as well as in the transfer of ordinary residential houses by individual residents:-

The notice sets out the standards for ordinary standard residential houses. Where any developers build ordinary residential houses as well as other commercial houses, the appreciation amount of land must be verified. Before the day when this notice is publicized, as to any application for tax exemption for ordinary standard residential houses that has been filed to the tax authority at the locality of the property, especially any ordinary standard residential houses which have been given the treatment of exemption from land appreciation tax upon examination according to the standards for ordinary standard residential houses as determined by the people's government of a province, autonomous region or municipality directly under the Central Government, no adjustment shall be retroactively made.

- (b) Advance collection and settlement of land appreciation tax:-

- All regions must decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value addition level of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up;
- As to any tax that fails to be collected in advance within the advance collection term, the overdue fines will be collected as of the day following the expiration of the prescribed advance collection term according to the relevant provisions of the Tax Collection and Administration Law and implementation rules;
- As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of land appreciation tax on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement will be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning; and
- As to the tax collection and exemption for investment or association by means of the property: As to any investment or association by using land (property) as payment for the purchase of shares, where an enterprise involved in the investment or association engages in the property development or where any other property development enterprise makes investment or conducts association with the commercial houses it itself builds, such enterprise will not be governed by the regulation of the interim exemption of land appreciation tax when the property (land) is transferred to the enterprise by means of investment or association.

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On 20 October 2006, the Ministry of Finance and the State Administration of Taxation issued the “Circular on Relevant Policies of Land Appreciation Tax on Ordinary Standard Residences.” The circular prescribes that the Ordinary Standard Residences that may enjoy the preferential policy must satisfy all the following conditions: (1) the plot ratio of the residential quarter exceeds 1.0; (2) the GFA per unit is no greater than 120 square meters; (3) the actual transaction price of the housing does not exceed 120% of the average transaction price of the housing on the same class of land; (4) the price and GFA (except the plot ratio requirement) can be increased according to regional conditions, but not by more than 20%.

The State Administration of Taxation promulgated the “Circular Concerning the Settlement of the LAT Imposed on Real Property Developers” (the “**Circular**”) on 28 December 2006. Pursuant to the Circular, effective from 1 February 2007, a real property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities. For projects developed in different stages, the land appreciation tax shall be settled accordingly. LAT must be paid if the projects meet any of the following requirements: (1) the property development projects are completed and sold out; (2) the property developer transfers the whole unfinished development project; or (3) the land use right is transferred directly. In addition, the competent tax departments may require the developer to settle the LAT if either of the following criteria meet: (1) for the completed property development projects, the transferred GFA represents more than 85% of the total saleable GFA, or the proportion represented is less than 85%, but the remaining saleable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale or pre-sale permits; (3) the developer applies for cancellation of the tax registration without having settled the LAT; or (4) other conditions stipulated by the competent tax departments at provincial level. The tax bureaus at the provincial level shall, taking account of the local practical conditions, stipulate specific rules or measures on the management of the LAT settlement in accordance with the Circular.

Based on the Notice on the Adjustment of the Taxation Policies for Real Estate Trading jointly promulgated by Ministry of Finance and the State Administration of Taxation on 22 October 2008, LAT on individual sale of residential houses shall be temporarily exempted since 1 November 2008.

5. Deed Tax

Pursuant to the PRC Interim Regulations on Deed Tax promulgated by the State Council in July 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be the obliged taxpayer for deed tax. The rate of deed tax is 3% – 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and State Administration of Taxation for the record.

Based on the Notice on the Adjustment of the Taxation Policies for Real Estate Trading jointly promulgated by Ministry of Finance and the State Administration of Taxation on 22 October 2008, for the first purchase of a common residential house of or below 90 square meters, the rate of deed tax is temporarily reduced to 1% since 1 November 2008. The certification of first purchase of houses shall be provided by the competent department in charge of housing construction at the level of county or district in the place where the real estate is located.

6. Land Use Tax

Pursuant to the PRC Interim Regulations on Land Use Tax in respect of Urban Land promulgated by the State Council in September 1988, the land use tax in respect of urban land is levied according to the area of relevant land.

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The annual tax per square meter of urban land is between RMB0.2 and RMB10 and is collected according to the tax rate determined by the local tax authority. According to the Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China promulgated by the Ministry of Finance on 2 November 1988, and the Approval on Land Use Tax Exemption of Foreign-Invested Enterprises issued by State Administration of Taxation on 27 March 1997, land use fees should be collected, instead of land use tax, in a foreign-invested enterprise. However, the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas were revised by the State Council on 31 December 2006. As of 1 January 2007, annual land use tax is collected from foreign-invested enterprises at a rate per square meter of between RMB0.6 and RMB30.0 for urban land.

7. Buildings Tax

Under the PRC Interim Regulations on Buildings Tax promulgated by the State Council in September 1986, buildings tax shall be 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

8. Stamp Duty

Under the PRC Interim Regulations on Stamp Duty promulgated by the State Council in August 1988, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including real estate title certificates and land use right certificates, stamp duty shall be levied on an item basis at an annual rate of RMB5 per item.

Based on the Notice on the Adjustment of the Taxation Policies for Real Estate Trading jointly promulgated by Ministry of Finance and the State Administration of Taxation on 22 October 2008, Stamp duty on individual sale or purchase of residential houses shall be temporarily exempted since 1 November 2008.

9. Municipal Maintenance Tax

Under the PRC Interim Regulations on Municipal Maintenance Tax promulgated by the State Council in February 1985, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises, and the Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises issued by State Administration of Taxation on 25 February 1994 and on 14 September 2005 respectively, the municipal maintenance tax is not be applicable to foreign-invested enterprises with foreign investment until further explicit stipulations are issued by the State Council.

10. Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge promulgated by the State Council in April 1986 (last amended by the State Council in August 2005), any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas. Education surcharge shall be calculated and levied at a rate of 1% on the actual amount of product tax, value-added tax and business tax paid by the taxpayer.

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Under the Supplementary Notice Concerning Imposition of Education Surcharge issued by the State Council on 12 October 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises and the Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises issued by State Administration of Taxation on 25 February 1994 and on 14 September 2005 respectively, the education surcharge is not applicable to enterprises with foreign investment until further explicit stipulations are issued by the State Council.

11. Individual Income Tax

Pursuant to the State Administration of Taxation's Circular on Collecting Individual Income Taxes on the Incomes Generated from Individuals' Residential House Transfers, which was promulgated in July 2006, an individual must pay income tax at a rate of 20% in respect of the transfer of residential property in China.

6. Environmental Protection Regulations

In accordance with the Environmental Protection Law of the PRC adopted by the Standing Committee of the NPC on 26th December, 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate the any losses or damages suffered as a result of such environmental pollution.

7. Wholly foreign-owned enterprise ("WFOE")

WFOE is governed by the Law of the People's Republic of China on Wholly Foreign-owned Enterprises, which was promulgated on 12 April 1986 and revised on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990 and revised on 12 April 2001 (the "WFOE Law").

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(a) Procedures for establishment of a WFOE

The establishment of a WFOE will have to be approved by Ministry of Commerce of the People's Republic of China (formerly named as "Ministry of Foreign Trade and Economic Cooperation", hereinafter referred as "MOFCOM") (or its delegated authorities). In the case of a WFOE if two or more foreign investors jointly apply for the establishment of WFOE, a copy of the contract between the parties must also be submitted to MOFCOM (or its delegated authorities) for its record. A WFOE must also obtain a business license from relevant Administration for Industry and Commerce before it can commence business.

(b) Nature of WFOE

A WFOE is a limited liability company under the WFOE Law. A WFOE is a legal person who is entitled to independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. A foreign investor is permitted to make its contributions by installments and the registered capital shall be contributed within the required time frame as approved by MOFCOM (or its delegated authorities) in accordance with relevant PRC laws and regulations.

(c) Profit distribution

The WFOE Law provides that after payment of taxes, a WFOE shall make contributions to reserve fund and an employee bonus and welfare fund. The allocation ratio for the employee bonus and welfare fund may be determined by the enterprise. However, at least 10% of the after-tax profits must be allocated to the reserve fund. If the cumulative total of allocated reserve funds reaches 50% of an enterprise's registered capital, the enterprise will not be required to make any additional contribution. The enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

In accordance with the Notice of the Ministry of Finance on the Issue of Handling Financial Issues by Relevant Enterprises after the Implementation of the Company Law (财政部关于《公司法》施行后有关企业财务处理问题的通知) promulgated by the Ministry of Finance on 15 March 2006 and effective 1 April 2006, from 1 January 2006 on, enterprises established in accordance with the Company Law shall distribute profits pursuant to Article 167 of the Company Law and shall no longer make contributions to the reserve fund. After an enterprise ceases to make contributions to the reserve fund, it may continue to make contributions to the employee bonus and welfare fund as decided by the board of directors if the purpose, use conditions, and procedures thereof shall be made clear, and such funds shall be manage as debts.

8. Company Law

The establishment and operation of corporate entities in China is governed by the Chinese Company Law, which was promulgated by the Standing Committee of the NPC on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, and 27 October 2005.

The Chinese Company Law generally governs 2 types of companies — limited liabilities companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company to its debtors is limited to the value of assets owned by the company. Liabilities of shareholders of a limited liability company are limited to the amount of registered capital they have contributed.

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The amendments to Chinese Company Law adopted in October 2005 seek to reform various aspects of the 1993 China Company Law and simplify the establishment and operation of companies incorporated in China by lowering capitalisation requirements, increasing shareholder and creditor protection, improving corporate governance, and relaxing rules regarding the establishment of subsidiaries. Further, the restriction relating to the total investment of a company in other entities exceeding 50% of its net assets has been removed, the incorporation of one-shareholder limited liability companies in addition to wholly State-owned enterprises is permitted, and the Chinese Company Law shall apply to foreign invested limited liability companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

9. The Law of the People's Republic of China on Labor Contracts (中华人民共和国劳动合同法)

The Law of the People's Republic of China on Labor Contracts (the "Labor Contracts Law") promulgated by the Standing Committee of NPC on 29 June 2007 and taken effect on 1 January 2008, establishes the provisions of the conclusion, execution, modification, dissolution or termination of labor contracts. An employer unit's labor relationship with a employee shall be established on the date the employee is put to work. If an employer unit fails to conclude a written labor contract with a employee more than a month but less than a year after the date on which the employee is put to work, it shall pay the employee twice his or her wages each month. Where an employee has been working at an employer unit continuously for not less than 10 years, or where a labor contract is renewed with a fixed-term labor contract having been concluded on two consecutive occasions earlier, the employer unit and the employee shall conclude an open-ended labor contract. Where the labor contract is a fixed-term contract that is terminated due to expiration, unless the employee does not agree to renew the contract even though the conditions offered by the employer unit for renewal are the same as or better than those stipulated in the current labor contract, or where the employer unit fails to pay social insurance premiums for the employee in accordance with the law, or where any other circumstance formulated by the Labor Contracts Law occurs, the employer unit shall pay the employee financial compensation based upon the number of years worked at the employer unit, at the rate of one month's wages for each full year worked.

10. Governmental Regulations in Relation to Businesses

(a) The Land System of the PRC

All land in the PRC is either state-owned or collectively owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively owned. The state has the right to reclaim land in accordance with law if required for the benefit of the public.

Although all land in the PRC is owned by the state or by collectives, private individuals and businesses and other organizations are permitted to hold, lease and develop land for which they are granted land use rights.

(b) National legislation

In April 1988, the constitution of the PRC (as amended on 14 March 2004) was amended by the National People's Congress to allow for the transfer of land use rights for value. In December 1988, the Land Administration Law of the PRC (as amended on 28 August 2004) was amended to permit the transfer of land use rights for value.

Under the Interim Regulations of the People's Republic of China on Grant and Transfer of the Right to Use State-owned Urban Land ("Interim Regulations on Grant and Transfer") promulgated in May 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights against payment of a grant premium.

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Under the Interim Regulations on Grant and Transfer, there are different maximum periods of grant for different uses of land. They are generally as follows:-

Use of Land	Maximum Period in Years
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Public utilities	50
Others	50

Under the Interim Regulations on Grant and Transfer, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The state may not reclaim lawfully granted land use rights prior to expiration of the term of grant. If public interest requires repossession by the state under special circumstances during the term of grant, compensation will be paid by the state. A land grantee may lawfully transfer, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings erected on the land will revert to the state without compensation.

In accordance with the Regulations on the Grant of State-owned Land-Use Rights Through Competitive Bidding, Public Auction and Public Announcements promulgated by the Ministry of Land and Resources on 9 May 2002 and implemented on 1 July 2002, and the Urban Real Estate Management Law implemented on 1 January 1995 and amended on 30 August 2007, land for commercial use, tourism, entertainment and commodity housing development must be granted by means of competitive bidding, public auction or listing-for-sale.

According to the Regulations on the Grant of State-owned Construction Land-Use Rights through Competitive Bidding, Public Auction and Public Announcements promulgated by the Ministry of Land and Resources on 28 September 2007 and implemented on 1 November 2007, land for industrial use, commercial use, tourism, entertainment, commodity housing development and dual-use land must be granted by means of competitive bidding, public auction or listing-for-sale.

(c) Grant

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the state to us to entitle us to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. A premium is payable on the grant of land use rights. The maximum term that can be granted for the right to use a piece of land depends on the purpose for which the land is used. As described above, the maximum limits specified in the relevant regulations vary from 40 to 70 years depending on the purpose for which the land is used.

Under the Interim Regulations on Grant and Transfer, there are four methods in which land use rights may be granted, namely by agreement, tender, auction or listing-for-sale. A tender is organized by the Urban Land Authorities, who will make a tender notice or invitation. Bidders will pay a deposit and seal the bids in a tender box. An evaluation committee organized by the Urban Land Authority evaluates the tenders. An auction takes place in public at an appointed time and place, at which bidders will bid publicly. Where land use rights are granted by way of listing-for-sale, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are

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proposed to be granted. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land premium within a prescribed period.

Under the Regulations on the Grant of State-owned Land-Use Rights Through Competitive Bidding, Public Auction and Public Announcements, competitive bidding of land-use rights is where the relevant land administration authority (the “grantor”) issues a bidding announcement, inviting individuals, legal persons or other organizations (whether specified or otherwise) to participate in tender for the land-use rights of a particular parcel of land, with the land user to be determined according to the results of the biddings. Auction for land-use rights is where the grantor issues an auction announcement, and the bidders can at specified time and location openly bid for a parcel of land. Listing-for-sale is where the grantor issues a listing-for-sale announcement, and in accordance with the announcement, the land grant conditions will be listed in a specified land grant exchange within a specified period, bidders’ payment applications will be listed and the land user will be granted according to the bidder’s payment applications at the end of such listing period. The procedures are as follows:-

- (1) The land authority under the government of the city and county issues an announcement at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement includes basic particulars of the land parcel, qualification requirements of the bidder and auction applicants, the methods and criterion used to confirm the winning tender or winning bidder and conditions such as the deposit of the bid;
- (2) The grantor conduct a qualification verification of the bidding applicants and auction applicants and instructs the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale;
- (3) After determining the winning tender or the winning bidder by holding a competitive bidding, public auction or listing-for-sale, the grantor and the winning tender or winning bidder then enter into a confirmation. The grantor refunds the other applicants their deposits;
- (4) The grantor and the winning tender or winning bidder then enter into a contract for State-owned land-use rights grant at the time and venue set in the confirmation. The deposit of the bid paid by the winning tender or winning bidder is deemed as part of the land premium of the state-owned land-use rights; and
- (5) The winning tender or winning bidder applies for the land registration after paying the land premium. The people’s government of the municipality and county level or above then issues the “Land-Use Rights Certificate.”

The Regulations on the Grant of State-owned Construction Land-Use Rights through Competitive Bidding, Public Auction and Public Announcements promulgated by the Ministry of Land and Resources on 28 September 2007 and implemented on 1 November 2007 further emphasized that the winning tender or winning bidder must apply for the land registration after paying the entire land premium, in accordance with the State-owned Construction Land-Use Right Assignment, before obtaining the State-owned Construction Land-Use Right Certificate. If the winning tender or winning bidder does not pay the entire land premium, it will not be granted the state-owned construction land-use right certificates. Proportional division and grant of the state-owned construction land-use right certificates corresponding to the amount of the land premium paid is not allowed.

In June 2003, the Ministry of Land and Resources of the PRC promulgated the Regulation on Transfer of State-Owned Land Use Rights by Agreement. According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding land use rights used for business purposes including commercial, tourism, entertainment and

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commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate a plan concerning issues including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the state, and submit such plan to the relevant government for approval. Afterwards, the local land bureau and the person who is interested will negotiate and enter into the grant contract based on the above-mentioned plan. If two or more entities are interested in the land use rights to be granted, such land use rights shall be granted by means of tender, auction or listing-for-sale.

Upon signing the land grant contract, the grantee is required to pay the land premium pursuant to the terms of the contract and the contract is then submitted to the relevant local bureau for the issue of the land use right certificate. Upon expiration of the term of grant, the grantee may apply for its renewal. Upon approval by the relevant local land bureau, a new contract is entered into to renew the grant, and a grant premium shall be paid.

In order to control and facilitate the procedure for obtaining land use rights, several local governments have stipulated standard provisions in land grant contracts. Such provisions generally include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total GFA and height limitations, constructions of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premiums and completion of prescribed development and liabilities for breach of contract. Any change requested by the land user in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the appreciation of the new use. Registration procedures must then be carried out immediately.

According to the Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction, promulgated by the Ministry of Land and Resources on 4 September 2003, from the day of issuance of the Notice, the grant of land-use rights for luxurious commodity houses will be stringently controlled, and applications of land-use rights for villas are discontinued. On 30 May 2006, the Ministry of Land and Resources issued the "Urgent Notice on Utterly Strengthening the Administration of Land." The Notice stated that (i) land for property development must be assigned by competitive bidding, public auction or listing-for-sale; (ii) the rules prohibiting development projects for villas should be strictly enforced; and (iii) no land should be supplied for the development projects for villas, and projects and all formalities relevant to the land supply thereof should cease.

(d) Transfer

After land use rights relating to a particular area of land have been granted by the state, unless any restriction is imposed, the party to whom such land use rights have been granted may transfer, lease or mortgage such land use rights for a term not exceeding the term which has been granted by the state. The difference between a transfer and a lease is that a transfer involves the vesting of the land use rights by the transferor in the transferee during the term for which such land use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a premium. Instead, a rent is payable during the term of the lease. Land use rights cannot be transferred, leased or mortgaged if the provisions of the land grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas of the PRC have different conditions which must have been fulfilled before the respective land use rights can be transferred, leased or mortgaged.

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All transfers, mortgages and leases of land use rights must be evidenced by a written contract registered with the relevant local land bureau at municipality or county level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the state are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Under Article 38 of the PRC Law on Administration of Urban Real Estate (the “Urban Real Estate Law”), real property that has not been registered and a title certificate for which has not been obtained in accordance with the law cannot be transferred. Under Article 39 of the Urban Real Estate Law, if land use rights are acquired by means of grant, the following conditions must have been met before the land use rights may be transferred: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use right certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract; (iii) for housing construction projects, more than 25% of the total amount of development for investment must have been made or completed; and (iv) where the development or investment involves a large tract of land, conditions for use of the land for industrial or other construction purpose have been achieved.

(e) Termination

A land use right terminates upon the expiry of the term of grant specified in the land grant contract and the resumption by the state of that right.

The state generally will not withdraw a land use right before the expiration of its term of grant and if it does so for special reasons, such as in the public interest, it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the user.

Upon expiry, the land use right and ownership of the related buildings erected on the land and other attachments may be acquired by the state without compensation. The land user will take steps to surrender the land use right certificate and cancel the registration of the certificate in accordance with relevant regulations.

A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a premium and effect appropriate registration for the renewal grant.

(f) Document of Title

In the PRC, there are two registers for real estate. Land registration is achieved by the issue of a land use right certificate by the relevant authorities to the land user. It is evidence that the land user has obtained land use rights which can be transferred, mortgaged or leased. The building registration is the issue of a real estate certificate to the owner. It is evidence that the owner has obtained building ownership rights in respect of the buildings erected on that piece of land. According to the Land Registration Regulations promulgated by the State Land Administration Bureau on 18 December 1995 and implemented on 1 February 1996, and the Administrative Rules on Registration of Urban Real Estate Property promulgated by the Ministry of Construction on 27 October 1997 and implemented on 1 January 1998, all duly registered land use rights and building ownership rights are protected by the law.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems are maintained separately. However, in certain cities such as Shanghai, the two systems have been consolidated and a single composite real estate and land use right certificate will be issued evidencing the ownership of both land use rights and the buildings erected on the land.

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(g) Establishment of a Real Estate Development Enterprise

According to the Urban Real Estate Law promulgated by the Standing Committee of the National People's Congress in July 1994 and amended on 30 August 2007, a real estate developer is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (the "Development Regulations") promulgated by the State Council on 20 July 1998, in addition to requirements on establishing enterprises, an enterprise that engages in development of real estate must satisfy the following requirements: (1) its registered capital must be RMB1 million or more and (2) it must have five or more full-time professional real estate/construction technicians and two or more fulltime accounting officers, each of whom must hold the relevant qualification certificate. The local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer should apply for registration with the administration for industry and commerce on or above the county level. The real estate developer must also report its establishment to the real estate development authority in the location of the registration authority, within 30 days of the receipt of its Business License.

Under the Foreign Investment Industrial Guidance Catalogue promulgated jointly by the Ministry of Commerce ("MOC") and the National Development and Reform Commission (the "NDRC") in November 2004, the development and construction of ordinary residential units falls within the category of industries in which foreign investment is encouraged, whereas the development of a whole land lot and the construction and operation of high end hotels, villas, premium office buildings and international conference centres falls within the category of industries in which foreign investment is subject to restrictions, while other real estate development falls within the category of industry in which foreign investment is permitted. On 31 October 2007, the MOC and NDRC jointly issued the new Foreign Investment Industrial Guidance Catalogue effective from 1 December 2007, under which the development and construction of ordinary units falls within the category of industry in which foreign investment is permitted, whereas the secondary market transaction in real estate sector, real estate intermediary or agent falls within the category of industry in which foreign investment is subject to restrictions. A foreign investor intending to engage in the development and sale of real estate may establish a sino-foreign equity joint venture, a sino-foreign cooperative joint venture or a wholly-owned foreign enterprise according to laws and regulations relating to foreign investment in the real estate industry. Prior to its registration with the department of administration of industry and commerce, the enterprise must be approved by commercial authorities and obtain an Approval Certificate for a Foreign Investment Enterprise.

On 11 July 2006, the Ministry of Construction, MOC, NDRC, PBOC, SAIC and SAFE jointly promulgated the Opinions on on Regulating the Access by and Administration on Foreign Investment in the Real Estate Market and on 14 August 2006, the General Office of MOC promulgated the Circular of Further Implementation of Opinions on Foreign Investment in Real Estate which state that: (i) an overseas entity or individual investing in real estate in China other than for self-use, shall apply for the establishment of a Foreign Invested Real Estate Enterprise (THE "FIREE"), in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities; (ii) the registered capital of a FIREE with a total investment of more than US\$3 million shall not be less than 50% of its total investment amount and the registered capital of a FIREE with a total investment of US\$3 million or less shall not be less than 70% of its total investment amount; (iii) a newly established FIREE can first obtain an approval certificate and business license which are valid for one year. The official approval certificate and business license can be obtained by submitting the land use right certificate to the relevant government departments

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after the land grant premium for the land has been paid; (iv) an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the commercial authorities. The investor shall submit a letter to the commercial authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use right certificate, the evidence from the construction authorities confirming the alternation of archival files and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid; (v) foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital in a lump sum rather than by instalments and shall ensure that the enterprise's employees and bank loans are treated and dealt with in accordance with applicable PRC laws; (vi) if the registered capital of a FIREE is not fully paid up, its land use right certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans; (vii) the investors in a FIREE shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; (viii) a branch or representative office established by a foreign investor in China (other than a FIREE), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties limited to a certain floor area based on their living requirements in the PRC for self-residence purposes.

On 23 May 2007, MOC and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC which made the following requirements for approval and supervision of foreign investment in real estate:-

- foreign investment in the real estate sector in the PRC relating to high-grade properties will be strictly controlled;
- before obtaining approval for the setup of real estate entities with foreign investment, either (i) both the land use right certificates and housing ownership right certificates must be obtained or, (ii) contracts for obtaining land use rights or housing ownership rights must be entered into;
- entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector and entities which have been set up with foreign investment for real estate development operation need to obtain new approval if they are engaged in new real estate development projects;
- acquisitions of real estate entities and foreign investment in the real estate sector by way of round trip investment will be strictly regulated. Foreign investors must not avoid approval procedures by changing actual controlling persons;
- parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;
- local approval authorities should file the approvals of establishment of foreign investment real estate entities with MOC for their records in a timely manner according to applicable laws;

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- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not process sale and settlement of foreign exchange regarding capital account items to those that fail to file with MOC or fail to pass the annual reviews; and
- for those real estate entities which are illegally approved by local authorities for their establishment, (i) MOC should carry out investigation, order punishment and make rectification, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for such entities.

On 10 July 2007, SAFE issued the Notice Regarding the Publication of the First Group of Real Estate Enterprises with Foreign Investment That Have Properly Registered with the MOC. This new regulation restricts the ability of foreign invested real estate companies to raise funds offshore and then inject funds into the companies either through capital increase or by way of shareholder loans. The notice stipulates, among other things:-

- that SAFE will no longer process foreign debt registration and examination and approval of foreign exchange settlements for foreign debt for real estate enterprises with foreign investment that obtained approval certificates from commercial authorities and filed with MOC on or after 1 June 2007; and
- that SAFE will no longer process foreign exchange registration (or change of such registration) or foreign exchange settlement and sale under the capital account for real estate enterprises with foreign investment that obtained approval certificates from commercial authorities on or after 1 June 2007 but failed to file with MOC.

(h) Qualifications of a Real Estate Developer

Under the Development Regulations, the real estate development authorities shall examine applications for registration of qualifications of a real estate developer when it reports its establishment, by considering its assets, professional personnel and business results. A real estate developer shall only undertake real estate development projects in compliance with the approved qualification registration.

In accordance with the Provisions on Administration of Qualifications of Real Estate Developers ("Provisions on Administration of Qualifications") promulgated by the Ministry of Construction on 29 March 2000, a real estate developer shall apply for registration of its qualifications according to such Provisions. An enterprise may not engage in development and sale of real estate without a qualification classification certificate for real estate development. The construction authority under the State Council oversees the qualifications of real estate developers throughout the country, and the real estate development authority under a local government on or above the county level shall oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes. The approval system is tiered, so that confirmation of class 1 qualifications shall be subject to preliminary examination by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority.

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After a newly established real estate developer reports its establishment to the real estate development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days of its receipt of the above report. The valid period of the Provisional Qualification Certificate is one year, the real estate development authority can extend the period according to the developer's specific operating circumstances. But the period of extension may not exceed two years. The real estate developer may apply for qualification classification by the real estate development authority within one month before expiry of the Provisional Qualification Certificate.

A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification. A class 1 real estate developer is not restricted as to the scale of real estate project to be developed and may undertake a real estate development project anywhere in the country. A real estate developer of class 2 or lower may undertake a project with a GFA of less than 250,000 sq. m. and the specific scope of business shall be as confirmed by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government.

(i) Development of a Real Estate Project

Under the Foreign Investment Industrial Guidance Catalogue promulgated jointly by the MOC and the NDRC in November 2004, the development and construction of ordinary residential units falls within the category of industries in which foreign investment is encouraged, whereas the development of a whole land lot and the construction and operation of high end hotels, villas, premium office buildings, international conference centres and large theme parks falls within the category of industries in which foreign investment is subject to restrictions, while other real estate development falls within the category of industry in which foreign investment is permitted. On 31 October 2007, the MOC and NDRC jointly issued the new Foreign Investment Industrial Guidance Catalogue effective from 1 December 2007, under which the development of a whole land lot and the construction and operation of high end hotels, villas, premium office buildings, international conference centres and large theme parks still falls within the category of industries in which foreign investment is subject to restrictions. However, the development and construction of ordinary residential units currently falls within the category of industry in which foreign investment is permitted. Additionally, the secondary market transaction in real estate sector, real estate intermediary or agent falls within the category of industry in which foreign investment is restricted.

According to the Interim Provisions on Approving Foreign Investment Project promulgated by the NDRC in October 2004, the NDRC shall examine and approve the foreign investment projects with total investment of US\$100 million or more within the category of industries in which foreign investment is encouraged or permitted and those with total investment of US\$50 million or more within the category of industries in which foreign investment is subject to restrictions as classified in the "Foreign Investment Industrial Guidance Catalogue", while the local development and reform authorities shall examine and approve the foreign investment projects with a total investment of less than US\$100 million within the category of industries in which foreign investment is encouraged or permitted and those with a total investment of less than US\$50 million within the category of industries in which foreign investment is subject to restrictions as classified in the "Foreign Investment Industrial Guidance Catalogue."

The Development Regulations provide that a real estate development project may be carried out having regard to the overall land use plan, annual construction land schedule, applicable municipal zoning plan and the annual property development scheme. Those projects which should be approved by the planning control authorities in accordance with the relevant rules should also be reported and approved by the planning control authorities and be brought into the annual planning of the investment in fixed assets. Under the State Council's Notice on Stringent Control Over High Class Real Estate Development Projects issued in May

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1995, for a high class real estate project with a GFA of more than 100,000 sq. m. or total investment of more than RMB200 million or foreign investment of US\$30 million or more, the project proposal and commencement of works shall be subject to approval of the State Development Planning Commission. For a high class real estate project with a GFA of more than 20,000 sq. m. but less than 100,000 sq. m. or total investment of more than RMB30 million but less than RMB200 million, the project proposal and commencement of works shall be subject to approval of the Development Planning Commission of the relevant province, autonomous region, municipality directly under the central government or separate-planning city and then a report to the State Development Planning Commission. A high class real estate project with foreign investment of more than US\$100 million is subject to approval of the State Council based on the recommendation of the State Development Planning Commission.

Under the Interim Regulations on Grant and Transfer, a system of grant and transfer of the right to use State-owned land is adopted. A land user shall pay a grant price to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use right within the term of use. Under the Interim Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into a grant contract with the land user to provide for the grant of land use right. The land user shall pay the grant price as provided by the grant contract. After payment in full of the grant price, the land user shall register with the land administration authority and obtain a Land Use Right Certificate which evidences the acquisition of land use rights.

The Urban Real Estate Law and the Development Regulations provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land use rights for a site intended for real estate development shall be obtained through grant. Please refer to “Land for Property Development” for further details. Under the Regulations on the Grant of State-owned Land-Use Rights Through Competitive Bidding, Public Auction and Public Announcements effective from 1 July 2002, and the Urban Real Estate Management Law implemented on 1 January 1995 and amended on 30 August 2007, state-owned land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction and listing-for-sale.

When carrying out the feasibility study for a construction project, a construction entity shall make a preliminary application for construction on the relevant site to the land administration authority of the same level as the project approval authority, in accordance with the Measures for Administration of Examination and Approval for Construction Sites and the Measures for Administration of Preliminary Examination of Construction Project Sites promulgated by the Ministry of Land and Resources in March 1999 and in July 2001 (amended in October 2004) respectively. After receiving the preliminary application, the land administration authority shall carry out preliminary approval of various matters relating to the construction project in compliance with the overall zoning plans and land supply policy of the State, and shall then issue a preliminary approval report in respect of the project site. The preliminary approval report is the requisite document of the approval of the construction project. The land administration authority under the people’s government of the relevant city or county shall sign a land use right grant contract with the land user and issue an Approval for Construction Site to the construction entity.

The Development Regulations also provide that a real estate developer shall record any major events which occur in the course of construction in the Real Estate Development Project Manual and periodically submit the same to the real estate development authority for its records.

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Under the Measures for Control and Administration of Grant and Transfer of Right to Use Urban State-owned Land promulgated by the Ministry of Construction in December 1992, the assignee to a grant contract, i.e. a real estate developer, shall legally apply for a Planning Permit for Land Use and Construction from the municipal planning authority with the grant contract, which permits use planning for the land to be developed by the real estate developer.

After obtaining a Planning Permit for Land Use and Construction, a real estate developer shall organize the necessary survey, planning and design work having regard to planning and design requirements. For the planning and design proposal in respect of a real estate development project, the relevant report and approval procedures required by the Urban and Rural Planning Law of the People's Republic of China promulgated by the Standing Committee of the National People's Congress in October 2007, and local statutes on municipal planning must be followed and a Planning Permit for Construction Projects must be obtained from the municipal planning authority.

On 6 July 2006, the Ministry of Construction promulgated "Several Opinions Regarding the Implementation of Requirements on the Structure Portion of Newly-Built Housing" (the "Opinion") prescribing that the ratio of the dwelling space of an apartment development (including economic housing) of which the built up area is no more than ninety (90) square meters per apartment must exceed seventy percent (70%) of the total dwelling space of that apartment development. The Opinion applies to all the newly approved and developed commercial residential housings from 1 June 2006.

For projects for which approval was obtained before 1 June 2006 but which did not obtain the Permit for Erection of Construction Projects, the planning and designing proposals must be rectified in accordance with the requirements and the proposals must be submitted to the relevant authorities for a renewed examination and approval.

(j) Demolition and Removal

In accordance with the Regulations for the Administration of Demolition and Removal of Urban Housing, which were promulgated by the State Council on 13 June 2001, upon obtaining approvals for a construction project, construction plan and State-owned land use rights, a real estate development organization may apply to the department in charge of demolition and removal, the municipal, or county people's government of the place where the real estate is located for a permit for housing demolition and removal. Upon granting an approval and issuing a demolition and removal permit, the department in charge of demolition and removal shall issue a demolition and removal notice to the inhabitants of the area to be demolished. The demolition and removal party shall implement the demolition and removal within the area and period specified in the housing demolition and removal permit. If the demolition and removal party fails to complete the demolition and removal works within the permitted period, it shall, within 15 days prior to the expiry of the permit, apply to the original approval department in charge of demolition and removal for an extension.

During the demolition and removal period announced by the department in charge of demolition and removal, the demolition and removal party and the parties subject to demolition and removal shall enter into an agreement for compensation and relocation in respect of the demolition and removal. If the demolition and removal party, the parties subject to demolition and removal and the house tenant cannot reach an agreement, any party concerned may apply to the original approval department in charge of demolition and removal for a ruling. Such ruling shall be rendered within 30 days of the application. If any party disagrees with the ruling, it may initiate proceedings in the People's Court within three months after the delivery of the ruling. Pursuant to law, if the demolition and removal party has provided housing to the party subject to demolition and removal or the party subject to demolition and removal has provided housing to a lessee, the demolition and removal shall not be stopped during the period of legal proceedings.

