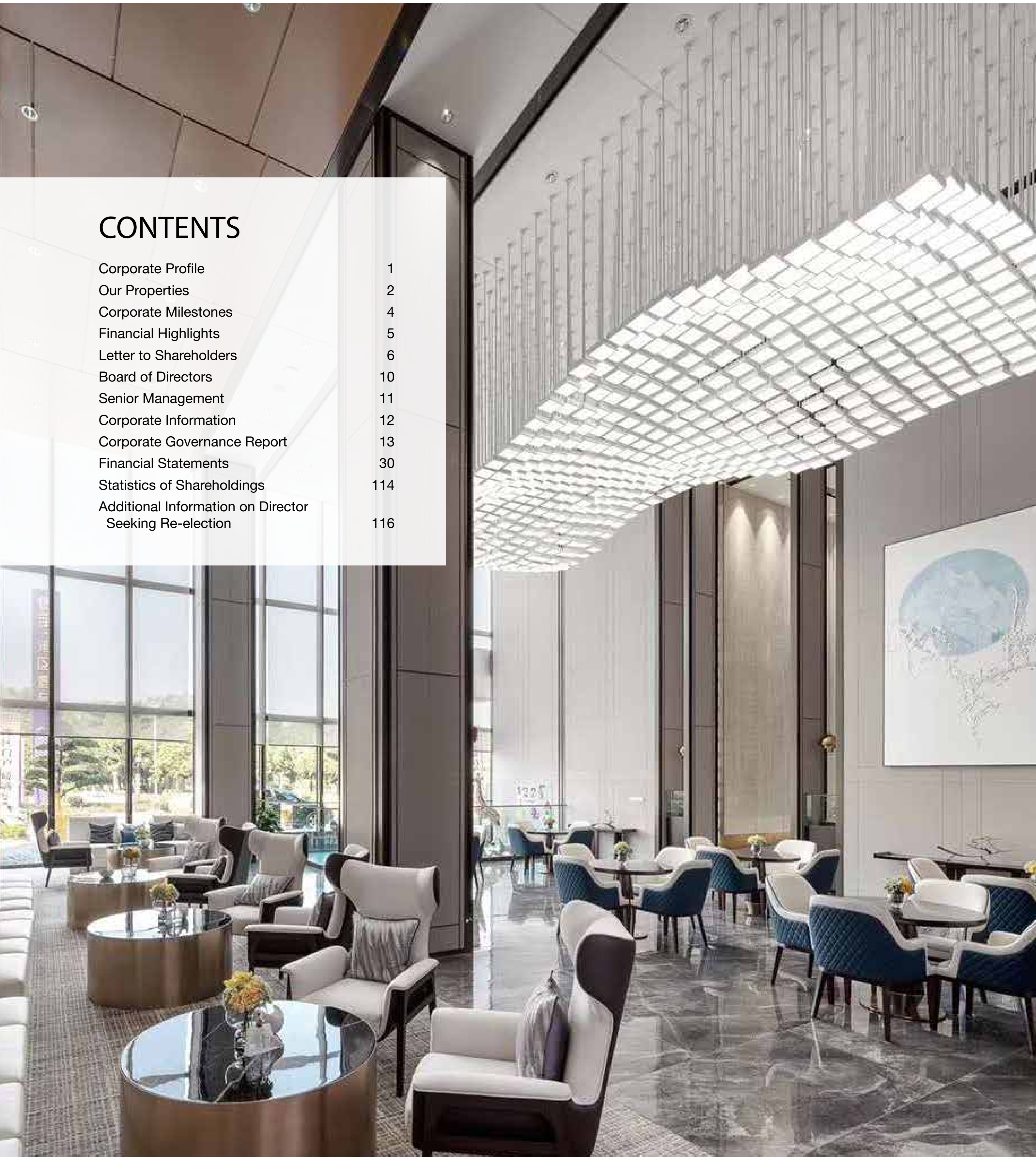
DEBAO PROPERTY
DEVELOPMENT LTD.
德宝房地产开发有限公司

ANNUAL REPORT 2019

着眼未来
坚韧不拔
携手同进

BUILDING RESILIENCE
BUILDING TOMORROW

CONTENTS



CORPORATE PROFILE

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.

Established in 2000, Debao Property Development Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") is an integrated property developer of quality integrated residential properties and commercial properties from Foshan City, Guangdong Province, the People's Republic of China ("**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, and manage the developments after completion.

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

Our business comprises four segments: property development, construction contract, property investment, and property management. Our aggregate GFA for completed property development projects reached 1,279,000 sq m to date. As at 30 September 2020, the Group has a total GFA of approximately 294,000 sq m of properties under and held for future development in China and Malaysia. As part of our property investment business, we hold selected commercial properties that we developed or bought for capital appreciation and recurring and stable rental income. We also provide management services for residential properties developed by us.

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

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

Apart from development projects in the PRC, the Group has been actively exploring and studying commercially viable new ventures and overseas development projects.

OUR PROPERTIES

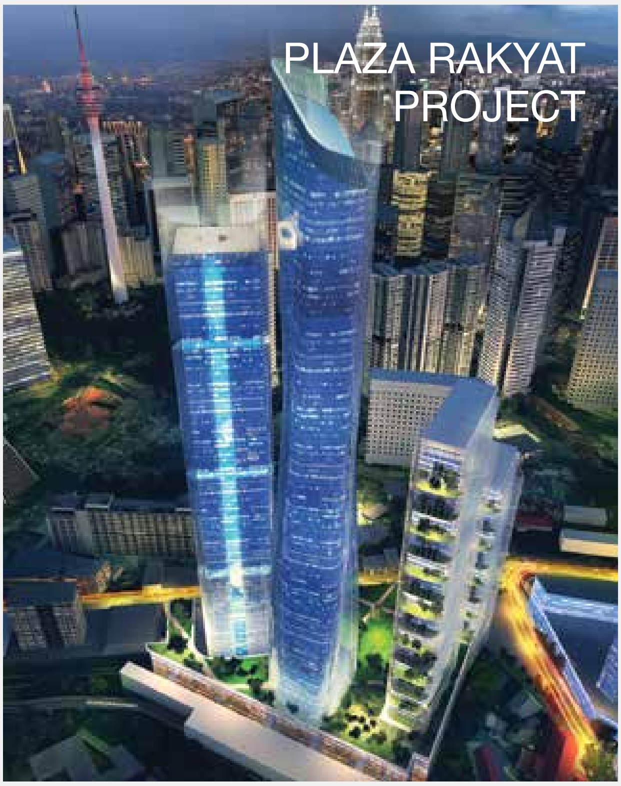
As of 30 September 2020 we have completed 14 property development projects with an aggregate GFA of approximately 1,279,000 sq m, the latest being Tianjin Boulevard, which had been handed over to buyers.

Property Development	Location / Type of Development	Approximate Total GFA (sq m)	Status
COMPLETED PROPERTY DEVELOPMENT PROJECTS			
1. Xinliwan Garden (Project by Our Predecessors)	Foshan / Integrated development	91,000	Completed in September 1998
2. Debao Garden (Project by Our Predecessors)	Foshan / Integrated development	68,000	Completed in October 2000
3. Guicheng Industrial Park	Foshan / Integrated development	48,000	Completed in April 2002
4. Qing Hua Garden (Joint Venture Project)	Foshan / Integrated development	78,000	Completed in June 2004
5. Jiangnan Mingju Phases 1 to 4	Foshan / Multi-phases large-scale integrated development	350,000	Completed in October 2007
6. Jin Long Garden North Zone (Joint Venture Project)	Foshan / Multi-phases integrated development	45,000	Completed in December 2009
7. Jiangnan Mingju Phases 5 and 6	Foshan / Multi-phases integrated development	165,000	Completed in October 2010
8. Shanshui Longpan Phase 1 Villas	Foshan / Part of multi-phases large-scale integrated township development	61,000	Completed in October 2011
9. Jin Long Garden South Zone (Joint Venture Project)	Foshan / Multi-phases integrated development	83,000	Completed in July 2012
10. Shanshui Longpan Phase 1 (ii) Villas	Foshan / Part of multi-phases large-scale integrated township development	36,000	Completed in October 2012
11. Sihui Project Block A Sihui City Mall	Zhaoqing / Large-Scale integrated development	65,000	Completed in December 2014
12 Shanshui Longpan Phase 3(i) High-rise Flats No.1 to 6 and Club	Foshan / Part of multi-phases large-scale integrated township development	50,000	Completed in November 2015
13 Sihui Project Block B&C	Zhaoqing / Large-Scale integrated development	97,000	Completed in April 2016
14. Tianjin Boulevard	Tianjin / Redevelopment of leased heritage building for commercial and leisure mall	42,000	Completed in February 2019
Total		**1,279,000**	

As of 30 September 2020, we have a total GFA of approximately 294,000 sq m of properties under and held for future development.