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Pursuant to Regulations for the Administration of Demolition and Removal of Urban Housing, compensation for housing demolition and removal may be effected by way of monetary compensation or exchange of house property rights. If the monetary compensation method is used, the amount of compensation shall be assessed on the basis of the real property market price determined by the location, uses and the gross area of the housing to be demolished. The demolition and removal party shall entrust a qualified real estate assessment agency to conduct an assessment on the housing to be demolished. If property right exchange is used, the demolition and removal party and the party subject to demolition and removal shall, on the basis of the real property market price and the location, uses and the gross area of the housing to be demolished, calculate the amount of compensation which shall be made for the housing to be demolished, the real property market price of the housing to be exchanged for the housing to be demolished, and work out the difference between the two.

In addition to paying the demolition and removal compensation, the demolition and removal party shall pay removal allowance to the party subject to demolition and removal. During the interim period, when the party subject to demolition and removal arranges accommodation by himself, the demolition and removal party shall pay temporary allocation allowance. On the other hand, when the demolition and removal party provides accommodation to the party subject to demolition and removal during the interim period, the demolition and removal party need not to pay the temporary allocation allowance.

(k) Construction

Before the commencement of the construction work, the developer shall apply for a Permit for Erection of Construction Projects from the construction authority under the local people's government above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works promulgated by the Ministry of Construction in October 1999 (amended in July 2001).

Under the Building Construction and Municipal Facilities Construction Tender Management Regulations (the "Tender Regulations") promulgated in June 2001 which states that a Tender Appraisal Committee should be set up for the appraisal of the tender for construction works for the project. According to the Tender Regulations, the Tender Appraisal Committee to be organized by the tenderer shall include representatives of the tenderer and relevant specialists selected by the tenderer from a list certified by the construction administration authorities. The number of members of the Tender Appraisal Committee shall be an odd number and shall consist of at least five members. The relevant specialists shall make up no less than two-thirds of the membership. In accordance with the Tender Regulations, if the estimated price of a single construction contract amounts to at least RMB2 million or the total investment of the project is at least RMB30 million, the developer is required to undertake a bidding process for the award of the construction contracts.

Pursuant to the Development Regulations and the Measures for the Administration of the Registration of the Inspection and Acceptance of the Completed Building Construction Works and the Municipal Infrastructure Facilities promulgated by the Ministry of Construction in April 2000 (amended in October 2009) and the Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure, after the completion of the real estate development project, the real estate developer should apply for the project completion inspection and acceptance to the county level or higher local real estate administration authorities. A real estate development project may only be delivered to the buyer after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is conducted or without passing such an acceptance examination. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, an acceptance examination may be carried out for each completed phase. The real estate developer should register the project completion

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inspection and acceptance within 15 days from the pass of the inspection and acceptance. The project should not be delivered to use without passing or fail to pass the project completion inspection and acceptance. Projects like residential house quarters should pass the composite completion inspection and acceptance. Projects developed by stages can also be inspected and accepted by stages.

Pursuant to the Development Regulations and the Circular of the State Council on Adjusting the Capital Ratios of Fixed Asset Investment Projects in Some Industries promulgated by the State Council in April 2004, the capital ratio of the real estate development projects has been increased from 20% to 35% and above. In accordance with the Notice Regarding Adjusting the Capital Ratios of Fixed Asset Investment Projects promulgated by the State Council on 25 May 2009, the lowest capital ratio of the indemnificatory residence and ordinary commodity residence projects is 20%, and the lowest capital ratio of other real estate development projects is 30%.

The real estate development should be in accordance with the provisions of the land use right grant contract on the usage of the land and commencement date for construction of the project. When a project is not commenced within one year since the date of commencement stipulated in the land use grant contract, additional fees may be imposed on the developer with an amount of not more 20% of the land grant fee. If the delay is more than two years, the land use right may be taken back by the government without any refund.

(I) Land for Property Development

According to the PRC Law of Land Administration as amended in August 2004 by the Standing Committee of the National People's Congress, and the Regulations for the Implementation of the Law of Land Administration promulgated by the State Council in December 1998, the state regulates and controls the usage of land, the land register and record system and the land certificate issuing system. When there are approved construction projects that involve the use of state-owned construction land, the construction entity should first apply to those county level or higher land administration authorities who have the authorization for the construction land use approval and hand in the documents that prescribed in law and regulations. After the examination of the land administration authorities, the application must be reported to and approved by the same level government. Whereas occupation of land for construction purposes involves the conversion of agricultural land into land for construction purposes, the examination and approval procedures in this regard shall be required.

The provisions of the PRC Law on Administration of Urban Real Estate provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land for property development shall be obtained by grant.

The Law on the Administration of Real Estate expressly provides that the grant of land use right may be by public auction or competitive bidding or by a mutual agreement between both parties. Land for commercial use, tourism, entertainment and construction of luxury flats shall be sold by public auction wherever it is feasible, and may be sold by mutual agreement if sale by public auction or competitive bidding is not feasible. On 30 April 2001, the State Council promulgated a Notice on Strengthening the Administration of State-owned Land (the "Notice"), which stipulates that State-owned land use rights shall as far as possible be sold by public auction or competitive bidding. The Notice further stipulates that the supply of state-owned land shall be made known to the public unless state security or confidentiality requirements are involved. If, after a supply schedule of land for commercial development and other uses is announced, there are two or more prospective investors who intend to develop the same land parcel, the relevant land parcel shall be made available to the market by the government at the municipal or county levels through competitive bidding or public auction. The competitive bidding and public auction of State-owned land use rights shall be conducted openly.

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On 9 May 2002, the State Bureau of Land Resources of the People's Republic of China promulgated the Regulations on the Grant of State-owned Land Use Rights through Competitive Bidding, Public Auction and Public Announcements ("The Regulations"). The New Regulations stipulate the legal basis, principles, scope, procedures and legal liability arising from and in connection with the grant of State-owned land use rights by tender, auction and listing-for-sale. Pursuant to the Regulations, land for commercial use, tourism, entertainment and commodity housing development shall be granted by competitive bidding, public auction or listing-for-sale and, in the event that a land parcel for uses other than commerce, tourism, entertainment and commodity housing development has two or more prospective purchasers after the promulgation of the relevant land supply schedule, the grant of the land parcel shall be performed by competitive bidding, public auction or listing-for-sale. Under these regulations, the grantor shall prepare the auction and tender documents and shall make an announcement 20 days prior to the day of auction or tender to announce the basic particulars of the land parcel and the time and venue of the auction or tender. The grantor shall conduct a qualification verification of the tender applicants and auction applicants, accept an open public bidding to determine the winning tender; or hold an auction to ascertain a winning bidder. The grantor and the winner of the auction or tender shall then enter into a confirmation, and the grantor and the winner of the auction or tender shall then enter into a contract for the grant of state-owned land use rights.

On 7 November 2006, the Ministry of Finance, the Ministry of Land and Resources and the People's Bank of China jointly promulgated the "Circular on Adjusting the Policies of Land Use Fee of the Increased Construction Land" stipulating that the land use fee on newly approved construction land will double beginning on 1 January 2007.

On 12 December 2006, the Ministry of Land and Resources and the National Development and Reform Commission issued the "Land Use Project Prohibition Catalogue (Version 2006)" (the "Prohibition Catalogue") and the "Land Use Project Restriction Catalogue (Version 2006)" (the "Restriction Catalogue"). The land and resources administrative authorities and investment administrative authorities at all levels shall not approve any applications relating to construction projects listed in the Prohibition Catalogue and in the first ten sections of the Restriction Catalogue. Villa real estate development projects are listed in the Prohibition Catalogue.

On 30 September 2007, the Ministry of Land and Resources issued the Notice on Conscientiously Implementing the 'Several Opinions of the State Council on Solving Housing Problems of Low Income Urban Families' to Further Enhance the Control of Land Supply, which stipulates that the supply of the land to be developed for low-rent housing, economical housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year; the land and resources authorities shall control the area of each piece of land and increase the number of pieces to be supplied, in order to prevent the coemption of land by property developers. The developers shall develop land according to the terms of the land use right grant contract, and any violation thereof may restrict or prevent such developers from participating in future land bidding. Generally, the development period of each piece of land shall not exceed three years.

(m) Sale of Commodity Buildings

Under the Measures for Administration of Sale of Commodity Buildings promulgated by the Ministry of Construction in April 2001, sale of commodity buildings can include both post-completion and pre-completion sales. Commodity buildings may be put to post-completion sale only when the preconditions for such sale have been satisfied. Before the post-completion sale of a commodity building, a real estate developer shall submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

ANNEX C: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

Any pre-completion sale of commodity buildings shall be conducted in accordance with the Measures for Administration of Pre-completion Sale of Commodity Buildings (the “Pre-completion Sale Measures”) promulgated by the Ministry of Construction in November 1999 and as amended in August 2001 and in July 2004 respectively, and the Development Regulations. The Pre-completion Sale Measures provides that pre-completion sale of commodity buildings is subject to certain procedures. According to the Development Regulations and the Pre-completion Sale Measures, a permit shall be obtained before a commodity building may be put to pre-completion sale. A developer intending to sell a commodity building before its completion shall make the necessary pre-completion sale registration with the real estate development authority of the relevant city or county to obtain a Permit for Pre-completion Sale of Commodity Buildings. A commodity building may only be sold before completion provided that: (1) the land premium has been paid in full for the grant of the land use rights involved and a land use right certificate has been obtained; (2) a Planning Permit for Construction Projects and a Permit for Erection of Construction Projects have been obtained; (3) the funds invested in the development of the commodity buildings put to pre-completion sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained. Pre-completion sale of commodity buildings can only be carried out after the Permit for Pre-completion Sale of Commodity Buildings has been obtained.

Pre-sale regulations have been issued in Guangdong. Pursuant to the Measures for Administration of Pre-completion Sale of Commodity Buildings of Guangdong Province promulgated on 22 August 1998 and came into effect on 1 October 1998 as well as amended on 22 September 2000, the pre-sale of commodity houses in Guangdong is subject to the above-mentioned pre-sale regulations as well as the following principal requirements:-

- the business license and the Qualification Certificate for Real Estate Development Enterprise has been obtained;
- the land premium has been fully paid and the land use right certificate has been obtained;
- the Planning Permit for Construction Projects and the Permit for Erection of Construction Projects has been obtained; and the supervising procedures regarding qualification and safety of construction projects have been executed;
- The construction of basis and structure has been completed for the buildings of no more than three (3) floors; the construction of basis and structure of the first floor has been completed for the buildings of four (4) or more floors and with basements; the construction of basis and the structure of fourth floor has been completed for the buildings of four (4) of more floors and without basements;
- special bank account for pre-sale funds has been opened in the commercial bank the project located;
- there is no other party rights on the commodity houses for pre-sale and the corresponding land occupied by these pre-sale commodity houses;
- other requirements stipulated by the PRC laws and regulations.

In accordance with the Notice on Adjusting the Engineering Progress Conditions of the Commodity Building Pre-sale Projects in Our Province announced by the Construction Department of Guangdong Province on 2 January 2001, since 1 February 2001, the above engineering progress conditions of the commodity building pre-sale projects have been

ANNEX C: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

adjusted to: The construction of structures/foundation has been completed for the buildings of no more than seven (7) floors; two thirds of the construction of structures/foundation has been completed for the buildings of eight (8) or more floors. Other conditions have not been changed.

According to the “Circular on Further Rectifying and Standardizing of the Real Estate Transaction Order” dated 6 July 2006, real estate development enterprises shall initiate the sale of commercial housing within 10 days from the date obtaining the License for Advance Sale.

Under the Pre-completion Sale Measures and Urban Real Estate Law, the pre-sale proceeds of commodity buildings may only be used to fund the property development costs of the relevant projects.

(n) Transfer of Real Estate

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred. The parties to a transfer shall enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the real property may only be transferred on the condition that: (1) the grant price has been paid in full for the grant of the land use rights as provided by the grant contract and a land use right certificate has been obtained; (2) development has been carried out according to the grant contract; and in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed, or in case of a whole land lot development project, construction works has been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been levelled and made ready for industrial or other construction purposes.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real estate shall be the remaining portion of the original term provided by the land use right grant contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the usage of the land provided in the original grant contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use right grant contract or a new land use right grant contract shall be signed in order to, inter alia, adjust the land use right grant price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required by the State Council. After the People’s Government vested with the necessary approval power approves such a transfer, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

ANNEX C: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

(o) Warranty and Maintenance of Buildings

Under the PRC Construction Law promulgated by the Standing Committee of the National People's Congress on 1 November 1997, the Measures on Administration of Sale of Commodity Buildings promulgated by the Ministry of Construction in April 2001, the Rules on the Implementation of the System on Residence Quality Guarantee and Residence Usage Specification promulgated by the Ministry of Construction on 20 May 1998, and the Regulations on Quality Management of Construction Projects promulgated by the State Council on 30 January 2000, when a real property developer delivers newly built residential houses, it should provide the Residence Usage Specification and Residence Quality Guarantee. The Residence Quality Guarantee is the legal document stipulating the warranty and maintenance obligations a real property developer should bear for the already sold residential houses and it can be a supplementary agreement to the Commodity House Purchase Contract.

According to Measures on the Warranty and Maintenance of Building Construction Projects promulgated by the Ministry of Construction on 30 June 2000 under the normal usage, the warranty and maintenance period to different parts of the construction projects should not be shorter than the following:-

- (1) the reasonable using period as stipulated by the project designing documents for the groundwork foundation and main body structure project;
- (2) five years for the waterproof project of the surface, the toilet and rooms having waterproof requirements, the leakage preventing of the outside metope;
- (3) two heating periods/cooling periods for the heating and cooling system;
- (4) two years for the electrical system, water supply pipe and drainpipe, equipment fixing;
- (5) two years for the fitment project.

The warranty and maintenance period of other parts of the construction projects may be determined by real estate developers at their discretion.

(p) Leases of Buildings

Under the Urban Real Estate Law and the Measures for Administration of Leases of Buildings in Urban Areas promulgated by the Ministry of Construction in April 1995, the parties to a lease of a building shall enter into a lease contract in writing. A system has been adopted to register the leases of buildings. When a lease contract is signed, amended or terminated, the parties shall register the details with the real estate administration authority under the local government of the city or county in which the building is situated.

(q) Restrictions on the Grant of Residential Development Loans and Individual Property Purchase Loans by Banks

According to the Notice of the PBOC on Regulating Home Financing Business promulgated in June 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial flat loans:-

- Housing development loans from banks shall only be granted to real estate development enterprises with adequate development assets and higher credit ratings. Such loans shall be offered to residential projects with good market potential. While the borrowing enterprise must have an amount of capital no less than 30% of the total investment required of the project, the project itself must have been issued with a Land Use Permit for State-Owned Land, Planning Permit for Land Use and Construction, Planning Permit for Construction Projects and Permit for Erection of Construction Projects.

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- In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the security (the "Mortgage Ratio") shall never exceed 80%. Where an individual applies for a home purchase loan to buy a pre-sale property, the said property must have achieved the stage of "topping-out of the main structure completed" for multi-story buildings and "two-thirds of the total investment completed" for high-rise buildings.
- In respect of the grant of individual commercial flat loans, the Mortgage Ratio under the application for commercial flat loans shall not exceed 60% with a maximum loan period of 10 years and the subject commercial flat already completed.

The PBOC issued the Circular on Further Strengthening the Management of Loans for Real Estate in June 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity houses as follows:-

- Property development loans should be granted to property developers who are qualified for property development, rank high in credibility and have no overdue payment for construction. For property developers with commodity houses of high vacancy rate and debt ratio, strict approval procedures shall be applied for their new application for property development loans and their activities shall also be in the focus of attention.
- Commercial banks shall not grant loans to property developers to pay off land premium.
- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first installment remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the first installment shall be increased.
- When a borrower applies for mortgaged loan of individual commodity house, the mortgage shall not be more than 60%. In addition, the term of loan may not be more than 10 years and the commodity house shall be duly completed and accepted after inspection.

In the Circular on Facilitating the Continuously Healthy Development of Property Market issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market. They include, but not limiting to, strengthening the construction and management of economical houses, increasing the supply of ordinary commodity houses and controlling the construction of high-end commodity houses. Besides, the government also staged a series of measures for the loan of housing development. They include, but not limiting to, putting more effort at provision of loans, improving the guarantee mechanism of individual home loans and strengthening the monitor over property loans. It is expected that the circular will have positive effect on the development of the PRC property market in the long run by facilitating the continuously healthy growth of property market.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks issued by China Banking Regulatory Commission in September 2004, commercial banks may not be provided any loan in any form for a project without the State-Owned Land Use Right Certificate, Construction Land Use Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit. Any property developer applying for property development loans shall have at least 35% of capital required for the development, a commercial bank should maintain a strict loan system for considering applications for property development loans.

ANNEX C: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

Under the “Notice of the People’s Bank of China on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve” issued by the PBOC on 16 March 2005 and effective from 17 March 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

On 24 May 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the State Bureau of Statistics, the State Administration of Taxation and the China Banking Regulatory Commission jointly issued “Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices.” These opinions stipulate that a commercial bank shall not lend funds to property developers with a project capital ratio of less than 35%, or take commodity properties which have been vacant for more than three years as security for mortgage loans and shall strictly control the granting of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties. The opinions also require that, from 1 June 2006, the minimum amount of down payment shall not be less than 30% of the purchase price of the underlying individual commodity houses with a GFA of 90 sq. m. or more.

In accordance with the “Circular on Further Strengthening the Credit Management of Real Estate” issued by China Banking Regulatory Commission dated 22 July 2006, banking institutions are forbidden to grant loans to (a) real estate development enterprises without the following certificates: State-owned Land Use Right Certificate, Permit for the Planning of Land for Construction, Permit for the Planning of Construction Projects and Permit for Erection of Construction Projects; (b) projects in which the project capital portion, which is the ratio of the project’s paid-up capital to its total investment, is less than 35% (excluding economic housing); or (c) real estate development enterprises failing to meet other requirements of the loan as set by the banking institution.

In accordance with the Circular on Strengthening Commercial Real Estate Loan Administration jointly issued by the PBOC and China Banking Regulatory Commission on 27 September 2007, when a borrower applies for individual housing loans for his first owner-occupied residential unit with gross floor area of more than 90 square meters, the down payment is at least 30%; in respect to his loan application for additional purchases of residential units, the down payment cannot be less than 40%, the loan interest cannot be lower than 1.1 times the benchmark lending rate published by the PBOC in the same period and at the same level, and the amount of the down payment and interest of the loan should be increased to a greater extent based on the number of the purchased apartments. The level of increase should be decided by commercial banks according to loan risk management principals. The down payment of business premise loans should not be less than 50% with a maximum loan term of 10 years, and the loan interest should be no less than 1.1 times the benchmark lending rate published by the PBOC at the same period and level. The level of down payment, term of loan and interest level should be decided by commercial banks according to loan risk management principals. To the loan application for premises used for both business and residential purposes, the down payment should be no less than 45% and the loan term and interest rate should be decided according to the provisions on the administration of business premise loans. Furthermore, commercial banks should not advance loans to property development enterprises which hold coemption of land or building resources as confirmed by the land and resources authorities and construction authorities.

(r) Insurance

There is no mandatory provision in the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments.

ANNEX C: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

(s) Major Environmental Protection Requirements

In accordance with the PRC Environmental Protection Law adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalized. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalized or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate the any losses or damages suffered as a result of such environmental pollution.

Under the Regulations on the Administration of Environmental Protection of Construction Project promulgated by the State Council on 29 November 1998 and the Procedures on the Administration of Environmental Protection of Construction Projects promulgated by the State Environmental Protection Administration of China on 1 June 1990, the development of each construction project is subject to the environment impact assessment, and the developer should submit to the competent administrative authorities the environmental impact statement which assess the pollution the construction project is likely to produce and its impact on the environment and stipulate the preventive and curative measures. And only after the competent authorities' examination and approval, can the developer start the construction project.

And under the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects promulgated by the State Environmental Protection Administration of China on 27 December 2001, each construction project completed is subject to the inspection of the competent environmental protection administrative authorities, and only after the construction project has passed the inspection and acquired the acceptance approval, can it be put into use.

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(t) Measures on Stabilizing Housing Price

The General Office of the State Council promulgated the Circular on Stabilizing Real Estate Price on 26 March 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the real estate market. The “Opinions on Work of Stabilizing Housing jointly issued by the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the State Administration of Taxation and the China Banking Regulatory Commission on 30 April 2005 provides that:-

- (1) Where the housing price grows too fast, while the supply of ordinary commodity houses with medium or low price and economical houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses with medium or low price and economical houses. The construction of low-density, high-quality houses shall be strictly controlled. With respect to construction projects of medium-or-low-price ordinary commodity houses, before land supplying, the municipal planning authority shall, according to controlling detailed planning, set forth such conditions for planning and design as height, plot ratio and green space, while the real estate authority, together with other relevant authorities, shall set forth such controlling requirements as sale price, type and area. Such conditions and requirements will be set up as preconditions of land grant to ensure the supply of houses with medium or low price and houses with medium or small area. The local government must strengthen the supervision of planning permit for real estate development projects. Housing projects that have not been commenced within two years must be examined again, and those that turn out to be not in compliance with the planning permits will be revoked.
- (2) Where the price of land for residential use and residential house grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses with medium or low price and economical houses should be especially increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.

The General Office of the State Council promulgated the Circular on Adjusting Real Estate Supply Structure and Stabilizing Real Estate Price on 24 May 2006. The regulation stipulates that:-

- (1) Since 1 June 2006, for the newly approved or developed commodity residential houses, the ratio of the house with a built up area of no more than 90 square meters should reach at least 70% of the total construction area. If there are special situations existing that may require an adjustment, the affected municipality directly under the Central Government, city directly under State planning or provincial capital should apply to the Ministry of Construction for approving the adjustment on the above-mentioned ratio. For the projects whose developer has already obtained the approval without the Permit for Erection of Construction Projects, if the ratio of the house with a built up area of no more than 90 square meters has not reached the above-mentioned ratio, the developer should adjust the ratio to satisfy the new requirements.
- (2) Since 1 June 2006, if the purchaser transfers the residential house within five years from the purchasing day, the business tax will be levied on the basis of the sales income on the residential house; if the person transfers the common residential house after five years (including five years) from the purchasing day, no business tax will be levied; and if the person transfers the uncommon residential house after five years (including five years) from the purchasing day, the business tax will be levied on the margin between the sales income on the residential house and the original purchase price.

ANNEX C: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

- (3) Since 1 June 2006, the initial payment for the personal housing mortgage loan shall not be less than 30% of the total purchase price of the house. However, if the person purchases the house with a built up area of no more than 90 square meters for his/her own residence, the initial payment could be no less than 20% of the total purchase price of the house.

On 30 May 2006, the Ministry of Land and Resources published the Urgent Notice of Tightening Land Administration. In this notice, the Ministry of Land and Resources stressed that the local governments must adhere to their annual overall land use planning and land supply plans and tighten the control of land supply for non-agricultural use. The notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing and to strictly enforce the regulations applicable to the holding of idle land. In the notice, the Ministry of Land and Resources also requires the local governments to investigate any illegal use of land and submit a report on such investigations to it by the end of October 2006.

On 29 December 2008, the Ministry of Finance and the State Taxation Bureau jointly issued the Circular Concerning Business Tax on Personal Real Estate Transfer (关于个人住房转让营业税政策的通知), according to which, from 1 January 2009 to 31 December 2009, business tax shall be levied on the entire sale price of any non-ordinary residential house sold within two years of its purchase or on the difference between the sale income of the residential house and the original purchase price for any transfer of non-ordinary residential house after two or more years of its purchase or ordinary residential house within two years of its purchase, while business tax would be exempted for the transfer of any ordinary residential property after two years from the date of purchase.

ANNEX D: SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

The discussion below provides information about certain provisions of our Articles of Association and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our Articles of Association.

Articles of Association

The provisions in the Articles of Association of our Company relating to:-

- (a) *a Director's power to vote on a proposal, arrangement or contract in which the Director is Interested*

Article 104

A Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any interest, directly or indirectly. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

- (b) *the Director's power to vote on remuneration (including pension or other benefits) for himself or for any other director, and whether the quorum at a meeting of the board of Directors to vote on Directors' remuneration may include the director whose remuneration is the subject of the vote*

Article 77

The ordinary remuneration of the Directors, which shall from time to time be determined by an Ordinary Resolution of the Company, shall not be increased except pursuant to an Ordinary Resolution passed at a General Meeting where notice of the proposed increase shall have been given in the notice convening the General Meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. The ordinary remuneration of an executive Director may not include a commission on or a percentage of turnover and the ordinary remuneration of a non-executive Director shall be a fixed sum, and not by a commission on or a percentage of profits or turnover.

Article 78

Any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine Provided that such extra remuneration (in case of an executive Director) shall not by way of commission on or a percentage of turnover and (in the case of a non-executive Director) shall be a fixed sum, and not by a commission on or a percentage of profits or turnover.

Article 79

The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise in or about the business of the Company.

Article 80

The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

ANNEX D: SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

- (c) *borrowing powers exercisable by the Directors and how such borrowing powers can be varied*

Article 112

Subject as hereinafter provided and to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

- (d) *retirement or non-retirement of Directors under an age limit requirement*

Article 93

At each Annual General Meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, Provided that no Director holding office as Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. For the avoidance of doubt, each Director (other than a Director holding office as Managing Director) shall retire at least once every three years.

Article 94

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who is due to retire at a General Meeting by reason of age or who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by ballot. A retiring Director shall be eligible for re-election.

Article 95

The Company at a General Meeting at which a Director retires under any provision of these Articles may by Ordinary Resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. In default, the retiring Director shall be deemed to have been re-elected except in any of the following cases:-

- (a) where at such meeting it is expressly resolved not to fill such office or a resolution for the re-election of such Director is put to the meeting and lost; or
- (b) where such Director has given notice in writing to the Company that he is unwilling to be re-elected; or
- (c) where the default is due to the moving of a resolution in contravention of the next following Article; or
- (d) where such Director has attained any retiring age applicable to him as Director.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his reelection is put to the meeting and lost and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

- (e) *the number of shares, if any, required for Director's qualification*

Article 76

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a Member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at General Meetings.

ANNEX D: SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

- (f) *rights, preferences and restrictions attaching to each class of shares*

Article 3

- (A) Subject to the Act and these Articles, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and the terms of such approval, and to Article 5, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with Sections 70 and 75 of the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards dividend, return of capital, participation in surplus, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that no options shall be granted over unissued shares except in accordance with the Act and the Designated Stock Exchange's listing rules.
- (B) The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognize a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.
- (C) Except so far as otherwise provided by the conditions of issue or by these presents, all new shares shall be issued subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.

Article 8

- (A) Preference shares may be issued subject to such limitation thereof as may be prescribed by the Designated Stock Exchange. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance-sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any General Meeting convened for the purpose of reducing capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the General Meeting directly affects their rights and privileges or when the Dividend on the preference shares is more than six months in arrears.
- (B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

Article 9

- (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the total number of issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these Articles relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a

ANNEX D: SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.

- (B) The provisions in Article 9(A) shall mutatis mutandis apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.
- (C) The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

Article 14

Every person whose name is entered as a Member in the Register of Members shall be entitled, within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the closing date of any application for shares or (as the case may be) the date of lodgment of a registrable transfer to one certificate for all his shares of any one class or to several certificates in reasonable denominations each for a part of the shares so allotted or transferred.

Article 34

- (A) There shall be no restriction on the transfer of fully paid-up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated Stock Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.
- (B) The Directors may decline to register any instrument of transfer unless:-
 - (a) such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require is paid to the Company in respect thereof;
 - (b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;
 - (c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty), the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

ANNEX D: SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

- (d) the instrument of transfer is in respect of only one class of shares.

Article 41

A reference to a Member shall be a reference to a registered holder of shares in the Company, or where such registered holder is CDP, the Depositors on behalf of whom CDP holds the shares, Provided that:-

- (a) a Depositor shall only be entitled to attend any General Meeting and to speak and vote thereat if his name appears on the Depository Register maintained by CDP forty eight (48) hours before the General Meeting as a Depositor on whose behalf CDP holds shares in the Company, the Company being entitled to deem each such Depositor, or each proxy of a Depositor who is to represent the entire balance standing to the Securities Account of the Depositor, to represent such number of shares as is actually credited to the Securities Account of the Depositor as at such time, according to the records of CDP as supplied by CDP to the Company, and where a Depositor has apportioned the balance standing to his Securities Account between two proxies, to apportion the said number of shares between the two proxies in the same proportion as previously specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the proportion of Depositor's shareholding specified in the instrument of proxy, or where the balance standing to a Depositor's Securities Account has been apportioned between two proxies the aggregate of the proportions of the Depositor's shareholding they are specified to represent, and the true balance standing to the Securities Account of a Depositor as at the time of the General Meeting, if the instrument is dealt with in such manner as is provided above;
- (b) the payment by the Company to CDP of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment;
- (c) the delivery by the Company to CDP of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement; and
- (d) the provisions in these presents relating to the transfers, transmissions or certification of shares shall not apply to the transfer of book-entry securities.

Article 42

Except as required by the Statutes or law, no person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these presents or by the Statutes or law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the registered holder and nothing in these presents contained relating to CDP or to Depositors or in any depository agreement made by the Company with any common depository for shares shall in any circumstances be deemed to limit, restrict or qualify the above.

Article 63

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or, as the case may be, the order in which the names appear in the Depository Register in respect of the joint holding.

ANNEX D: SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

Article 64

Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by Membership in relation to General Meetings of the Company.

Article 65

No Member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by Membership in relation to General Meetings if any call or other sum payable by him to the Company in respect of such shares remains unpaid.

(g) any change in capital

Article 10

The Company may by Ordinary Resolution:-

- (a) consolidate and divide all or any of its share capital;
- (b) cancel the number of any shares which, at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the number of the shares so cancelled.
- (c) sub-divide its shares, or any of them, Provided Always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be same as it was in the case of the share from which the reduced share is derived; and/or
- (d) convert or exchange any class of shares into or for any other class of shares;

Article 11

- (A) The Company may reduce its share capital or any other undistributable reserve in any manner permitted, and with, and subject to, any incident authorized, and consent or confirmation required, by law.
- (B) The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Statutes and any applicable rules of the Designated Stock Exchange (hereafter, the "Relevant Laws"), on such terms and subject to such conditions as the Company may in General Meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with the Relevant Laws. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles and the Statutes, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

ANNEX D: SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

- (h) *any change in the respective rights of the various classes of shares including the action necessary to change the rights*

Article 9

- (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these Articles relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.
- (B) The provisions in Article 9(A) shall *mutatis mutandis* apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.
- (C) The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

- (i) *dividends and distribution*

Article 127

The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.

Article 128

If and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

Article 129

Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:-

- (a) all Dividends in respect of shares must be paid in proportion to the number of shares held by a Member, but where shares are partly paid, all Dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and

ANNEX D: SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

- (b) all Dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the Dividend is paid.

For the purposes of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored.

Article 130

- (A) No Dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All Dividends remaining unclaimed after one year from having been first payable may be invested or otherwise made use of by the Directors for the benefit of the Company, and any Dividend or any such moneys unclaimed after six (6) years from having been first payable shall be forfeited and shall revert to the Company provided always that the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the Dividend so forfeited to the person entitled thereto prior to the forfeiture. If CDP returns any such Dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such Dividend or moneys against the Company if a period of six (6) years has elapsed from the date of the declaration of such Dividend or the date on which such other moneys are first payable.
- (B) A payment by the Company to CDP of any Dividend or other moneys payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment.

Article 131

No dividend or other monies payable on or in respect of a share shall bear interest as against the Company.

Article 132

- (A) The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
- (B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.

Article 133

The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the Member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

Article 134

The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

ANNEX D: SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

Article 135

Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the Member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

Article 136

If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other monies payable or property distributable on or in respect of the share.

Article 137

Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of such dividend of transferors and transferees of any such shares.

- (j) *any limitation on the right to own Shares, including limitations on the right of non-resident or foreign Shareholders to hold or exercise voting rights on their Shares*

Article 5

- (A) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted by the rules of the Designated Stock Exchange, all new shares shall before issue be offered to such persons who as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 5(A).

ANNEX D: SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

- (B) Notwithstanding Article 5(A) above, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:-
- (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and
 - (b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

Provided that:-

- (1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Designated Stock Exchange;
 - (2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Designated Stock Exchange for the time being in force (unless such compliance is waived by the Designated Stock Exchange) and these Articles; and
 - (3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).
- (C) The Company may, notwithstanding Articles 5(A) and 5(B) above, authorize the Directors not to offer new shares to Members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members on such terms and conditions as the Company may direct.

Article 34

- (A) There shall be no restriction on the transfer of fully paid-up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated Stock Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

ANNEX D: SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

- (B) The Directors may decline to register any instrument of transfer unless:-
- (a) such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require is paid to the Company in respect thereof;
 - (b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;
 - (c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty), the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and
 - (d) the instrument of transfer is in respect of only one class of shares.

Article 42

Except as required by the Statutes or law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these presents or by the Statutes or law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the registered holder and nothing in these presents contained relating to CDP or to Depositors or in any depository agreement made by the Company with any common depository for shares shall in any circumstances be deemed to limit, restrict or qualify the above.

**ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM
AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007**

**DEBAO PROPERTY DEVELOPMENT LTD.
AND ITS SUBSIDIARIES**

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31,
2008 AND THE PERIOD FROM AUGUST 16,
2007 (DATE OF INCORPORATION) TO
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**ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM
AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007**

DEBAO PROPERTY DEVELOPMENT LTD. AND ITS SUBSIDIARIES

STATEMENT BY DIRECTORS

**FOR THE PERIOD FROM AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007
AND THE YEAR ENDED DECEMBER 31, 2008**

In the opinion of the directors,

- (i) the financial statements set out on pages E-5 to E-47 are drawn up so as to present fairly, the state of affairs of the Group at December 31, 2007 and 2008, and of the results, changes in equity and cash flows of the Group for the period from August 16, 2007 (date of incorporation) to December 31, 2007 and the year ended December 31, 2008.
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The directors have, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

.....
Yuan Le Sheng

.....
Zhang Mao

March 31, 2010

**ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM
AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007**

INDEPENDENT AUDITORS' REPORT

March 31, 2010

The Board of Directors
Debao Property Development Ltd.
1 Robinson Road
#17-00 AIA Tower
Singapore 048542

Dear Sirs

We have audited the accompanying financial statements of Debao Property Development Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the balance sheets of the Group as at December 31, 2007 and 2008, the profit and the loss statement, statements of changes in equity and cash flow statements of the Group for the period from August 16, 2007 (date of incorporation) to December 31, 2007 and the year ended December 31, 2008 ("Relevant Periods"), and a summary of significant accounting policies and other explanatory notes, as set out on pages E-5 to E-47.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

**ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM
AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007**

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

Opinion

In our opinion, the consolidated financial statements of the Group, for the purpose of this report set out in the following paragraph are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at December 31, 2007 and 2008 and of the results, changes in equity and cash flows of the Group for the Relevant Periods.