PROPERTY DEVELOPMENT PROJECTS UNDER AND HELD FOR FUTURE DEVELOPMENT			
1. Bay ONE (Additional Sihui Project)	Zhaoqing / Large-Scale integrated development	100,000	- Development in Progress - Expected date of completion in 2021
2. The Landmark (Imbi Project)	Kuala Lumpur / Integrated development	194,000	- Development in Progress - Expected date of completion in 2022
Total		**294,000**	

OUR PROPERTIES



CORPORATE MILESTONES

2020 AND BEYOND

Bay ONE (Additional Sihui Project)
Approximate Total GFA (sq m) : 100,000
Location / Type of Development : Zhaoqing / Large-scale integrated development integrated development

The Landmark (Imbi Project)
Approximate Total GFA (sq m) : 194,000
Location / Type of Development : Kuala Lumpur / integrated development

2019

Tianjin Boulevard
Approximate Total GFA (sq m) : 42,000
Location / Type of Development : Tianjin / Redevelopment of leased heritage building for commercial and leisure mall

2016

Sihui Project Block B&C
Approximate Total GFA (sq m) : 97,000
Location / Type of Development : Zhaoqing / Large-scale integrated development

2015

Shanshui Longpan Phase 3(i) High-rise Flats
No.1 to 6 and Club
Approximate Total GFA (sq m) : 50,000
Location / Type of Development : Foshan / Part of Multi-phases large-scale integrated township development

2014

Sihui Project Block A Sihui City Mall
Approximate Total GFA (sq m) : 65,000
Location / Type of Development : Zhaoqing / Large-scale integrated development

2012

Shanshui Longpan Phase 1(ii) Villas
Approximate Total GFA (sq m) : 36,000
Location / Type of Development : Foshan / Part of Multi-phases large-scale integrated township development

Jin Long Garden South Zone (Joint Venture Project)
Approximate Total GFA (sq m) : 83,000
Location / Type of Development : Foshan / Multi-phases integrated development

2011

Shanshui Longpan Phase 1 Villas
Approximate Total GFA (sq m) : 61,000
Location / Type of Development : Foshan / Part of Multi-phases large-scale integrated township development

2010

Jiangnan Mingju Phases 5 and 6
Approximate Total GFA (sq m) : 165,000
Location / Type of Development : Foshan / Multi-phases integrated development

2009

Jin Long Garden North Zone (Joint Venture Project)
Approximate Total GFA (sq m) : 45,000
Location / Type of Development : Foshan / Multi-phases integrated development

2007

Jiangnan Mingju Phases 1 to 4
Approximate Total GFA (sq m) : 350,000
Location / Type of Development : Foshan / Multi-phases large-scale integrated development

2004

Qing Hua Garden (Joint Venture Project)
Approximate Total GFA (sq m) : 78,000
Location / Type of Development : Foshan / Integrated development

2002

Guicheng Industrial Park
Approximate Total GFA (sq m) : 48,000
Location / Type of Development : Foshan / Integrated development

2000

Debao Garden (Project by our predecessors)
Approximate Total GFA (sq m) : 68,000
Location / Type of Development : Foshan / Integrated development

Xinliwan Garden (Project by our predecessors)
Approximate Total GFA (sq m) : 91,000
Location / Type of Development : Foshan / Integrated development

1998

Xinliwan Garden (Project by our predecessors)
Approximate Total GFA (sq m) : 91,000
Location / Type of Development : Foshan / Integrated development

FINANCIAL HIGHLIGHTS

	Actual Consolidated Financial Statement	
	FY2019 (RMB'm)	FY2018 (RMB'm)
Revenue	**98.1**	172.0
Cost of Sales	**(71.8)**	(84.2)
Gross Profit	**26.3**	87.8
Gross Profit Margin (%)	**26.8**	51.0
Net Profit / (Loss) for the year	**(224.6)**	(333.6)
Earnings per Share[1] - Basic (RMB fens)	**(288)**	(429)
Net Asset Value per Share[2] at the End of the Year (RMB fen)	**802**	1,103
Net Gearing Ratio[3] (%)	**75.3**	75.4
Net Cash Used in Operating Activities	**(147.1)**	(185.9)
Net Cash from / (Used in) Investing Activities	**96.1**	(16.7)
Net Cash (Used in) / from Financing Activities	**49.3**	173.9
Cash and Cash Equivalents at the end of the year	**15.9**	17.5

Notes:
1. Earnings per Share were computed based on the ordinary shares capital of 74,999,688 shares i.e. weighted average number of ordinary shares issued and paid-up.
2. Net Asset Value per Share was computed based on the ordinary shares capital of 74,999,688 shares i.e. number of ordinary shares issued and paid-up.
3. Net Gearing Ratio was computed before taking in Restricted Cash.

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

The emergence of the COVID-19 outbreak at the end of 2019 has created more uncertainties all around the world. The world economy has been profoundly impacted by the COVID-19 pandemic, including the Chinese economy.

The emergence of the COVID-19 outbreak at the end of 2019 has created more uncertainties all around the world. The world economy has been profoundly impacted by the COVID-19 pandemic, including the Chinese economy.

At the beginning of 2020, property development, property investment and property sales were severely affected by the outbreak of the COVID-19 pandemic in China. Due to lockdown measures imposed by the Chinese government across the whole country, all of the Group's construction work and sales-related activities came to an abrupt halt. With the progressive lifting of lockdown measures in most of the cities in China, economic activities in the country have started to resume in the second quarter of 2020. And the Group's business operation started to recover gradually from the second half of 2020.

Our current priority is to ensure the well-being of our staff and tenants. Nevertheless, we will proactively manage our business and take the necessary actions to ensure that our long-term prospects going forward remain robust.

THE LANDMARK

Our international development, The Landmark, previously known as Project Imbi in Kuala Lumpur, Malaysia, is progressing smoothly development progress and has commenced advance sales in the second half of 2019. The total planned construction area of The Landmark-Malaysia is 194,000 square meters. The Landmark-Malaysia is located in the central business district of Kuala Lumpur, which will greatly enhance the ability of the Group to withstand the challenges from both Malaysia and China's markets.

BAY ONE

The residential and commercial units of Bay ONE have commenced advanced sales since the fourth quarter of 2019, total gross floor area of which is 100,000 square meters. The large shopping mall and linked residential apartments have continuously brought new vitality to the area as well as enhanced the commercial value and rental return for the Group.

BUILDING A SUSTAINABLE FUTURE

Committed to be a leading real estate developer based in China, the Group will continued to focus in completing current residential and commercial projects and take a cautious approach towards exploring new property development and investment opportunities both domestically and internationally.

WORDS OF APPRECIATION

First of all, we would like to thank our customers, tenants and owners who purchased our properties. Without your support, we would not be where we are today.

Then, to our valued shareholders, thank you for your trust and support. We look forward to meeting you at the upcoming Annual General Meeting.

Finally, to all of our directors on the Board for their advice, contributions and cooperation, and to our management and staff for their hard work and dedication.

Together, we have made great strides in Debao's strong positioning as a reputed integrated property developer of choice from China's Pearl River Delta and Southeast Asia.

Zhong Yuzhao
Executive Director and CEO


乐迷汇


南市旅馆街
希岸酒店
麗枫酒店
丽呈睿轩酒店
喆啡酒店


德宝湾区壹号
盛世华诞 国潮四广

致股东的信

尊敬的各位股东：

2019年底爆发的新冠肺炎疫情在全世界范围内造成许多不稳定因素。世界经济受到了疫情的严重影响，中国的经济也不例外。

2020年初，中国的房地产开发、投资和销售市场因新冠肺炎疫情备受打击。中国政府在全国范围内实施封城措施，致使集团所有建筑工程和销售活动骤然停止。从2020年第二季度开始，中国许多城市逐渐解除封锁，经济逐步复苏。集团的经营活动也从2020年下半年开始恢复正常。

目前我们的首要任务是确保员工和租户的安康。尽管如此，我们会积极经营并采取必要措施以确保达到集团繁荣发展的长远目标。

德宝星耀

位于马来西亚吉隆坡的海外开发项目德宝星耀（即“燕美项目”）是我们的在建项目，并于2019年下半年进入预售阶段。德宝星耀的规划总建筑面积为19.4万平方米。地处吉隆坡中央商务区，该项目将为集团抵御海内外风险提供更好的保障。

湾区壹号

我们已在2019年第四季度启动湾区壹号住宅单位与商铺的预售，项目总建筑面积达10万平方米。该项目集大型商场与住宅单位于一体，将持续增强该地区的活力与商业价值，同时为集团带来可观收入。

持续发展

致力于成为中国领先的房地产开发商，集团将继续着力完成其在建的住宅与商业项目，并以谨慎的态度在海内外开拓房地产开发与投资新机遇。

致谢词

首先，在此感谢集团的所有客户、租户以及业主，没有各位，集团不会达到今天的高度。

另外，要感谢各位尊贵的股东对集团一如既往的信任与支持。我们期待在即将召开的年度股东大会上与各位见面。

最后，我们要向董事局所有董事表示感谢，感谢你们为集团给出的忠告、做出的贡献以及提供的帮助，还要感谢我们的管理层与全体员工在这一年来的辛勤付出。

在各方的共同努力下，我们在使德宝成为中国珠三角地区以及东南亚具影响力的著名综合房地产开发商的道路上不懈努力。

钟宇钊
执行董事兼首席执行官


喆啡酒店


萌宝
趣味竞技大赛


快乐成长，逐梦飞扬

BOARD OF DIRECTORS

MR ZHONG YUZHAO
Executive Director and CEO
(Date appointed to the Board: 23 November 2009)

Mr Zhong, appointed as Chief Executive Officer of our Group on 19 April 2018, is responsible for the overall management of our property development activities as well as the business of our Group, including operations, marketing, public relations as well as formulating and implementing our business strategies and development plans. Since November 2000 when Mr Zhong joined our Group, he has been responsible for our administration and business development activities, including identification of possible acquisition opportunities and corporate strategic planning. Prior to joining our Group, Mr Zhong was a designer with Dashidai Advertising Co., Ltd. from July 1996 to August 1999 and was an assistant to the head of office administration of Foshan Nanhai Guicheng Complex Property Development Co., Ltd. from August 1999 to November 2000. Mr Zhong holds a bachelor's degree in construction project management from Hubei Engineering College where he graduated in 2003.