These financial statements have been prepared solely in connection with the proposed listing of Debao Property Development Ltd. on the Singapore Exchange Securities Trading Limited. This report is made solely to you as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Yours faithfully

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants
Singapore

Jeremy Toh Yew Kuan
Partner

**ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM
AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007**

DEBAO PROPERTY DEVELOPMENT LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As at December 31, 2007 and 2008

	<u>Note</u>	<u>2008</u> RMB'000	<u>2007</u> RMB'000
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	6	63,714	107,172
Trade and other receivables	7	59,916	1,750
Amount due from related parties – non-trade	5	2,844	241,634
Amount due from customers for contract works	8	71,332	-
Inventories	9	154	-
Property held for sale	10	32,358	-
Development properties	11	<u>1,415,555</u>	<u>1,046,745</u>
Total current assets		<u>1,645,873</u>	<u>1,397,301</u>
Non-current assets			
Plant and equipment	12	5,094	877
Investment properties	13	167,490	-
Investment in subsidiaries	14	-	-
Investment in a jointly controlled operation	15	81,060	-
Other investment	16	1,300	-
Deferred tax assets	22	2,390	-
Other non-current asset	17	3,000	3,000
Goodwill	18	-	-
Total non-current assets		<u>260,334</u>	<u>3,877</u>
Total assets		<u>1,906,207</u>	<u>1,401,178</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade and other payables	19	230,021	46,677
Amount due to related parties – non-trade	5	1,584	345,856
Convertible loan notes at fair value	21	300,830	-
Tax payables		<u>18,089</u>	<u>-</u>
Total current liabilities		<u>550,524</u>	<u>392,533</u>
Non-current liabilities			
Bank and other loans	20	692,731	470,000
Convertible loan notes at fair value	21	-	74,428
Deferred tax liabilities	22	<u>149,005</u>	<u>118,500</u>
Total non-current liabilities		<u>841,736</u>	<u>662,928</u>
Capital, reserves and minority interests			
Share capital	23	47,824	-
Translation reserve		13,356	(278)
Retained earnings		<u>452,767</u>	<u>255,155</u>
Equity attributable to equity holders of the Company		513,947	254,877
Minority interests		-	90,840
Total equity		<u>513,947</u>	<u>345,717</u>
Total liabilities and equity		<u>1,906,207</u>	<u>1,401,178</u>

See accompanying notes to financial statements.

**ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM
AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007**

DEBAO PROPERTY DEVELOPMENT LTD. AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS STATEMENTS

**For the period from August 16, 2007 (date of incorporation) to December 31, 2007 and
year ended December 31, 2008**

	<u>Note</u>	<u>2008</u> RMB'000	August 16, 2007 to December 31, <u>2007</u> RMB'000
Revenue	24	124,041	-
Cost of sales		(112,655)	-
Gross profit		11,386	-
Other income	25	8,222	-
Selling and distribution expenses		(2,011)	-
Administrative expenses		(22,747)	(658)
Change in fair value of convertible loan notes	21	(8,942)	(303)
Share of a jointly controlled operation profit		1,577	-
Change in fair value of investment properties	13	(485)	-
Negative goodwill	31	139,097	255,881
Gain from acquisition of additional shares in a subsidiary	31	3,115	-
Gain from dilution of minority interest		72,859	-
Impairment of goodwill	18	(1,356)	-
Finance costs	26	(1,782)	-
Profit before tax		198,933	254,920
Income tax expense	27	(1,387)	-
Profit for the year/period	28	<u>197,546</u>	<u>254,920</u>
Attributable to:			
Equity holders of the Company		197,612	255,155
Minority interests		(66)	(235)
		<u>197,546</u>	<u>254,920</u>
Earnings per share (RMB)			
Basic (fen)	29	<u>31.47</u>	<u>40.64</u>
Diluted (fen)	29	<u>20.66</u>	<u>25.55</u>
Earnings per share based on Pre-Invitation share capital:			
Basic and diluted (fen)	29	<u>20.66</u>	<u>25.55</u>

See accompanying notes to financial statements.

**ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM
AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007**

DEBAO PROPERTY DEVELOPMENT LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**For the period from August 16, 2007 (date of incorporation) to December 31, 2007 and
year ended December 31, 2008**

	<u>Note</u>	<u>Share capital</u> RMB'000	<u>Retained earnings</u> RMB'000	<u>Translation reserve</u> RMB'000	<u>Attributable to equity holders of the Company</u> RMB'000	<u>Minority Interests</u> RMB'000	<u>Total</u> RMB'000
Balance at August 16, 2007 (date of incorporation)	23	_*	-	-	-	-	_*
Translation reserve recognised directly in equity		-	-	(278)	(278)	-	(278)
Profit for the period		<u>-</u>	<u>255,155</u>	<u>-</u>	<u>255,155</u>	<u>(235)</u>	<u>254,920</u>
Total recognised income and expense for the period		<u>-</u>	<u>255,155</u>	<u>(278)</u>	<u>254,877</u>	<u>(235)</u>	<u>254,642</u>
Arising from acquisition of a subsidiary		-	-	-	-	91,075	91,075
Issue of shares	23	<u>_**</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>_**</u>
Balance at December 31, 2007		<u>_***</u>	<u>255,155</u>	<u>(278)</u>	<u>254,877</u>	<u>90,840</u>	<u>345,717</u>
Translation reserve recognised directly in equity		-	-	13,634	13,634	-	13,634
Profit for the year		<u>-</u>	<u>197,612</u>	<u>-</u>	<u>197,612</u>	<u>(66)</u>	<u>197,546</u>
Total recognised income and expense for the year		<u>-</u>	<u>197,612</u>	<u>13,634</u>	<u>211,246</u>	<u>(66)</u>	<u>211,180</u>
Purchase of additional shares in a subsidiary		-	-	-	-	(17,915)	(17,915)
Issue of shares	23	47,824	-	-	47,824	-	47,824
Minority interest dilution arising from capital injection		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,859)</u>	<u>(72,859)</u>
Balance at December 31, 2008		<u>47,824</u>	<u>452,767</u>	<u>13,356</u>	<u>513,947</u>	<u>-</u>	<u>513,947</u>

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

** Consists of 159 ordinary shares amounting to S\$159.

*** Consists of 160 ordinary shares amounting to S\$160.

See accompanying notes to financial statements.

**ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM
AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007**

DEBAO PROPERTY DEVELOPMENT LTD. AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENTS

**For the period from August 16, 2007 (date of incorporation) to December 31, 2007 and
year ended December 31, 2008**

	<u>Note</u>	<u>2008</u> RMB'000	August 16, 2007 to December 31, <u>2007</u> RMB'000
Operating activities			
Profit before tax		198,933	254,920
Adjustments for:			
Fair value loss of investment properties		485	-
Change in fair value of convertible loan		8,942	303
Negative goodwill		(139,097)	(255,881)
Gain from acquisition of additional shares in a subsidiary		(3,115)	-
Gain from dilution of minority interest		(72,859)	-
Impairment of goodwill		1,356	-
Allowance for doubtful debts		1,000	-
Interest expense		1,782	-
Depreciation		1,250	-
Interest income		(3,220)	-
Share of a jointly controlled operation profit		(1,577)	-
Operating cash flows before movements in working capital		(6,120)	(658)
Trade and other receivables		(16,536)	47,155
Development properties		(307,028)	(193,959)
Properties held for sale		12,055	-
Amount due from customers for contract works		(40,467)	-
Inventories		(94)	-
Trade and other payables		99,984	35,705
Cash used in operations		(258,206)	(111,757)
Interest paid		(48,385)	(9,001)
Income tax paid		(26,345)	-
Net cash used in operating activities		(332,936)	(120,758)
Investing activities			
Amounts due from related parties		(1,671)	(105,500)
Advances to a jointly controlled operation		(3,018)	-
Purchases of plant and equipment		(2,729)	-
Interest received		3,619	166
Addition in investment properties		(485)	-
Acquisition of subsidiaries	31	(137,993)	105,558
Acquisition of additional shares in a subsidiary	31	(14,800)	-
Net cash (used in) from investing activities		(157,077)	224

**ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM
AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007**

	<u>Note</u>	<u>2008</u> RMB'000	August 16, 2007 to December 31, <u>2007</u> RMB'000
Financing activities			
Amounts due to related parties		(46,260)	(16,419)
Proceeds from injection of share capital	23	47,824	-
Proceeds from bank loans		150,000	170,000
Proceeds from other loans		72,731	-
Proceeds from convertible loan		<u>222,260</u>	<u>74,125</u>
Net cash from financing activities		<u>446,555</u>	<u>227,706</u>
Net (decrease) increase in cash and cash equivalents		(43,458)	107,172
Cash and cash equivalents at beginning of year/period		<u>107,172</u>	<u>-</u>
Cash and cash equivalents at end of year/period		<u><u>63,714</u></u>	<u><u>107,172</u></u>

See accompanying notes to financial statements.

ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007

DEBAO PROPERTY DEVELOPMENT LTD. AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

The Company, Debao Property Development Ltd. (Registration No. 200715053Z) was incorporated in Singapore on August 16, 2007 with its principal place of business at No 60, North Nanhai Avenue, 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 14 to the financial statements.

The consolidated financial statements of the group for the period from August 16, 2007 (date of incorporation) to December 31, 2007 and the year ended December 31, 2008 were authorised for issue by the Board of Directors on March 31, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective as of January 1, 2008 to the earliest period reported.

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

FRS 1	-	<i>Presentation of Financial Statements (Revised)</i>
FRS 27	-	<i>Consolidated and Separated Financial Statements (Revised)</i>
FRS 103	-	<i>Business Combination (Revised)</i>
FRS 108	-	<i>Operating Segments</i>

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

Management anticipates that the adoption of the new/revised FRS and INT FRS and amendments to FRS in future periods will have no material impact on the financial statements of the Group in the period of their initial adoption, except for the following:

FRS 1 – Presentation of Financial Statements (Revised)

FRS 1 (Revised) will be effective for annual periods beginning on or after January 1, 2009, and will change the basis for presentation and structure of the financial statements. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRSs.

ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007

FRS 108 – Operating Segments

FRS 108 will be effective for annual financial statements beginning on or after January 1, 2009 and supersedes FRS 14 – Segment Reporting. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, FRS 14 requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 108, the identification of the Group's reportable segments may change.

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

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

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

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 Relevant Periods are included in the consolidated profit and loss statement from the effective date of acquisition.

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

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

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

ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007

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

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

JOINTLY CONTROLLED OPERATIONS - When the Group undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the balance sheet 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 income statement 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 balance sheets 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.

Financial assets

Cash and cash equivalents

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

Trade receivables, other receivables, amount due from related parties and amount due from customers for contract works

Trade receivables, other receivables, amount due from related parties and amount due from customers for contract works are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated profit and loss statement 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.

ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. 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 the consolidated profit and loss statements. Changes in the carrying amount of the allowance account are recognised in the consolidated profit and loss statements.

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 consolidated profit and loss statement to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

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.

ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007

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

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

A financial liability is classified as held for trading if:

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

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

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

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

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

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

Banks 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).

ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007

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 and loss with any resultant gain or loss recognised in profit or loss. The fair value of the liability component is determined based on the present value of the principal repayment of the convertible loan discounted on the basis of the market interest rate implied by the comparable loans. The fair value of the embedded derivative of the convertible loan is determined using the Binomial Model.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company'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 balance sheet date, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

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

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

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

The Group as lessor

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

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

ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007

The Group as lessee

Rental payable under operating leases are charged to the consolidated profit and loss statements 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.

PLANT AND EQUIPMENT - Plant and equipment other than construction in progress are stated at cost less accumulated depreciation and any accumulated impairment losses.

Construction in progress is classified to the appropriate category of 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:

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 plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the consolidated profit and loss statements.

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 consolidated profit and loss statement for the period in which they arise.

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.

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

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

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated profit and loss statements, 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 the consolidated profit and loss statements, 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 balance sheet date, 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.

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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 balance sheet date, as measured by the proportion that construction costs incurred to date relative to the estimated total construction cost. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

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

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 profit and loss statements 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 balance sheet date.

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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 each balance sheet 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 balance sheet date.

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 consolidated profit and loss statements.

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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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 the consolidated profit and loss statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated profit and loss statements 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 balance sheet date. 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 classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in consolidated profit and loss statements in the period in which the foreign operation is disposed of.

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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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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 cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are in consolidated profit and loss statements 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 7.

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 performed to date.

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

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

The carrying amounts of development properties and amounts due from customers for contract work are disclosed in Notes 11 and 8 respectively.

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Fair value of convertible loans

As disclosed in Note 21 to the financial statements, convertible loans are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based this on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the method of valuation is reflective of current market conditions.

Valuation of investment properties

As disclosed in Note 13 to the financial statements, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based this on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the method of valuation is reflective of current market conditions.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the balance sheet date:

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>185,776</u>	<u>352,084</u>
Financial liabilities		
Fair value through profit or loss (FVTPL):		
Designated as at FVTPL	300,830	74,428
Amortised cost	<u>910,205</u>	<u>860,523</u>

(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.

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(i) Foreign exchange risk management

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

(ii) Interest rate risk management

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

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

(iii) Credit risk management

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

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

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

Further details of credit risks on trade and other receivables are disclosed in Note 7.

(iv) Liquidity risk management

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

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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 balance sheet.

	Weighted average effective interest rate % (per annum)	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
2008						
Non-interest bearing	-	217,474	-	-	-	217,474
Fixed interest rate instruments	7.296	5,302	81,568	-	(14,139)	72,731
Variable interest rate instruments	7.697 – 8.136	48,650	658,597	-	(87,247)	620,000
2007						
Non-interest bearing	-	390,523	-	-	-	390,523
Variable interest rate instruments	6.9584	34,817	528,637	-	(93,454)	470,000

(vi) Fair value of financial assets and financial liabilities

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

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

5. OTHER RELATED PARTY TRANSACTIONS

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 Relevant Periods was as follows:

	<u>2008</u> RMB'000	August 16, 2007 to December 31, <u>2007</u> RMB'000
Short-term benefits	<u>3,104</u>	<u>-</u>

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

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

	<u>2008</u> RMB'000	August 16, 2007 to December 31, <u>2007</u> RMB'000
Advance from a director during the year	19,427	-
Revenue from property development		
- relatives of directors	1,095	-
Rental income		
- relative of a director	1,917	-
- a director	178	-
Construction revenue		
- a jointly controlled operation	21,071	-
Interest expense		
- directors and key management	1,670	-
Construction cost		
- business partner of relative of a director	7,916	-
Rental expense		
- directors	<u>30</u>	<u>102</u>

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6. CASH AND CASH EQUIVALENTS

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Cash at bank	63,627	107,156
Cash on hand	<u>87</u>	<u>16</u>
	<u>63,714</u>	<u>107,172</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 RMB63,491,000 (2007 : RMB106,078,000) are not freely convertible to foreign currencies.

7. TRADE AND OTHER RECEIVABLES

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Trade receivables	19,088	-
Other receivables	<u>34,938</u>	<u>6</u>
	54,026	6
Advance to contractors	793	38
Deposits paid	593	216
Prepaid expense	<u>4,504</u>	<u>1,490</u>
	<u>59,916</u>	<u>1,750</u>

The average credit period on trade receivables is 60 to 90 days (2007 : 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 RMB1,460,000 (2007 : RMB Nil) which are past due at the reporting date 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 other receivables are interest-free, repayable on demand and unsecured. The Group has not made any provision except as stated below as the management are of the view that these receivables are recoverable.

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

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Not past due and not impaired	52,566	6
Past due but not impaired	<u>1,460</u>	<u>-</u>
	<u>54,026</u>	<u>6</u>
 Aging of trade receivables that are past due but not impaired:		
Less than 3 months	93	-
3 months to 6 months	200	-
6 months to 12 months	116	-
Over 12 months	<u>1,051</u>	<u>-</u>
	<u>1,460</u>	<u>-</u>

Included in the other receivables balance are allowance for doubtful debts for other receivables of RMB1,000,000 (2007 : RMB Nil). Movement in the allowance for other receivables doubtful debts are as follows:

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Balance at beginning of the year/period	-	-
Acquisition of a subsidiary	2,000	-
Impairment losses recognised on receivables	1,000	-
Amounts written off during the year/period	<u>(2,000)</u>	<u>-</u>
Balance at end of the year/period	<u>1,000</u>	<u>-</u>

8. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORKS

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Contracts-in-progress at balance sheet date:		
Amounts due from contract customers	<u>71,332</u>	<u>-</u>
 Contract costs incurred plus recognised profits	147,002	-
Less: Progress billings	<u>(75,670)</u>	<u>-</u>
	<u>71,332</u>	<u>-</u>

9. INVENTORIES

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Consumables	<u>154</u>	<u>-</u>

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10. PROPERTY HELD FOR SALE

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Cost	<u>32,358</u>	<u>-</u>

11. DEVELOPMENT PROPERTIES

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Cost incurred	1,477,180	1,046,745
Add: Recognised profit	<u>3,573</u>	<u>-</u>
	1,480,753	1,046,745
Less: Progress billings	<u>(65,198)</u>	<u>-</u>
Total Properties under development	<u>1,415,555</u>	<u>1,046,745</u>

Development properties of RMB782,102,000 (2007 : RMB738,607,000) are pledged to banks to secure bank loans granted to the Group as at December 31, 2008 and 2007.

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

	<u>2008</u> RMB'000	August 16, 2007 to December 31, <u>2007</u> RMB'000
Depreciation capitalised during the year/period	202	51
Interest income capitalised during the year/period	(399)	(166)
Interest expense capitalised during the year/period (Note 26)	<u>46,603</u>	<u>9,001</u>

The weighted average rate of capitalisation of the interest expenses for the year ended December 31, 2008 is 7.7% to 8.3% (2007 : 6.2% to 7.0%) per annum.

As at December 31, 2008, development properties of RMB905,326,000 (2007 : RMB735,931,000) 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.

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12. PLANT AND EQUIPMENT

	Construction in progress RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, furniture and fixtures RMB'000	Total RMB'000
Cost:					
At August 16, 2007	-	-	-	-	-
Acquisition of subsidiaries	-	870	142	-	1,012
At December 31, 2007	-	870	142	-	1,012
Additions	1,181	920	381	247	2,729
Acquisition of subsidiaries	864	1,960	4,302	460	7,586
Transfer	(864)	864	-	-	-
At December 31, 2008	<u>1,181</u>	<u>4,614</u>	<u>4,825</u>	<u>707</u>	<u>11,327</u>
Accumulated depreciation:					
At August 16, 2007	-	-	-	-	-
Charge for the period	-	44	7	-	51
Acquisition of subsidiaries	-	72	12	-	84
At December 31, 2007	-	116	19	-	135
Charge for 2008	-	753	608	91	1,452
Acquisition of subsidiaries	-	1,414	2,973	259	4,646
At December 31, 2008	<u>-</u>	<u>2,283</u>	<u>3,600</u>	<u>350</u>	<u>6,233</u>
Carrying amount:					
At December 31, 2007	<u>-</u>	<u>754</u>	<u>123</u>	<u>-</u>	<u>877</u>
At December 31, 2008	<u>1,181</u>	<u>2,331</u>	<u>1,225</u>	<u>357</u>	<u>5,094</u>

13. INVESTMENT PROPERTIES

	2008 RMB'000	August 16, 2007 to December 31, 2007 RMB'000
At beginning of year/period	-	-
Acquisition of subsidiary	167,100	-
Transfer from property held for sale	3,000	-
Purchase during the year/period	485	-
Disposal during the year/period	(2,610)	-
Decrease in fair value	(485)	-
At end of year/period	<u>167,490</u>	<u>-</u>

The fair values of the Group's investment properties at balance sheet date have been arrived at on the basis of open market valuation carried out at balance sheet date by CB Richard Ellis Limited Hong Kong, the independent valuers.

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The property rental income earned by the Group from its investment properties, all of which are leased under operating leases, amounted to RMB4,770,000 (2007 : RMB Nil). Direct operating expenses arising on the investment properties in the year amounted to RMB938,000 (2007 : RMB Nil).

The Group has pledged the Debao Building with a carrying value of RMB97,700,000 (2007 : RMB Nil) to secure bank loans granted to the Group on December 31, 2008 (see Note 20).

The legal title of certain investment properties not being passed to the Group is RMB8,290,000 (2007 : RMB Nil). The outgoing costs and economic benefit associated with the properties have been transferred to the Group.

14. INVESTMENT IN SUBSIDIARIES

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

<u>Name of subsidiary</u>	<u>Country of incorporation and operation</u>	<u>Proportion of ownership interest</u>		<u>Proportion of voting power held</u>		<u>Principal activity</u>
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
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) (3)}	PRC	100%	0%	100%	0%	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) (3)}	PRC	100%	0%	100%	0%	Construction
Foshan Nanhai District Debao Property Development Co., Ltd. ^{(2) (3)}	PRC	100%	0%	100%	0%	Investment property holding and development
Foshan Sanshui District Nengrun Property Development Co., Ltd. ⁽²⁾	PRC	100%	60%	100%	60%	Property development

⁽¹⁾ Audited by Deloitte & Touche LLP, Singapore

⁽²⁾ Audited by Deloitte Touche Tohmatsu, Guangzhou

⁽³⁾ Acquired during 2008

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15. INTEREST IN A JOINTLY CONTROLLED OPERATION

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

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Cost of investment	15,543	-
Loans	48,028	-
Interest receivable	16,571	-
Share of result of a jointly controlled operation (Note 1)	<u>918</u>	<u>-</u>
Total	<u>81,060</u>	<u>-</u>

Note 1: Included the elimination of unrealised profit of RMB912,000 (2007 : RMB Nil) which had been adjusted against cost of sales in the profit and loss statement.

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

Profit and loss statement after acquisition in respect of the Group's jointly controlled operation is set out below:

	<u>2008</u> RMB'000	August 16, 2007 to December 31, <u>2007</u> RMB'000
Revenue	29,009	-
Cost of sales	<u>(23,481)</u>	<u>-</u>
Gross profit	5,528	-
Other income	170	-
Selling and distribution expenses	(873)	-
Administrative expenses	<u>(436)</u>	<u>-</u>
Profit before tax	4,389	-
Income tax expense	<u>(1,522)</u>	<u>-</u>
Profit for the year/period	<u>2,867</u>	<u>-</u>
Group's share of jointly controlled operations profit after acquisition	<u>1,577</u>	<u>-</u>

16. OTHER INVESTMENT

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Unquoted investment, at cost	<u>1,300</u>	<u>-</u>

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

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17. 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

18. GOODWILL

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Cost:		
At beginning of the year/period	-	-
Arising on acquisition of a subsidiary	<u>1,356</u>	<u>-</u>
At end of the year/period	<u>1,356</u>	<u>-</u>
Impairment:		
At beginning of the year/period	-	-
Charge for the year/period	<u>1,356</u>	<u>-</u>
At end of the year/period	<u>1,356</u>	<u>-</u>
Carrying amount:		
At beginning and end of the year/period	<u>-</u>	<u>-</u>

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

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

19. TRADE AND OTHER PAYABLES

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Trade payables (outside parties)	131,928	41,697
Trade payables (related parties)	10,191	-
Advance receipt from the sales of properties	38,789	-
Other taxes payable	5,020	-
Accrued expense	11,325	2,868
Deposit received	858	-
Other payables	30,620	2,112
Advance from customers	<u>1,290</u>	<u>-</u>
	<u>230,021</u>	<u>46,677</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 (2007 : 30 to 180 days).

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20. BANK AND OTHER LOANS

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Other loans – non-current	72,731 ^(a)	-
Bank loans – non-current	<u>620,000</u> ^{(b) (c)}	<u>470,000</u> ^(b)
	<u>692,731</u>	<u>470,000</u>

The Group has principal bank and other loans as follows:

- (a) Other loans were provided by existing directors and the former shareholders of Foshan Nanhai District Debao Property Development Co., Ltd. with fixed interest of 7.296% per annum in 2008, unsecured and repayable in 2010. Effective from 2009, the interest rate is determined based on the prime rate on a quarterly basis.
- (b) The loans of RMB470,000,000 arising from acquisition of a subsidiary in 2008 was raised by the subsidiary in 2007 and repayable in 2010. The loans were secured by certain land use right of the Group and guaranteed by directors of the Group together with Foshan Nanhai Yueshi Trading Co., Ltd.. The loans are variable rate borrowing and are determined based on 0%-10% plus prime rate. The effective interest rates on bank loans for 2008 was 7.6970% (2007 : 6.9584%) per annum.
- (c) Additional loan raised in 2008 of RMB150,000,000 was a variable-rate borrowing. 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 carrying amounts of bank and other loans approximate their fair values as the interest rates approximate the market rates prevailing at balance sheet date.

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

21. CONVERTIBLE LOAN NOTES AT FAIR VALUE

The Company has entered into a series of convertible loan agreements with different investors on the same terms and conditions since December 2007. The accumulated amount of the principal is S\$15,000,000 (RMB76,026,000) and S\$63,600,000 (RMB306,467,000) as at December 31, 2007 and December 31, 2008 respectively.

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

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

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

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

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

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

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

- (a) Risk free rate is 1.808% and 0.747% with reference to yield of Singapore Sovereign as at the valuation dates respectively;
- (b) The volatility for share price is 55% and 90% with reference to the historical volatilities of the comparable companies as at the valuation dates respectively;
- (c) The discount rate for convertible loan is with reference to the yields of comparables bonds with similar credit rating and time to maturity, plus country premium and liquidity premium as at valuation dates respectively;
- (d) The dividend yield is 0%;
- (e) Stock price in the binomial tree model is implied by the net assets value with reference to an independent valuer's valuation summary and reports as at the valuation dates respectively;
- (f) The probability of the conversion option to take effective is 50% as at the valuation dates; and
- (g) Maturity date is assumed to be July 25, 2009.

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

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Beginning of the year	74,428	-
Exchange difference	(4,800)	-
Issuance	230,441	76,026
Prepaid issue expenses	(8,181)	(1,901)
Change in fair values	<u>8,942</u>	<u>303</u>
End of the year	300,830	74,428
Less: Current portion	<u>(300,830)</u>	<u>-</u>
Non-current portion	<u>-</u>	<u>74,428</u>

22. DEFERRED TAX

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Deferred tax liabilities	(149,005)	(118,500)
Deferred tax assets	<u>2,390</u>	<u>-</u>

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

	Change in fair value of investment properties <u>properties</u> RMB'000	Change in fair value of development properties <u>properties</u> RMB'000	Change in fair value of properties held for sale <u>sale</u> RMB'000	Unrealised income <u>income</u> RMB'000	Appreciation tax <u>tax</u> RMB'000	Others <u>Others</u> RMB'000	Total <u>Total</u> RMB'000
Balance at August 16, 2007 (date of incorporation)	-	-	-	-	-	-	-
Fair value adjustment on acquisition of subsidiaries	<u>-</u>	<u>(118,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,500)</u>
Balance at December 31, 2007	-	(118,500)	-	-	-	-	(118,500)
Acquisition of subsidiaries	(24,532)	-	-	(4,613)	(2,063)	909	(30,299)
Fair value adjustment on acquisition of subsidiaries	-	1,730	(5,412)	-	-	-	(3,682)
Credit (Charge) to profit or loss for the year	<u>1,782</u>	<u>3,485</u>	<u>2,792</u>	<u>374</u>	<u>(2,788)</u>	<u>221</u>	<u>5,866</u>
Balance at December 31, 2008	<u>(22,750)</u>	<u>(113,285)</u>	<u>(2,620)</u>	<u>(4,239)</u>	<u>(4,851)</u>	<u>1,130</u>	<u>(146,615)</u>

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23. SHARE CAPITAL

	<u>2008</u>		<u>2007</u>
	<u>No. of share</u>	<u>RMB'000</u>	<u>No. of shares</u>
Issued and fully paid:			
At beginning of year/period	160	- ***	1
Issued	<u>9,999,840</u>	<u>47,824</u>	<u>159</u>
At end of year/period	<u>10,000,000</u>	<u>47,824</u>	<u>160</u>

* Consists of S\$1 share.

** Consists of S\$159 shares.

*** Consists of S\$160 shares.

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

Convertible loan notes issued by the Company in 2007 and 2008 shall convert into fully paid new ordinary shares in the Company on the Conversion Date. Details relating to the option given to the convertible loan note holders are disclosed in Note 21 to the financial statements.

24. REVENUE

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

	<u>2008</u>	<u>August 16, 2007 to December 31, 2007</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Revenue from construction contracts	32,762	-
Revenue from property development	81,530	-
Property management service income	4,662	-
Property rental income	<u>5,087</u>	<u>-</u>
	<u>124,041</u>	<u>-</u>

25. OTHER INCOME

	<u>2008</u>	<u>August 16, 2007 to December 31, 2007</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Interest income	3,220	-
Sundry income	<u>5,002</u>	<u>-</u>
	<u>8,222</u>	<u>-</u>

26. FINANCE COSTS

	<u>2008</u>	<u>August 16, 2007 to December 31, 2007</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Interest on bank and other loans	48,385	9,001
Less: Amount capitalised as cost of development properties	<u>(46,603)</u>	<u>(9,001)</u>
	<u>1,782</u>	<u>-</u>

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27. INCOME TAX EXPENSE

	<u>2008</u>	August 16, 2007 to December 31, <u>2007</u>
	RMB'000	RMB'000
Current tax:		
Enterprise income tax	6,685	-
Land appreciation tax	<u>568</u>	<u>-</u>
	<u>7,253</u>	<u>-</u>
Deferred tax:		
Enterprise income tax	(8,087)	-
Land appreciation tax	<u>2,221</u>	<u>-</u>
	<u>(5,866)</u>	<u>-</u>
	<u>1,387</u>	<u>-</u>

Domestic income tax of the Company is calculated at 18% (2007 : 18%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions as explained below.

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

Pursuant to the new PRC Enterprise Income Tax Law promulgated on March 16, 2007, the enterprise income tax for both domestic and foreign-invested enterprises will be unified at 25% effective from January 1, 2008.

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

	<u>2008</u>	August 16, 2007 to December 31, <u>2007</u>
	RMB'000	RMB'000
Profit before tax	<u>198,933</u>	<u>254,920</u>
Income tax expense at PRC statutory rate of 25% (2007 : 33%)	49,733	84,124
Tax effect of expense not deductible for tax purpose	3,603	100
Tax effect of income not taxable for tax purpose	(1,445)	-
Effect of tax loss not recognised	849	216
Effect of utilisation of tax loss	(35)	-
Tax effect of land appreciation tax	3,345	-
Effect of gain on dilution of minority interest not taxable	(18,215)	-
Effect of negative goodwill that are not taxable	(34,774)	(84,440)
Effect of gain on acquisition of additional shares in a subsidiary that are not taxable	(778)	-
Others	<u>(896)</u>	<u>-</u>
Tax expense for the year	<u>1,387</u>	<u>-</u>

At December 31, 2008, the Group has unutilised tax losses of RMB3,396,000 (2007 : RMB654,000) available for offset against future profits. The related deferred tax benefit was not recognised due to unpredictability of future profit streams. Pursuant to PRC tax regulations, for the years on which the tax losses are incurred, tax losses may be carried forward for 5 years subject to the conditions imposed by law including the retention of majority shareholders as defined.

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28. PROFIT FOR THE YEAR/PERIOD

Profit for the year/ period has been arrived at after charging:

	<u>2008</u> RMB'000	August 16, 2007 to December 31, <u>2007</u> RMB'000
Directors' remuneration	1,462	-
Employee benefits expense (including Directors' remuneration)	13,155	128
Cost of defined contribution included in employee benefits	203	-
Depreciation of plant and equipment	1,250	-
Cost of inventories which are expensed during the year/period	22,862	-
Net foreign exchange losses	<u>1,144</u>	<u>-</u>

29. EARNINGS PER SHARE

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

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

	<u>2008</u> RMB'000	August 16, 2007 to December 31, <u>2007</u> RMB'000
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share (profit for the year/period attributable to equity holders of the Company)	197,612	255,155
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible loan (net of tax)	<u>8,942</u>	<u>303</u>
Earnings for the purpose of diluted earnings per share	<u>206,554</u>	<u>255,458</u>

Number of shares

	<u>2008</u>	<u>2007</u>
Number of ordinary shares for the purpose of basic earnings per share	627,906,976	627,906,976
Effect of dilutive potential ordinary shares:		
Convertible loan notes	<u>372,093,024</u>	<u>392,093,024</u>
Number of ordinary shares for the purposes of diluted earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>

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Earnings per share based on Pre-Invitation share capital*:

	<u>2008</u> RMB'000	August 16, 2007 to December 31, <u>2007</u> RMB'000
<u>Earnings</u>		
Earnings for the purpose of basic and diluted earnings per share	<u>206,554</u>	<u>255,458</u>
<u>Number of shares</u>		
	<u>2008</u>	<u>2007</u>
Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>

* Pre-Invitation share capital is arrived at after sub-division of every one ordinary share in the issued share capital of the Company into 62.79 ordinary shares and after conversion of convertible loan notes into ordinary share.

30. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group is engaged in property development and related activities and construction revenue is mainly derived from construction services rendered to its jointly controlled operation. The Group's operations are located in the PRC and substantially the Group's turnover and contribution to profit from operations are derived from property development and related activities. Accordingly, no analysis by business segment and geographical area of operations are provided.

31. ACQUISITIONS OF SUBSIDIARIES

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

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

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

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

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

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

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

These acquisitions have been accounted for by acquisition method of accounting.