MR ZHANG MAO
Executive Director
(Date appointed to the Board: 23 November 2009)

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

MR YUAN JIAJUN
Executive Director
(Date appointed to the Board: 19 April 2018)

Mr Yuan, appointed as Executive Director of our Group on 19 April 2018, is responsible for the development and marketing of our Sihui project in China as well as projects in Malaysia since he joined our Group in 2016. Prior to joining our Group, Mr Yuan was the manager of the Financing Department in China Huarong Asset Management Corporation Guangdong Branch from 2013 to 2015. Mr Yuan graduated in 2012 with a bachelor's degree in Business Administration from Jinan University.

PROFESSOR LING CHUNG YEE
Lead Independent Director
(Date appointed to the Board: 25 February 2019)

Prof. Ling is currently a Managing Director at RL Capital Management. Concurrently, he is also an Adjunct Professor in Finance at the SKEMA Business School, an Academic Program Director at SMU Academy and an Independent Board Director on several public listed companies across Asia.

Prof. Ling spent more than 20 years in investment banking and held senior positions with JPMorgan, Lehman Brothers, Goldman Sachs and Salomon Smith Barney. His expertise is in Asia real estate, REIT IPOs and capital markets, and he has worked in New York, Hong Kong, Tokyo and Singapore. During his investment banking career, Prof. Ling has originated and executed a broad range of advisory and capital market transactions including some of the most high profile transactions in the region. Prof. Ling was a former Board Director of the CFA Society of Japan. He was honored as the Real Estate Executive of the Year 2016 by Singapore Business Review, and as one of 20 Rising Stars in Real Estate 2008 by Institutional Investor.

Prof. Ling graduated from INSEAD with a Global EMBA and from the National University of Singapore with a BBA (Hons).

MR JACK CHIA SENG HEE
Independent Director
(Date appointed to the Board: 1 May 2013)

Mr Chia is our Independent Director and was last elected on 1 November 2019.

After spending twenty years in both the private and public sectors, substantially in Japan and China, Mr Chia is now a corporate governance practitioner. Mr Chia was a Senior Director of International Enterprise Singapore (the former Trade Development Board), covering China operations from Shanghai. Mr Chia was also with Singapore Technologies, Government of Singapore Investment Corporation as well as Arthur Andersen in marketing, asset management and consulting capacities respectively. He graduated from the National University of Singapore with a degree in accountancy and from the International University of Japan with a Master of Arts degree in international relations. He is qualified as a Chartered Accountant. He also completed the General Manager Program at Harvard Business School.

MR MIU KA KEUNG KEVIN
Independent Director
(Date appointed to the Board: 25 February 2019)

Mr Miu is our Independent Director and was appointed on 25 February 2019. Mr Miu has over 20 years of experience in investment banking including corporate finance, listing, mergers and acquisitions, direct investment, corporate governance, corporate internal control and compliance. Mr Miu is an executive director of Ample Capital Limited. Mr Miu is a licensed sponsor principal and a responsible officer for Type 1 and Type 6 activities as defined under the Securities and Futures Ordinance of Hong Kong SAR. Mr Miu worked for various financial institutions including Vinco Capital Limited and CEF Capital Limited and has gained extensive experience and knowledge in corporate finance, equity capital market, private equity and structured financing. Mr Miu has successfully assisted a number of PRC companies to complete overseas listing, financing, mergers and acquisitions and restructuring. Mr Miu holds a bachelor's degree in accounting from the Hong Kong Polytechnic University and a master's degree in business administration from the University of Wales and the University of Manchester.

MR TSANG HUNG LEUNG, ALAN
Chief Financial Officer

Mr Tsang was appointed as the Chief Financial Officer of our Group on 15 October 2018 and is involved in the Group's financial reporting.

Prior to joining our Group, Mr Tsang had worked at Eastern Glory Financial and Investment Services Limited from 2014 to 2018 and responsible for advisory and initial public offering projects. He was the Chief Financial Officer of Combine Will International Holdings Limited and was involved in financial reporting and treasury management from 2006 to 2014. From 2001 to 2006, he was responsible for the internal audit and supervisory work for the operations of Ng Fung Hong and CR Vanguard while he worked in China Resources Enterprise Limited. He was also a financial controller in Hong Kong Netcom Limited from 2000 to 2001. From 1993 to 2000, he was an audit manager at Fok Siu Yung CPA for two (2) years and a senior auditor, and was responsible for financial audits and computer risk management at Arthur Anderson & Co. for five (5) years. While at Arthur Anderson & Co., he was involved in several listing exercises which involved the application of International Accounting Standard (the predecessor of IFRS).

Mr Tsang graduated with an Accounting degree from the City University of Hong Kong in 1993 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

MR YANG QIMAN
Deputy General Manager (Sihui City Project)

Mr Yang is responsible for managing the Sihui City Project. 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, the assistant to the general manager and the deputy general manager of Construction and Project Budgeting before being appointed to his current position. Prior to joining our Group, Mr Yang was the deputy general manager of Nanhai Guicheng Debao Property Development Co., Ltd. where he was in charge of the engineering department. Mr Yang holds a bachelor's degree in Construction Engineering (Industrial and Civil Construction) from Guangdong Industrial University where he graduated in 1998. He was also certified as a construction engineering technical management engineer under the Foshan Construction Engineering Intermediate Professional Technical Qualification by the Human Resource Bureau of Foshan City in October 2003.

MR TANG ZHONGHUA
General Manager (Malaysian Subsidiaries)

Mr Tang is responsible for the financing affairs of project development of our Group, both in the PRC and overseas. He is also the General Manager of our Group's Subsidiary in Malaysia. Prior to joining our Group in March 2017, Mr Tang worked at China Huarong Asset Management Company as a deputy department head and was in charge of Investment and Financing Business from January 2011 to February 2017. He was an audit assistant and subsequently an assistant manager of KPMG Guangzhou from September 2008 to December 2010. Mr Tang graduated with a Masters degree of Statistics from South China University of Technology and is a certified public accountant of the Chinese Institute of Certified Public Accountant.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Zhong Yuzhao
(Executive Director and CEO)
Zhang Mao
(Executive Director)
Yuan Jiajun
(Executive Director)
Ling Chung Yee
(Lead Independent Director)
Jack Chia Seng Hee
(Independent Director)
Miu Ka Keung Kevin
(Independent Director)

AUDIT COMMITTEE
Ling Chung Yee
(Chairman)
Jack Chia Seng Hee
Miu Ka Keung Kevin

NOMINATING COMMITTEE
Jack Chia Seng Hee
(Chairman)
Ling Chung Yee
Miu Ka Keung Kevin

REMUNERATION COMMITTEE
Miu Ka Keung Kevin
(Chairman)
Ling Chung Yee
Jack Chia Seng Hee

COMPANY SECRETARY
Janet Tan

REGISTERED OFFICE
80 Raffles Place
#32-01 UOB Plaza 1
Singapore 048624
Tel: (65) 6225 2626
Fax: (65) 6557 0765

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

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

AUDITORS
Nexia TS Public Accounting Corporation
80 Robinson Road, #25-00
Singapore 068898

PARTNER-IN-CHARGE
Loh Ji Kin
(appointed since the financial year ended
31 December 2018)

PRINCIPAL BANKERS
Bank of Guangzhou Co., Ltd
Foshan Sub-branch
P32, 63 South Chaoan Road, Chancheng
Foshan City, Guangdong Province, the PRC

China Citic Bank Co., Ltd
Foshan Sub-branch
6th Floor, Block A, Wealth Mansion
South Fenjiang Road, Chancheng
Foshan City, Guangdong Province, the PRC

Guangdong Nanyue Bank Co., Ltd.
Foshan Sub-branch
Ground Floor, Jinhai Square,
No.21 Ji Hua Wu Road, Chancheng,
Foshan City, Guangdong Province, the PRC

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance 2018 (the "**Code**") and accompanying Practice Guidance, with the aim to enhance board quality by strengthening board independence and diversity and encourage better engagement between companies and all stakeholders. Debao Property Development Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**") remain committed to maintaining high corporate governance standards and sound corporate practices in accordance with the Code and accompanying Practice Guidance pursuant to Rule 710 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). This Corporate Governance Report (the "**Report**") sets out the corporate governance practices of the Company with specific references to the principles of the Code.

The Board of Directors (the "**Board**" or "**Directors**") is pleased to report that the Company has adhered to the principles and provisions as set out in the Code for the financial year ended 31 December 2019 ("**FY2019**"), except where otherwise explained in this Report. In areas where we have not complied with the Code, the Company will continue to assess its needs and implement appropriate measures accordingly.

1. BOARD MATTERS

BOARD COMPOSITION AND CONDUCT OF ITS AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with the management of the company (the "**Management**") for the long-term success of the company.

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

1.1 As at 31 December 2019, the composition of the Board is as follows:

Name and Age of Director	Date of first appointment	Date of last re-election	Length of Service	Designation	Past and Present Directorships held in the last three (3) years in other listed companies
Zhong Yuzhao, 45	23 November 2009	27 April 2017	10 years 1 month	Executive Director and Chief Executive Officer ("**CEO**")	Nil
Zhang Mao, 59	23 November 2009	27 April 2017	10 years 1 month	Executive Director	Nil
Yuan Jiajun, 29	19 April 2018	30 November 2018	1 year 8 months	Executive Director	Nil
Ling Chung Yee, 43	25 February 2019	1 November 2019	10 months	Lead Independent Director	Vingroup JSC Amplefield Ltd. United Food Holdings Ltd. Ley Choon Group Holdings Ltd. Sino Grandness Food Industry Group Ltd Ace Achieve Infocom Ltd. Pine Capital Group Ltd. Arion Entertainment Singapore Ltd. Chaswood Resources Holdings Ltd.
Jack Chia Seng Hee, 59	1 May 2013	1 November 2019	6 years 8 months	Independent Director	Dukang Distillers Holdings Limited mm2 Asia Holdings Ltd Shanghai Turbo Enterprises Limited AGV Group Limited Ying Li International Real Estate Limited Lifebrandz Ltd. CDW Holding Limited
Miu Ka Keung Kevin, 54	25 February 2019	1 November 2019	10 months	Independent Director	Nil

1.2 The Board comprises of six (6) Directors, of whom three (3) are Independent Directors. The Independent Non-Executive Directors make up half of the Board and the Company notes that this composition is not in compliance with the Code's requirement where the Chairman is part of the Management and is not independent.

1.3 The Board is of the opinion that based on the Group's current size and operations, it is not necessary nor cost effective to have Independent Directors make up a majority of the Board. The Nominating Committee ("**NC**") is of the view that the current Board is of an appropriate size, and comprises directors who as a group, provide the appropriate balance and mix of skills, knowledge, experience, and are sufficiently diverse so as to avoid groupthink and foster constructive debate. Further, the Chairman of the Board declared that he will abstain from exercising his casting vote as provided for in the Company's Constitution.

1.4 The independence of each Director will be assessed and reviewed annually by the NC. The NC adopts the Code and Listing Manual's definition of what constitutes an Independent Director in its review. Following the recent revision to the Code, the Listing Manual has been amended to be consistent with the Code. In relation to the assessment of the independence of the Directors, specific tests of Directors' independence have been hardcoded into the Listing Manual to clarify that these circumstances which deemed Directors not to be independent should be applied without any exceptions. Under Rules 210(5)(d)(i) and 210(5)(d)(ii) of the Listing Manual, it stipulates that a Director will not be considered as independent if he is employed by the issuer or any of its related corporations for the current or any of the past three (3) financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporation for the past three (3) financial years, and whose remuneration is determined by the remuneration committee of the issuer. In this regard, the Independent Directors have confirmed that they and their respective associates do not have any employment relationships with the Company or any of its related corporations for the current or any of the past three (3) financial years.

1.5 The NC has reviewed and determined that Mr Jack Chia Seng Hee, Mr Ling Chung Yee, and Mr Miu Ka Keung Kevin are independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Directors' judgement.

1.6 The Independent Directors have confirmed that they do not have any relationships with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company. None of the Independent Directors have served on the Board beyond nine (9) years from the date of his first appointment.

1.7 The Board's policy in identifying Director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience that could effectively contribute to the Group, regardless of gender. The composition of the Board and independence of each Director is reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience to govern and manage the Group's affairs. The Directors consider the current Board size and composition appropriate to facilitate effective decision making, taking into account the nature and scope of the Group's operations, the wide spectrum of skills and knowledge of the Directors and diversity of the Board.

1.8 The Independent Directors have the necessary experience and expertise to assist the Board in decision-making and provide greater balance to the Board as they do not participate in the day-to-day running of the Group. The Non-Executive Directors may challenge and help develop proposals on strategy, review the performance of the Management and extend guidance to the Management. Non-Executive Directors have been actively participating in discussions and decision-making at the Board and Board Committees meetings, and had open discussions with the Management.

1.9 Although some of the Board members have multiple board representations, the NC was satisfied that sufficient time and attention had been given to the affairs of the Company by the Directors. Meetings of the Board and Board Committees are scheduled in advance to ensure that the Directors have sufficient time to plan their schedules accordingly.

1.10 Each individual Director has objectively discharged his duties and responsibilities at all times as a fiduciary in the interest of the Company.

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

1. charting the overall strategy, growth and direction of the Group;
2. providing entrepreneurial leadership, set strategic directions, and ensure the necessary financial and human resources are in place for the Group to meet its objectives;
3. formulating and approving the Group's policies, strategies and financial objectives;
4. approving the Group's annual budget, major funding proposals, investment and divestment proposals and corporate or financial restructuring;
5. ensuring that appropriate and adequate systems of internal controls and risk management policies are in place;
6. establishing a framework of prudent and effective controls which enable risks to be assessed and managed, and to achieve an appropriate balance between risks and company performance;
7. reviewing and endorsing the framework of remuneration for the Board and key executives as recommended by the Remuneration Committee ("**RC**");
8. approving the nomination and appointment of key executives, as recommended by the NC;
9. setting the Group's corporate values and standards which include ethical standards and ensure that obligations to shareholders and others are understood and met;
10. instilling an ethical corporate culture and ensuring that the Group's values, standards, policies and practices are consistent with the culture to ensure proper accountability within the Company and the Group;
11. ensuring transparency and accountability to key stakeholder groups; and
12. assuming responsibility for good corporate governance practices and compliance with the Companies Act (Cap. 50) of Singapore ("**Companies Act**"), and the rules and requirements of regulatory bodies.

1.12 The Board also regards addressing sustainability issues as important to the Group and is committed to adopting sustainable practices across its businesses. The Group's Sustainability Report for FY2019 had been prepared in accordance with the SGX Sustainability Reporting Guidelines and had been released on SGXNET on 28 May 2020.

1.13 Matters requiring Board approval include:

1. corporate policies, strategies and objectives of the Company;
2. quarterly, half yearly and full year announcements;
3. annual reports and financial statements;
4. major payments, acquisitions, investments and disposal of assets;
5. strategic planning; and
6. transactions or investments involving a conflict of interest for a substantial shareholder or a Director, financial restructuring and share issuance, dividends and other returns to shareholders of the Company ("**Shareholders**").

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

1.15 Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from the Management on financial, business and corporate issues and are normally circulated in advance of each meeting to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

1.16 To enable the Board to fulfil its responsibilities, the Management provides the Board with management reports on a regular and timely basis, with relevant and adequate information prior to the Board meetings so that the Directors may better understand the matters and discussion may be focused on questions that the Directors may have. Directors are entitled to request from the Management and are provided with such additional information as needed to make informed decisions.

1.17 The Board also receives regular updates pertaining to the operational and financial performance of the Group from Management. Such updates enable the Directors to keep abreast of key issues and developments in the Group's core businesses as well as challenges and opportunities for the Group.

1.18 To assist the Board in the discharge of its responsibilities, the Board has established three (3) specialised committees of the Board, namely the Audit Committee ("**AC**"), NC and RC (collectively, the "**Board Committees**"), and has delegated certain responsibilities to the Board Committees. The Board Committees assist the Board in carrying out and discharging its duties and responsibilities efficiently and objectively. These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

1.19 The attendance of the Directors at meetings of the Board and the Board Committees held in FY2019 is as follows:

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name of Directors	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**
Zhong Yuzhao	4	4	4	4^	3	1^	1	1^
Zhang Mao	4	4	4	4^	3	1^	1	1^
Yuan Jiajun	4	3	4	3^	3	-	1	-
Ling Chung Yee	4	4	4	4	3	3	1	1
Jack Chia Seng Hee	4	4	4	4	3	3	1	1
Miu Ka Keung, Kevin	4	4	4	4	3	3	1	1

^ : by invitation

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

1.21 The Independent Directors provide, amongst other things, strategic guidelines to the Company based on their professional knowledge and experience. They constructively challenge and help develop directions on strategy, and review the performance of the Management in achieving agreed targets and objectives. To facilitate a more effective check on the Management, the Independent Directors meet and discuss the Group's affairs without the presence of the Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

1.22 The Board also has separate and independent access to the Company Secretary and the Management. The Company Secretary attends all Board meetings and ensures that Board procedures are followed. The Company Secretary also ensures that the requirements under the Companies Act, Securities and Futures Act (Chapter 289 of Singapore) and all others regulations of the SGX-ST are complied with. The appointment and removal of the Company Secretary is a matter for consideration for the Board as a whole.

1.23 In furtherance of its duties, the Board may obtain professional advice and assistance from the Company Secretary or independent external professionals if necessary, and the cost of such advice and assistance will be borne by the Company.

Training for Directors

2.1 A formal letter will be sent to each new Director, upon his appointment, setting out the Director's statutory duties and obligations. All new Directors receive appropriate training to develop individual skills as required. For newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore, the Company will arrange for the SGX-ST's prescribed training courses organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company, or other training institutions in areas such as management, accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties for the Directors.

2.2 Directors are provided with extensive background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge.

2.3 Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations.

2.4 The Board as a whole is updated regularly on risk management, corporate governance and key changes in the relevant regulatory requirements and accounting standards to enable them to make well-informed decision. All Directors were updated on the revised Code which applies to Annual Reports covering financial years commencing from 1 January 2019.