Acquisition of Sanshui Property

	Acquiree's Carrying amount <u>before combination</u> RMB'000	Fair value <u>adjustments</u> RMB'000	<u>Fair value</u> RMB'000
2007			
Net assets acquired:			
Cash and cash equivalents	87,068	-	87,068
Trade and other receivables	644	-	644
Development properties	190,873	289,227	480,100
Plant and equipment	928	-	928
Trade and other payables	(1,153)	-	(1,153)
Amount due to related parties	(267,592)	-	(267,592)
Deferred tax liabilities	<u>-</u>	<u>(72,307)</u>	<u>(72,307)</u>
	<u>10,768</u>	<u>216,920</u>	<u>227,688</u>
Minority interests			(91,075)
Negative goodwill			(128,508)
Total consideration – satisfied by cash			<u>8,105</u>
Net cash outflow arising on acquisitions:			
Cash consideration paid			(8,105)
Cash and cash equivalents acquired			<u>87,068</u>
			<u>78,963</u>

**ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
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Acquisition of Jiangnan Property

	Acquiree's Carrying amount before combination RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
2007			
Net assets acquired:			
Cash and cash equivalents	49,729	-	49,729
Trade and other receivables	48,261	-	48,261
Amount due from related parties	136,413	-	136,413
Development properties	179,028	184,772	363,800
Other non-current assets	3,000	-	3,000
Trade and other payables	(9,820)	-	(9,820)
Amount due to related parties	(94,683)	-	(94,683)
Bank and other loans	(300,000)	-	(300,000)
Deferred tax liabilities	-	(46,193)	(46,193)
	<u>11,928</u>	<u>138,579</u>	<u>150,507</u>
Negative goodwill			(127,373)
Total consideration – satisfied by cash			<u>23,134</u>
Net cash outflow arising on acquisitions:			
Cash consideration paid			(23,134)
Cash and cash equivalents acquired			<u>49,729</u>
			<u>26,595</u>

**ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
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Acquisition of Guiyu Porperty Management

	Acquiree's Carrying amount <u>before combination</u> RMB'000	Fair value <u>adjustments</u> RMB'000	Fair value <u>RMB'000</u>
2008			
Net assets acquired:			
Cash and cash equivalents	3,870	-	3,870
Trade and other receivables	672	-	672
Plant and equipment	27	-	27
Trade and other payables	(3,369)	-	(3,369)
Amount due to related parties	(1,897)	-	(1,897)
Tax payables	<u>(159)</u>	<u>-</u>	<u>(159)</u>
	<u>(856)</u>	<u>-</u>	<u>(856)</u>
Goodwill			<u>1,356</u>
Total consideration – satisfied by cash			<u>500</u>
Net cash outflow arising on acquisitions:			
Cash consideration paid			(500)
Cash and cash equivalents acquired			<u>3,870</u>
			<u>3,370</u>

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Acquisition of Guihe Construction

	Acquiree's Carrying amount <u>before combination</u> RMB'000	Fair value <u>adjustments</u> RMB'000	Fair value <u>RMB'000</u>
2008			
Net assets acquired:			
Cash and cash equivalents	900	-	900
Trade and other receivables	665	-	665
Amount due from related parties	255,493	-	255,493
Amount due from customers for contract works	30,865	-	30,865
Inventories	60	-	60
Plant and equipment	1,418	-	1,418
Trade and other payables	(7,134)	-	(7,134)
Amount due to related parties	(247,482)	-	(247,482)
Tax payables	<u>(1,743)</u>	<u>-</u>	<u>(1,743)</u>
	<u>33,042</u>	<u>-</u>	<u>33,042</u>
Negative goodwill			<u>(27,042)</u>
Total consideration – satisfied by cash			<u>6,000</u>
Net cash outflow arising on acquisitions:			
Cash consideration paid			(6,000)
Cash and cash equivalents acquired			<u>900</u>
			<u>(5,100)</u>

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Acquisition of Debao Property

	Acquiree's Carrying amount before combination RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
2008			
Net assets acquired:			
Cash and cash equivalents	14,151	-	14,151
Trade and other receivables	41,294	-	41,294
Amount due from related parties	323,096	-	323,096
Property held for sale	25,763	21,650	47,413
Development properties	22,296	(6,920)	15,376
Plant and equipment	1,496	-	1,496
Investment properties	167,100	-	167,100
Investment in a jointly controlled operation	70,170	6,296	76,466
Other investment	1,300	-	1,300
Trade and other payables	(75,466)	-	(75,466)
Amount due to related parties	(280,495)	-	(280,495)
Tax payables	(35,281)	-	(35,281)
Deferred tax liabilities	<u>(30,299)</u>	<u>(3,682)</u>	<u>(33,981)</u>
	<u>245,125</u>	<u>17,344</u>	<u>262,469</u>
Negative goodwill			(112,055)
Total consideration – satisfied by cash			<u>150,414</u>
Net cash outflow arising on acquisitions:			
Cash consideration paid			(150,414)
Cash and cash equivalents acquired			<u>14,151</u>
			<u>(136,263)</u>

Subsidiaries acquired in 2008 including Guiyu Property Management, Guihe Construction and Debao Property (2007 : Sanshui Property, Jiangnan Property, Dynamic and Infinity) contribute RMB 62,103,000 (2007 : RMB Nil) revenue and RMB6,755,000 (2007 : RMB255,225,000) profit before tax to the Group for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on January 1, 2008 (2007 : August 16, 2007, date of incorporation of the Company), total Group revenue for the year/period would have been RMB136,620,000 (2007 : RMB Nil), and profit for the year/period would have been RMB199,492,000 (2007 : RMB254,601,000).

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32. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	<u>2008</u> RMB'000	August 16, 2007 to December 31, <u>2007</u> RMB'000
Minimum lease payments under operating leases recognised as an expense in the year/period	<u>367</u>	<u>238</u>

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 RMB4,770,000 (2007 : RMB Nil). Direct operating expense on the investment properties in the year amounted to RMB938,000 (2007 : RMB Nil).

At the balance sheet, the Group has contracted with tenants for the following future minimum lease payments:

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Within one year	5,917	408
In the second to fifth years inclusive	10,518	170
After five years	<u>-</u>	<u>-</u>

33. CAPITAL COMMITMENTS

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

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Jointly controlled operation	5,186	-
Construction of properties	<u>300,346</u>	<u>468,237</u>

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34. CONTINGENT LIABILITIES

At the respective balance sheet dates, the contingent liabilities of the Group were as follows:

	<u>2008</u> RMB'000	<u>2007</u> RMB'000
Guarantees given to banks in connection with facilities granted to		
- third parties (note)	362,664	-
- jointly controlled operation	<u>45,000</u>	<u>-</u>
	<u>407,664</u>	<u>-</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 30% of the purchase price. If a purchaser defaults on a loan, the relevant mortgagee bank is also entitled to auction off or sell the property to third parties and use the sales proceeds to satisfy the loan, or in some mortgage facilities require the Group to repurchase the properties. In the opinion of directors, the fair value of the financial guarantee contracts is not significant.

35. COMPLETION OF CONSTRUCTION METHOD DISCLOSURE

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

	<u>Completion of construction</u>	
	<u>2008</u> RMB'000	<u>2007</u> RMB'000
<u>Consolidated balance sheets</u>		
Development properties	1,409,298	1,046,745
Deferred tax liabilities	142,315	118,500
Trade and other payables	226,029	46,677
Retained earnings	<u>457,192</u>	<u>255,154</u>
<u>Consolidated profit and loss statements</u>		
Revenue	57,754	-
Profit after income tax	<u>190,006</u>	<u>254,919</u>

ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008 AND THE PERIOD FROM AUGUST 16, 2007 (DATE OF INCORPORATION) TO DECEMBER 31, 2007

36. EVENTS AFTER THE BALANCE SHEET DATE

Other than the events disclosed in the relevant notes to the financial statements, the following events took place subsequent to December 31, 2008:

- (i) Investment property of RMB48,460,000 of the Group are pledged to secure bank loans of the Group. Property held for sale of RMB11,574,000 of the Group are pledged to secure bank loan of a third party.
- (ii) The Company disposed of certain investment properties in August 2009 to a third party for a consideration of RMB19.5 million, resulted in a gain on disposal of RMB0.3 million.
- (iii) The Company disposed of car park lots in September 2009 to a third party for a consideration of RMB2.85 million, resulted in a loss on disposal of RMB6.0 million.
- (iv) On December 4, 2009, the Group successfully auctioned for a piece of land in Guangdong Province, China ("Danzao Project") of approximately RMB48.3 million.
- (v) The conversion by the Pre-IPO Investors of the S\$80.0 million convertible loan into an aggregate of 372,093,024 shares on March 30, 2010 pursuant to convertible loan agreements entered into on December 25, 2007, June 18, 2008, June 23, 2008, July 16, 2008, August 11, 2008, August 14, 2008, March 6, 2009 and March 25, 2009 and as supplemented on August 11, 2008, July 25, 2009, August 4, 2009, August 12, 2009, August 20, 2009 and August 28, 2009 ("Conversion").
- (vi) Pursuant to the written resolutions of the Shareholders passed on November 23, 2009, the Shareholders approved the following:
 - (a) the conversion of the Company into a public company limited by shares and the consequential name to "Debao Property Development Ltd."; and
 - (b) the adoption of new Articles of Association.
- (vii) Pursuant to the written resolutions of the Shareholders passed on March 30, 2010, the Shareholders approved, inter alia, the following:
 - (a) the sub-division of the ordinary shares of the Company of which 10,000,000 ordinary shares have been issued and are fully paid into 627,906,976 ordinary shares (the "Sub-division");
 - (b) the Conversion and the issue of 372,093,024 shares in respect thereof;
 - (c) the allotment and issue of the New Shares pursuant to the Invitation. The New Shares, when fully paid, allotted and issued, will rank *pari passu* in all respects with the existing issued and fully paid Shares; and
 - (d) that the Directors be authorised to: (i) allot and issue Shares in the Company (other than the New Share); and (ii) issue convertible securities and any Shares in the Company pursuant to the conversion of such convertible securities (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as our Directors may think fit for the benefit of the Company, provided that the aggregate number of Shares and convertible securities to be issued pursuant to such authority shall not exceed 50% of the post-Invitation issued shares of the Company (excluding treasury shares) and provided that the aggregate number of Shares to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed 20% of the post-Invitation issued share capital of the Company, and, unless revoked or varied by the Company in general meeting, such authority shall take effect from the date of listing of the Shares on the SGX-ST and shall continue to be in force until the conclusion of the next

**ANNEX E: INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
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annual general meeting or the date by which the next annual general meeting is required by law or by the Articles to be held, whichever is earlier.

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

37. COMPARATIVES

The financial statements for the current year cover the twelve months period ended December 31, 2008 and the corresponding amounts shown for the profit and loss statement, statement of changes in equity, cash flow statement and related notes cover a period from August 16, 2007(date of incorporation) to December 31, 2007.

**ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

**DEBAO PROPERTY DEVELOPMENT LTD.
AND ITS SUBSIDIARIES**

**INDEPENDENT AUDITORS' REVIEW REPORT
AND THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX-MONTH PERIOD
ENDED JUNE 30, 2009**

**ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED
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SIX-MONTH PERIOD ENDED JUNE 30, 2009**

**STATEMENT BY DIRECTORS
FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2009**

In the opinion of the directors,

- (i) the condensed consolidated interim financial statements set out on pages F-5 to F-23 are drawn up so as to present fairly, the state of affairs of the Group at June 30, 2009, and of the results, changes in equity and cash flows of the Group for the period from January 1, 2009 to June 30, 2009; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The directors have, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

.....
Yuan Le Sheng

.....
Zhang Mao

March 31, 2010

**ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

The Board of Directors
Debao Property Development Ltd.
1 Robinson Road
#17-00 AIA Tower
Singapore 048542

Dear Sirs

**REPORT FROM THE AUDITORS ON THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009**

We have reviewed the accompanying consolidated interim statement of financial position of Debao Property Development Ltd. as at June 30, 2009 and the related consolidated interim statement of comprehensive income, statement of changes in equity and statement of cash flow for the six-month period then ended, and certain explanatory notes ("condensed consolidated interim financial statements"), set out on pages F-5 to F-23.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with the Singapore Financial Reporting Statement 34, *Interim Financial Reporting* ("FRS 34"). Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have not carried out an audit or review in accordance with Singapore Standards on Auditing or Singapore Standards on Review Engagements on the consolidated financial information for the six-month period ended June 30, 2008 and, accordingly, we do not express any such assurance on the financial information for this period.

**ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED
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SIX-MONTH PERIOD ENDED JUNE 30, 2009**

Opinion

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with the basis of the preparation set out in Note 1 of the condensed consolidated interim financial statements and FRS 34.

These condensed consolidated interim financial statements have been prepared solely in connection with the proposed listing of Debao Property Development Ltd. on the Singapore Exchange Security Trading Limited. This report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Yours faithfully

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants
Singapore

Jeremy Toh Yew Kuan
Partner

**ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
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**DEBAO PROPERTY DEVELOPMENT LTD.
AND ITS SUBSIDIARIES**

A. CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at June 30, 2009

	<u>Note</u>	June 30, 2009 (Unaudited) RMB'000	December 31, 2008 (Audited) RMB'000
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents		130,760	63,714
Restricted cash and cash equivalents	5	60,000	-
Trade and other receivables		70,000	59,916
Amount due from related parties – non-trade	4	2,228	2,844
Amount due from customers for contract works	6	64,395	71,332
Inventories		97	154
Property held for sale	7	26,917	32,358
Development properties	8	<u>1,513,355</u>	<u>1,415,555</u>
Total current assets		<u>1,867,752</u>	<u>1,645,873</u>
Non-current assets			
Property, plant and equipment	9	10,943	5,094
Investment properties	10	170,950	167,490
Investment in subsidiaries	11	-	-
Investment in a jointly controlled operation	12	69,275	81,060
Other investment		1,300	1,300
Deferred tax assets		1,215	2,390
Other non-current asset		<u>3,000</u>	<u>3,000</u>
Total non-current assets		<u>256,683</u>	<u>260,334</u>
Total assets		<u>2,124,435</u>	<u>1,906,207</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade and other payables		360,808	230,021
Amount due to related parties – non-trade	4	1,485	1,584
Bank loan due within one year	13	90,000	-
Convertible loan notes at fair value	14	383,850	300,830
Tax payables		<u>21,449</u>	<u>18,089</u>
Total current liabilities		<u>857,592</u>	<u>550,524</u>
Non-current liabilities			
Bank and other loans	13	631,817	692,731
Deferred tax liabilities		<u>138,359</u>	<u>149,005</u>
Total non-current liabilities		<u>770,176</u>	<u>841,736</u>
Capital, reserves and minority interests			
Share capital		47,824	47,824
Translation reserve		12,191	13,356
Retained earnings		<u>436,652</u>	<u>452,767</u>
Equity attributable to equity holders of the Company		<u>496,667</u>	<u>513,947</u>
Total liabilities and equity		<u>2,124,435</u>	<u>1,906,207</u>

See accompanying notes to financial statements.

**ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
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**DEBAO PROPERTY DEVELOPMENT LTD.
AND ITS SUBSIDIARIES**

B. CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six-month period ended June 30, 2009

		Six-month period ended June 30, 2009	June 30, 2008
	<u>Note</u>	<u>(Unaudited)</u> RMB'000	<u>(Unaudited)</u> RMB'000
Revenue		202,666	32,069
Cost of sales		<u>(196,555)</u>	<u>(26,839)</u>
Gross profit		6,111	5,230
Other income		1,953	1,237
Selling and distribution expenses		(1,326)	(202)
Administrative expenses		(11,100)	(7,136)
Change in fair value of investment properties	10	3,460	-
Share of a jointly controlled operation profit	12	4,868	130
Change in fair value of convertible loan notes	14	(16,137)	(5,753)
Negative goodwill	18	-	139,097
Gain from acquisition of additional shares in a subsidiary	18	-	3,115
Gain from dilution of minority interest	18	-	72,859
Impairment of goodwill		-	(1,356)
Finance costs		<u>(2,730)</u>	<u>-</u>
(Loss) Profit before tax		(14,901)	207,221
Income tax expense	15	<u>(1,214)</u>	<u>(1,257)</u>
(Loss) Profit for the period		(16,115)	205,964
Other comprehensive income:			
Exchange differences on translating foreign operations, representing other comprehensive income for the period, net of tax		<u>(1,165)</u>	<u>(5,480)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(17,280)</u>	<u>200,484</u>
(Loss) Profit attributable to:			
Equity holders of the Company		(16,115)	206,030
Minority interests		<u>-</u>	<u>(66)</u>
		<u>(16,115)</u>	<u>205,964</u>
Total comprehensive income attributable to:			
Equity holders of the Company		(17,280)	200,550
Minority interests		<u>-</u>	<u>(66)</u>
		<u>(17,280)</u>	<u>200,484</u>

**ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED
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SIX-MONTH PERIOD ENDED JUNE 30, 2009**

(Loss) Earnings per share (RMB)

		Six-month period ended June 30, 2009 (Unaudited) RMB	June 30, 2008 (Unaudited) RMB
	<u>Note</u>		
Basic (fen)	16	(2,57)	<u>32.81</u>
Diluted (fen)	16	(2,57)	<u>21.18</u>
Earnings per share based on Pre-Invitation share capital:			
Basic and diluted (fen)	16	<u>0.0022</u>	<u>21.18</u>

See accompanying notes to financial statements.

**ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

**DEBAO PROPERTY DEVELOPMENT LTD.
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**C. CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six-month period ended June 30, 2009**

	Share capital RMB'000	Retained earnings RMB'000	Translation reserve RMB'000	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total RMB'000
Balance at January 1, 2008	*	255,155	(278)	254,877	90,840	345,717
Total comprehensive income for the period	-	206,030	(5,480)	200,550	(66)	200,484
Purchase of additional shares in a subsidiary	-	-	-	-	(17,915)	(17,915)
Minority interest dilution arising from capital injection	-	-	-	-	(72,859)	(72,859)
Balance at June 30, 2008 (unaudited)	<u>*</u>	<u>461,185</u>	<u>(5,758)</u>	<u>455,427</u>	<u>-</u>	<u>455,427</u>
Balance at January 1, 2009	47,824	452,767	13,356	513,947	-	513,947
Total comprehensive income for the period	-	(16,115)	(1,165)	(17,280)	-	(17,280)
Balance at June 30, 2009 (unaudited)	<u>47,824</u>	<u>436,652</u>	<u>12,191</u>	<u>496,667</u>	<u>-</u>	<u>496,667</u>

* Consists of 160 ordinary shares amounting to S\$160.

See accompanying notes to financial statements

**ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

**DEBAO PROPERTY DEVELOPMENT LTD.
AND ITS SUBSIDIARIES**

**D. CONSOLIDATED INTERIM STATEMENT OF CASH FLOW
For the six-month period ended June 30, 2009**

	Six-month period ended June 30, 2009 (Unaudited) RMB'000	June 30, 2008 (Unaudited) RMB'000
Operating activities		
(Loss) Profit before tax	(14,901)	207,221
Adjustments for:		
Fair value gain of investment properties	(3,460)	-
Change in fair value of convertible loan notes	16,137	5,753
Negative goodwill	-	(139,097)
Gain from acquisition of additional shares in a subsidiary	-	(3,115)
Gain from dilution of minority interest	-	(72,859)
Impairment of goodwill	-	1,356
Interest expenses	2,730	-
Depreciation	595	500
Interest income	(1,750)	(1,226)
Share of a jointly controlled operation profits	(4,868)	(130)
Operating cash flows before movements in working capital	(5,517)	(1,597)
Trade and other receivables	(9,311)	4,249
Development properties	(75,871)	(280,268)
Properties held for sale	5,441	1,448
Amount due from customers for contract works	6,937	(33,225)
Inventories	57	13
Trade and other payables	130,788	90,580
Cash generated from (used in) operations	52,524	(218,800)
Interest paid	(25,189)	(20,987)
Income tax paid	(7,326)	(6,642)
Net cash from (used in) operating activities	20,009	(246,429)
Investing activities		
Amount due from ex-related parties/related parties	(158)	(1,671)
Repayment of loan from a jointly controlled operation	18,700	81
Purchases of property, plant and equipment	(6,549)	(540)
Interest received	339	1,280
Acquisition of additional shares in a subsidiary	-	(14,800)
Net cash arising from acquisition of subsidiaries	-	12,420
Net cash from (used in) investing activities	12,332	(3,230)

**ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED
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	Six-month period ended	
	June 30, 2009	June 30, 2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Financing activities		
Restricted fixed deposits	(60,000)	-
Amount due to ex-related parties/related parties	(98)	(3,363)
Repayment of bank loans	(60,000)	-
Repayment of other loans	(18,350)	-
Proceeds from bank loans	90,000	150,000
Proceeds from other loan	17,436	-
Proceeds from convertible loan	<u>65,717</u>	<u>66,730</u>
Net cash from financing activities	<u>34,705</u>	<u>213,367</u>
Net increase (decrease) in cash and cash equivalents	67,046	(36,292)
Cash and cash equivalents at beginning of period	<u>63,714</u>	<u>107,172</u>
Cash and cash equivalents at end of period	<u>130,760</u>	<u>70,880</u>

See accompanying notes to financial statements

ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

DEBAO PROPERTY DEVELOPMENT LTD. AND ITS SUBSIDIARIES

E. NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the six-month period ended June 30, 2009

1. GENERAL

The Company, Debao Property Development Ltd. (Registration No. 200715053Z) was incorporated in Singapore on August 16, 2007 with its principal place of business at No 60, North Nanhai Avenue, Guicheng, Nanhai District, Foshan City, PRC and registered office at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542. The condensed consolidated interim 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 Group is engaged in property development and related activities. The Group's sales are not susceptible to seasonality.

The condensed consolidated interim financial statements for the six-month period ended June 30, 2009 were authorised for issue by the Board of Directors on March 31, 2010.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Singapore Financial Reporting Standard ("FRS") No. 34 *"Interim Financial Reporting"*.

The condensed consolidated interim financial statements have been prepared to provide an update on the audited consolidated financial statements for the period from August 16, 2007 (date of incorporation) to December 31, 2007 and the year ended December 31, 2008 prepared in accordance with FRSs. They focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the period from August 16, 2007 (date of incorporation) to December 31, 2007 and the year ended December 31, 2008 prepared in accordance with FRSs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies in its audited consolidated financial statements for the period from August 16, 2007 (date of incorporation) to December 31, 2007 and the year ended December 31, 2008.

The accounting policies adopted are consistent with those followed in the preparation of the audited consolidated financial statements for the period from August 16, 2007 (date of incorporation) to December 31, 2007 and the year ended December 31, 2008.

ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

In the current financial period, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2009. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Company's accounting policies and has no material effect on the unaudited condensed consolidated interim financial statements except as follows:

FRS 1 – Presentation of Financial Statements (Revised)

The Group adopted FRS 1 (Revised) with effect from annual periods beginning on or after January 1, 2009. FRS 1 (Revised) has resulted in changes to the basis of presentation and structure of the financial statements, specifically on the following main areas:

- The previous version of FRS 1 used the titles "balance sheet" and "cash flow statement" to describe two of the primary statements within the financial statements. With the adoption of FRS 1 (Revised), the Group now uses the titles "statement of financial position" and "statement of cash flows" for those statements.
- FRS 1 (Revised) requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. The Group is not permitted to present components of non-owner changes in equity (i.e. comprehensive income) in the statement of changes in equity.
- For non-owner changes in equity, the Group presents components of income and expenses in one statement (a statement of the comprehensive income), separately from owner changes in equity.

FRS 108 – Operating segments

FRS 108 requires operating segments (see Note 17) to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (FRS 14 Segment Reporting) required an entity to determine two sets of segments (primary and secondary segments) using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

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

FRS 27	-	<i>Consolidated and Separated Financial Statements (Revised)</i>
FRS 103	-	<i>Business Combination (Revised)</i>

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

Management anticipates that the adoption of the new/revised FRS and INT FRS and amendments to FRS in future periods will have no material impact on the financial statements of the Group in the period of their initial adoption.

4. OTHER RELATED PARTY TRANSACTIONS

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.

**ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED
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Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the relevant periods was as follows:

	Six-month period ended June 30, 2009 (Unaudited) RMB'000	June 30, 2008 (Unaudited) RMB'000
Short-term benefits	<u>639</u>	<u>1,491</u>

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

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

	Six-month period ended June 30, 2009 (Unaudited) RMB'000	June 30, 2008 (Unaudited) RMB'000
Advance from a director during the period	17,436	-
Revenue from property development		
- relatives of directors	1,141	-
Rental income		
- relative of a director	1,365	1,065
- a director	118	118
Construction revenue		
- a jointly controlled operation	9,284	11,521
Interest expense		
- directors and key management	2,127	-
Rental expense		
- a director	-	10
Construction cost		
- business partner of relative of a director	<u>6,276</u>	<u>5,750</u>

5. RESTRICTED CASH AND CASH EQUIVALENTS

The restricted cash held in a dedicated bank account under the name of a subsidiary of the Company is pledged to a bank to secure the short-term banking facility granted to the Group.

6. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORKS

	As at June 30, 2009 (Unaudited) RMB'000	As at December 31, 2008 (Audited) RMB'000
Contracts-in-progress at the end of reporting period:		
Amounts due from contract customers	<u>64,395</u>	<u>71,332</u>
Contract costs incurred plus recognised profits	241,407	147,002
Less: Progress billings	<u>(177,012)</u>	<u>(75,670)</u>
	<u>64,395</u>	<u>71,332</u>

**ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED
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7. PROPERTY HELD FOR SALE

	As at June 30, 2009 (Unaudited) RMB'000	As at December 31, 2008 (Audited) RMB'000
Cost	<u>26,917</u>	<u>32,358</u>

As at June 30, 2009, property held for sale of RMB11,574,000 (December 31, 2008 : RMB Nil) is pledged to a bank to secure a loan of third party. Other properties held for sale pledged to banks to secure loans for the Group are disclosed in Note 13.

8. DEVELOPMENT PROPERTIES

	As at June 30, 2009 (Unaudited) RMB'000	As at December 31, 2008 (Audited) RMB'000
Cost incurred	1,760,527	1,477,180
Add: Recognised profit	<u>11,272</u>	<u>3,573</u>
	1,771,799	1,480,753
Less: Progress billings	<u>(258,444)</u>	<u>(65,198)</u>
Total Properties under development	<u>1,513,355</u>	<u>1,415,555</u>

As at June 30, 2009, development properties of RMB37,825,000 (December 31, 2008 : RMB Nil) are pledged to a bank to secure a loan of third party. Other development properties pledged to banks to secure loans for the Group are disclosed in Note 13.

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

	Six-month period ended June 30, 2009 (Unaudited) RMB'000	Year ended December 31, 2008 (Audited) RMB'000
Depreciation capitalised during the period/year	105	202
Interest income capitalised during the period/year	(190)	(399)
Interest expense capitalised during the period/year	<u>22,459</u>	<u>46,603</u>

The weighted average rate of capitalisation of the interest expenses for the six-month period ended June 30, 2009 6.2 % to 7.0% (2008 : 7.7% to 8.3%) per annum.

As at June 30, 2009, development properties of RMB967,123,000 (December 31, 2008 : RMB905,326,000) are expected to be recovered after more than twelve months, but have been classified as current because they are expected to be realised in the normal operating cycle.

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9. PROPERTY, PLANT AND EQUIPMENT

During the six-month period, the Group spent approximately RMB6,549,000 on construction-in-progress and on its plant and equipment.

There was no significant disposal or write off on property, plant and equipment during the six-month period ended June 30, 2009.

10. INVESTMENT PROPERTIES

	As at June 30, 2009 (Unaudited) RMB'000	As at December 31, 2008 (Audited) RMB'000
At beginning of period/year	167,490	-
Acquisition of subsidiary	-	167,100
Transfer from property held for sale	-	3,000
Purchase during the period/year	-	485
Disposal during the period/year	-	(2,610)
Increase (Decrease) in fair value	3,460	(485)
At end of period/year	<u>170,950</u>	<u>167,490</u>

The fair values of the Group's investment properties at the end of financial position date have been arrived at on the basis of open market valuation carried out by CB Richard Ellis Limited, Hong Kong, the independent valuers.

The property rental income earned by the Group from its investment properties, all of which are leased under operating leases, amounted to RMB3,089,000 (2008 : RMB4,770,000) for the six-month period ended June 30, 2009. Direct operating expenses arising on the investment properties in the period amounted to RMB671,000 (2008 : RMB938,000).

The legal title of certain investment properties not being passed to the Group is RMB8,640,000 (2008 : RMB8,290,000). The outgoing costs and economic benefit associated with the properties have been transferred to the Group.

11. INVESTMENT IN SUBSIDIARIES

There is no change in the equity interest of the subsidiaries of the Group during the six-month period ended June 30, 2009.

12. INTEREST IN A JOINTLY CONTROLLED OPERATION

The Group has entered into a joint venture agreement and supplemental agreements with a third party for the property development project "Jinlong Garden". Pursuant to these agreements, the Group is obliged to contribute 55% share of the development fund of the project and in return entitled to 55% share of the income and expenses of the project.

	As at June 30, 2009 (Unaudited) RMB'000	As at December 31, 2008 (Audited) RMB'000
Cost of investment	14,336	15,543
Loans	29,328	48,028
Interest receivable	18,173	16,571
Share of result of a jointly controlled operation (Note)	7,438	918
Total	<u>69,275</u>	<u>81,060</u>

Note: Included the elimination of net unrealised profit of RMB337,000 (2008 : RMB912,000) which had been adjusted against cost of sales in the statement of comprehensive income.

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Cost of investment, loans and interest receivables are unsecured and repayable when the project is completed. Loans are interest-bearing with the rate ranging from 6.7% to 10.2% per annum for each of financial period.

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

	<u>Six-month period ended</u>	
	June 30, 2009 (Unaudited) RMB'000	June 30, 2008 (Unaudited) RMB'000
Revenue	63,415	-
Cost of sales	<u>(36,850)</u>	<u>-</u>
Gross profit	26,565	-
Other income	355	287
Selling and distribution expenses	(1,671)	-
Administrative expenses	<u>(929)</u>	<u>(52)</u>
Profit before tax	24,320	235
Income tax expenses	<u>(15,471)</u>	<u>-</u>
Profit for the period	<u>8,849</u>	<u>235</u>
Group's share of jointly controlled operation's profit after acquisition	<u>4,868</u>	<u>130</u>

13. BANK AND OTHER LOANS

	As at June 30, 2009 (Unaudited) RMB'000	As at December 31, 2008 (Audited) RMB'000
Bank loans	650,000	620,000
Other loans	<u>71,817</u>	<u>72,731</u>
	721,817	692,731
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(90,000)</u>	<u>-</u>
Amount due for settlement after 12 months	<u>631,817</u>	<u>692,731</u>

During the six-month period ended June 30, 2009, the Group:

i) Bank loans

- (a) raised a long term bank loan of RMB90,000,000. The loan is repayable in 2012. The loan is secured by certain land use rights and properties of the Group. The loan is guaranteed by a director of the Company. The effective interest rates on bank loans for 2009 was 6.48% per annum; and
- (b) repaid bank loans of RMB60,000,000 drawn down in 2007.

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ii) Other loans

- (a) obtained an advance of S\$3,700,000 (RMB17,436,000) from a director of the Company. Loans from director are with an effective interest rate of 6.48% per annum and was determined based on the prime rate, are unsecured and repayable in 2011; and
- (b) repaid the loan from the former shareholders of Foshan Nanhai District Debao Property Development Co., Ltd. of RMB18,350,000 drawn down in 2008.

iii) Pledged assets

The following assets have been pledged for the bank loans of the Group:

	As at June 30, 2009 (Unaudited) RMB'000	As at December 31, 2008 (Audited) RMB'000
Properties held for sale	746	-
Development properties	877,564	782,102
Investment properties	<u>167,310</u>	<u>97,700</u>

14. CONVERTIBLE LOAN NOTES AT FAIR VALUE

During the six-month period ended June 30, 2009, the Company entered into several convertible loan agreements of S\$15,000,000 (RMB70,688,000) with new investors on the same terms and conditions with those investors in 2007 and 2008. The accumulated amount of principal is S\$78,600,000 (RMB370,405,000) as at June 30, 2009.

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

- (a) Risk free rate is 0.638% (June 30, 2008 : 0.177%) with reference to yield of Singapore Sovereign as at the valuation date;
- (b) The volatility for share price is 79% (June 30, 2008 : 74%) with reference to the historical volatilities of the comparable companies as at the valuation date;
- (c) The discount rate for convertible loan is with reference to the yields of comparables bonds with similar credit rating and time to maturity, plus country premium and liquidity premium as at valuation dates respectively;
- (d) The dividend yield is 0%;
- (e) Stock price in the binomial tree model is implied by the net assets value with reference to an independent valuer's valuation summary and reports as at the valuation dates respectively;
- (f) The probability of the conversion option to take effective is 60% (June 30, 2008 : 50%) as at the valuation dates respectively; and
- (g) Maturity date is assumed to be July 25, 2010 (June 30, 2008 : July 25, 2009).

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

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

	As at June 30, 2009 (Unaudited) RMB'000	As at December 31, 2008 (Audited) RMB'000
At beginning of period/year	300,830	74,428
Exchange difference	(1,842)	(4,800)
Issuance	70,688	230,441
Prepaid issue expenses	(1,963)	(8,181)
Change in fair value	16,137	8,942
End of the period/year	383,850	300,830
Less: Current portion	(383,850)	(300,830)
Non-current portion	<u>-</u>	<u>-</u>

15. INCOME TAX EXPENSE

The interim period income tax expense is accrued based on the estimated average annual effective income tax rate of the respective entities.

16. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary owners of the Company is based on the following data:

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

	Six-month period ended June 30, 2009 RMB'000	June 30, 2008 RMB'000
<u>(Loss) Earnings</u>		
(Loss) Earnings for the purpose of basic (loss) earnings per share		
[(loss) profit for the period attributable to owners of the Company]	(16,115)	206,030
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible loan (net of tax) (Note)	16,137	5,753
Earnings for the purpose of diluted earnings per share	<u>22</u>	<u>211,783</u>

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	Six-month period ended June 30, <u>2009</u>	June 30, <u>2008</u>
<u>Number of shares</u>		
Number of ordinary shares for the purpose of basic (loss) earnings per share	627,906,976	627,906,976
Effect of dilutive potential ordinary shares: Convertible loan notes	<u>372,093,024</u>	<u>372,093,024</u>
Number of ordinary shares for the purpose of diluted earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>

Note: For the financial period ended June 30, 2009, the effect of convertible loan is anti-dilutive and hence has not been taken into account for the calculation of diluted earnings per share.

Earnings per share based on Pre-Invitation share capital *:

	Six-month period ended June 30, <u>2009</u> RMB'000	June 30, <u>2008</u> RMB'000
<u>Earnings</u>		
Earnings for the purpose of basic and diluted earnings per share	<u>22</u>	<u>211,783</u>

	Six-month period ended June 30, <u>2009</u>	June 30, <u>2008</u>
<u>Number of shares</u>		
Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>

* Pre-Invitation share capital is arrived at after sub-division of every one ordinary share in the issued share capital of the Company into 62.79 ordinary shares and after conversion of convertible loan notes into ordinary share.

17. SEGMENT INFORMATION

The Group is engaged in property development and related activities and construction revenue is mainly derived from construction services rendered to its jointly controlled operation. The Group's operations are located in the PRC and substantially the Group's turnover and contribution to profit from operations are derived from property development and related activities. This forms the basis of identifying the operating segment of the Proforma Group under FRS 108.