2.5 The Group's external auditors also provide regular updates and periodic briefing to the AC on changes or amendments to the accounting standards and their impact on the financial statements, if any.

Chairman And CEO

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

3.1 The role of the Chairman has been assumed by Mr Zhong Yuzhao, who is also the CEO of the Company.

3.2 Pursuant to be recommendations of the Code, the Board has appointed Ling Chung Yee as the Lead Independent Director of the Company on 25 February 2019. Where normal communication channels to the CEO have failed, our Lead Independent Director will be available to our Shareholders to share their concerns or resolve such problems.

3.3 The Independent Directors led by the Lead Independent Director, Ling Chung Yee, meet periodically without the presence of the other Directors, and the Lead Independent Director will thereafter provide feedback to the CEO after such meetings.

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

3.5 The overall role of the CEO is to lead and ensure the effectiveness of the Board. This includes:

1. promoting a culture of openness and debate at the Board;

2. facilitating the effective contribution of all Directors; and

3. promoting a high standard of corporate governance.

BOARD MEMBERSHIP AND PERFORMANCE

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

4.1 The NC comprises three (3) Directors, all of whom are Independent Directors. The members of the NC are as follows:

Mr Jack Chia Seng Hee (Chairman)
Mr Ling Chung Yee
Mr Miu Ka Keung Kevin

4.2 The NC will meet at least once a year. The NC, which has written terms of reference, is responsible for:

1. identifying and reviewing candidates and making recommendations to the Board for appointment or re-appointment of members to the Board;

2. reviewing the succession plans for the CEO, Directors, and key management personnel of the Company;

3. reviewing induction programs for new Directors, as well as the training and professional development programs for the Directors;

4. determining annually whether or not a Director is independent bearing in mind the salient factors set out in the Code and the Listing Manual; and

5. evaluating the Board's performance as a whole and the contribution by each individual Director to ensure the effectiveness of the Board as a whole.

4.3 The process for the selection and appointment of new Directors is set out as follows:

1. The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience and knowledge to complement and strengthen the Board and increase its diversity.

2. The search and nomination for new Directors, if any, will be either from internal promotion or through search companies, contacts and recommendations that go through the normal selection process, to cast the net as wide as possible for the right candidates.

3. The NC would meet and interview the shortlisted candidates to assess their suitability.

4. The NC would recommend the selected candidate to the Board for consideration and approval.

4.4 The process for the re-election of incumbent Directors is set out as follows:

1. The NC would assess the performance of the Director in accordance with the performance criteria set by the Board.

2. The NC would also consider the current needs of the Board.

3. Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval.

4.5 Presently, the Constitution of the Company provides that one third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation at every annual general meeting ("**AGM**") and are subject to re-nomination and re-election at every AGM at least once every three (3) years.

4.6 A retiring Director is eligible for re-election by the Shareholders at the AGM. The NC has recommended to the Board the re-appointment of Mr Zhong Yuzhao. The Board has accepted the NC's recommendation and Mr Zhong Yuzhao has offered himself for re-election as a Director of the Company.

4.7 Mr Jack Chia Seng Hee and Mr Zhang Mao will also retire at the forthcoming AGM and they do not wish to seek for re-election as Directors of the Company.

4.8 All Directors appointed during the year will hold office only until the next AGM and will be eligible for re-election. In evaluating the Director's contribution and performance for the purpose of re-nomination, the Company takes into consideration factors such as attendance, preparedness, participation and candour. The capacity of Directors is decided based on their work background, experience and professional abilities.

4.9 The NC also determines, on an annual basis, the independence of the Directors. For FY2019, the NC has assessed and affirmed the status of each Director as follows:

Yuan Jiajun	Non-Independent
Zhang Mao	Non-Independent
Zhong Yuzhao	Non-Independent
Jack Chia Seng Hee	Independent
Ling Chung Yee	Independent
Miu Ka Keung Kevin	Independent

The Company has complied with Rule 720(6) of the Listing Manual as the information relating to the retiring Directors who are submitting themselves for re-election, including their appointment dates, directorships held in other listed companies presently and in the past five (5) years, as well as their principal commitments, are set out on pages 116 to 118 of this Annual Report. Negative disclosures as set out on pages 116 to 118 were provided by the retiring Directors who are submitting themselves for re-election on each item in Appendix 7F (a) to (k) of the Listing Manual.

4.10 The Company does not have a guideline for the maximum number of listed company board representations that are prescribed for Directors as the Company believes that the Directors are contributing sufficiently to the Company at the moment. The Company will change this rule according to SGX-ST regulations and business needs.

4.11 Currently, the Company does not have any alternate Director.

Principle 5: The Board undertakes a formal assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

5.1 The NC has adopted a formal process for the evaluation of the performance of the Board as a whole and contributions from each individual Director to assess the effectiveness of the Board on an annual basis. All Directors are required to complete and send the evaluation forms to the Company Secretary for collation. The consolidated responses were presented to the NC for review and discussion.

5.2 This process takes into consideration a number of factors, such as the adequacy of the Director in carrying out his duties as Director of the Company, the independence of the Director, setting objective performance criteria, including those set out in the Code.

5.3 The performance criteria taken into account by the NC for the Board evaluation are, *inter alia*, the Board composition, Board processes, Board information and accountability, Board's review of risk and internal controls. The performance criteria taken into account by the NC in relation to an individual Director include, *inter alia*, the Director's interactive skills, industry knowledge, contribution, workload requirements, sense of independence and preparation at the Board and Board Committees meetings.

5.4 For the previous year, the NC reviewed and noted that the Board understood the Company's values, mission and strategic and business plans, and has reflected this understanding on key issues throughout the year. Board members spent sufficient time learning about the Company's business and understood it well enough to provide critical oversight and to guide the Company's performance not just year-to-year, but in the long-term. Board members have also spent an appropriate amount of time discussing the long-term strategy of the Company.

5.5 The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. This matter is reviewed on an annual basis by the NC.

2. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

6.1 The RC comprises three (3) Directors, all of whom are Non-Executive and Independent Directors. The members of the RC are as follows:

Mr Miu Ka Keung Kevin (Chairman)
Mr Ling Chung Yee
Mr Jack Chia Seng Hee

6.2 The RC will meet at least once a year. The RC, which has written terms of reference, is responsible for:

1. reviewing and recommending to the Board the remuneration package of each Director;

2. reviewing and recommending to the Board the remuneration of executive officers as well as related employees; and

3. determining the contents of any service contract proposed to be entered into by the Company with a Director or executive officer.

6.3 The RC ensures that a formal and transparent procedure is in place for determining the remuneration packages of individual Directors and key management personnel. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and other benefits-in-kind shall be considered by the RC to ensure they are fair. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package. Any recommendations are submitted for endorsements by the entire Board.

6.4 The remuneration of related employees will be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increments and/or promotions for these related employees will also be subject to the review and approval of the RC. In the event that a member of the RC is related to the employee under review, he will abstain from participating in the review.

6.5 The RC will be provided with access to expert professional advice on remuneration matters, as and when necessary. The expenses of such services shall be borne by the Company. No remuneration consultants were engaged by the Company in FY2019. The RC will ensure that existing relationships between the Company and its appointed remuneration consultants, if any, will not affect the independence and objectivity of the remuneration consultants. Where remuneration consultants are appointed, the Company will disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the Company.

6.6 In the case of service contracts, the RC will review the compensation commitments in relation to the Directors' or key management personnel's contracts of service, if any, which would entail in the event of termination with a view to ensure that such contracts of services, if any, contain fair and reasonable termination clauses which are not overly generous.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

7.1 The Company had entered into service agreements with the CEO and the Executive Directors, under which terms of their employment are stipulated.

7.2 Their initial term of employment is for a period of three (3) years from 12 April 2013. The service agreements of the Executive Directors may be terminated by either party to the service agreement giving to the other three (3) months' prior written notice or an amount equivalent to three (3) months' salary in lieu of notice. The service agreements with Mr Zhong Yuzhao and Mr Yuan Jiajun have been renewed for a further period of three (3) years from 1 June 2019 and the service agreement with Mr Zhang Mao has been renewed for a further period of three (3) years from 1 January 2019. All Executive Directors do not receive Directors' fees.

7.3 The remuneration package of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. The performance-related component of the remuneration package is designed to align the interests of the Executive Directors with those of the shareholders and link rewards to the Group's financial performance.

7.4 Non-Executive Directors are paid Directors' fees, are determined by the Board taking into account factors such as effort, time spent and their responsibilities on the Board and Board Committees. The payment is subject to approval of the Shareholders at each AGM. The Independent Directors have not been over-compensated to the extent that their independence is compromised.

7.5 Currently, the Company does not have any long-term incentive scheme. The RC will consider recommending the implementation of long-term incentive schemes for the Executive Directors as well as key management personnel as and when it considers appropriate.

7.6 The Company does not have contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe fiduciary duties to the Company and hence, the Company should be able to avail itself of remedies against the Executive Directors in the event of such breach of fiduciary duties. Similarly, for the key management personnel, the Company believes that there are alternative legal avenues to specific contractual provisions that will enable the Company to recover financial losses arising from exceptional circumstances above from the key management personnel.