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18. ACQUISITION OF SUBSIDIARIES

There is no change in equity interest of the subsidiaries during the six-month period ended June 30, 2009. Details of cash flow arising on acquisitions, the negative goodwill, gain from acquisition of additional shares in a subsidiary and gain from dilution of minority interest for the six-month period ended June 30, 2008 are disclosed in Note 31 to the audited consolidated financial statements for the period from August 16, 2007 (date of incorporation) to December 31, 2007 and the year ended December 31, 2008.

19. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Six-month period ended June 30, 2009 (Unaudited) RMB'000	June 30, 2008 (Unaudited) RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	<u>433</u>	<u>46</u>

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

During the six-month period ended June 30, 2009, the Group has no new operating lease agreement as lessor. Rental income derived from investment properties under operating lease during the six-months period ended June 30, 2009 was RMB3,074,000 (2008 : RMB7,531,000).

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	As at June 30, 2009 (Unaudited) RMB'000	As at December 31, 2008 (Audited) RMB'000
Within one year	6,420	5,917
In the second to fifth years inclusive	<u>10,165</u>	<u>10,518</u>

20. CAPITAL COMMITMENTS

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

	As at June 30, 2009 (Unaudited) RMB'000	As at December 31, 2008 (Audited) RMB'000
Jointly controlled operation	10,588	5,186
Construction of properties	<u>598,745</u>	<u>300,346</u>
	<u>609,333</u>	<u>305,532</u>

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21. CONTINGENT LIABILITIES

At the respective statement of financial position dates, the contingent liabilities of the Group were as follows:

	As at June 30, 2009 <u>(Unaudited)</u> RMB'000	As at December 31, 2008 <u>(Audited)</u> RMB'000
Guarantees given to banks in connection with facilities granted to:		
- third parties (note)	486,806	362,664
- jointly controlled operation	<u>45,000</u>	<u>45,000</u>
	<u>531,806</u>	<u>407,664</u>

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

22. COMPLETION OF CONSTRUCTION METHOD DISCLOSURE

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

	<u>Completion of construction</u> June 30 2009 RMB'000	December 31, 2008 RMB'000
<u>Statement of Financial Position</u>		
Development properties	1,503,064	1,409,298
Deferred tax liabilities	134,288	142,315
Trade and other payables	347,796	226,029
Accumulated profits	<u>443,444</u>	<u>457,192</u>
	<u>Six-month period ended</u> June 30 2009 RMB'000	June 30, 2008 RMB'000
<u>Statement of Comprehensive Income</u>		
Revenue	30,254	21,776
(Loss) Profit after income tax	<u>(13,748)</u>	<u>204,299</u>

ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

23. EVENTS AFTER THE REPORTING DATE

Other than the events disclosed in the relevant notes to the condensed consolidated interim financial statements, the following events took place subsequent to June 30, 2009:

- (i) Investment properties of RMB48,460,000 and development properties of RMB41,514,000 of the Group are pledged to banks to secure bank loans of the Group.
- (ii) The Company disposed of certain investment properties in August 2009 to a third party for a consideration of RMB19.5 million, resulted in a gain on disposal of RMB0.3 million.
- (iii) The Company disposed of car park lots in September 2009 to a third party for a consideration of RMB2.85 million, resulted in a loss on disposal of RMB6.0 million.
- (iv) On December 4, 2009, the Group successfully auctioned for a piece of land in Guangdong Province, China ("Danzao Project") of approximately RMB48.3 million.
- (v) The conversion by the Pre-IPO Investors of the S\$80.0 million convertible loan into an aggregate of 372,093,024 shares on March 30, 2010 pursuant to convertible loan agreements entered into on December 25, 2007, June 18, 2008, June 23, 2008, July 16, 2008, August 11, 2008, August 14, 2008, March 6, 2009 and March 25, 2009 and as supplemented on August 11, 2008, July 25, 2009, August 4, 2009, August 12, 2009, August 20, 2009 and August 28, 2009 ("Conversion").
- (vi) Pursuant to the written resolutions of the Shareholders passed on November 23, 2009, the Shareholders approved the following:
 - (a) the conversion of the Company into a public company limited by shares and the consequential name to "Debao Property Development Ltd"; and
 - (b) the adoption of new Articles of Association.
- (vii) Pursuant to the written resolutions of the Shareholders passed on March 30, 2010, the Shareholders approved, *inter alia*, the following:
 - (a) the sub-division of the ordinary shares of the Company of which 10,000,000 ordinary shares have been issued and are fully paid into 627,906,976 ordinary shares (the "Sub-division");
 - (b) the Conversion and the issue of 372,093,024 shares in respect thereof;
 - (c) the allotment and issue of the New Shares pursuant to the Invitation. The New Shares, when fully paid, allotted and issued, will rank *pari passu* in all respects with the existing issued and fully paid Shares; and
 - (d) that the Directors be authorised to: (i) allot and issue Shares in the Company (other than the New Shares); and (ii) issue convertible securities and any Shares in the Company pursuant to the conversion of such convertible securities (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the Directors may think fit for the benefit of the Company, provided that the aggregate number of Shares and convertible securities to be issued pursuant to such authority shall not exceed 50% of the Post-Invitation issued shares of the Company (excluding treasury shares) and provided that the aggregate number of Shares to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed 20% of the post-Invitation issued share capital of the Company, and, unless revoked or varied by the Company in general meeting, such authority shall take effect from the date of listing of the Shares on the SGX-ST and shall continue to be in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting is required by law or by the Articles to be held, whichever is earlier.

**ANNEX F: INDEPENDENT AUDITORS' REVIEW REPORT AND THE CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

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

24. COMPARATIVE FIGURES

The comparative figures for the six-month period ended June 30, 2008 have not been audited nor reviewed.

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

DEBAO PROPERTY DEVELOPMENT LTD.

**ACCOUNTANT'S REPORT OF THE REPORTING
AUDITORS AND THE PROFORMA GROUP
FINANCIAL INFORMATION**

**FOR THE YEARS ENDED DECEMBER 31,
2006, 2007 AND 2008**

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

The Board of Directors
Debao Property Development Ltd.
1 Robinson Road
#17-00 AIA Tower
Singapore 048542

Dear Sirs

**COMPILATION REPORT OF THE REPORTING AUDITORS ON THE UNAUDITED
PROFORMA GROUP FINANCIAL INFORMATION**

This compilation report has been prepared for inclusion, on a voluntary basis in the Prospectus dated March 31, 2010 (the "Prospectus") in connection with the invitation in respect of initial public offering of shares of Debao Property Development Ltd. ("the Company").

We report on the unaudited proforma financial information set out in pages G-4 to G-55 which have been prepared for illustrative purposes only and based on certain assumptions after making certain adjustments to show what:

- (i) the financial results of the company and its subsidiaries (the "Proforma Group") for the financial years ended December 31, 2006, 2007 and 2008 would have been if the group structure as of the date of registration of the Prospectus had been in place since January 1, 2006; and
- (ii) the financial positions of the Proforma Group as at December 31, 2006, 2007 and 2008 would have been if the group structure as of the date of registration of Prospectus had been in place on those dates; and
- (iii) the equity changes and cash flows of the Proforma Group for the financial years ended December 31, 2006, 2007 and 2008 would have been if the group structure as of the date of registration of Prospectus had been in place since January 1, 2006.

The unaudited Proforma Group financial information, because of their nature, may not give a true picture of the Proforma Group's actual financial position, results, changes in equity and cash flows.

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
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The unaudited Proforma Group financial information is the responsibility of the management of the Company. Our responsibility is to express an opinion on the unaudited Proforma Group financial information based on our work.

We carried out procedures in accordance with Singapore Statement of Auditing Practice 24: *Auditors and Public Offering Documents*. Our work, which involved no independent examination of the underlying financial information, consisted primarily of comparing the unaudited Proforma Group financial information to the audited financial statements of the entities of the Company and the companies in the Proforma Group where applicable, considering the evidence supporting the adjustments and discussing the unaudited Proforma Group financial information with the management of the Company.

In our opinion:

- (a) the unaudited Proforma Group financial information have been properly complied:
 - (i) in a manner consistent with the accounting policies of the Company, which are in accordance with Singapore Financial Reporting Standards; and
 - (ii) on the basis stated in the Note 2.2 of Section E of the unaudited Proforma Group financial information;
- (b) each material adjustment made to the information used in the preparation of the unaudited Proforma Group financial information is appropriate for the purpose of preparing such unaudited financial information.

Yours faithfully

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants
Singapore

Jeremy Toh Yew Kuan
Partner

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

DEBAO PROPERTY DEVELOPMENT LTD.

**A. UNAUDITED PROFORMA GROUP CONSOLIDATED BALANCE SHEETS
December 31, 2006, 2007 and 2008**

	<u>Note</u>	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	7	63,714	138,924	46,645
Trade and other receivables	8	59,916	47,093	54,967
Amount due from related parties – non-trade	6	2,844	4,233	82,026
Amount due from customers for contract works	9	71,332	30,865	3,809
Inventories	10	154	60	82
Property held for sale	11	21,675	32,951	52,294
Development properties	12	<u>958,157</u>	<u>591,751</u>	<u>204,294</u>
Total current assets		<u>1,177,792</u>	<u>845,877</u>	<u>444,117</u>
Non-current assets				
Plant and equipment	13	5,094	4,038	2,802
Investment properties	14	167,490	167,100	76,900
Investment in a jointly controlled operation	15	74,671	68,545	62,434
Other investment	16	1,300	1,300	1,300
Deferred tax assets	21	3,002	569	-
Other non-current asset	17	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total non-current assets		<u>254,557</u>	<u>244,552</u>	<u>143,436</u>
Total assets		<u>1,432,349</u>	<u>1,090,429</u>	<u>587,553</u>
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Trade and other payables	18	230,021	151,625	153,706
Amount due to related parties – non-trade	6	1,584	62,942	72,200
Convertible loan notes at fair value	20	300,830	-	-
Tax payables		<u>18,089</u>	<u>43,306</u>	<u>9,995</u>
Total current liabilities		<u>550,524</u>	<u>257,873</u>	<u>235,901</u>
Non-current liabilities				
Bank and other loans	19	692,731	470,000	180,000
Convertible loan notes at fair value	20	-	74,428	-
Deferred tax liabilities	21	<u>33,700</u>	<u>30,326</u>	<u>22,084</u>
Total non-current liabilities		<u>726,431</u>	<u>574,754</u>	<u>202,084</u>
Proforma shareholders' equity		<u>155,394</u>	<u>257,802</u>	<u>149,568</u>
Total liabilities and equity		<u>1,432,349</u>	<u>1,090,429</u>	<u>587,553</u>

See accompanying notes to Proforma Group financial information.

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

DEBAO PROPERTY DEVELOPMENT LTD.

B. UNAUDITED PROFORMA GROUP PROFIT AND LOSS STATEMENTS
For the years ended December 31, 2006, 2007 and 2008

	<u>Note</u>	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Revenue	22	136,620	298,592	288,688
Cost of sales		<u>(94,531)</u>	<u>(179,360)</u>	<u>(208,054)</u>
Gross profit		42,089	119,232	80,634
Other income	23	9,231	4,794	2,144
Selling and distribution expenses		(2,022)	(4,402)	(8,205)
Administrative expenses		(25,538)	(14,563)	(7,129)
Change in fair value of convertible loan notes	20	(8,942)	(303)	-
Share of a jointly controlled operation profit/(loss)		2,311	(68)	(5)
Change in fair value of investment properties	14	(2,883)	68,535	12,059
Finance costs	24	<u>(1,782)</u>	<u>(6,045)</u>	<u>-</u>
Profit before tax		12,464	167,180	79,498
Income tax expense	25	<u>(9,713)</u>	<u>(55,219)</u>	<u>(27,407)</u>
Profit for the year	26	<u>2,751</u>	<u>111,961</u>	<u>52,091</u>
Attributable to:				
Equity holders of the Company		2,751	111,961	52,091
Proforma earnings per share (RMB)				
Basic (fen)	27	<u>0.44</u>	<u>17.83</u>	<u>8.30</u>
Diluted (fen)	27	<u>0.44</u>	<u>11.23</u>	<u>5.21</u>
Earnings per share based on Pre-Invitation share capital:				
Basic and diluted (fen)	27	<u>1.17</u>	<u>11.23</u>	<u>5.21</u>

See accompanying notes to Proforma Group financial information.

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

DEBAO PROPERTY DEVELOPMENT LTD.

**C. UNAUDITED PROFORMA GROUP STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2006, 2007 and 2008**

<u>Note</u>	<u>Share capital</u> RMB'000	<u>Proforma reserve</u> RMB'000	<u>Statutory reserves</u> RMB'000	<u>Retained earnings</u> RMB'000	<u>Translation reserve</u> RMB'000	<u>Total</u> RMB'000
Balance at January 1, 2006	-	18,250	4,665	75,994	-	98,909
Profit for the year, representing total recognised income and expense for the year	-	-	-	52,091	-	52,091
Dividends	-	-	-	(1,432)	-	(1,432)
Appropriations	-	-	70	(70)	-	-
Balance at December 31, 2006	-	18,250	4,735	126,583	-	149,568
Profit for the year	-	-	-	111,961	-	111,961
Currency translation difference	-	-	-	-	(278)	(278)
Total recognised income and expense for the year	-	-	-	111,961	(278)	111,683
Issue of shares	1	-	-	-	-	1
Dividends	-	-	-	(2,000)	-	(2,000)
Appropriations	-	-	2,820	(2,820)	-	-
Arising from Group restructuring	-	(1,450)	-	-	-	(1,450)
Balance at December 31, 2007	1	16,800	7,555	233,724	(278)	257,802
Profit for the year	-	-	-	2,751	-	2,751
Currency translation difference	-	-	-	-	13,634	13,634
Total recognised income and expense for the year	-	-	-	2,751	13,634	16,385
Issue of shares	47,823	-	-	-	-	47,823
Dividends	-	-	-	(1,402)	-	(1,402)
Arising from Group restructuring	-	(165,214)	-	-	-	(165,214)
Balance at December 31, 2008	<u>47,824</u>	<u>(148,414)</u>	<u>7,555</u>	<u>235,073</u>	<u>13,356</u>	<u>155,394</u>

See accompanying notes to Proforma Group financial information.

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

DEBAO PROPERTY DEVELOPMENT LTD.

D. UNAUDITED PROFORMA GROUP CASH FLOW STATEMENTS
For the years ended December 31, 2006, 2007 and 2008

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Operating activities			
Profit before tax	12,464	167,180	79,498
Adjustments for:			
Fair value loss (gain) of investment properties	2,883	(68,535)	(12,059)
Fair value loss of convertible loan	8,942	303	-
Allowance for doubtful debts	1,000	-	-
Interest expense	1,782	6,045	-
Depreciation	1,480	1,274	1,177
Interest income	(4,229)	(4,328)	(1,880)
Share of a jointly controlled operation (profit) loss	<u>(2,311)</u>	<u>68</u>	<u>5</u>
Operating cash flows before movements in working capital	22,011	102,007	66,741
Trade and other receivables	(18,359)	28,128	25,362
Development properties	(320,454)	(370,368)	26,207
Properties held for sale	5,878	19,343	(52,294)
Amount due from customers for contract works	(40,467)	(27,056)	(930)
Inventories	(94)	22	(72)
Other non-current asset	-	(3,000)	-
Trade and other payables	<u>83,252</u>	<u>(7,956)</u>	<u>9,230</u>
Cash (used in) generated from operations	(268,233)	(258,880)	74,244
Interest paid	(47,930)	(23,580)	(14,630)
Income tax paid	<u>(33,991)</u>	<u>(14,235)</u>	<u>(15,543)</u>
Net cash (used in) from operating activities	<u>(350,154)</u>	<u>(296,695)</u>	<u>44,071</u>
Investing activities			
Amounts due from ex-related parties/related parties	5,925	42,549	(61,215)
Advances to a jointly controlled operation	(3,815)	(6,179)	(4,996)
Purchases of plant and equipment	(2,738)	(2,645)	(315)
Interest received	4,628	4,909	1,910
Addition in investment properties	(485)	(21,665)	(9,446)
Proceeds on disposal of subsidiaries	-	14,990	-
Acquisition of subsidiaries	<u>(156,379)</u>	<u>(6,528)</u>	<u>-</u>
Net cash (used in) from investing activities	<u>(152,864)</u>	<u>25,431</u>	<u>(74,062)</u>

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
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	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Financing activities			
Amounts due to ex-related parties/related parties	(63,604)	(3,383)	14,688
Proceeds from injection of share capital	47,823	4,801	-
Dividends paid	(1,402)	(2,000)	(1,432)
Repayment of bank loans	-	(360,000)	(190,000)
Proceeds from bank loans	150,000	650,000	180,000
Proceeds from other loan	72,731	-	-
Proceeds from convertible loan	<u>222,260</u>	<u>74,125</u>	<u>-</u>
Net cash from financing activities	<u>427,808</u>	<u>363,543</u>	<u>3,256</u>
Net (decrease) increase in cash and cash equivalents	(75,210)	92,279	(26,735)
Cash and cash equivalents at beginning of year	<u>138,924</u>	<u>46,645</u>	<u>73,380</u>
Cash and cash equivalents at end of year	<u><u>63,714</u></u>	<u><u>138,924</u></u>	<u><u>46,645</u></u>

See accompanying notes to Proforma Group financial information.

ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008

DEBAO PROPERTY DEVELOPMENT LTD.

E. NOTES TO UNAUDITED PROFORMA GROUP FINANCIAL INFORMATION

1. GENERAL

The Company, Debao Property Development Ltd. (Registration No. 200715053Z) was incorporated in Singapore on August 16, 2007 with its principal place of business at No 60, North Nanhai Avenue, Guicheng, Nanhai District, Foshan City, PRC and registered office at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542. The unaudited Proforma Group financial information are expressed in Chinese Renminbi ("RMB"). The presentation currency is Renminbi as majority of the Proforma 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 2 to the Proforma Group financial information.

2. BASIS OF PREPARATION OF PROFORMA GROUP FINANCIAL INFORMATION

The Proforma Group financial information for the financial years ended December 31, 2008, 2007 and 2006 have been prepared on a voluntary basis for inclusion in the Prospectus in connection with the invitation as described in the compilation report.

2.1 Restructuring Exercise

The Company implemented a restructuring exercise (the "Restructuring Exercise") in preparation for the listing on the SGX-ST, as described below:

- (a) Incorporation of Dynamic Real Estate Holdings Pte. Ltd. ("Dynamic") and Infinity Real Estate Holdings Pte. Ltd. ("Infinity")

Dynamic was incorporated on July 10, 2007 in Singapore with an issued and paid-up share capital of S\$1.00 comprising one ordinary share.

Infinity was incorporated on August 2, 2007 in Singapore with an issued and paid-up share capital of S\$1.00 comprising one ordinary share.

- (b) Incorporation of Debao Property Development Ltd. ("Debao") and Derong Real Estate Holdings Pte. Ltd. ("Derong").

Debao was incorporated on August 16, 2007 in Singapore with an issued and paid-up share capital of \$1.00 comprising one ordinary share.

Derong was incorporated on August 17, 2007 in Singapore with an issued and paid-up share capital of S\$1.00 comprising one ordinary share as a wholly-owned subsidiary of Debao.

- (c) Acquisition of Dynamic and Infinity

On September 17, 2007, Mr Wu Kwok Huang and Debao entered into a share transfer agreement pursuant to which Debao acquired the entire issued and paid-up share capital of each of Dynamic and Infinity at the paid-up capital of S\$1.00 each. Pursuant to the acquisition, Dynamic and Infinity became wholly-owned subsidiaries of Debao.

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
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- (d) Acquisition of Foshan Nanhai District Jiangnan Mingju Property Development Co., Ltd ("Jiangnan Property")

On August 13, 2007, Foshan Nanhai District Debao Property Development Co., Ltd. ("Nanhai Debao") and Dynamic entered into a share transfer agreement pursuant to which Dynamic acquired the entire registered capital of Jiangnan Property from Nanhai Debao, for a consideration of RMB23,133,919. Pursuant to the acquisition, Jiangnan Property became a wholly-owned subsidiary of Dynamic.

- (e) Acquisition of Foshan Sanshui District Nengrun Property Development Co., Ltd ("Sanshui Property")

Sanshui Property was incorporated by the Nanhai Debao on April 4, 2007. On August 13, 2007, Nanhai Debao and Infinity entered into a share transfer agreement pursuant to which Infinity acquired 60% of the equity interest in Sanshui Property from the Company, for a consideration of RMB8,104,234.

On February 21, 2008, Infinity acquired the remaining 40% of the equity interest in Sanshui Property for a consideration of RMB14,800,000. Pursuant to the acquisition, Sanshui Property became a wholly-owned subsidiary of Infinity.

- (f) Acquisition of Foshan Nanhai Guiyu Property Management Co., Ltd ("Guiyu Property Management")

On June 4, 2007, Nanhai Debao has entered into a share transfer agreement pursuant to which the Company acquired 50% equity interest in Guiyu Property Management for a consideration of RMB250,000. Pursuant to the acquisition, Guiyu Property Management became a wholly-owned subsidiary of Nanhai Debao.

On January 9, 2008, Nanhai Debao and Jiangnan Property entered into a share transfer agreement pursuant to which Jiangnan Property acquired the entire registered capital of Guiyu Property Management from Nanhai Debao, for a consideration of RMB500,000. Pursuant to the acquisition, Guiyu Property Management became a wholly-owned subsidiary of Jiangnan Property.

- (g) Acquisition of Foshan Nanhai Guihe Construction Engineering Co., Ltd ("Guihe Construction")

On June 4, 2007, Nanhai Debao has acquired the entire registered capital of Guihe Construction for a consideration of RMB6 million. Pursuant to the acquisition, Guihe Construction became a wholly-owned subsidiary of Nanhai Debao.

On January 9, 2008, Jiangnan Property acquired the entire registered capital of Guihe Construction from the Nanhai Debao, for a consideration of RMB6 million. Pursuant to the acquisition, Guihe Construction became a wholly-owned subsidiary of Jiangnan Property.

- (h) Acquisition of Nanhai Debao

On January 28, 2008, Derong has acquired the entire registered capital of Nanhai Debao for a consideration of RMB150,413,748. Pursuant to the acquisition, Nanhai Debao became a wholly-owned subsidiary of Derong.

- (i) Disposal of subsidiaries

In 2007, Nanhai Debao disposed of five subsidiaries to third parties. Consequently, the five subsidiaries became third parties of the Company.

**ANNEX G: ACCOUNTANT’S REPORT OF THE REPORTING AUDITORS AND THE
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The details of the disposal of the five subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Percentage owned (%)</u>	<u>Consideration/ basis (RMB'000)</u>	<u>Date of disposal</u>
Foshan Nanhai District Yubao Construction Engineering Co., Ltd.	90	5,400	August 27, 2007
Foshan Nanhai District Guicheng Debao Real Estate Development Co., Ltd. (including a subsidiary Foshan Nanhai Guicheng Dashidai Advertising Co., Ltd.)	85	2,380	August 27, 2007
Foshan Nanhai District Guiyu Trading Co., Ltd.	70	2,310	October 31, 2007
Foshan Nanhai District Guicheng Municipal Engineering Co., Ltd.	80	4,000	November 1, 2007
Foshan Nanhai Debao Hotel Co., Ltd.	100	1,000	December 7, 2007

Upon the completion of the Restructuring Exercise and at the date of this report, the Company has the following subsidiaries:

<u>Name of subsidiary</u>	<u>Country of incorporation (or registration) and operation</u>	<u>Attributable equity interest of the Proforma Group (%)</u>	<u>Principal activity</u>
Derong Real Estate Holdings Pte. Ltd ("Derong")	Republic of Singapore	100	Investment holding
- Foshan Nanhai District Debao Property Development Co., Ltd. "Nanhai Debao"	People's Republic of China	100	Investment holding and Property development
Infinity Real Estate Holdings Pte. Ltd ("Infinity")	Republic of Singapore	100	Investment holding
- Foshan Sanshui District Nengrun Property Development Co., Ltd ("Sanshui Property")	People's Republic of China	100	Property development
Dynamic Real Estate Holdings Pte. Ltd ("Dynamic")	Republic of Singapore	100	Investment holding

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<u>Name of subsidiary</u>	<u>Country of incorporation (or registration) and operation</u>	<u>Attributable equity interest of the Proforma Group (%)</u>	<u>Principal activity</u>
- Foshan Nanhai Jiangnan Mingju Property Development Co., Ltd. (“Jiangnan Property”)	People’s Republic of China	100	Property development
- Foshan Nanhai Guiyu Property Management Co., Ltd. (“Guiyu Property Management”)	People’s Republic of China	100	Property management
- Foshan Nanhai Guihe Construction Engineering Co., Ltd. (“Guihe Construction”)	People’s Republic of China	100	Construction

2.2 Basis of Preparation

- (a) The unaudited Proforma Group financial information for the financial years ended December 31, 2006, 2007 and 2008 are prepared for illustrative purposes only. These are prepared in accordance with the accounting policies of the Proforma Group as set out in Note 3 to the unaudited Proforma Group financial information and based on certain assumptions and after making certain adjustments to show what:
- (i) the financial results of the Company and its subsidiaries (the “Proforma Group”) for the financial years ended December 31, 2006, 2007 and 2008 would have been if the Group structure as of the date of registration of the Prospectus had been in place since January 1, 2006; and
 - (ii) the financial positions of the Proforma Group as at December 31, 2006, 2007 and 2008 would have been if the group structure as of the date of registration of Prospectus had been in place on those dates; and
 - (iii) the equity changes and cash flows of the Proforma Group for the financial years ended December 31, 2006, 2007 and 2008 would have been if the group structure as of the date of registration of Prospectus had been in place since January 1, 2006.

The objective of the Proforma Group financial information is to show what the historical information might have been had the Proforma Group existed at an earlier date and had the Proforma Group structure been in existence throughout the years under review or since the respective dates of establishment/incorporation of the companies in the Proforma Group.

However, the Proforma Group financial information is not necessarily indicative of the results of the operations, changes in equity, cash flows or the related effects on the financial positions that would have been attained had the Proforma Group actually existed earlier.

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- (b) The Proforma Group financial information have been compiled based on:
- (i) the audited financial statements of Nanhai Debao, Guiyu Construction and Guihe Property Development for the financial years ended December 31, 2006, 2007 and 2008; and
 - (ii) the audited financial statements of Jiangnan Property for the financial period from June 23, 2006 (date of incorporation) to December 31, 2006 and the financial year ended December 31, 2007 and 2008.
 - (iii) the audited financial statements of Sanshui Property for the financial period from April 4, 2007 (date of incorporation) to December 31, 2007 and the financial year ended December 31, 2008.
 - (iv) the audited financial statements of Dynamic, for the financial period from July 10, 2007 (date of incorporation) to December 31, 2007 and the financial year ended December 31, 2008.
 - (v) the audited financial statements of Infinity, for the financial period from August 2, 2007 (date of incorporation) to December 31, 2007 and the financial year ended December 31, 2008.
 - (vi) the audited financial statements of Derong, for the financial period from August 17, 2007 (date of incorporation) to December 31, 2007 and the financial year ended December 31, 2008.

All material inter-company transactions and balances have been eliminated in the preparation of the Proforma Group financial information.

For the purpose of this report, the audited financial statements of the above subsidiaries have been prepared by the companies based on Singapore Financial Reporting Standards and audited by Deloitte & Touche LLP, Singapore. The auditors' reports on these financial statements were not subject to any qualification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The Proforma Group financial information are prepared in accordance with historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with Singapore Financial Reporting Standards ("FRS").

The Proforma Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective as of January 1, 2008 to the earliest period reported.

At the date of authorisation of these financial information, the following FRS, INT Financial Reporting Standards and amendments to FRS that are relevant to the Proforma Group were issued but not effective:

FRS 1	-	<i>Presentation of Financial Statements (Revised)</i>
FRS 108	-	<i>Operating Segments</i>

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

Management anticipate that the adoption of the new/revised FRS and INT FRS and amendments to FRS in future periods will have no material impact on the financial information of the Proforma Group in the period of their initial adoption except for the following:

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FRS 1 – Presentation of Financial Statements (Revised)

FRS 1 (Revised) will be effective for annual periods beginning on or after January 1, 2009, and will change the basis for presentation and structure of the financial statements. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRSs.

FRS 108 – Operating Segments

FRS 108 will be effective for annual financial statements beginning on or after January 1, 2009 and supersedes FRS 14 – Segment Reporting. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the Proforma Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, FRS 14 requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 108, the identification of the Proforma Group's reportable segments may change.

BASIS OF CONSOLIDATION - The unaudited Proforma financial information incorporate the financial information of the Proforma Group and entities (including special purpose entities) controlled by the Proforma Group (its subsidiaries). Control is achieved where the Proforma Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

JOINTLY CONTROLLED OPERATIONS - When Proforma 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 balance sheet of the relevant company on an accrual basis and classified according to the nature of the item. The Proforma Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the profit and loss statement when it is probable that the economic benefits associated with the transactions will flow to/from the Proforma Group.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Proforma Group's consolidated balance sheets when the Proforma 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.

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Financial assets

Cash and cash equivalents

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

Trade receivables, other receivables, amount due from related parties and amount due from customers for contract works

Trade receivables, other receivables, amount due from related parties and amount due from customers for contract works are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated profit and loss statement 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 each balance sheet date. 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 the consolidated profit and loss statements. Changes in the carrying amount of the allowance account are recognised in the consolidated profit and loss statements.

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 consolidated profit and loss statement to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Proforma 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 Proforma Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Proforma Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Proforma Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Proforma Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Proforma 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 Proforma 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 Proforma 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 Proforma 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 Proforma Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 5.

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

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

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Banks 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 Proforma 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 and loss with any resultant gain or loss recognised in profit or loss. The fair value of the liability component is determined based on the present value of the principal repayment of the convertible loan discounted on the basis of the market interest rate implied by the comparable loans. The fair value of the embedded derivative of the convertible loan is determined using the Binomial Model.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company'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 balance sheet date, 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 include all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

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The Proforma Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Proforma 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 Proforma 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 Proforma Group as lessee

Rental payable under operating leases are charged to the consolidated profit and loss statements 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.

PLANT AND EQUIPMENT - Plant and equipment other than construction in progress are stated at cost less accumulated depreciation and any accumulated impairment losses.

Construction in progress is classified to the appropriate category of 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:

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 plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the consolidated profit and loss statements.

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 consolidated profit and loss statement for the period in which they arise.

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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.

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated profit and loss statements, 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 the consolidated profit and loss statements, 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 Proforma Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Proforma 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 balance sheet date, 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.

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- 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 balance sheet date, as measured by the proportion that 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) Sale of goods are recognised when goods are delivered and title has passed.
- iii) 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.
- iv) Dividend income from investments is recognised when the shareholder's right to receive the dividend is legally established.
- v) Maintenance service fee income from maintenance work that is performed over a short duration is recognised when the service is completed.
- vi) Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

PROFORMA RESERVE - These are the reserves set up as a result of the proforma adjustments at Proforma Group level. Proforma reserve represents the difference between the nominal amount of the share capital of the subsidiaries at each balance sheet date and purchase consideration for the acquisition.

STATUTORY RESERVE - Statutory reserve represents the amount transferred from profit after taxation of the subsidiaries incorporated in the People's Republic of China (the "PRC") in accordance with the PRC requirement. The statutory reserve cannot be reduced except where approval is obtained from the relevant PRC authority to apply the amount either in setting off any accumulated losses or increasing capital.

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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 profit and loss statements 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 Proforma 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 balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the proforma financial information 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 balance sheet date.

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 Proforma 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 consolidated profit and loss statements.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Proforma Group entity are measured and presented in the currency of the primary economic environment in which the entity operates in (its functional currency). The Proforma Group financial information is expressed in Chinese Renminbi, which is the presentation currency of the Proforma Group.

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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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 the consolidated profit and loss statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated profit and loss statements 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 Proforma Group financial information, the assets and liabilities of the Proforma Group's foreign operations (including comparatives) are expressed in Chinese Renminbi using exchange rates prevailing on the balance sheet date. 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 classified as equity and transferred to the Proforma Group's translation reserve. Such translation differences are recognised in consolidated profit and loss statements in the period in which the foreign operation is disposed of.

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Proforma Group's accounting policies, which are described in Note 3, 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 as 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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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 3 describes that trade and other receivables are recognised initially at fair value, and are subsequently measured at cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are in consolidated profit and loss statements 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 Proforma Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, the Proforma 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 Proforma Group are satisfied that this risk is minimal and adequate allowance for doubtful debts has been made in the proforma financial information in light of the historical records of the Proforma Group. The carrying amount of trade and other receivables are disclosed in Note 8.

Revenue from uncompleted property with finalised sales agreements and construction contract

The Proforma 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 performed to date.

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

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The valuation of construction contracts can be subjected to uncertainty in respect of valuation works and estimation of future costs. The Proforma 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.

Fair value of convertible loans

As disclosed in Note 20 to the proforma financial information, convertible loans are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based this on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the method of valuation is reflective of current market conditions.

Valuation of investment properties

As disclosed in Note 14 to the proforma financial information, 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.

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the balance sheet date:

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	<u>185,776</u>	<u>248,431</u>	<u>220,570</u>
Financial liabilities			
Fair value through profit or loss (FVTPL):			
Designated as FVTPL	300,830	74,428	-
Amortised cost	<u>910,205</u>	<u>675,931</u>	<u>397,525</u>

(b) *Financial risk management policies and objectives*

The Proforma Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Proforma 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 Proforma Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Proforma Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

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(i) Foreign exchange risk management

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

(ii) Interest rate risk management

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

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

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Proforma Group. The Proforma 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 Proforma 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 Proforma Group does not have any significant credit risk exposure to any single counterparty or any Proforma 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 proforma financial information, grossed up for any allowances for losses, represents the Proforma Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

(iv) Liquidity risk management

The Proforma 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.

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 Proforma 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 balance sheet.

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	Weighted average effective interest rate % (per annum)	On demand of within 1 year RMB'000	Within 2 to 5 years RMB'000	After 5 years RMB'000	Adjustment RMB'000	Total RMB'000
2008						
Non-interest bearing	-	217,474	-	-	-	217,474
Fixed interest rate instruments	7.296	5,302	81,568	-	(14,139)	72,731
Variable interest rate instruments	7.697 – 8.136	48,650	658,597	-	(87,247)	620,000
2007						
Non-interest bearing	-	205,931	-	-	-	205,931
Variable interest rate instruments	6.9584	34,817	528,637	-	(93,454)	470,000
2006						
Non-interest bearing	-	217,525	-	-	-	217,525
Fixed interest rate instruments	6.03 – 7.03	10,854	186,211	-	(17,065)	180,000

(vi) Fair value of financial assets and financial liabilities

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

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;
- 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; and
- the fair value 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.