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

DISCLOSURE ON REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

8.1 The remuneration of the Company's Directors, top key executives and employees related to the Directors for FY2019 is as follows:

Table of remuneration

	Salary	**Performance-based incentive**	**Bonus**	**Benefit**	**Director's fee**	**Total**
	(%)	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**
(a) Directors						
Above S$250,000 but below S$500,000						
Zhong Yuzhao	95	-	-	5	-	100
Below S$250,000						
Zhang Mao	90	-	-	10	-	100
Yuan Jiajun	93	-	-	7	-	100
Ling Chung Yee (1)	-	-	-	-	100	100
Jack Chia Seng Hee	-	-	-	-	100	100
Miu Ka Keung Kevin (2)	-	-	-	-	100	100

	Salary (%)	Performance-based incentive (%)	Bonus (%)	Benefit (%)	Director's fee (%)	Total (%)
(b) Key Executives						
Below S$250,000						
Yang Qiman	87	-	-	13	-	100
Tang Zhong Hua	89	-	-	11	-	100
Tsang Hung Leung, Alan	91	-	8	1	-	100
(c) Employees related to Directors						
Below S$50,000						
Yuan Jiansheng [(3)]	67	-	15	18	-	100

Notes:
(1) Mr Ling Chung Yee was appointed as the Lead Independent Director of the Company on 25 February 2019.
(2) Mr Miu Ka Keung was appointed as an Independent Director of the Company on 25 February 2019.
(3) Uncle of our Executive Director, Mr Yuan Jiajun.

8.2 The Board would like to clarify that given the confidentiality and commercial sensitivity attached to remuneration matters, the remuneration of each individual Director and the CEO and the aggregate remuneration paid to the Company's top three (3) key management personnel (who are not Directors or the CEO) would not be disclosed fully but instead in bands as reflected in the table above.

8.3 The Company's remuneration policy is to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate Directors and key management personnel of the required experience and expertise.

8.4 The basis of determining the remuneration of the employees related to the Directors is the same as the basis of determining the remuneration of other unrelated employees.

6.7 For FY2019, the aggregate remuneration of one (1) employee who is related to our Directors amounted to approximately RMB199,705 (equivalent to approximately S$38,563). There are no other employees of the Group who are substantial shareholders of the Group, or are immediate family members of the Directors or the CEO or a substantial shareholder of the Group, and whose remuneration exceeds S$100,000 during FY2019.

8.5 The total remuneration of these employees will be reviewed annually by the RC to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility. In the event that a member of our RC is related to the employee under review, he will abstain from the review.

8.6 The total remuneration paid to the top three (3) key management personnel was S$453,069 for FY2019.

8.7 There is a work-plan meeting at the beginning of the year, and executive Directors and key management personnel are evaluated daily on their performance and on whether they have satisfied their tasks outlined in the work-plan meeting.

8.8 Executive Directors do not receive Directors' fees but are remunerated as members of the Management. The remuneration package of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance, their level of contribution to the Company and the Board, taking into account various factors including but not limited to efforts and time spent and their responsibilities and duties. The performance-related component of the remuneration package is designed to align the interests of the Executive Directors with those of the Shareholders and link rewards to the Group's financial performance.

8.9 The RC has reviewed and is satisfied that the performance conditions were met accordingly by each of the executive Directors and key management personnel in FY2019.

8.10 The Company does not have any share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

3. ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

9.1 The Board recognises the need and is responsible for maintaining a system of risk management and internal controls and processes (including financial, operational, compliance and information technology controls) to safeguard Shareholders' interests and the Group's assets.

9.2 The AC monitors the adequacy and effectiveness of the risk management and internal control systems and procedures and will ensure that a review of the adequacy and effectiveness of the Company's risk management internal controls systems and procedures is conducted annually or when the AC deems necessary.

9.3 The Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems are effective and adequate in addressing financial, operational, compliance and information technology risks in the Group's current business environment based on the following:

1. the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks; and

2. the Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC. The AC expects the risk assessment process to be a continuing process.

9.4 The Board confirms that based on the internal controls established by the Group, work performed by the internal and external auditors, and reviews performed by the Management, the Board is of the opinion that the Group's internal controls, including financial, operational, compliance, information technology controls and risk management systems are adequate and effective to meet the needs of the Group for the type and volume of businesses conducted in the current business environment. The Company has complied with Rule 1207(10) of the Listing Manual of the SGX-ST.

9.5 The Board confirms that it has received assurance from both the CEO, Mr Zhong Yuzhao and the chief financial officer ("**CFO**"), Mr Tsang Hung Leung, Alan, that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and the Company's risk management and internal control systems are adequate and effective.

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

10.1 The AC comprises three (3) Directors, all of whom are Non-Executive and Independent Directors. The members of the AC are as follows:

Mr Ling Chung Yee (Chairman)
Mr Jack Chia Seng Hee
Mr Miu Ka Keung Kevin

10.2 Messrs Ling Chung Yee, Jack Chia Seng Hee and Miu Ka Keung Kevin have accounting or related financial management backgrounds. The NC is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

10.3 The AC meets on a quarterly basis, and on an ad-hoc basis when required, during the year. The AC, which has written terms of reference, performs, *inter alia*, the following main functions:

1. review with the internal and external auditors the scope and results of audit and its cost effectiveness. Where the external auditors also provide non-audit services to the Company, the AC will keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;

2. review the interim and annual financial statements and any significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company as well as any formal announcements relating to the Company's financial performance before the submission of the same to the Board;

3. review the assurance provided by the CEO and the CFO that the financial records have been properly maintained, and that the financial statements give a true and fair view of the Company's operations and finances;

4. conduct an annual review of the effectiveness and adequacy of the Company's internal controls and procedures with the Management and the external auditors;

5. review the effectiveness, adequacy and scope of the Company's internal audit function;

6. review the effectiveness, adequacy, scope and results of the external audit, and where external auditors provide non audit services, review the nature, extent and cost of such services and the independence and objectivity of the external auditors.

7. nominate persons as internal and external auditors, review their appointment or re-appointment as well as matters relating to their remuneration, terms of engagement, resignation or dismissal, and recommending the same to the Board;

8. review the independence of the internal and external auditors annually;

9. meet with external and internal auditors without the presence of the Management at least annually and review the co-operation given by the Company's officers to external and internal auditors;

10. meet with other Board Committees and the Management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

11. oversee the establishment and operation of the whistleblowing process in the Company; and

12. review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and to ensure that suitable arrangements are in place for the independent investigation of such matters and that appropriate follow-up action shall be taken.

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

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

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

10.7 In respect of the audit for FY2019 of the Company, the amount payable to Messrs Nexia TS Public Accounting Corporation and its overseas member firm for its statutory audit services was S$416,000. The AC, having reviewed the range and value of non-audit services provided by the external auditors, Messrs Nexia TS Public Accounting Corporation , during the year which amounted to S$5,900 or 1.42% of the audit fees, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC recommended that Messrs Nexia TS Public Accounting Corporation be nominated for re-appointment as auditors at the forthcoming AGM.

10.8 The AC is satisfied that the Company has complied with Rule 712 and Rule 715 of the Listing Manual in relation to its auditing firms. No former partner or director of the Company's existing auditing firm is a member of the AC (a) within a period of two (2) years commencing on the date of their ceasing to be a partner or director of the audit firm; or (b) holds any financial interest in the audit firm.

10.9 In FY2019, the AC was kept abreast by the external auditors of changes to accounting standards and issues which have a direct impact on financial statements.

10.10 In the review of the financial statements for FY2019, the AC has discussed with the Management and the external auditors on significant issues and assumptions that impact the financial statements.

10.11 The internal audit function of the Group is conducted by the internal audit team of the Company. The primary functions of internal audit are to:

1. assess if adequate systems of internal controls are in place to protect the funds and assets of the Group and to ensure control procedures are complied with;

2. assess if operations of the business processes under review are conducted efficiently and effectively; and

3. identify and recommend improvements to internal control procedures, where required.

10.12 The internal auditors are required to adopt the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

10.13 The internal auditors will report directly to the Chairman of the AC, with full and direct access to the members of the AC at all times. The AC ensures the effectiveness and adequacy of the internal audit function at least annually.

4. SHAREHOLDERS RIGHTS AND RESPONSIBILITY

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of the company's performance, position and prospects.

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

11.2 Shareholders are encouraged to attend the Company's general meetings to ensure a greater level of Shareholders' participation. The Board views the general meetings as the principal forum for dialogue with Shareholders, being an opportunity for Shareholders to raise issues and ask the Directors or the Management questions regarding the Group and its operations. In the event that a Shareholder cannot attend the general meetings, a Shareholder who is not a relevant intermediary can appoint one (1) or two (2) proxies (or in the case of a Shareholder who is a relevant intermediary, more than two (2) proxies) to attend and vote on his behalf.

11.3 All Directors, the Management, the Company Secretary, external advisers and legal advisers (if necessary) attend the general meetings of the Company. The procedures of the general meetings provide shareholders with the opportunity to ask questions relating to each resolution tabled for approval. Shareholders are encouraged to provide their views on matters relating to the Company. The external auditors will also be present to address Shareholders' queries about the conduct of the audit and preparation and content of the auditor's report. All Directors, the CFO, the Group's external auditors and Company Secretary attended the AGM on 1 November 2019.