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(c) *Capital risk management policies and objectives*

The Proforma Group manages its capital to ensure that entities in the Proforma 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 Proforma Group consists of debt, which includes the borrowings disclosed in Notes 19 to 20, equity comprising issued capital, reserves and retained earnings as disclosed in Statement of Changes in Equity of the Proforma Group.

6. OTHER RELATED PARTY TRANSACTIONS

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 Proforma 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 information.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the relevant periods was as follows:

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Short-term benefits	<u>2,548</u>	<u>929</u>	<u>458</u>

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

During the relevant periods, Proforma Group entities entered into the following transactions with related parties:

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Advance from a director during the year	19,427	-	-
Revenue from property development			
- relatives of directors	1,298	193	2,489
- business partners of relative of a director	-	-	136
Rental income			
- relative of a director	2,556	1,614	-
- a director	237	-	-
Construction revenue			
- a jointly controlled operation	31,630	6,621	66
Interest expense			
- related party	-	-	1,010
- directors and key management	1,670	-	-
Construction cost			
- business partner of relative of a director	8,651	23,955	17,667
- a director	-	14,375	8,754
Rental expense			
- directors	<u>30</u>	<u>119</u>	<u>-</u>

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7. CASH AND CASH EQUIVALENTS

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Cash at bank	63,627	138,818	46,561
Cash on hand	<u>87</u>	<u>106</u>	<u>84</u>
	<u>63,714</u>	<u>138,924</u>	<u>46,645</u>

Cash and cash equivalents comprise cash held by the Proforma 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 RMB63,491,000 (2007 : RMB137,830,000; 2006 : RMB46,645,000) are not freely convertible to foreign currencies.

8. TRADE AND OTHER RECEIVABLES

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Trade receivables	19,088	6,420	33,833
Other receivables	<u>34,938</u>	<u>37,767</u>	<u>19,176</u> ⁽ⁱ⁾
	54,026	44,187	53,009
Advance to contractors (outside parties)	-	-	925
Advance to contractors (related party)	793	38	-
Deposits paid	593	1,379	1,033
Prepaid expense	<u>4,504</u>	<u>1,489</u>	<u>-</u>
	<u>59,916</u>	<u>47,093</u>	<u>54,967</u>

⁽ⁱ⁾ Other receivables of RMB14,990,000 as at December 31, 2006 represent investment in subsidiaries of Nanhai Debao which were disposed to third parties at cost in 2007.

The average credit period for trade receivables is 60 to 90 days (2007 : 60 to 90 days; 2006 : 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 RMB1,460,000 (2007 : RMB3,960,000; 2006 : RMB10,435,000) which are past due at the reporting date for which the Proforma Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Proforma Group does not hold any collateral over these balances.

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

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

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Not past due and not impaired	52,566	40,227	42,574
Past due but not impaired	<u>1,460</u>	<u>3,960</u>	<u>10,435</u>
	<u>54,026</u>	<u>44,187</u>	<u>53,009</u>

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

Less than 3 months	93	789	948
3 months to 6 months	200	93	956
6 months to 12 months	116	66	5,157
More than 12 months	<u>1,051</u>	<u>3,012</u>	<u>3,374</u>
	<u>1,460</u>	<u>3,960</u>	<u>10,435</u>

Included in the other receivables balance are allowance for doubtful debts for other receivables of RMB1,000,000 (2007 : RMB2,000,000; 2006 : RMB2,000,000). Movement in the allowance for other receivables doubtful debts are as follows:

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Balance at beginning of the year	2,000	2,000	2,000
Impairment losses recognised on receivables	1,000	-	-
Amounts written off during the year	<u>(2,000)</u>	<u>-</u>	<u>-</u>
Balance at end of the year	<u>1,000</u>	<u>2,000</u>	<u>2,000</u>

9. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORKS

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Contracts-in-progress at balance sheet date:			
Amounts due from contract customers	<u>71,332</u>	<u>30,865</u>	<u>3,809</u>
Contract costs incurred plus recognised profits	147,002	108,025	56,969
Less: Progress billings	<u>(75,670)</u>	<u>(77,160)</u>	<u>(53,160)</u>
	<u>71,332</u>	<u>30,865</u>	<u>3,809</u>

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10. INVENTORIES

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Consumables	<u>154</u>	<u>60</u>	<u>82</u>

11. PROPERTY HELD FOR SALE

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Cost	<u>21,675</u>	<u>32,951</u>	<u>52,294</u>

12. DEVELOPMENT PROPERTIES

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Cost incurred	1,005,841	591,751	294,446
Add: Recognised profit	<u>17,514</u>	<u>-</u>	<u>33,192</u>
	1,023,355	591,751	327,638
Less: Progress billings	<u>(65,198)</u>	<u>-</u>	<u>(123,344)</u>
Total properties under development	<u>958,157</u>	<u>591,751</u>	<u>204,294</u>

Development properties of RMB474,357,000 (2007 : RMB366,161,000; 2006 : RMB Nil) are pledged to banks to secure loans of the Group as at December 31, 2008, 2007 and 2006.

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

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Depreciation capitalised during the year	202	135	-
Interest income capitalised during the year	(399)	(581)	(30)
Interest expense capitalised during the year (Note 24)	<u>46,148</u>	<u>17,535</u>	<u>14,630</u>

The weighted average rate of capitalisation of the interest expenses for the year ended December 31, 2008 is 7.7% to 8.3% (2007 : 6.2% to 7.0%; 2006 : 6.1% to 6.7%) per annum.

As at December 31, 2008, development properties of RMB616, 009,000 (2007 : RMB420,424,000; 2006 : RMB141,385,000) 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.

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13. PLANT AND EQUIPMENT

	Construction in progress RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment and furniture and fixtures RMB'000	Total RMB'000
Cost:					
At January 1, 2006	-	1,719	3,612	298	5,629
Additions	-	241	-	74	315
At December 31, 2006	-	1,960	3,612	372	5,944
Additions	864	870	832	79	2,645
At December 31, 2007	864	2,830	4,444	451	8,589
Additions	1,181	920	381	256	2,738
Transfer	(864)	864	-	-	-
At December 31, 2008	1,181	4,614	4,825	707	11,327
Accumulated depreciation:					
At January 1, 2006	-	646	1,250	69	1,965
Charge for 2006	-	376	722	79	1,177
At December 31, 2006	-	1,022	1,972	148	3,142
Charge for 2007	-	508	806	95	1,409
At December 31, 2007	-	1,530	2,778	243	4,551
Charge for 2008	-	753	822	107	1,682
At December 31, 2008	-	2,283	3,600	350	6,233
Carrying amount:					
At December 31, 2006	-	938	1,640	224	2,802
At December 31, 2007	864	1,300	1,666	208	4,038
At December 31, 2008	1,181	2,331	1,225	357	5,094

14. INVESTMENT PROPERTIES

	2008 RMB'000	2007 RMB'000	2006 RMB'000
At beginning of year	167,100	76,900	55,395
Transfer from properties held for sales	5,398	-	-
Purchase during the year	485	21,665	9,446
Disposal during the year	(2,610)	-	-
(Decrease) Increase in fair value	(2,883)	68,535	12,059
At end of year	167,490	167,100	76,900

The fair values of the Proforma Group's investment properties at balance sheet date have been arrived at on the basis of open market valuation carried out at those dates by CB Richard Ellis Limited, Hong Kong, the independent valuers.

The property rental income earned by the Company from its investment properties, all of which are leased under operating leases, amounted to RMB6,248,000 (2007 : RMB3,255,000; 2006 : RMB1,550,000). Direct operating expenses arising on the investment properties in the year amounted to RMB1,228,000 (2007 : RMB634,000; 2006 : RMB320,000).

As at December 31, 2008 the Proforma Group has pledged the Debao Building with a carrying value of RMB97,700,000 (2007 : RMB Nil; 2006 : RMB49,000,000) to secure bank loans granted to the Proforma Group as at December 31, 2008 and 2006 (see Note 19).

The legal title of certain investment properties not being passed to the Proforma Group is RMB8,290,000 (2007 : RMB8,290,000; 2006 : RMB Nil). The outgoing costs and economic benefit associated with the properties have been transferred to the Proforma Group.

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15. INVESTMENT IN A JOINTLY CONTROLLED OPERATION

The Proforma Group has entered into a joint venture agreement and supplemental agreements with a third party for the property development project "Jinlong Garden". Pursuant to these agreements, the Proforma Group is obliged to contribute 55% share of the development fund of the project and in return entitled to 55% share of the income and expenses of the project.

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Cost of investment	10,000	10,000	10,000
Loans	48,028	47,028	44,003
Interest receivable	16,571	12,681	8,844
Share of result of a jointly controlled operation (Note 1)	<u>72</u>	<u>(1,164)</u>	<u>(413)</u>
Total	<u>74,671</u>	<u>68,545</u>	<u>62,434</u>

Note 1: Included the elimination of unrealised profit of RMB1,075,000 (2007 : RMB683,000; 2006 : RMB Nil) which had been adjusted against cost of sales in the profit and loss statement.

Cost of investment, loans and interest receivable are unsecured and repayable when the project is completed. Loans are interest-bearing with the rate ranging from 6.732% to 10.2% per annum for each of the financial year.

Profit and loss statements in respect of the Proforma Group's jointly controlled operation is set out below:

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Revenue	29,009	-	-
Cost of sales	<u>(22,114)</u>	<u>-</u>	<u>-</u>
Gross profit	6,895	-	-
Other income	173	30	7
Selling and distribution expenses	(873)	-	-
Administrative expenses	<u>(471)</u>	<u>(153)</u>	<u>(15)</u>
Profit (Loss) before tax	5,724	(123)	(8)
Income tax expense	<u>(1,522)</u>	<u>-</u>	<u>-</u>
Profit (Loss) for the year	<u>4,202</u>	<u>(123)</u>	<u>(8)</u>
Proforma Group's share of jointly controlled operations profit (loss)	<u>2,311</u>	<u>(68)</u>	<u>(5)</u>

16. OTHER INVESTMENT

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Unquoted investment, at cost	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>

In June 2005, the Proforma Group acquired 1,300,000 shares of Foshan Nanhai Rural Credit Union at RMB1 each. The management of the Proforma Group are of the view of 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.

17. 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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18. TRADE AND OTHER PAYABLES

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Trade payables (outside parties)	131,928	98,634	66,428
Trade payables (related parties)	10,191	18,042	16,091
Loan payable to third parties	-	-	3,162
Advance receipt from the sales of properties	38,789	393	47,785
Other taxes payable	5,020	4,227	5,202
Accrued expense	11,325	15,605	11,664
Deposit received	858	829	501
Other payables	30,620	13,895	2,873
Advance from customers	<u>1,290</u>	<u>-</u>	<u>-</u>
	<u>230,021</u>	<u>151,625</u>	<u>153,706</u>

Significant Proforma 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 (2007 : 30 to 180 days; 2006 : 30 to 180 days).

The loan payables to third parties are unsecured, interest-free and repayable on demand.

19. BANK AND OTHER LOANS

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Other loans – non-current	72,731 ^(c)	-	-
Bank loans – non-current	<u>620,000</u> ^{(b) (d)}	<u>470,000</u> ^(b)	<u>180,000</u> ^(a)
	<u>692,731</u>	<u>470,000</u>	<u>180,000</u>

The Proforma Group has principal bank and other loans as follows:

- (a) The loan of RMB180,000,000 was raised in 2006 and repaid in 2007. The loan was secured by Debao Building with a carrying value of RMB36,500,000 and guaranteed by all the shareholders of Nanhai Debao. The loan incurred fixed interest rates from 6.03% to 7.03% per annum.
- (b) The loans of RMB470,000,000 were raised in 2007 and repayable in 2010. The loans were secured by certain land use right of the Proforma Group and guaranteed by directors of the Proforma Group together with Foshan Nanhai Yueshi Trading Co., Ltd.. The loans are variable rate borrowing and are determined based on 0% to 10% plus prime rate. The effective interest rates on bank loans for 2008 was 7.6970% (2007 : 6.9584%) per annum.
- (c) Other loans were provided by existing directors and the former shareholders of Foshan Nanhai District Debao Property Development Co., Ltd. with fixed interest of 7.296% per annum in 2008, unsecured and repayable in 2010. Effective from 2009, the interest rate is determined based on the prime rate on a quarterly basis.
- (d) Additional loan raised in 2008 of RMB150,000,000 was a variable-rate borrowing. The average effective interest rate is 8.316% per annum and was determined based on 10% plus prime rate. The loan was secured by certain land use right and properties of the Proforma Group and guaranteed by directors of the Proforma Group together with Foshan Nanhai Yueshi Trading Co., Ltd.

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The carrying amounts of bank and other loans approximate their fair values as the interest rates approximate the market rates prevailing at balance sheet date.

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

20. CONVERTIBLE LOAN NOTES AT FAIR VALUE

The Company has entered into a series of convertible loan agreements with different investors on the same terms and conditions since December 2007. The accumulated amounts of the principal are S\$15,000,000 (RMB76,026,000) and S\$63,600,000 (RMB306,467,000) as at December 31, 2007 and December 31, 2008 respectively.

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

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

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

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

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

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

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

- (a) Risk free rate is 1.808% and 0.747% with reference to yield of Singapore Sovereign as at the valuation dates respectively;
- (b) The volatility for share price is 55% and 90% with reference to the historical volatilities of the comparable companies as at the valuation dates respectively;
- (c) The discount rate for convertible loan is with reference to the yields of comparables bonds with similar credit rating and time to maturity, plus country premium and liquidity premium as at valuation dates respectively;
- (d) The dividend yield is 0%;
- (e) Stock price in the binomial tree model is implied by the net assets value with reference to an independent valuer's valuation summary and reports as at the valuation dates respectively;
- (f) The probability of the conversion option to take effective is 50% as at the valuation dates; and
- (g) Matutity date is assumed to be July 25, 2009.

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

	2008 RMB'000	2007 RMB'000	2006 RMB'000
Beginning of the year	74,428	-	-
Exchange difference	(4,800)	-	-
Issuance	230,441	76,026	-
Prepaid issue expenses	(8,181)	(1,901)	-
Change in fair values	<u>8,942</u>	<u>303</u>	<u>-</u>
End of the year	300,830	74,428	-
Less: Current portion	<u>(300,830)</u>	<u>-</u>	<u>-</u>
Non-current portion	<u>-</u>	<u>74,428</u>	<u>-</u>

21. DEFERRED TAX

	2008 RMB'000	2007 RMB'000	2006 RMB'000
Deferred tax liabilities	(33,700)	(30,326)	(22,084)
Deferred tax assets	<u>3,002</u>	<u>569</u>	<u>-</u>
	<u>(30,698)</u>	<u>(29,757)</u>	<u>(22,084)</u>

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

	Change in fair value of investment properties RMB'000	Unrealised income RMB'000	Land Appreciation tax RMB'000	Others RMB'000	Total RMB'000
At January 1, 2006	(5,787)	(11,159)	4,514	-	(12,432)
(Charge) Credit to profit or loss for the year	<u>(3,979)</u>	<u>(7,637)</u>	<u>1,011</u>	<u>953</u>	<u>(9,652)</u>
At December 31, 2006	(9,766)	(18,796)	5,525	953	(22,084)
(Charge) Credit to profit or loss for the year	<u>(22,616)</u>	<u>12,707</u>	<u>(7,588)</u>	<u>780</u>	<u>(16,717)</u>
Effect of change in tax rate	<u>7,850</u>	<u>1,476</u>	<u>-</u>	<u>(282)</u>	<u>9,044</u>
At December 31, 2007	(24,532)	(4,613)	(2,063)	1,451	(29,757)
Credit (Charge) to profit or loss for the year	<u>721</u>	<u>(1,460)</u>	<u>(2,788)</u>	<u>2,586</u>	<u>(941)</u>
At December 31, 2008	<u>(23,811)</u>	<u>(6,073)</u>	<u>(4,851)</u>	<u>4,037</u>	<u>(30,698)</u>

22. REVENUE

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

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Revenue from property development	92,543	284,532	283,816
Revenue from construction contracts	32,762	6,764	77
Property rental income	6,661	3,990	2,253
Property management service income	<u>4,654</u>	<u>3,306</u>	<u>2,542</u>
	<u>136,620</u>	<u>298,592</u>	<u>288,688</u>

23. OTHER INCOME

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Interest income	4,229	4,328	1,880
Sundry income	<u>5,002</u>	<u>466</u>	<u>264</u>
	<u>9,231</u>	<u>4,794</u>	<u>2,144</u>

24. FINANCE COSTS

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Interest on bank and other loans	47,930	23,580	14,630
Less: Amount capitalised as cost of development properties	<u>(46,148)</u>	<u>(17,535)</u>	<u>(14,630)</u>
	<u>1,782</u>	<u>6,045</u>	<u>-</u>

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25. INCOME TAX EXPENSE

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Current tax:			
Enterprise income tax	7,658	40,704	11,458
Land appreciation tax	<u>1,114</u>	<u>6,842</u>	<u>6,297</u>
	<u>8,772</u>	<u>47,546</u>	<u>17,755</u>
Deferred tax:			
Enterprise income tax	(1,847)	9,129	10,663
Effect of change in tax rate	-	(9,044)	-
Land appreciation tax	<u>2,788</u>	<u>7,588</u>	<u>(1,011)</u>
	<u>941</u>	<u>7,673</u>	<u>9,652</u>
	<u>9,713</u>	<u>55,219</u>	<u>27,407</u>

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

Pursuant to the new PRC Enterprise Income Tax Law promulgated on March 16, 2007, the enterprise income tax for both domestic and foreign-invested enterprises will be unified at 25% effective from January 1, 2008. As required by the local tax authority, the income tax of certain PRC subsidiaries of Proforma Group are levied on deemed profit method before 2008 which is calculated on 2% to 10% of taxable revenue.

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

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Profit before tax	<u>12,464</u>	<u>167,180</u>	<u>79,498</u>
Income tax expense at PRC statutory rate of 25% (2007 and 2006 : 33%)	3,116	55,169	26,234
Tax effect of expense not deductible for tax purpose	3,818	623	609
Tax effect of income not taxable for tax purpose	(1,584)	(9,251)	(7,075)
Effect of tax loss not recognised	849	644	-
Effect of utilisation of tax loss	(35)	-	-
Tax effect of land appreciation tax	3,902	14,430	5,286
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	-	(9,044)	-
Others	<u>(353)</u>	<u>2,648</u>	<u>2,353</u>
Tax expense for the year	<u>9,713</u>	<u>55,219</u>	<u>27,407</u>

At December 31, 2008, the Proforma Group has unutilised tax losses of RMB3,396,000 (2007 : RMB1,951,000; 2006 : RMB Nil) available for offset against future profits. The related deferred tax benefit was not recognised due to unpredictability of future profit streams. Pursuant to PRC tax regulations, for the years on which the tax losses are incurred, tax losses may be carried forward for 5 years subject to the conditions imposed by law including the retention of majority shareholders as defined.

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26. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Directors' remuneration	1,604	929	458
Employee benefits expense (including directors' remuneration)	13,829	7,687	7,193
Cost of defined contribution included in employee benefits	203	152	132
Depreciation of plant and equipment	1,480	1,274	1,177
The cost of inventories which are expensed during the years	252,707	176,830	56,627
Net foreign exchange losses	<u>1,144</u>	<u>-</u>	<u>-</u>

27. PROFORMA EARNINGS PER SHARE

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

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

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
<u>Earnings</u>			
Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the Company)	2,751	111,961	52,091
Effect of dilutive potential ordinary shares:			
Change in fair value of convertible loan (net of tax) (Note)	<u>8,942</u>	<u>303</u>	<u>-</u>
Earnings for the purpose of diluted earnings per share	<u>11,693</u>	<u>112,264</u>	<u>52,091</u>

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>Number of shares</u>			
Number of ordinary shares for the purpose of basic earnings per share	627,906,976	627,906,976	627,906,976
Effect of dilutive potential ordinary shares:			
Convertible loan notes	<u>372,093,024</u>	<u>372,093,024</u>	<u>372,093,024</u>
Number of ordinary shares for the purpose of diluted earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>

Note: For the financial year ended December 31, 2008, the effect of convertible loan is anti-dilutive and hence has not been taken into account for the calculation of diluted earnings per share.

Earnings per share based on Pre-Invitation share capital*:

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
<u>Earnings</u>			
Earnings for the purpose of basic and diluted earnings per share	<u>11,693</u>	<u>112,264</u>	<u>52,091</u>

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	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>Number of shares</u>			
Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>

* Pre-Invitation share capital is arrived at after sub-division of every one ordinary share in the issued share capital of the Company into 62.79 ordinary shares and after conversion of convertible loan notes into ordinary shares.

28. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Proforma Group is engaged in property development and related activities and construction revenue is mainly derived from construction services rendered to its jointly controlled operation. The Proforma Group's operations are located in the PRC and substantially the Proforma Group's turnover and contribution to profit from operations are derived from property development and related activities. Accordingly, no analysis by business segment and geographical area of operations are provided.

29. OPERATING LEASE ARRANGEMENTS

The Proforma Group as lessee

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	<u>367</u>	<u>403</u>	<u>155</u>

Operating lease payments represent rentals payable by the Proforma 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 Proforma Group as lessor

The Proforma Group rent out its investment properties in People's Republic of China under operating lease. Property rental income earned during the year was RMB6,248,000 (2007 : RMB3,255,000; 2006 : RMB1,550,000).

At the balance sheet, the Proforma Group has contracted with tenants for the following future minimum lease payments:

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Within one year	5,917	6,029	1,450
In the second to fifth years inclusive	10,518	13,966	2,180
After five years	<u>-</u>	<u>-</u>	<u>734</u>

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30. CAPITAL COMMITMENTS

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

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Jointly controlled operation	5,186	1,254	1,234
Construction of properties	<u>300,346</u>	<u>468,237</u>	<u>38,425</u>

31. CONTINGENT LIABILITIES

At the respective balance sheet dates, the contingent liabilities of the Proforma Group were as follows:

	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
Guarantees given to banks in connection with facilities granted to			
- third parties (Note)	362,664	544,790	419,040
- jointly controlled operation	<u>45,000</u>	<u>-</u>	<u>28,000</u>
	<u>407,664</u>	<u>544,790</u>	<u>447,040</u>

Note: The Proforma Group arranges for 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 Proforma 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 Proforma Group provides guarantees on the condition that the purchasers pay a downpayment of between 20% and 30% of the purchase price. If a purchaser defaults on a loan, the relevant mortgagee bank is also entitled to auction off or sell the property to third parties and use the sales proceeds to satisfy the loan, or in some mortgage facilities require the Proforma Group to repurchase the properties. In the opinion of directors, the fair value of the financial guarantee contracts is not significant.

32. COMPLETION OF CONSTRUCTION METHOD DISCLOSURE

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

	<u>Completion of construction</u>		
	<u>2008</u> RMB'000	<u>2007</u> RMB'000	<u>2006</u> RMB'000
<u>Proforma Group Consolidated balance sheets</u>			
Development properties	937,958	592,424	95,092
Deferred tax (liabilities) assets	(23,525)	(22,263)	16,423
Trade and other payables	226,029	150,641	134,604
Accumulated profits	<u>229,041</u>	<u>243,444</u>	<u>74,990</u>
 <u>Proforma Group Consolidated profit and loss statements</u>			
Revenue	80,314	602,285	76,214
(Loss) Profit after income tax	<u>(13,002)</u>	<u>173,275</u>	<u>19,836</u>

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33. STATEMENT OF PROFORMA ADJUSTMENTS

The following Proforma adjustments have been made to the audited financial statements of the subsidiaries in arriving at the Proforma Group financial information:

	Per aggregation of audited financial statements RMB'000	Eliminations of inter-company balances RMB'000	Proforma Group RMB'000
<u>Balance Sheet</u>			
December 31, 2008			
<u>ASSETS</u>			
Current assets			
Cash and bank balances	63,714	-	63,714
Trade and other receivables	59,916	-	59,916
Amount due from holding company	14,800	(14,800)	-
Amount due from related companies	1,236,760	(1,236,760)	-
Amount due from related parties– non-trade	2,844	-	2,844
Amount due from customer for contract works	71,332	-	71,332
Inventories	154	-	154
Property held for sale	21,876	(201)	21,675
Development properties	966,445	(8,288)	958,157
Total current assets	<u>2,437,841</u>	<u>(1,260,049)</u>	<u>1,177,792</u>
Non-current assets			
Plant and equipment	5,094	-	5,094
Investment properties	167,490	-	167,490
Investment in subsidiaries	370,542	(370,542)	-
Investment in a jointly controlled operation	76,429	(1,758)	74,671
Deferred tax assets	1,300	-	1,300
Other investment	556	2,446	3,002
Other non-current asset	3,000	-	3,000
Total non-current assets	<u>624,411</u>	<u>(369,854)</u>	<u>254,557</u>
Total assets	<u>3,062,252</u>	<u>(1,629,903)</u>	<u>1,432,349</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade and other payables	230,021	-	230,021
Amount due to related companies	1,251,560	(1,251,560)	-
Amount due to related parties– non-trade	1,584	-	1,584
Convertible loan notes at fair value	300,830	-	300,830
Tax liabilities	18,089	-	18,089
Total current liabilities	<u>1,802,084</u>	<u>(1,251,560)</u>	<u>550,524</u>
Non-current liabilities			
Bank and other loans	692,731	-	692,731
Deferred tax liabilities	33,700	-	33,700
Total non-current liabilities	<u>726,431</u>	<u>-</u>	<u>726,431</u>
Proforma shareholders' equity	<u>533,737</u>	<u>(378,343)</u>	<u>155,394</u>
Total liabilities and equity	<u>3,062,252</u>	<u>(1,629,903)</u>	<u>1,432,349</u>

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	Per aggregation of audited financial statements RMB'000	Eliminations of inter-company balances RMB'000	Proforma Group RMB'000
December 31, 2007			
<u>ASSETS</u>			
Current assets			
Cash and bank balances	95,501	43,423	138,924
Trade and other receivables	47,093	-	47,093
Amount due from related companies	866,810	(866,810)	-
Amount due from related parties – non-trade	4,233	-	4,233
Amount due from customers for contract works	30,865	-	30,865
Inventories	60	-	60
Property held for sale	33,402	(451)	32,951
Development properties	593,871	(2,120)	591,751
Total current assets	<u>1,671,835</u>	<u>(825,958)</u>	<u>845,877</u>
Non-current assets			
Plant and equipment	4,038	-	4,038
Investment properties	167,100	-	167,100
Investment in subsidiaries	81,161	(81,161)	-
Investment in a jointly controlled operation	69,228	(683)	68,545
Other investment	1,300	-	1,300
Deferred tax assets	-	569	569
Other non-current asset	3,000	-	3,000
Total non-current assets	<u>325,827</u>	<u>(81,275)</u>	<u>244,552</u>
Total assets	<u>1,997,662</u>	<u>(907,233)</u>	<u>1,090,429</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade and other payables	151,625	-	151,625
Amount due to related companies	866,810	(866,810)	-
Amount due to related parties – non-trade	62,942	-	62,942
Tax liabilities	43,306	-	43,306
Total current liabilities	<u>1,124,683</u>	<u>(866,810)</u>	<u>257,873</u>
Non-current liabilities			
Bank loans	470,000	-	470,000
Convertible loan notes at fair value	74,428	-	74,428
Deferred tax liabilities	30,326	-	30,326
Total non-current liabilities	<u>574,754</u>	<u>-</u>	<u>574,754</u>
Proforma shareholders' equity	<u>298,225</u>	<u>(40,423)</u>	<u>257,802</u>
Total liabilities and equity	<u>1,997,662</u>	<u>(907,233)</u>	<u>1,090,429</u>

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	Per aggregation of audited financial statements <u>RMB'000</u>	Eliminations of inter-company balances <u>RMB'000</u>	Proforma Group <u>RMB'000</u>
December 31, 2006			
<u>ASSETS</u>			
Current assets			
Cash and bank balances	46,645	-	46,645
Trade and other receivables	39,977	14,990	54,967
Amount due from related companies	178,869	(178,869)	-
Amount due from related parties– non-trade	82,026	-	82,026
Amount due from customers for contract works	3,809	-	3,809
Inventories	82	-	82
Property held for sale	52,294	-	52,294
Development properties	<u>210,741</u>	<u>(6,447)</u>	<u>204,294</u>
Total current assets	<u>614,443</u>	<u>(170,326)</u>	<u>444,117</u>
Non-current assets			
Plant and equipment	2,802	-	2,802
Investment properties	76,900	-	76,900
Investment in subsidiaries	20,240	(20,240)	-
Investment in a jointly controlled operation	62,434	-	62,434
Other investment	<u>1,300</u>	<u>-</u>	<u>1,300</u>
Total non-current assets	<u>163,676</u>	<u>(20,240)</u>	<u>143,436</u>
Total assets	<u><u>778,119</u></u>	<u><u>(190,566)</u></u>	<u><u>587,553</u></u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade and other payables	153,706	-	153,706
Amount due to related companies	178,869	(178,869)	-
Amount due to related parties– non-trade	72,200	-	72,200
Tax liabilities	<u>9,995</u>	<u>-</u>	<u>9,995</u>
Total current liabilities	<u>414,770</u>	<u>(178,869)</u>	<u>235,901</u>
Non-current liabilities			
Long term bank loans	180,000	-	180,000
Deferred tax liability	<u>22,084</u>	<u>-</u>	<u>22,084</u>
Total non-current liabilities	<u>202,084</u>	<u>-</u>	<u>202,084</u>
Proforma shareholders' equity	<u>161,265</u>	<u>(11,697)</u>	<u>149,568</u>
Total liabilities and equity	<u><u>778,119</u></u>	<u><u>(190,566)</u></u>	<u><u>587,553</u></u>

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	Per aggregation of audited financial statements RMB'000	Eliminations of inter-company balances RMB'000	Proforma Group RMB'000
<u>Profit and Loss</u>			
<u>For the year ended December 31, 2008</u>			
Revenue	200,834	(64,214)	136,620
Cost of sales	<u>(151,622)</u>	<u>57,091</u>	<u>(94,531)</u>
Gross profit	49,212	(7,123)	42,089
Other operating income	9,231	-	9,231
Selling and distribution expenses	(2,127)	105	(2,022)
Administrative expenses	(25,562)	24	(25,538)
Impairment loss of investment in subsidiaries	(2,061)	2,061	-
Change in fair value of convertible loan notes	(8,942)	-	(8,942)
Share of a jointly controlled operation profit	2,311	-	2,311
Change in fair value of investment properties	(2,883)	-	(2,883)
Finance costs	<u>(1,782)</u>	<u>-</u>	<u>(1,782)</u>
Profit before income tax	17,397	(4,933)	12,464
Income tax	<u>(11,591)</u>	<u>1,878</u>	<u>(9,713)</u>
Net profit for the year	<u><u>5,806</u></u>	<u><u>(3,055)</u></u>	<u><u>2,751</u></u>

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	Per aggregation of audited financial statements <u>RMB'000</u>	Eliminations of inter-company transactions <u>RMB'000</u>	Proforma Group <u>RMB'000</u>
<u>Profit and Loss</u>			
<u>For the year ended December 31, 2007</u>			
Revenue	327,427	(28,835)	298,592
Cost of sales	<u>(210,900)</u>	<u>31,540</u>	<u>(179,360)</u>
Gross profit	116,527	2,705	119,232
Other operating income	4,794	-	4,794
Selling and distribution expenses	(4,806)	404	(4,402)
Administrative expenses	(14,647)	84	(14,563)
Gain on disposal of subsidiaries	12,038	(12,038)	-
Change in fair value of convertible loan notes	(303)	-	(303)
Share of a jointly controlled operation loss	(68)	-	(68)
Change in fair value of investment properties	68,535	-	68,535
Finance costs	<u>(6,045)</u>	<u>-</u>	<u>(6,045)</u>
Profit before income tax	176,025	(8,845)	167,180
Income tax	<u>(55,788)</u>	<u>569</u>	<u>(55,219)</u>
Net profit for the year	<u>120,237</u>	<u>(8,276)</u>	<u>111,961</u>

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	Per aggregation of audited financial statements <u>RMB'000</u>	Eliminations of inter-company transactions <u>RMB'000</u>	Proforma Group <u>RMB'000</u>
<u>Profit and Loss</u>			
<u>For the year ended December 31, 2006</u>			
Revenue	313,411	(24,723)	288,688
Cost of sales	<u>(226,394)</u>	<u>18,340</u>	<u>(208,054)</u>
Gross profit	87,017	(6,383)	80,634
Other operating income	10,581	(8,437)	2,144
Selling and distribution expenses	(8,633)	428	(8,205)
Administrative expenses	(7,129)	-	(7,129)
Share of a jointly controlled operation loss	(5)	-	(5)
Change in fair value of investment properties	12,059	-	12,059
Finance costs	<u>(7,945)</u>	<u>7,945</u>	<u>-</u>
Profit before income tax	85,945	(6,447)	79,498
Income tax	<u>(27,407)</u>	<u>-</u>	<u>(27,407)</u>
Net profit for the year	<u><u>58,538</u></u>	<u><u>(6,447)</u></u>	<u><u>52,091</u></u>

Save as disclosed, there are no material adjustments made in the preparation of Proforma Group financial information.

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

34. PROFORMA FINANCIAL INFORMATION REFLECTING THE FINANCIAL EFFECTS OF SIGNIFICANT SUBSEQUENT EVENT TO PROFORMA FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2008

(a) Significant event affecting capital structure

Save for the following significant event relating to acquisition changes to capital structure of the Company (the "Significant Event"), the directors as at the date of this report, are not aware of any significant acquisitions/disposals of assets of the Proforma Group and other significant changes made to the capital structure of the Company subsequent to December 31, 2008.

- i) Since December 2007, the Company entered into a series of convertible loans agreements with convertible loan investors where the latter shall be entitled to receive new shares in the Company according to the terms of convertible loan agreements. On March 30, 2010, the Company issued 372,093,024 shares to the convertible loan investors, upon the conversion of the convertible loans.

(b) Basis of preparation of the unaudited Proforma Financial Information

The unaudited Proforma financial information for the year ended December 31, 2008 is prepared based on certain assumptions and after making certain adjustments to show what:

- i) the financial results and cash flows of the Proforma Group for the financial year ended December 31, 2008 would have been if the changes to the capital structure of the Company described as above had occurred on January 1, 2008 (or on the date of issue of the convertible loan notes during 2008, if later); and
- ii) the financial position of the Proforma Group as at December 31, 2008 would have been if the aforesaid change to the capital structure of the Company had occurred at the end of the financial year.

Based on the assumptions above, the following proforma adjustments have been made to the unaudited Proforma Group financial information in arriving at the proforma financial information included herein:

- i) 372,093,024 of new shares amounting to RMB378,592,000 issued by the Company to the convertible loan investors for conversion of the convertible loans;
- ii) Reversal of fair value loss as the convertible loan recognised in the financial year ended December 31, 2008 of RMB8,942,000 had the convertible loans were converted at the beginning of the period; and
- iii) Adjustment of proceeds from additional convertible loans issued after the end of financial year of S\$16,400,000 (RMB77,762,000).