11.4 The Company Secretary prepares detailed minutes of the general meetings which include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and the Management. These minutes are subsequently approved by the Board and made available to shareholders during office hours at the registered office. All material information relating to the Group is disclosed in an accurate and timely manner through publication on SGXNET and is made available to everyone, including the shareholders.

11.5 The Company practises having separate resolutions at general meetings on each distinct issue and will make available minutes of general meetings to Shareholders upon their request. For greater transparency, the Company will put all resolutions to vote by poll at general meetings and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day.

11.6 The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Taking into consideration these factors, the Company has not declared any dividends for FY2019.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

12.1 Price-sensitive announcements including interim and full-year results are released through SGXNET within the mandatory period.

12.2 The Company regularly communicates with the Shareholders and attends to their questions by way of meeting. Also, it should be noted that the Company meets up with its institutional and retail investors once a year during the AGM. However, the Company has not set up a dedicated investor relations team and instead the securities department performs this role. The public can provide feedback to the Company Secretary via electronic mail address or registered mail.

12.3 All Shareholders receive the Annual Report and notice of AGM, together with explanatory notes or a circular on items of special business, at least 14 calendar days before the meeting (excluding the date of notice and the date of meeting).

12.4 Apart from the SGXNET announcements and its annual report, the Company will also conduct media interviews as and when appropriate to give Shareholders and the public deeper insights of the Group's business and strategies when opportunities present themselves. Further, the Company may, if it considers necessary and appropriate, release press releases or organise media/analyst briefings to keep Shareholders informed of its corporate development.

5. MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

13.1 The Group takes a strategic and pragmatic approach in managing stakeholders' expectations to support its long-term strategy. The Group has regularly engaged its stakeholders through various media and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve services and products' standards, as well as to sustain business operations for long-term growth. The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly are able to impact the Group's business and operations. Five (5) stakeholders groups have been identified through an assessment of their significance to the business operations. The Group has undertaken a process to determine the environmental, social and governance (ESG) issues which are important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually. Having identified the stakeholders and the material issues, the Company has mapped out the key areas of focus in relation to the management of the respective stakeholder relationships. Please refer to the Group's Sustainability Report for further details.

13.2 The Group maintains a website at www.fsnhdebao.com and www.debao.com.my to communicate and engage with stakeholders. All material information on the performance and development of the Group and of the Company is disclosed in a timely, accurate and comprehensive manner through SGXNET, press releases and the Company's website. The Company does not practice selective disclosure of material information. The Company's website, which is updated regularly, contains various information on the Group and the Company which serves as an important resource for investors and all stakeholders.

6. INTERESTED PERSON TRANSACTIONS

14.1 The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that these transactions are conducted at arm's length basis and are not prejudicial to the interests of the Shareholders. The Director concerned does not participate in discussions and decisions involving the issues of conflict and refrains from exercising any influence over other members of the Board.

14.2 The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920(1) of the Listing Rules.

14.3 The aggregate value of interested person transactions above S$100,000 entered into during FY2019 is as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interest person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transaction less than S$100,000)
Name of interested person	**S$**	**S$**
Zhong Yuxin (1)	661,158 (2)	-
Yuan Lesheng (3)	690,948 (4)	-

Notes:

(1) Mr Zhong Yuxin is the brother of our Executive Director and CEO, Mr Zhong Yuzhao.
(2) Lease of Debao Hotel.
(3) Mr Yuan Lesheng is the father of our Executive Director, Mr Yuan Jiajun and the Company's controlling shareholder.
(4) Consultancy fee (RMB 750,000) and disposal of Foshan Nanhai Rural Credit Union shares to Mr Yuan Lesheng (RMB 2,828,188).

7. DEALINGS IN SECURITIES

15.1 The Group has adopted an internal code of conduct on dealings in the Company's securities by all Directors and employees of the Group and the Company notes that its Directors and employees do not deal with the Company's securities on short-term considerations. All Directors are required to notify the Company Secretary of any change in his interest in the Company's shares within two (2) business days of the change.

15.2 The code of conduct relates to, inter alia, insider trading prohibitions under the Securities and Future Act (Cap 289) of Singapore, the disclosure requirements of the SGX-ST and prohibitions on Directors and employees from dealing in the Company's securities during the two (2) weeks immediately preceding, and up to the time of the announcement of, the Company's results for each of the first three quarters of its financial year and during the one (1) month preceding, and up to the time of announcement of, the Company's results for the full financial year (if the Company is not required to announce its quarterly financial results), and ending on the date of announcement of the relevant results. The Group confirms that it has adhered to its internal code of conduct on dealings in the Company's securities for FY2019.

8. MATERIAL CONTRACTS

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

9. TREASURY SHARES

17 There are no treasury shares held by the Company as at the end of FY2019.

Contents

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 30 to 113 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, after considering the matters as described in Note 2.1 to the financial statements with respect to the Group's and the Company's ability to continue as going concerns, there are reasonable grounds to believe that the Group and Company will be able to pay their debts as and when they fall due.

Directors

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

Yuan Jiajun
Zhang Mao
Zhong Yuzhao
Chia Seng Hee
Ling Chung Yee
Miu Ka Keung Kevin

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		**Holdings in which director is deemed to have an interest**	
	At 01.01.2019	**At 31.12.2019**	**At 01.01.2019**	**At 31.12.2019**
Company				
(No. of ordinary shares)				
Yuan Jiajun	-	-	1,825,894	1,825,894
Zhong Yuzhao	2,770,756	2,770,756	-	-
Zhang Mao	2,401,709	2,401,709	80,800	80,800

The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

By virtue of Section 7 of the Singapore Companies Act, Yuan Jiajun is deemed to have interests in the shares of all the subsidiary corporations at the beginning and at the end of the financial year.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

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

Audit committee

The members of the Audit Committee at the end of the financial year were as follows:

Ling Chung Yee (Chairman)
Miu Ka Keung Kevin (Member)
Chia Seng Hee (Member)

All members of the Audit Committee are independent and non-executive directors.

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50. In performing those functions, the Audit Committee reviewed:

(i) the scope and the results of internal audit procedures with the internal auditor;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 before their submission to the Board of Directors, as well as the independent auditor's report on the statement of financial position of the Company and the consolidated financial statements of the Group;

(iv) the co-operation and assistance given by the Company's management to the independent auditor;

(v) the re-appointment of the independent auditor of the Company; and

(vi) interested person transactions.

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

The Audit Committee has recommended to the Board of Directors that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Zhong Yuzhao
Director

Zhang Mao
Director

6 January 2021

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Debao Property Development Limited (the "Company") and its subsidiary corporations (the "Group") which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on page 30 to 113.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(i) Opening balances

We issued a disclaimer of opinion for the financial statements for the financial year ended 31 December 2018 ("FY2018") on 11 October 2019 due to the following:

Divestment of Profit Consortium Sdn. Bhd. ("Profit Consortium")

We were unable to obtain sufficient appropriate audit evidence or were we able to satisfy ourselves by any other alternative audit procedures whether the assets and liabilities of Profit Consortium at the beginning and end of the financial year ended 31 December 2018 are fairly stated. Consequently, we were unable to determine whether there are any adjustments which might have been necessary in respect of the impairment loss reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows for the financial year ended 31 December 2018.

An impairment loss of RMB40,267,000 was taken to profit or loss in the current financial year, arising from the completion of disposal of 43% equity shares in Profit Consortium during the financial year. The remaining 19% of equity shares has not been transferred to the external party at the date of this report.

We were unable to obtain sufficient appropriate audit evidence or were we able to satisfy ourselves by any other alternative audit procedures on whether this additional loss of RMB40.3 million is sufficient. Neither were we able to satisfy ourselves management's assertion that this loss is a non-adjusting event based on SFRS(I) 1-8 - Accounting Policies, Changes in Accounting Estimates and Errors.

Divestment of Poly Ritz Green (Malaysia) Sdn. Bhd. ("Poly Ritz")

The audited financial statements of Poly Ritz for the financial year ended 31 December 2018 were not made available to us for the purpose of consolidation at Group level. Accordingly, we were unable to perform alternative audit procedures to obtain sufficient appropriate audit evidence to determine the Group's share of Poly Ritz's results for the financial year ended 31 December 2018 as well as the relevant disclosures under SFRS (I) 1-28 Investments in Associates and Joint Ventures to be included in the consolidated financial statements of the Group.

On 30 May 2019, the Group transferred its entire 50% equity interest in Poly Ritz to an unrelated party for a consideration of RM16 million (approximately RMB27.3 million), and recognised a net gain on disposal of RM5.16 million (approximately RMB8.6 million).

In the current financial year, we are unable to verify the accuracy the net gain on disposal of Poly Ritz of RM5.16 million (approximately RMB8.6 million), as we were unable to obtain sufficient appropriate audit evidence to determine the Group's share of Poly Ritz's results and net assets/liabilities for the financial year ended 31 December 2018 and for the period up to the disposal date of 30 May 2019, or whether there are any contractual or constructive obligations arising from the disposal which will give rise to any adjustments for the financial year ended 31 December 2019.

Report on the Audit of the Financial Statements (continued)

Basis for Disclaimer of Opinion (continued)

(ii) Litigation case involving key management of Foshan Nanhai Chuangxintian Hotel Management Co., Ltd. ("Chuangxintian")

Chuangxintian is an associated company of the Group. During the period from 9 June 2020 to 17 July 2020, the directors of Chuangxintian, who were appointed by the majority shareholder (the "Majority Shareholder") of Chuangxintian, were arrested for suspect scam cases by Commercial Criminal Investigation Department of Municipal Public Security Bureau of Guangzhou City, Guangdong Province, the People's Republic of China. The cases are currently in the progress of investigations as at the date of this report.