For the purpose of preparing this set of proforma financial information, the directors have not considered the effects of other events other than those disclosed in (a).

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

	Proforma Balance Sheet before changes of capital structure <u>RMB'000</u>	Unaudited proforma adjustments <u>RMB'000</u>	Proforma Balance Sheet after changes of capital structure <u>RMB'000</u>
<u>Balance Sheet</u>			
<u>December 31, 2008</u>			
<u>ASSETS</u>			
Current assets			
Cash and bank balances	63,714	77,762 ⁽ⁱⁱⁱ⁾	141,476
Trade and other receivables	59,916		59,916
Amount due from related parties – non-trade	2,844		2,844
Amount due from customers for contract works	71,332		71,332
Inventories	154		154
Property held for sale	21,675		21,675
Development properties	<u>958,157</u>		<u>958,157</u>
Total current assets	<u>1,177,792</u>		<u>1,255,554</u>
Non-current assets			
Plant and equipment	5,094		5,094
Investment properties	167,490		167,490
Investment in a jointly controlled operation	74,671		74,671
Other investment	1,300		1,300
Deferred tax assets	3,002		3,002
Other non-current asset	<u>3,000</u>		<u>3,000</u>
Total non-current assets	<u>254,557</u>		<u>254,557</u>
Total assets	<u>1,432,349</u>		<u>1,510,111</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade and other payables	230,021		230,021
Amount due to related parties – non-trade	1,584		1,584
Convertible loan notes at fair value	300,830	(300,830) ⁽ⁱ⁾	-
Tax liabilities	<u>18,089</u>		<u>18,089</u>
Total current liabilities	<u>550,524</u>		<u>249,694</u>
Non-current liabilities			
Bank and other loans	692,731		692,731
Deferred tax liability	<u>33,700</u>		<u>33,700</u>
Total non-current liabilities	<u>726,431</u>		<u>726,431</u>
Proforma shareholders' equity	<u>155,394</u>	378,592 ⁽ⁱ⁾	<u>533,986</u>
Total liabilities and equity	<u>1,432,349</u>		<u>1,510,111</u>

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

	<u>Proforma Profit and Loss before changes of capital structure</u> RMB'000	<u>Unaudited proforma adjustment</u> RMB'000	<u>Proforma Profit and Loss after changes of capital structure</u> RMB'000
<u>Profit and Loss</u>			
<u>For the year ended December 31, 2008</u>			
Revenue	136,620		136,620
Cost of sales	(94,531)		(94,531)
Gross profit	42,089		42,089
Other operating income	9,231		9,231
Selling and distribution expenses	(2,022)		(2,022)
Administrative expenses	(25,538)		(25,538)
Other operating expenses	(8,942)	8,942 ⁽ⁱⁱ⁾	-
Share of a jointly controlled operation profit	2,311		2,311
Change in fair value of investment properties	(2,883)		(2,883)
Finance costs	(1,782)		(1,782)
Profit before income tax	12,464		21,406
Income tax	(9,713)		(9,713)
Net profit for the year	<u>2,751</u>		<u>11,693</u>

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

	Proforma cash flow statement before changes of <u>capital structure</u> RMB'000	Unaudited proforma <u>adjustment</u> RMB'000	Proforma cash flow statement after changes of <u>capital structure</u> RMB'000
<u>Cash flows</u>			
<u>For the year ended December 31, 2008</u>			
Operating activities			
Profit before tax	12,464	8,942 ⁽ⁱⁱ⁾	21,406
Adjustments for:			
Fair value loss of investment properties	2,883		2,883
Fair value loss on convertible loan	8,942	(8,942) ⁽ⁱⁱ⁾	-
Allowance for doubtful debts	1,000		1,000
Interest expense	1,782		1,782
Depreciation	1,480		1,480
Interest income	(4,229)		(4,229)
Share of a jointly controlled operation profit	<u>(2,311)</u>		<u>(2,311)</u>
Operating cash flows before movements in working capital	22,011		22,011
Trade and other receivables	(18,359)		(18,359)
Development properties	(320,454)		(320,454)
Properties held for sale	5,878		5,878
Amount due from customers for contract works	(40,467)		(40,467)
Inventories	(94)		(94)
Other non-current asset	-		-
Trade and other payables	<u>83,252</u>		<u>83,252</u>
Cash used in operations	(268,233)		(268,233)
Interest paid	(47,930)		(47,930)
Income tax paid	<u>(33,991)</u>		<u>(33,991)</u>
Net cash used in operating activities	<u>(350,154)</u>		<u>(350,154)</u>
Investing activities			
Amounts due from ex-related parties/related parties	5,925		5,925
Advances to a jointly controlled operation	(3,815)		(3,815)
Purchases of plant and equipment	(2,738)		(2,738)
Interest received	4,628		4,628
Addition in investment properties	(485)		(485)
Proceeds on disposal of subsidiaries	-		-
Acquisition of subsidiaries	<u>(156,379)</u>		<u>(156,379)</u>
Net cash used in investing activities	<u>(152,864)</u>		<u>(152,864)</u>

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

	Proforma cash flow statement before changes of <u>capital structure</u> RMB'000	Unaudited proforma <u>adjustment</u> RMB'000	Proforma cash flow statement after changes of <u>capital structure</u> RMB'000
Financing activities			
Amounts due to ex-related parties/related parties	(63,604)		(63,604)
Proceeds from injection of share capital	47,823		47,823
Dividends paid	(1,402)		(1,402)
Repayment of bank loans	-		-
Proceeds from bank loans	150,000		150,000
Proceeds from other loan	72,731		72,731
Proceeds from convertible loan	<u>222,260</u>	77,762 ⁽ⁱⁱⁱ⁾	<u>300,022</u>
Net cash from financing activities	<u>427,808</u>		<u>505,570</u>
Net (decrease) increase in cash and cash equivalents	(75,210)		2,552
Cash and cash equivalents at beginning of year	<u>138,924</u>		<u>138,924</u>
Cash and cash equivalents at end of year	<u><u>63,714</u></u>	77,762 ⁽ⁱⁱⁱ⁾	<u><u>141,476</u></u>

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

**35. PROFORMA FINANCIAL INFORMATION REFLECTING THE FINANCIAL EFFECTS OF
SIGNIFICANT SUBSEQUENT TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

If the same assumption and proforma adjustments as detailed in Note 34 to the Proforma Group Financial Information are made to the audited consolidated financial statements of the Group for the year ended December 31, 2008, the proforma financial information would be presented as follows:

	Audited Consolidated Balance Sheet before changes of capital structure RMB'000	Unaudited proforma adjustment RMB'000	Proforma Balance Sheet after changes of capital structure RMB'000
<u>Balance Sheet</u>			
<u>December 31, 2008</u>			
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	63,714	77,762 ⁽ⁱⁱⁱ⁾	141,476
Trade and other receivables	59,916		59,916
Amount due from related parties – non-trade	2,844		2,844
Amount due from customers for contract works	71,332		71,332
Inventories	154		154
Property held for sale	32,358		32,358
Development properties	<u>1,415,555</u>		<u>1,415,555</u>
Total current assets	<u>1,645,873</u>		<u>1,723,635</u>
Non-current assets			
Plant and equipment	5,094		5,094
Investment properties	167,490		167,490
Investment in subsidiaries	-		-
Investment in a jointly controlled operation	81,060		81,060
Other investment	1,300		1,300
Deferred tax assets	2,390		2,390
Other non-current asset	3,000		3,000
Goodwill	-		-
Total non-current assets	<u>260,334</u>		<u>260,334</u>
Total assets	<u>1,906,207</u>		<u>1,983,969</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade and other payables	230,021		230,021
Amount due to related parties – non-trade	1,584		1,584
Convertible loan notes at fair value	300,830	(300,830) ⁽ⁱ⁾	-
Tax payables	<u>18,089</u>		<u>18,089</u>
Total current liabilities	<u>550,524</u>		<u>249,694</u>
Non-current liabilities			
Bank and other loans	692,731		692,731
Convertible loan notes at fair value	-		-
Deferred tax liabilities	<u>149,005</u>		<u>149,005</u>
Total non-current liabilities	<u>841,736</u>		<u>841,736</u>
Capital, reserves and minority interests			
Share capital	47,824	390,448 ⁽ⁱ⁾	438,272
Translation reserve	13,356		13,356
Retained earnings	<u>452,767</u>	(11,856)	<u>440,911</u>
Equity attributable to equity holders of the Company	<u>513,947</u>		<u>892,539</u>
Total liabilities and equity	<u>1,906,207</u>		<u>1,983,969</u>

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

	Audited consolidated balance sheet before changes of capital structure RMB'000	Unaudited Proforma adjustment RMB'000	Proforma Balance Sheet after changes of capital structure RMB'000
<u>Profit and loss</u>			
<u>For the year ended December 31, 2008</u>			
Revenue	124,041		124,041
Cost of sales	(112,655)		(112,655)
Gross profit	11,386		11,386
Other income	8,222		8,222
Selling and distribution expenses	(2,011)		(2,011)
Administrative expenses	(22,747)		(22,747)
Change in fair value of convertible loan notes	(8,942)	8,942 ⁽ⁱⁱ⁾	-
Share of a jointly controlled operation profit	1,577		1,577
Change in fair value of investment properties	(485)		(485)
Negative goodwill	139,097		139,097
Gain from acquisition of additional shares in a subsidiary	3,115		3,115
Gain from dilution of minority interest	72,859		72,859
Impairment of goodwill	(1,356)		(1,356)
Finance costs	(1,782)		(1,782)
Profit before tax	198,933		207,875
Income tax expense	(1,387)		(1,387)
Profit for the year/period	<u>197,546</u>		<u>206,488</u>
Attributable to:			
Equity holders of the Company	197,612		206,554
Minority interests	(66)		(66)
	<u>197,546</u>		<u>206,488</u>

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

	Proforma cash flow statement before changes of capital structure RMB'000	Unaudited proforma adjustment RMB'000	Proforma cash flow statement after changes of capital structure RMB'000
<u>Cash flows</u>			
<u>For the year ended December 31, 2008</u>			
Operating activities			
Profit before tax	198,933	8,942 ⁽ⁱⁱ⁾	207,875
Adjustments for:			
Fair value loss of investment properties	485		485
Change in fair value of convertible loan	8,942	(8,942) ⁽ⁱⁱ⁾	-
Negative goodwill	(139,097)		(139,097)
Gain from acquisition of additional shares in a subsidiary	(3,115)		(3,115)
Gain from dilution of minority interest	(72,859)		(72,859)
Impairment of goodwill	1,356		1,356
Allowance for doubtful debts	1,000		1,000
Interest expense	1,782		1,782
Depreciation	1,250		1,250
Interest income	(3,220)		(3,220)
Share of a jointly controlled operation profit	(1,577)		(1,577)
Operating cash flows before movements in working capital	(6,120)		(6,120)
Trade and other receivables	(16,536)		(16,536)
Development properties	(307,028)		(307,028)
Properties held for sale	12,055		12,055
Amount due from customers for contract works	(40,467)		(40,467)
Inventories	(94)		(94)
Trade and other payables	99,984		99,984
Cash used in operations	(258,206)		(258,206)
Interest paid	(48,385)		(48,385)
Income tax paid	(26,345)		(26,345)
Net cash used in operating activities	(332,936)		(332,936)
Investing activities			
Amounts due from related parties	(1,671)		(1,671)
Advances to a jointly controlled operation	(3,018)		(3,018)
Purchases of plant and equipment	(2,729)		(2,729)
Interest received	3,619		3,619
Addition in investment properties	(485)		(485)
Acquisition of subsidiaries	(137,993)		(137,993)
Acquisition of additional shares in a subsidiary	(14,800)		(14,800)
Net cash used in investing activities	(157,077)		(157,077)
Financing activities			
Amounts due to related parties	(46,260)		(46,260)
Proceeds from injection of share capital	47,824		47,824
Proceeds from bank loans	150,000		150,000
Proceeds from other loan	72,731		72,731
Proceeds from convertible loan	222,260	77,762 ⁽ⁱⁱⁱ⁾	300,022
Net cash from financing activities	446,555		524,317
Net (decrease) increase in cash and cash equivalents	(43,458)		34,304
Cash and cash equivalents at beginning of year	107,172		107,172
Cash and cash equivalents at end of year	<u>63,714</u>	77,762 ⁽ⁱⁱⁱ⁾	<u>141,476</u>

ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008

36. EVENTS AFTER THE BALANCE SHEET DATE

Other than the events disclosed in the relevant notes to the proforma financial information, the following events took place subsequent to December 31, 2008:

- (i) Investment property of RMB48,460,000 of the Proforma Group are pledged to secure bank loans of the Proforma Group. Property held for sale of RMB7,050,000 of the Proforma Group are pledged to secure bank loan of a third party.
- (ii) The Company disposed of certain investment properties in August 2009 to a third party for a consideration of RMB19.5 million, resulted in a gain on disposal of RMB0.3 million.
- (iii) The Company disposed of car park lots in September 2009 to a third party for a consideration of RMB2.85 million, resulted in a loss on disposal of RMB6.0 million.
- (iv) On December 4, 2009, the Proforma Group successfully auctioned for a piece of land in Guangdong Province, China ("Danzao Project") of approximately RMB48.3 million.
- (v) The conversion by the Pre-IPO Investors of the S\$80.0 million convertible loan into an aggregate of 372,093,024 shares on March 30, 2010 pursuant to convertible loan agreements entered into on December 25, 2007, June 18, 2008, June 23, 2008, July 16, 2008, August 11, 2008, August 14, 2008, March 6, 2009 and March 25, 2009 and as supplemented on August 11, 2008, July 25, 2009, August 4, 2009, August 12, 2009, August 20, 2009 and August 28, 2009 ("Conversion").
- (vi) Pursuant to the written resolutions of the Shareholders passed on November 23, 2009, the Shareholders approved the following:
 - (a) the conversion of the Company into a public company limited by shares and the consequential name to "Debao Property Development Ltd."; and
 - (b) the adoption of new Articles of Association.
- (vii) Pursuant to the written resolution of the Shareholders passed on March 30, 2010, the Shareholders approved, *inter alia*, the following:
 - (a) the sub-division of the ordinary shares of the Company of which 10,000,000 ordinary shares have been issued and are fully paid into 627,906,976 ordinary shares (the "Sub-division");
 - (b) the Conversion and the issue of 372,093,024 shares in respect thereof;
 - (c) the allotment and issue of the New Shares pursuant to the Invitation. The New Shares, when fully paid, allotted and issued, will rank *pari passu* in all respects with the existing issued and fully paid Shares; and
 - (d) that the Directors be authorised to: (i) allot and issue Shares in the Company (other than the New Shares); and (ii) issue convertible securities and any Shares in the Company pursuant to the conversion of such convertible securities (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as our Directors may think fit for the benefit of the Company, provided that the aggregate number of Shares and convertible securities to be issued pursuant to such authority shall not exceed 50% of the post-Invitation issued shares of the Company (excluding treasury shares) and provided that the aggregate number of Shares to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed 20% of the post-Invitation issued share capital of the Company, and, unless revoked or varied by the Company in general meeting, such authority shall take effect from the date of listing of the Shares on the SGX-ST and shall continue to be in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting is required by law or by the Articles to be held, whichever is earlier.

**ANNEX G: ACCOUNTANT'S REPORT OF THE REPORTING AUDITORS AND THE
PROFORMA GROUP FINANCIAL INFORMATION FOR THE YEARS ENDED
DECEMBER 31, 2006, 2007 AND 2008**

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

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

DEBAO PROPERTY DEVELOPMENT LTD.

**REPORT OF THE REPORTING AUDITORS
AND THE UNAUDITED CONDENSED
PROFORMA GROUP INTERIM
FINANCIAL INFORMATION**

**FOR THE SIX-MONTH PERIOD ENDED
JUNE 30, 2009**

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

Debao Property Development Ltd.
1 Robinson Road
#17-00 AIA Tower
Singapore 048542

Dear Sirs

**COMPILATION REPORT OF THE REPORTING AUDITORS ON THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION**

This compilation report has been prepared for inclusion, on a voluntary basis in the Prospectus dated March 31, 2010 (the “Prospectus”) in connection with the invitation in respect of initial public offering of shares of Debao Property Development Ltd. (“the Company”).

We report on the unaudited condensed Proforma Group interim financial information set out in pages H-4 to H-32 which have been prepared for illustrative purposes only and based on certain assumptions after making certain adjustments to show what:

- (i) the financial results of the company and its subsidiaries (the “Proforma Group”) for the six-month period ended June 30, 2009 would have been if the group structure as of the date of registration of the Prospectus had been in place since January 1, 2006; and
- (ii) the financial positions of the Proforma Group as at June 30, 2009 would have been if the group structure as of the date of registration of Prospectus had been in place on June 30, 2009; and
- (iii) the equity changes and cash flows of the Proforma Group for the six-month period ended June 30, 2009 would have been if the group structure as of the date of registration of Prospectus had been in place since January 1, 2006.

The unaudited condensed Proforma Group interim financial information, because of their nature, may not give a true picture of the Proforma Group’s actual financial position, results, changes in equity and cash flows.

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

The unaudited condensed Proforma Group interim financial information is the responsibility of the management of the Company. Our responsibility is to express an opinion on the unaudited condensed Proforma Group interim financial information based on our work.

We carried out procedures in accordance with Singapore Statement of Auditing Practice 24: *Auditors and Public Offering Documents*. Our work, which involved no independent examination of the underlying financial information, consisted primarily of comparing the unaudited condensed Proforma Group interim financial information to the unaudited financial statements of the entities of the Company and the companies in the Proforma Group where applicable, considering the evidence supporting the adjustments and discussing the unaudited condensed Proforma Group interim financial information with the management of the Company.

In our opinion:

- (a) the unaudited condensed Proforma Group interim financial information have been properly complied:
 - (i) in a manner consistent with the accounting policies adopted by of the Company which are in accordance with Singapore Financial Reporting Standards; and
 - (ii) on the basis stated in the Note 2 of Section E of the unaudited condensed Proforma Group interim financial information;
- (b) each material adjustment made to the information used in the preparation of the unaudited condensed Proforma Group interim financial information is appropriate for the purpose of preparing such unaudited financial information.

Yours faithfully

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants
Singapore

Jeremy Toh Yew Kuan
Partner

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

DEBAO PROPERTY DEVELOPMENT LTD.

**A. UNAUDITED PROFORMA GROUP INTERIM STATEMENT OF
FINANCIAL POSITION
June 30, 2009**

	<u>Note</u>	June 30, 2009 RMB'000	December 31, 2008 RMB'000
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents		130,760	63,714
Restricted cash and cash equivalents	5	60,000	-
Trade and other receivables		70,000	59,916
Amount due from related parties - non-trade	4	2,228	2,844
Amount due from customers for contract works	6	64,395	71,332
Inventories		97	154
Property held for sale	7	18,902	21,675
Development properties	8	<u>1,098,719</u>	<u>958,157</u>
Total current assets		<u>1,445,101</u>	<u>1,177,792</u>
Non-current assets			
Property, plant and equipment	9	10,943	5,094
Investment properties	10	170,950	167,490
Investment in a jointly controlled operation	11	64,779	74,671
Other investment		1,300	1,300
Deferred tax assets		1,533	3,002
Other non-current asset		<u>3,000</u>	<u>3,000</u>
Total non-current assets		<u>252,505</u>	<u>254,557</u>
Total assets		<u>1,697,606</u>	<u>1,432,349</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade and other payables		360,808	230,021
Amount due to related parties – non-trade	4	1,485	1,584
Bank loan	12	90,000	-
Convertible loan notes at fair value	13	383,850	300,830
Tax payables		<u>21,449</u>	<u>18,089</u>
Total current liabilities		<u>857,592</u>	<u>550,524</u>
Non-current liabilities			
Bank and other loans	12	631,817	692,731
Deferred tax liabilities		<u>34,240</u>	<u>33,700</u>
Total non-current liabilities		<u>666,057</u>	<u>726,431</u>
Proforma shareholders' equity		<u>173,957</u>	<u>155,394</u>
Total liabilities and equity		<u>1,697,606</u>	<u>1,432,349</u>

See accompanying notes to unaudited condensed Proforma Group interim financial information.

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

DEBAO PROPERTY DEVELOPMENT LTD.

**B. UNAUDITED PROFORMA GROUP INTERIM STATEMENT OF
COMPREHENSIVE INCOME**

For the six-month period ended June 30, 2009

	<u>Note</u>	Six-month period ended June 30, 2009 RMB'000	June 30, 2008 RMB'000
Revenue			
Cost of sales		202,666 <u>(150,437)</u>	44,630 <u>(26,970)</u>
Gross profit		52,229	17,660
Other income		1,953	2,246
Selling and distribution expenses		(1,326)	(183)
Administrative expenses		(11,100)	(9,928)
Change in fair value of convertible loan notes	13	(16,137)	(5,753)
Share of a jointly controlled operation profit	11	6,075	112
Change in fair value of investment properties	10	3,460	(2,398)
Finance costs		<u>(2,730)</u>	<u>-</u>
Profit before tax		32,424	1,756
Income tax expense	14	<u>(12,696)</u>	<u>(5,128)</u>
Profit (Loss) for the period		19,728	(3,372)
Other comprehensive income:			
Exchange differences on translating foreign operations, representing other comprehensive income for the period, net of tax		<u>(1,165)</u>	<u>(5,480)</u>
TOTAL COMPRESHENSIVE INCOME FOR THE PERIOD		<u>18,563</u>	<u>(8,852)</u>
Total profit (loss) attributable to:			
Equity holders of the Company		<u>19,728</u>	<u>(3,372)</u>
Total comprehensive income attributable to:			
Equity holders of the Company		<u>18,563</u>	<u>(8,852)</u>
Proforma earnings (loss) per share (RMB)			
Basic (fen)	15	<u>3.14</u>	<u>(0.54)</u>
Diluted (fen)	15	<u>3.14</u>	<u>(0.54)</u>
Earnings per share based on Pre-Invitation share capital:			
Basic and diluted (fen)	15	<u>3.59</u>	<u>0.24</u>

See accompanying notes to unaudited condensed Proforma Group interim financial information.

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
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SIX-MONTH PERIOD ENDED JUNE 30, 2009**

DEBAO PROPERTY DEVELOPMENT LTD.

**C. UNAUDITED PROFORMA GROUP INTERIM STATEMENT OF CHANGES IN EQUITY
For the six-month period ended June 30, 2009**

	Share capital RMB'000	Pro forma reserve RMB'000	Statutory reserves RMB'000	Retained earnings RMB'000	Translation reserve RMB'000	Total RMB'000
Balance at January 1, 2008	1	16,800	7,555	233,724	(278)	257,802
Total comprehensive income for the period	-	-	-	(3,372)	(5,480)	(8,852)
Dividends	-	-	-	(1,402)	-	(1,402)
Arising from Group restructuring	-	(165,214)	-	-	-	(165,214)
Balance at June 30, 2008	<u>1</u>	<u>(148,414)</u>	<u>7,555</u>	<u>228,950</u>	<u>(5,758)</u>	<u>82,334</u>
Balance at January 1, 2009	47,824	(148,414)	7,555	235,073	13,356	155,394
Total comprehensive income for the period	-	-	-	19,728	(1,165)	18,563
Balance at June 30, 2009	<u>47,824</u>	<u>(148,414)</u>	<u>7,555</u>	<u>254,801</u>	<u>12,191</u>	<u>173,957</u>

See accompanying notes to unaudited condensed Proforma Group interim financial information.

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
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DEBAO PROPERTY DEVELOPMENT LTD.

D. UNAUDITED PROFORMA GROUP INTERIM STATEMENT OF CASH FLOWS
For the six-month period ended June 30, 2009

	Six-month period ended	
	June 30, 2009	June 30, 2008
	RMB'000	RMB'000
Operating activities		
Profit before tax	32,424	1,756
Adjustments for:		
Fair value (gain) loss of investment properties	(3,460)	2,398
Changes in fair value of convertible loan	16,137	5,753
Interest expenses	2,730	-
Depreciation	595	730
Interest income	(1,750)	(2,234)
Share of a jointly controlled operation profit	<u>(6,075)</u>	<u>(112)</u>
Operating cash flows before movements in working capital	40,601	8,291
Trade and other receivables	(9,311)	(8,182)
Development properties	(119,321)	(279,723)
Properties held for sale	2,773	(1,358)
Amount due from customers for contract works	6,937	(33,225)
Inventories	57	13
Trade and other payables	<u>130,788</u>	<u>58,475</u>
Cash generated from (used in) operations	<u>52,524</u>	<u>(255,709)</u>
Interest paid	(25,189)	(20,495)
Income tax paid	<u>(7,326)</u>	<u>(14,287)</u>
Net cash from (used in) operating activities	<u>20,009</u>	<u>(290,491)</u>
Investing activities		
Amount due from ex-related parties/related parties	(158)	17,026
Advances from (to) a jointly controlled operation	18,700	(38)
Purchases of properties, plant and equipment	(6,549)	(549)
Interest received	339	2,474
Acquisition of subsidiaries	<u>-</u>	<u>(14,800)</u>
Net cash from investing activities	<u>12,332</u>	<u>4,113</u>

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
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SIX-MONTH PERIOD ENDED JUNE 30, 2009**

	Six-month period ended	
	June 30, 2009	June 30, 2008
	RMB'000	RMB'000
Financing activities		
Restricted fixed deposit	(60,000)	-
Amount due to ex-related parties/related parties	(98)	3,006
Dividend paid	-	(1,402)
Repayment of bank loans	(60,000)	-
Repayment of other loans	(18,350)	-
Proceeds from bank loans	90,000	150,000
Proceeds from other loans	17,436	-
Proceeds from convertible loan	<u>65,717</u>	<u>66,730</u>
Net cash from financing activities	<u>34,705</u>	<u>218,334</u>
Net increase (decrease) in cash and cash equivalents	67,046	(68,044)
Cash and cash equivalents at beginning of period	<u>63,714</u>	<u>138,924</u>
Cash and cash equivalents at end of period	<u>130,760</u>	<u>70,880</u>

See accompanying notes to unaudited condensed Proforma Group interim financial information.

ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

DEBAO PROPERTY DEVELOPMENT LTD.

E. NOTES TO UNAUDITED CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION **For the six-month period ended June 30, 2009**

1. GENERAL

The Company, Debao Property Development Ltd. (Registration No. 200715053Z) was incorporated in Singapore on August 16, 2007 with its principal place of business at No 60, North Nanhai Avenue, Guicheng, Nanhai District, Foshan City, PRC and registered office at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542. The unaudited Proforma Group interim financial information is expressed in Chinese Renminbi (“RMB”). The presentation currency is Renminbi as majority of the Proforma Group’s transactions are denominated in Renminbi.

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

The unaudited Proforma Group is engaged in property development and related activities. The Proforma Group’s sales are not susceptible to seasonality.

The unaudited Proforma Group interim financial information for the six-month period ended June 30, 2009 were authorised for issue by the Board of Directors on March 31, 2010.

2. BASIS OF PREPARATION

The unaudited Proforma Group interim financial information have been prepared in accordance with Singapore Financial Reporting Standard (“FRS”) No. 34 “*Interim Financial Reporting*”.

The unaudited Proforma Group interim financial information have been prepared on a voluntary basis to provide an update on the Proforma Group financial information for the years ended December 31, 2006, 2007 and 2008 prepared in accordance with FRSs. They focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these unaudited Proforma Group interim financial information should be read in conjunction with the Proforma Group financial information for the years ended 31 December 2006, 2007 and 2008 prepared in accordance with FRSs.

The group carried out a series of restructuring exercise (the “Restructuring Exercise”) to rationalise and streamline the corporate structure. Details of the Restructuring Exercise are set out in Note 2 of Section E of the Proforma Group financial information for the years ended December 31, 2006, 2007 and 2008.

The unaudited condensed Proforma Group interim financial information for the six-month period ended June 30, 2009 have been compiled based on the unaudited financial statements of the Company and its subsidiaries at the date of this report for the six-month period ended June 30, 2009. Details of the subsidiaries are set out in Note 2.1 of Section E of the Proforma Group financial information for the years ended December 31, 2006, 2007 and 2008.

The unaudited condensed Proforma Group interim financial information which have been prepared for illustrative purposes only and based on certain assumptions after making certain adjustments to show what:

- (i) the financial results of the Proforma Group for the six-month period ended June 30, 2009 would have been if the group structure as of the date of registration of the Prospectus had been in place since January 1, 2006; and
- (ii) the financial positions of the Proforma Group as at June 30, 2009 would have been if the group structure as of the date of registration of Prospectus had been in place on June 30, 2009; and
- (iii) the equity changes and cash flows of the Proforma Group for the six-month period ended June 30, 2009 would have been if the group structure as of the date of registration of Prospectus had been in place since January 1, 2006.

ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed Proforma Group interim financial information have been prepared under the historical cost convention, except as disclosed in the accounting policies in its Proforma Group financial information for the years ended December 31, 2006, 2007 and 2008.

The accounting policies adopted are consistent with those followed in the preparation of the Proforma Group financial information for the years ended December 31, 2006, 2007 and 2008.

In the current financial period, the Proforma Group has adopted all the new and revised FRS and Interpretations of FRS that are relevant to its operations and effective for financial periods beginning on or after January 1, 2009. The adoption of these new/revised FRSs and INT FRSs has no material effect on the unaudited condensed Proforma Group interim financial information, except as disclosed below.

FRS 1 - Presentation of Financial Statements (Revised)

The Proforma Group adopted FRS 1 (Revised) with effect from annual periods beginning on or after January 1, 2009. FRS 1 (Revised) has resulted in changes to the basis of presentation and structure of the financial statements, specifically on the following main areas:

- The previous version of FRS 1 used the titles “balance sheet” and “cash flow statement” to describe two of the primary statements within the financial statements. With the adoption of FRS 1 (Revised), the Proforma Group now uses the titles “statement of financial position” and “statement of cash flows” for those statements.
- FRS 1 (Revised) requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. The Proforma Group is not permitted to present components of non-owner changes in equity (i.e. comprehensive income) in the statement of changes in equity.
- For non-owner changes in equity, the Proforma Group presents components of income and expenses in one statement (a statement of the comprehensive income), separately from owner changes in equity.

FRS 108 - Operating segments

FRS 108 requires operating segments (see Note 16) to be identified on the basis of internal reports about components of the Proforma Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (FRS 14 Segment Reporting) required an entity to determine two sets of segments (primary and secondary segments) using a risks and rewards approach, with the entity’s system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

4. OTHER RELATED PARTY TRANSACTIONS

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 Proforma 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.

ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the relevant periods was as follows:

	Six-month period ended June 30, 2009 RMB'000	June 30, 2008 RMB'000
Short-term benefits	<u>639</u>	<u>1,635</u>

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

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

	Six-month period ended June 30, 2009 RMB'000	June 30, 2008 RMB'000
Advance from a director during the period	17,436	-
Revenue from property development		
- relatives of directors	1,141	203
Rental income		
- relative of a director	1,365	1,704
- a director	118	118
Construction revenue		
- a jointly controlled operation	9,284	22,074
Interest expense		
- directors and key management	2,177	-
Rental expense		
- a director	-	10
Construction cost		
- business partner of relative of a director	<u>6,276</u>	<u>5,750</u>

5. RESTRICTED CASH AND CAHS EQUIVALENTS

The restricted cash held in dedicated bank accounts under the name of the Proforma Group's company is pledged to bank to secure the short-term banking facilities granted to the Proforma Group and therefore reclassified as current asset.

6. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORKS

	As at June 30, 2009 RMB'000	As at December 31, 2008 RMB'000
Contracts-in-progress at the end of reporting period:		
Amounts due from contract customers	<u>64,395</u>	<u>71,332</u>
Contract costs incurred plus recognised profits	241,407	147,002
Less: Progress billings	<u>(177,012)</u>	<u>(75,670)</u>
	<u>64,395</u>	<u>71,332</u>

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
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SIX-MONTH PERIOD ENDED JUNE 30, 2009**

7. PROPERTY HELD FOR SALE

	As at June 30, 2009 <u>RMB'000</u>	As at December 31, 2008 <u>RMB'000</u>
Cost	<u>18,902</u>	<u>21,675</u>

As at June 30, 2009, property held for sale of RMB7,050,000 (December 31, 2008 : RMB Nil) are pledged to a bank to secure a loan of outside party. Other properties held for sale pledged to banks to secure loans of the Proforma Group are disclosed in Note 12.

8. DEVELOPMENT PROPERTIES

	As at June 30, 2009 <u>RMB'000</u>	As at December 31, 2008 <u>RMB'000</u>
Cost incurred	1,289,791	1,005,841
Add: Recognised profit	<u>67,371</u>	<u>17,514</u>
	1,357,162	1,023,355
Less: Progress billings	<u>(258,443)</u>	<u>(65,198)</u>
Total Properties under development	<u>1,098,719</u>	<u>958,157</u>

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

	Six-month period ended June 30, 2009 <u>RMB'000</u>	The year ended December 31, 2008 <u>RMB'000</u>
Depreciation capitalised during the period/year	105	202
Interest income capitalised during the period/year	(190)	(399)
Interest expense capitalised during the period/year	<u>22,459</u>	<u>46,148</u>

As at June 30, 2009, development properties of RMB35,585,000 (December 31, 2008 : RMB Nil) are pledged to a bank to secure a loan of outside party. Other development properties pledged to banks to secure loans of the Proforma Group are disclosed in Note 12.

The weighted average rate of capitalisation of the interest expenses for the six-month period ended June 30, 2009 is 6.2% to 7.0% (December 31, 2008 : 7.7% to 8.3%) per annum.

As at June 30, 2009, development properties of RMB720,612,000 (December 31, 2008 : RMB616,009,000) 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.

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9. PROPERTY, PLANT AND EQUIPMENT

During the six-month period, the Proforma Group spent approximately RMB6,549,000 on construction in progress and on its plant and equipment.

There was no significant disposal or write-off on property, plant and equipment during the six-month period ended June 30, 2009.

10. INVESTMENT PROPERTIES

	As at June 30, 2009 RMB'000	As at December 31, 2008 RMB'000
At beginning of period/year	167,490	167,100
Transfer from properties held for sales	-	5,398
Purchase during the period/year	-	485
Disposal during the period/year	-	(2,610)
Increase (Decrease) in fair value	3,460	(2,883)
At end of period/year	<u>170,950</u>	<u>167,490</u>

The fair values of the Proforma Group's investment properties at the end of reporting period have been arrived at on the basis of open market valuation carried out by CB Richard Ellis Limited, Hong Kong, the independent valuers.

The property rental income earned by the Company from its investment properties, all of which are leased under operating leases, amounted to RMB3,089,000 (the year of 2008 : RMB6,248,000) for the six month period ended June 30, 2009. Direct operating expenses arising on the investment properties in the year amounted to RMB671, 000 (the year of 2008 : RMB1,228,000).

The legal title of certain investment properties not being passed to the Proforma Group is RMB8,640,000 (2008 : RMB8,290,000). The outgoing costs and economic benefit associated with the properties have been transferred to the Proforma Group.

11. INVESTMENT IN A JOINTLY CONTROLLED OPERATION

The Proforma Group has entered into a joint venture agreement and supplemental agreements with a third party for the property development project "Jinlong Garden". Pursuant to these agreements, the Proforma Group is obliged to contribute 55% share of the development fund of the project and in return entitled to 55% share of the income and expenses of the project.

	As at June 30, 2009 RMB'000	As at December 31, 2008 RMB'000
Cost of investment	10,000	10,000
Loans	29,328	48,028
Interest receivable	18,173	16,571
Share of result of a jointly controlled operation(Note 1)	7,278	72
Total	<u>64,779</u>	<u>74,671</u>

Note 1: Included the elimination of unrealised profit of RMB1,262,000 (2008 : RMB1,075,000) which had been adjusted against cost of sales in the statement of comprehensive income.

Cost of investment, loans and interest receivable are unsecured and repayable when the project is completed. Loans are interest-bearing with the rate ranging from 6.7% to 10.2% (the year of 2008 : 6.7% to 10.2%).

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Profit and loss statement in respect of the Proforma Group's jointly controlled operation is set out below:

	Six-month period ended As at June 30, 2009 RMB'000	As at December 31, 2008 RMB'000
Revenue	63,415	-
Cost of sales	<u>(34,655)</u>	<u>-</u>
Gross profit	28,760	-
Other income	355	291
Selling and distribution expenses	(1,671)	-
Administrative expenses	<u>(929)</u>	<u>(88)</u>
Profit before tax	26,515	203
Income tax expense	<u>(15,471)</u>	<u>-</u>
Profit for the period	<u>11,044</u>	<u>203</u>
Proforma Group's share of jointly controlled operation's profits	<u>6,075</u>	<u>112</u>

12. BANK AND OTHER LOANS

	As at June 30, 2009 RMB'000	As at December 31, 2008 RMB'000
Bank loans	650,000	620,000
Other loans	71,817	72,731
	<u>721,817</u>	<u>692,731</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(90,000)</u>	<u>-</u>
Amount due for settlement after 12 months	<u>631,817</u>	<u>692,731</u>

During the six-month period ended June 30, 2009, the Proforma Group:

- i) Bank loans
 - (a) raised a long term bank loan of RMB90,000,000. The loan is repayable in 2012. The loan is secured by certain land use right and properties of the Proforma Group. The loan is guaranteed by a director of the Company. The effective interest rates on bank loans for 2009 was 6.48% per annum; and
 - (b) repaid bank loans of RMB60,000,000 drawn down in 2007.
- ii) Other loans
 - (a) obtained an advance of S\$3,700,000 (RMB17,436,000) from a director of the Company. Loans from director are with an effective interest rate of 6.48% per annum and was determined based on the prime rate, are unsecured and repayable in 2011; and
 - (b) repaid the loan from the former shareholders of Foshan Nanhai District Debao Property Development Co., Ltd. of RMB18,350,000 drawn down in 2008.
- iii) Pledged assets

The following assets have been pledged for the bank loans of the Proforma Group:

	As at June 30, 2009 RMB'000	As at December 31, 2008 RMB'000
Properties held for sale	550	-
Development properties	591,299	474,357
Investment properties	<u>167,310</u>	<u>97,700</u>

ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

13. CONVERTIBLE LOAN NOTES AT FAIR VALUE

During the six months period ended June 30, 2009, the Company entered into several convertible loan agreements of S\$15,000,000 (RMB70,688,000) with new investors on the same terms and conditions since December 2007. The accumulated amounts of principal are S\$78,600,000 (RMB370,405,000).

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

- (a) Risk free rate is 0.638% (June 30, 2008 : 0.177%) with reference to yield of Singapore Sovereign as at the valuation dates respectively;
- (b) The volatility for share price is 79% (June 30, 2008 : 74%) with reference to the historical volatilities of the comparable companies as at the valuation dates respectively;
- (c) The discount rate for convertible loan is with reference to the yields of comparables bonds with similar credit rating and time to maturity, plus country premium and liquidity premium as at valuation dates respectively;
- (d) The dividend yield is 0%;
- (e) Stock price in the binomial tree model is implied by the net assets value with reference to an independent valuer's valuation summary and reports as at the valuation dates respectively;
- (f) The probability of the conversion option to take effective is 60% (June 30, 2008 : 50%) as at the valuation dates respectively; and
- (g) Maturity date is assumed to be July 25, 2010 (June 30, 2008 : July 25, 2009).

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

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

	As at June 30, 2009 RMB'000	As at December 31, 2008 RMB'000
At beginning of period/year	300,830	74,428
Exchange difference	(1,842)	(4,800)
Issuance	70,688	230,441
Prepaid issue expenses	(1,963)	(8,181)
Change in fair value	<u>16,137</u>	<u>8,942</u>
End of the period/year	383,850	300,830
Less: Current portion	(383,850)	(300,830)
Non-current portion	<u>-</u>	<u>-</u>

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SIX-MONTH PERIOD ENDED JUNE 30, 2009**

14. INCOME TAX EXPENSE

The interim period income tax expense is accrued based on the estimated average annual effective income tax rate of the respective entities.

15. PROFORMA EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the ordinary owners of the Company is based on the following data:

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

	Six-month period ended June 30, 2009 RMB'000	June 30, 2008 RMB'000
<u>Earnings (Loss)</u>		
Earnings (Loss) for the purpose of basic earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	19,728	(3,372)
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible loan (net of tax) (Note)	<u>16,137</u>	<u>5,753</u>
Earnings for the purpose of diluted earnings per share	<u>35,865</u>	<u>2,381</u>
	Six-month period ended June 30, 2009	June 30, 2008
<u>Number of shares</u>		
Number of ordinary shares for the purpose of basic earnings (loss) per share	627,906,976	627,906,976
Effect of dilutive potential ordinary shares:		
Convertible loan notes	<u>372,093,024</u>	<u>372,093,024</u>
Number of ordinary shares for the purpose of diluted earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>

Note: The effect of convertible loan is anti-dilutive and hence has not been taken into account for the calculation of diluted earnings per share for both periods.

Earning per share based on Pre-Invitation share capital*:

	Six-month period ended June 30, 2009 RMB'000	June 30, 2008 RMB'000
<u>Earnings</u>		
Earnings for the purpose of basic and diluted earnings per share	<u>35,865</u>	<u>2,381</u>
	Six-month period ended June 30, 2009	June 30, 2008
<u>Number of shares</u>		
Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>

* Pre-Invitation share capital is arrived at after sub-division of every one ordinary share in the issued share capital of the Company into 62.79 ordinary shares and after conversion of convertible loan notes into ordinary share.

ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

16. SEGMENT INFORMATION

The Proforma Group is engaged in property development and related activities and construction revenue is mainly derived from construction services rendered to its jointly controlled operation. The Proforma Group's operations are located in the PRC and substantially the Proforma Group's turnover and contribution to profit from operations are derived from property development and related activities. This forms the basis of identifying the operating segment of the Proforma Group under FRS 108.

17. OPERATING LEASE ARRANGEMENTS

The Proforma Group as lessee

	Six-month period ended	
	June 30, 2009	June 30, 2008
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised as an expense in the period	<u>433</u>	<u>46</u>

Operating lease payments represent rentals payable by the Proforma 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 Proforma Group as lessor

Property rental income derived from investment properties under operating lease during the six-month period ended June 30, 2009 was RMB3,089,000 (2008 : RMB2,971,000).

At the statements of financial position date, the Proforma Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	As at June 30, 2009	As at December 31, 2008
	RMB'000	RMB'000
Within one year	6,420	7,192
In the second to fifth years inclusive	<u>10,165</u>	<u>14,073</u>

18. CAPITAL COMMITMENTS

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

	As at June 30, 2009	As at December 31, 2008
	RMB'000	RMB'000
Jointly controlled operation	10,588	5,186
Construction of properties	<u>598,745</u>	<u>300,346</u>
	<u>609,333</u>	<u>305,532</u>

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

19. CONTINGENT LIABILITIES

At the respective statements of financial position dates, the contingent liabilities of the Proforma Group were as follows:

	As at June 30, 2009 RMB'000	As at December 31, 2008 RMB'000
Guarantees given to banks in connection with facilities granted to		
- third parties (Note)	486,806	362,664
- jointly controlled operation	<u>45,000</u>	<u>45,000</u>
	<u>531,806</u>	<u>407,664</u>

Note: The Proforma Group arranges for 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 Proforma 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 Proforma Group provides guarantees on the condition that the purchasers pay a downpayment of between 20% and 30% of the purchase price. If a purchaser defaults on a loan, the relevant mortgagee bank is also entitled to auction off or sell the property to third parties and use the sales proceeds to satisfy the loan, or in some mortgage facilities require the Proforma Group to repurchase the properties. In the opinion of directors, the fair value of the financial guarantee contracts is not significant.

20. COMPLETION OF CONSTRUCTION METHOD DISCLOSURE

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

	<u>Completion of construction</u>	
	As at June 30, 2009 RMB'000	As at December 31, 2008 RMB'000
<u>Proforma Group Statement of Financial Position</u>		
Development properties	1,032,329	937,958
Deferred tax liabilities	16,145	23,525
Trade and other payables	347,796	226,029
Accumulated profits	<u>219,518</u>	<u>229,041</u>
	Six-month period ended June 30, 2009 RMB'000	Six-month period ended June 30, 2008 RMB'000
<u>Proforma Group Statement of Comprehensive Income</u>		
Revenue	30,254	56,988
Loss after income tax	<u>(9,525)</u>	<u>(847)</u>

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

21. STATEMENT OF PROFORM ADJUSTMENTS

The following Proforma adjustments have been made to the audited/unaudited financial statements of the subsidiaries in arriving at the Proforma Group financial information:

	Per aggregation of unaudited financial statements RMB'000	Eliminations of inter-company balances RMB'000	Proforma Group RMB'000
<u>Statement of Financial Position</u>			
June 30, 2009			
<u>ASSETS</u>			
Current assets			
Cash and bank balances	130,760	-	130,760
Restrict cash and cash equivalents	60,000	-	60,000
Trade and other receivables	70,000	-	70,000
Amount due from related companies	1,475,376	(1,475,376)	-
Amount due from related parties - non-trade	2,228	-	2,228
Amount due from customer for contract works	64,395	-	64,395
Inventories	97	-	97
Property held for sale	19,026	(124)	18,902
Development properties	1,104,452	(5,733)	1,098,719
Total current assets	<u>2,926,334</u>	<u>(1,481,233)</u>	<u>1,445,101</u>
Non-current assets			
Property, plant and equipment	10,994	(51)	10,943
Investment properties	170,950	-	170,950
Investment in subsidiaries	435,860	(435,860)	-
Investment in a jointly controlled operation	65,275	(496)	64,779
Other investment	1,300	-	1,300
Deferred tax assets	-	1,533	1,533
Other non-current asset	3,000	-	3,000
Total non-current assets	<u>687,379</u>	<u>(434,874)</u>	<u>252,505</u>
Total assets	<u>3,613,713</u>	<u>(1,916,107)</u>	<u>1,697,606</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade and other payables	360,808	-	360,808
Bank loan due within one year	90,000	-	90,000
Amount due to related companies	1,475,376	(1,475,376)	-
Amount due to related parties - non-trade	1,485	-	1,485
Convertible loan notes at fair value	383,850	-	383,850
Tax liabilities	21,449	-	21,449
Total current liabilities	<u>2,332,968</u>	<u>(1,475,376)</u>	<u>857,592</u>
Non-current liabilities			
Bank and other loans	631,817	-	631,817
Deferred tax liabilities	34,240	-	34,240
Total non-current liabilities	<u>666,057</u>	<u>-</u>	<u>666,057</u>
Proforma shareholders' equity	<u>614,688</u>	<u>(440,731)</u>	<u>173,957</u>
Total liabilities and equity	<u>3,613,713</u>	<u>(1,916,107)</u>	<u>1,697,606</u>

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

	Per aggregation of audited financial statements <u>RMB'000</u>	Eliminations of inter-company balances <u>RMB'000</u>	Proforma Group <u>RMB'000</u>
<u>Statement of Financial Position</u>			
December 31, 2008			
<u>ASSETS</u>			
Current assets			
Cash and bank balances	63,714	-	63,714
Trade and other receivables	59,916	-	59,916
Amount due from holding company	14,800	(14,800)	-
Amount due from related companies	1,236,760	(1,236,760)	-
Amount due from related parties - non-trade	2,844	-	2,844
Amount due from customer for contract works	71,332	-	71,332
Inventories	154	-	154
Property held for sale	21,876	(201)	21,675
Development properties	966,445	(8,288)	958,157
Total current assets	<u>2,437,841</u>	<u>(1,260,049)</u>	<u>1,177,792</u>
Non-current assets			
Property, plant and equipment	5,094	-	5,094
Investment properties	167,490	-	167,490
Investment in subsidiaries	370,542	(370,542)	-
Investment in a jointly controlled operation	76,429	(1,758)	74,671
Deferred tax assets	1,300	-	1,300
Other investment	556	2,446	3,002
Other non-current asset	3,000	-	3,000
Total non-current assets	<u>624,411</u>	<u>(369,854)</u>	<u>254,557</u>
Total assets	<u><u>3,062,252</u></u>	<u><u>(1,629,903)</u></u>	<u><u>1,432,349</u></u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade and other payables	230,021	-	230,021
Amount due to related companies	1,251,560	(1,251,560)	-
Amount due to related parties - non-trade	1,584	-	1,584
Convertible loan notes at fair value	300,830	-	300,830
Tax liabilities	18,089	-	18,089
Total current liabilities	<u>1,802,084</u>	<u>(1,251,560)</u>	<u>550,524</u>
Non-current liabilities			
Bank and other loans	692,731	-	692,731
Deferred tax liabilities	33,700	-	33,700
Total non-current liabilities	<u>726,431</u>	<u>-</u>	<u>726,431</u>
Proforma shareholders' equity	<u>533,737</u>	<u>(378,343)</u>	<u>155,394</u>
Total liabilities and equity	<u><u>3,062,252</u></u>	<u><u>(1,629,903)</u></u>	<u><u>1,432,349</u></u>

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

	Per aggregation of unaudited financial statements RMB'000	Eliminations of inter-company balances RMB'000	Proforma Group RMB'000
<u>Statement of Comprehensive Income</u>			
<u>Six-month period ended June 30, 2009</u>			
Revenue	252,834	(50,168)	202,666
Cost of sales	(204,350)	53,913	(150,437)
Gross profit	48,484	3,745	52,229
Other operating income	1,953	-	1,953
Selling and distribution expenses	(1,425)	99	(1,326)
Administrative expenses	(11,100)	-	(11,100)
Impairment loss of investment in subsidiaries	(389)	389	-
Change in fair value of convertible loan notes	(16,137)	-	(16,137)
Share of a jointly controlled operation profit	6,075	-	6,075
Change in fair value of investment properties	3,460	-	3,460
Finance costs	(2,730)	-	(2,730)
Profit before income tax	28,191	4,233	32,424
Income tax	(11,782)	(914)	(12,696)
Profit for the period	16,409	3,319	19,728
Other comprehensive income:			
Exchange differences on translating foreign operations, representing other comprehensive income for the period, net of tax	(1,165)	-	(1,165)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>15,244</u>	<u>3,319</u>	<u>18,563</u>
Total profit attributable to: Equity holders of the Company	<u>16,409</u>	<u>3,319</u>	<u>19,728</u>
Total comprehensive income attributable to: Equity holders of the Company	<u>15,244</u>	<u>3,319</u>	<u>18,563</u>

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

	Per aggregation of unaudited financial statements RMB'000	Eliminations of inter-company balances RMB'000	Proforma Group RMB'000
<u>Statement of Comprehensive Income</u>			
<u>Six-month period ended June 30, 2008</u>			
Revenue	80,983	(36,353)	44,630
Cost of sales	(56,985)	<u>30,015</u>	<u>(26,970)</u>
Gross profit	23,998	(6,338)	17,660
Other operating income	2,246	-	2,246
Selling and distribution expenses	(262)	79	(183)
Administrative expenses	(9,952)	24	(9,928)
Impairment loss of investment in subsidiaries	(500)	500	-
Change in fair value of convertible loan notes	(5,753)	-	(5,753)
Change in fair value of investment properties	(2,398)	-	(2,398)
Share of a jointly controlled operation profit	<u>112</u>	<u>-</u>	<u>112</u>
Profit before income tax	7,491	(5,735)	1,756
Income tax	<u>(6,711)</u>	<u>1,583</u>	<u>(5,128)</u>
Profit (Loss) for the period	780	(4,152)	(3,372)
Other comprehensive income:			
Exchange differences on translating foreign operations, representing other comprehensive income for the period, net of tax	<u>(5,480)</u>	<u>-</u>	<u>(5,480)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>(4,700)</u></u>	<u><u>(4,152)</u></u>	<u><u>(8,852)</u></u>
Total profit (loss) attributable to: Equity holders of the Company	<u><u>780</u></u>	<u><u>(4,152)</u></u>	<u><u>(3,372)</u></u>
Total comprehensive income attributable to: Equity holders of the Company	<u><u>(4,700)</u></u>	<u><u>(4,152)</u></u>	<u><u>(8,852)</u></u>

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

**22. PROFORMA FINANCIAL INFORMATION REFLECTING THE FINANCIAL EFFECTS OF
SIGNIFICANT SUBSEQUENT EVENT TO UNAUDITED PROFORMA INTERIM FINANCIAL
INFORMATION FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009**

(a) Significant event affecting capital structure

Save for the following significant event relating to acquisition changes to capital structure of the Company (the “Significant Event”), the directors as at the date of this report, are not aware of any significant acquisitions/disposals of assets of the Proforma Group and other significant changes made to the capital structure of the Company subsequent to June 30, 2009.

- i) Since December 2007, the Company entered into a series of convertible loans agreements with convertible loan investors where the latter shall be entitled to receive new shares in the Company according to the terms of convertible loan agreements. On March 30, 2010, the Company issued 372,093,024 shares to the convertible loan investors, upon the conversion of the convertible loans.

(b) Basis of preparation of the unaudited Proforma Financial Information

The unaudited Proforma financial information for the six-month period ended June 30, 2009 is prepared based on certain assumptions and after making certain adjustments to show what:

- i) the financial results and cash flows of the Proforma Group for the six-month period ended June 30, 2009 would have been if the changes to the capital structure of the Company described as above had occurred on January 1, 2009 (or on the date of issue of the convertible loan notes during the period, if later); and
- ii) the financial position of the Proforma Group as at June 30, 2009 would have been if the aforesaid change to the capital structure of the Company had occurred at the end of the financial period.

Based on the assumptions above, the following proforma adjustments have been made to the Proforma Group financial information in arriving at the proforma financial information included herein:

- i) 372,093,024 of new shares amounting to RMB390,448,000 issued by the Company to the convertible loan investors for conversion of the convertible loans.
- ii) Reversal of fair value loss as the convertible loan recognised in the six-month period ended June 30, 2009 of RMB16,137,000 had the convertible loans were converted at the beginning of the period;
- iii) Adjustment of proceeds from additional convertible loans issued after the end of financial period of S\$1,400,000 (RMB6,598,000).

For the purpose of preparing this set of proforma financial information, the directors have not considered the effects of other events other than those disclosed in (a).

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

	Proforma Statement of Financial Position before changes of capital structure <u>RMB'000</u>	Unaudited proforma adjustments <u>RMB'000</u>	Proforma Statements of Financial Position after changes of capital structure <u>RMB'000</u>
<u>Statement of Financial Position</u>			
<u>June 30, 2009</u>			
<u>ASSETS</u>			
Current assets			
Cash and bank balances	130,760	6,598 ⁽ⁱⁱⁱ⁾	137,358
Restricted cash and cash equivalents	60,000		60,000
Trade and other receivables	70,000		70,000
Amount due from related parties - non-trade	2,228		2,228
Amount due from customers for contract works	64,395		64,395
Inventories	97		97
Property held for sale	18,902		18,902
Development properties	<u>1,098,719</u>		<u>1,098,719</u>
Total current assets	<u>1,445,101</u>		<u>1,451,699</u>
Non-current assets			
Property, plant and equipment	10,943		10,943
Investment properties	170,950		170,950
Investment in a jointly controlled operation	64,779		64,779
Other investment	1,300		1,300
Deferred tax assets	1,533		1,533
Other non-current asset	<u>3,000</u>		<u>3,000</u>
Total non-current assets	<u>252,505</u>		<u>252,505</u>
Total assets	<u>1,697,606</u>		<u>1,704,204</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade and other payables	360,808		360,808
Amount due to related parties - non-trade	1,485		1,485
Bank loan	90,000		90,000
Convertible loan notes at fair value	383,850	(383,850) ⁽ⁱ⁾	-
Tax liabilities	<u>21,449</u>		<u>21,449</u>
Total current liabilities	<u>857,592</u>		<u>473,742</u>
Non-current liabilities			
Bank and other loans	631,817		631,817
Deferred tax liability	<u>34,240</u>		<u>34,240</u>
Total non-current liabilities	<u>666,057</u>		<u>666,057</u>
Proforma shareholders' equity	<u>173,957</u>	390,448 ⁽ⁱ⁾	<u>564,405</u>
Total liabilities and equity	<u>1,697,606</u>		<u>1,704,204</u>

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

	Proforma Statement of Comprehensive Income before changes of capital structure <u>RMB'000</u>	Unaudited proforma adjustment <u>RMB'000</u>	Proforma Statement of Comprehensive Income after changes of capital structure <u>RMB'000</u>
<u>Statement of Comprehensive Income</u>			
<u>For the six-month period ended June 30, 2009</u>			
Revenue	202,666		202,666
Cost of sales	(150,437)		(150,437)
Gross profit	52,229		52,229
Other operating income	1,953		1,953
Selling and distribution expenses	(1,326)		(1,326)
Administrative expenses	(11,100)		(11,100)
Change in fair value of convertible loan notes	(16,137)	16,137 ⁽ⁱⁱ⁾	-
Share of a jointly controlled operation profit	6,075		6,075
Change in fair value of investment properties	3,460		3,460
Finance costs	<u>(2,730)</u>		<u>(2,730)</u>
Profit before income tax	32,424		48,561
Income tax	<u>(12,696)</u>		<u>(12,696)</u>
Profit for the period	19,728		35,865
Other comprehensive income:			
Exchange differences on translating foreign operations, representing other comprehensive income for the period, net of tax	<u>(1,165)</u>		<u>(1,165)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>18,563</u></u>		<u><u>34,700</u></u>
Total profit attributable to:			
Equity holders of the Company	<u>19,728</u>		<u>35,865</u>
Total comprehensive income attributable to:			
Equity holders of the Company	<u>18,563</u>		<u>34,700</u>

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

	Proforma statement of cash flow before changes of capital structure RMB'000	Unaudited proforma adjustment RMB'000	Proforma statement of cash flows after changes of capital structure RMB'000
<u>Cash flows</u>			
<u>For the six-month period ended June 30, 2009</u>			
Operating activities			
Profit before tax	32,424	16,137	48,561
Adjustments for:			
Fair value gain of investment properties	(3,460)		(3,460)
Changes in fair value of convertible loan	16,137	(16,137)	-
Interest expenses	2,730		2,730
Depreciation	595		595
Interest income	(1,750)		(1,750)
Share of a jointly controlled operation profit	(6,075)		(6,075)
Operating cash flows before movements in working capital	40,601		40,601
Trade and other receivables	(9,311)		(9,311)
Development properties	(119,321)		(119,321)
Properties held for sale	2,773		2,773
Amount due from customers for contract works	6,937		6,937
Inventories	57		57
Trade and other payables	130,788		130,788
Cash generated from operations	52,524		52,524
Interest paid	(25,189)		(25,189)
Income tax paid	(7,326)		(7,326)
Net cash from operating activities	20,009		20,009
Investing activities			
Amount due from ex-related parties/related parties	(158)		(158)
Repayment of loan from a jointly controlled operation	18,700		18,700
Purchases of properties, plant and equipment	(6,549)		(6,549)
Interest received	339		339
Net cash from investing activities	12,332		12,332
Financing activities			
Restricted fixed deposit	(60,000)		(60,000)
Amount due to ex-related parties/related parties	(98)		(98)
Repayment of bank loans	(60,000)		(60,000)
Repayment of other loans	(18,350)		(18,350)
Proceeds from bank loans	90,000		90,000
Proceeds from other loans	17,436		17,436
Proceeds from convertible loan	65,717	6,598 ⁽ⁱⁱⁱ⁾	72,315
Net cash from financing activities	34,705		41,303
Net increase in cash and cash equivalents	67,046		73,644
Cash and cash equivalents at beginning of period	63,714		63,714
Cash and cash equivalents at end of period	130,760	6,598⁽ⁱⁱⁱ⁾	137,358

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

**23. PROFORMA FINANCIAL INFORMATION REFLECTING THE FINANCIAL EFFECTS OF
SIGNIFICANT SUBSEQUENT TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE SIX-MONTH PERIOD ENDED JUNE 30, 2009**

If the same assumption and proforma adjustments as detailed in Note 22 to the unaudited Proforma Group interim financial information are made to the unaudited consolidated interim financial statements of the Group for the six-month period ended June 30, 2009, the proforma financial information would be presented as following:

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

	Unaudited Consolidated Statement of Financial Position before changes of capital structure RMB'000	Unaudited proforma adjustment RMB'000	Proforma Statement of Financial Position after changes of capital structure RMB'000
<u>Statement of Financial Position</u>			
<u>June 30, 2009</u>			
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	130,760	6,598 ⁽ⁱⁱⁱ⁾	137,358
Restricted cash and cash equivalents	60,000		60,000
Trade and other receivables	70,000		70,000
Amount due from related parties - non-trade	2,228		2,228
Amount due from customers for contract works	64,395		64,395
Inventories	97		97
Property held for sale	26,917		26,917
Development properties	1,513,355		1,513,355
Total current assets	<u>1,867,752</u>		<u>1,874,350</u>
Non-current assets			
Property, plant and equipment	10,943		10,943
Investment properties	170,950		170,950
Investment in subsidiaries	-		-
Investment in a jointly controlled operation	69,275		69,275
Other investment	1,300		1,300
Deferred tax assets	1,215		1,215
Other non-current asset	3,000		3,000
Total non-current assets	<u>256,683</u>		<u>256,683</u>
Total assets	<u>2,124,435</u>		<u>2,131,033</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade and other payables	360,808		360,808
Amount due to related parties - non-trade	1,485		1,485
Bank loan	90,000		90,000
Convertible loan notes at fair value	383,850	(383,850 ⁽ⁱ⁾)	-
Tax payables	21,449		21,449
Total current liabilities	<u>857,592</u>		<u>473,742</u>
Non-current liabilities			
Bank and other loans	631,817		631,817
Deferred tax liabilities	138,359		138,359
Total non-current liabilities	<u>770,176</u>		<u>770,176</u>
Capital, reserves and minority interests			
Share capital	47,824	390,448 ⁽ⁱ⁾	438,272
Translation reserve	12,191		12,191
Retained earnings	436,652		436,652
Equity attributable to equity holders of the Company	<u>496,667</u>		<u>887,115</u>
Total liabilities and equity	<u>2,124,435</u>		<u>2,131,033</u>

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

	Unaudited consolidated Statement of Comprehensive Income before change of capital structure RMB'000	Unaudited Proforma adjustment RMB'000	Proforma Statement of Comprehensive Income changes of capital structure RMB'000
<u>Statement of Comprehensive Income</u>			
<u>For the six-month period ended June 30, 2009</u>			
Revenue	202,666		202,666
Cost of sales	(196,555)		(196,555)
Gross profit	6,111		6,111
Other income	1,953		1,953
Selling and distribution expenses	(1,326)		(1,326)
Administrative expenses	(11,100)		(11,100)
Change in fair value of investment properties	3,460		3,460
Share of a jointly controlled operation profit	4,868		4,868
Change in fair value of convertible loan notes	(16,137)	16,137 ⁽ⁱⁱ⁾	-
Finance costs	(2,730)		(2,730)
Profit before tax	(14,901)		1,236
Income tax expense	(1,214)		(1,214)
Profit for the period	(16,115)		22
Other comprehensive income:			
Exchange differences on translating foreign operations, representing other comprehensive income for the period, net of tax	(1,165)		(1,165)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(17,280)		(1,143)
Total (loss) profit attributable to: Equity holders of the Company	(16,115)		22
Total comprehensive income attributable to: Equity holders of the Company	(17,280)		(1,143)

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

	Unaudited Consolidated statement of cash flow before changes of capital structure RMB'000	Unaudited proforma adjustment RMB'000	Proforma statement of cash flows after changes of capital structure RMB'000
<u>Cash flows</u>			
<u>For the six-month period ended June 30, 2009</u>			
Operating activities			
(Loss) Profit before tax	(14,901)	16,137 ⁽ⁱⁱ⁾	1,236
Adjustments for:			
Fair value gain of investment properties	(3,460)		(3,460)
Changes in fair value of convertible loan	16,137	16,137 ⁽ⁱⁱ⁾	-
Interest expenses	2,730		2,730
Depreciation	595		595
Interest income	(1,750)		(1,750)
Share of a jointly controlled operation profits	(4,868)		(4,868)
Operating cash flows before movements in working capital	<u>(5,517)</u>		<u>(5,517)</u>
Trade and other receivables	(9,311)		(9,311)
Development properties	(75,871)		(75,871)
Properties held for sale	5,441		5,441
Amount due from customers for contract works	6,937		6,937
Inventories	57		57
Trade and other payables	<u>130,788</u>		<u>130,788</u>
Cash generated from operations	52,524		52,524
Interest paid	(25,189)		(25,189)
Income tax paid	<u>(7,326)</u>		<u>(7,326)</u>
Net cash from operating activities	<u>20,009</u>		<u>20,009</u>
Investing activities			
Amount due from ex-related parties/related parties	(158)		(158)
Repayment of loan from a jointly controlled operation	18,700		18,700
Purchases of properties, plant and equipment	(6,549)		(6,549)
Interest received	339		339
Net cash from investing activities	<u>12,332</u>		<u>12,332</u>
Financing activities			
Restricted fixed deposit	(60,000)		(60,000)
Amount due to ex-related parties/related parties	(98)		(98)
Repayment of bank loans	(60,000)		(60,000)
Repayment of other loans	(18,350)		(18,350)
Proceeds from bank loans	90,000		90,000
Proceeds from other loans	17,436		17,436
Proceeds from convertible loan	65,717	6,598 ⁽ⁱⁱⁱ⁾	72,315
Net cash from financing activities	<u>34,705</u>		<u>41,303</u>
Net increase in cash and cash equivalents	67,046		73,644
Cash and cash equivalents at beginning of period	<u>63,714</u>		<u>63,714</u>
Cash and cash equivalents at end of period	<u><u>130,760</u></u>	6,598 ⁽ⁱⁱⁱ⁾	<u><u>137,358</u></u>

ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

24. EVENTS AFTER THE REPORTING DATE

Other than the events disclosed in the relevant notes to the unaudited proforma financial information, the following events took place subsequent to June 30, 2009:

- (i) Investment properties of RMB48,460,000 and development properties of RMB41,514,000 of the Proforma Group are pledged to banks to secure bank loans of the Proforma Group.
- (ii) The Company disposed of certain investment properties in August 2009 to a third party for a consideration of RMB19.5 million, resulted in a gain on disposal of RMB0.3 million.
- (iii) The Company disposed of car park lots in September 2009 to a third party for a consideration of RMB2.85 million, resulted in a loss on disposal of RMB6.0 million.
- (iv) On December 4, 2009, the Proforma Group successfully auctioned for a piece of land in Guangdong Province, China ("Danzao Project") of approximately RMB48.3 million.
- (v) The conversion by the Pre-IPO Investors of the S\$80.0 million convertible loan into an aggregate of 372,093,024 shares on March 30, 2010 pursuant to convertible loan agreements entered into on December 25, 2007, June 18, 2008, June 23, 2008, July 16, 2008, August 11, 2008, August 14, 2008, March 6, 2009 and March 25, 2009 and as supplemented on August 11, 2008, July 25, 2009, August 4, 2009, August 12, 2009, August 20, 2009 and August 28, 2009 ("Conversion").
- (vi) Pursuant to the written resolutions of the Shareholders passed on November 23, 2009, the Shareholders approved the following:
 - (a) the conversion of the Company into a public company limited by shares and the consequential name to "Debao Property Development Ltd."; and
 - (b) the adoption of new Articles of Association.
- (vii) Pursuant to the written resolutions of the Shareholders passed on March 30, 2010, the Shareholders approved, *inter alia*, the following:
 - (a) the sub-division of the ordinary shares of the Company of which 10,000,000 ordinary shares have been issued and are fully paid into 627,906,976 ordinary shares (the "Sub-division");
 - (b) the Conversion and the issue of 372,093,024 shares in respect thereof;
 - (c) the allotment and issue of the New Shares pursuant to the Invitation. The New Shares, when fully paid, allotted and issued, will rank *pari passu* in all respects with the existing issued and fully paid Shares; and
 - (d) that the Directors be authorised to: (i) allot and issue Shares in the Company (other than the New Shares); and (ii) issue convertible securities and any Shares in the Company pursuant to the conversion of such convertible securities (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the Directors may think fit for the benefit of the Company, provided that the aggregate number of Shares and convertible securities to be issued pursuant to such authority shall not exceed 50% of the post-Invitation issued shares of the Company (excluding treasury shares) and provided that the aggregate number of Shares to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed 20% of the post-Invitation issued share capital of the Company, and, unless revoked or varied by the Company in general meeting, such authority shall take effect from the date of listing of the Shares on the SGX-ST and shall continue to be in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting is required by law or by the Articles to be held, whichever is earlier.

**ANNEX H: REPORT OF THE REPORTING AUDITORS AND THE UNAUDITED
CONDENSED PROFORMA GROUP INTERIM FINANCIAL INFORMATION FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2009**

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

Terrace Villas, Shanshui Longpan



Jiangnan Mingju Phase 5



Garden Area, Jiangnan Mingju





DEBAO PROPERTY
DEVELOPMENT LTD.

德宝房地产开发有限公司

Debao Property Development Ltd.

(Incorporated in Singapore on 16 August 2007)

(Company Registration Number: 200715053Z)