In addition, the Majority Shareholder extended a loan amounting to RMB190,597,000 to Sihui Debao Jiangnan Mingju Development Co., Ltd. ("SHDB"), a wholly-owned subsidiary corporation of the Group in the form of equity investment. This loan is secured by 100% of equity shares of SHDB. Concurrently, Foshan Nanhai Debao Investment Management Co., Ltd., which is a wholly-owned subsidiary corporation of the Group, provided corporate guarantee for these borrowings.

In accordance with Singapore Standards on Auditing 600 Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors), we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the consolidated financial statements are prepared, in all material respects, in accordance with SFRS (I). We were unable to obtain sufficient appropriate audit evidence or were we able to satisfy ourselves by any other alternative audit procedures to determine the Group's share of Chuangxintian's results and net assets/ liabilities for the financial year ended 31 December 2019 and as at the end of the year then ended, respectively, as well as the relevant disclosures under SFRS (I) 1-28 Investments in Associates and Joint Ventures to be included in the consolidated financial statements of the Company, and whether any contractual or constructive liabilities need to be provided, or any contingent liabilities need to be disclosed, arising from the transaction above, or the aforementioned litigation case, or both, in accordance with SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets.

Report on the Audit of the Financial Statements (continued)

Basis for Disclaimer of Opinion (continued)

(iii) Going concern

As disclosed in Note 2.1 to the financial statements, in preparing the financial statements, the Board of Directors has considered the operations of the Group as a going concern notwithstanding that the Group incurred a net loss of RMB224,636,000 (2018: RMB333,557,000) for the financial year ended 31 December 2019 and was in a net current liabilities position of RMB869,286,000 (2018: net current asset position of RMB437,048,000) as at that date. The Group's operations are highly dependent on borrowings and as at 31 December 2019, total borrowings amounted to RMB1,772,656,000 (2018: RMB1,887,284,000) and amounts classified as current amounted to RMB1,438,362,000 (2018: RMB526,466,000). During the financial year, to support the Group's operating cash flow requirements, the Group obtained loans from individuals and other non-financial institutions amounting to RMB162,160,000 and the total outstanding balance of other loans as at 31 December 2019 is RMB1,363,101,000. These other loans from individuals and other non-financial institutions bore average annual interest rate ranging from 18% to 38% and the Group incurred interest expense amounting to RMB178,362,000 for the financial year ended 31 December 2019.

Although the above financial and other conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, the Board of Directors believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2019 is still appropriate after taking into consideration the following factors, assumptions and measures taken by the Company:

(a) The Group is confident in obtaining the lenders' approval for roll over of all the loans, which are due in the financial year ending 31 December 2020;

(b) The Group's ability to sell its development properties at the current market selling price and the timing of the receipt of proceeds estimated by management;

(c) The ongoing litigation cases do not have any significant adverse impact on the Group's core operations;

(d) The Group's controlling shareholder has provided an undertaking to provide continuing financial support to the Group for the next 12 months after reporting date; and

(e) The Group is able to generate positive cash flow from operations for the next twelve months and with the satisfactory outcome of (a) to (d) above, the Group would have sufficient cash to meet its obligations as and when they fall due for the next twelve months.

The ability of the Group to continue in operational existence in the foreseeable future and to meet its financial obligations as and when they fall due are dependent upon the successful outcome of the measures undertaken and assumptions as disclosed above which cannot be determined at present. At the date of this report, we are unable to obtain sufficient audit evidence regarding the likely outcome of these measures and assumptions. Therefore, we are not able to form an opinion as to whether the going concern basis of presentation of the accompanying consolidated financial statements of the Group is appropriate.

In the event that the Group is unable to continue in operational existence in the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The financial statements do not include any adjustments which may arise from these uncertainties.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DEBAO PROPERTY DEVELOPMENT LIMITED (CONTINUED)

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards International ("SFRS(I)"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards of Auditing and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of matters described in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this Independent Auditor's report is Loh Ji Kin.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
6 January 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	4	**98,081**	172,018
Cost of sales		**(71,785)**	(84,194)
Gross profit		**26,296**	87,824
Other income	7	**8,206**	3,274
Other gains/(losses) – net	8	**30,377**	(230,771)
Expenses			
- Distribution and marketing		**(5,773)**	(6,368)
- Administrative		**(45,726)**	(52,499)
- Finance	9	**(219,714)**	(176,180)
Loss before income tax		**(206,334)**	(374,720)
Income tax (expense)/credit	10	**(18,302)**	41,163
Net loss for the year		**(224,636)**	(333,557)
Other comprehensive loss			
Items that maybe reclassified subsequently to profit or loss:			
Net currency translation differences arising from consolidation	35	**(1,743)**	(25,722)
Other comprehensive income/(loss), net of tax		**(1,743)**	(25,722)
Total comprehensive loss		**(226,379)**	(359,279)
Loss attributable to:			
Equity holders of the Company		**(216,039)**	(321,785)
Non-controlling interests		**(8,597)**	(11,772)
		(224,636)	(333,557)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(217,782)**	(347,507)
Non-controlling interests		**(8,597)**	(11,772)
		(226,379)	(359,279)
Loss per share for loss attributable to equity holders of the Company (cents per share)			
Basic loss per share	11	**(288)**	(429)
Diluted loss per share	11	**(288)**	(429)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 RMB'000	Group 2018 RMB'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**15,897**	17,525
Restricted cash	13	**20,000**	202,076
Trade and other receivables	14	**583,372**	644,518
Contract assets	4(b)	**18,650**	10,973
Inventories	15	**247**	257
Properties held for sale	16	**36,988**	35,314
Development properties	17	**1,149,377**	970,855
Prepaid leases	18	**223**	223
		1,824,754	1,881,741
Disposal group assets classified as held-for-sale	19	**48,735**	93,066
		1,873,489	1,974,807
Non-current assets			
Trade and other receivables	14	**-**	10,000
Prepaid leases	18	**3,695**	3,918
Property, plant and equipment	20	**22,991**	25,871
Investment properties	21	**2,197,619**	2,115,051
Investment in associated companies	23	**45**	40
Investment in a joint venture	24	**-**	*
Financial asset, FVOCI	25	**-**	1,300
Insurance assets	26	**-**	-
Goodwill	27	**-**	-
Deferred tax assets	33	**19,017**	19,017
		2,243,367	2,175,197
Total assets		**4,116,856**	4,150,004
LIABILITIES			
Current liabilities			
Borrowings	28	**1,438,362**	526,466
Trade and other payables	29	**941,829**	609,130
Lease payables	30	**-**	27,425
Lease liabilities	31	**32,417**	-
Contract liabilities	4(b)	**64,859**	75,710
Provisions	32	**96,311**	90,515
Income tax payable		**122,262**	121,447
		2,696,040	1,450,693
Liabilities directly associated with disposal group classified as held-for-sale	19	**46,735**	87,066
		2,742,775	1,537,759
Non-current liabilities			
Borrowings	28	**334,294**	1,360,818
Trade and other payables	29	**-**	7,749
Lease payables	30	**-**	151,154
Lease liabilities	31	**155,334**	-
Deferred tax liabilities	33	**283,017**	264,709
		772,645	1,784,430
Total liabilities		**3,515,420**	3,322,189
NET ASSETS		**601,436**	827,815

* Less than RMB1,000

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 RMB'000	Group 2018 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	34	**909,831**	909,831
Other reserves	35	**100,268**	102,011
Accumulated losses		**(376,601)**	(160,562)
Equity attributable to equity holders of the Company		**633,498**	851,280
Non-controlling interests	22	**(32,062)**	(23,465)
TOTAL EQUITY		**601,436**	827,815

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Company 2019 RMB'000	Company 2018 RMB'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**30**	35
Trade and other receivables	14	**1,305,266**	1,305,667
		1,305,296	1,305,702
Non-current assets			
Investment in subsidiary corporations	22	*	*
		*	*
Total assets		**1,305,296**	1,305,702
LIABILITIES			
Current liabilities			
Trade and other payables	29	**359,702**	357,360
Provision	32	**88,297**	86,204
Income tax payable		**35,265**	34,323
Total liabilities		**483,264**	477,887
NET ASSETS		**822,032**	827,815
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	34	**909,831**	909,831
Translation reserve	35	**47,711**	25,625
Accumulated losses		**(135,510)**	(107,641)
TOTAL EQUITY		**822,032**	827,815

* Less than RMB1,000

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to equity holders of the Company						
	Share capital RMB'000	**Capital reserve RMB'000**	**Translation reserve RMB'000**	**Statutory reserve RMB'000**	**Retained earnings RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total RMB'000**
Group								
2019								
Balance as at 1 January 2019	909,831	86,726	(8,601)	23,886	(160,562)	851,280	(23,465)	827,815
Total comprehensive income/(loss) for the year:								
Loss for the year	-	-	-	-	(216,039)	(216,039)	(8,597)	(224,636)
Other comprehensive loss for the year	-	-	(1,743)	-	-	(1,743)	-	(1,743)
Balance as at 31 December 2019	**909,831**	**86,726**	**(10,344)**	**23,886**	**(376,601)**	**633,498**	**(32,062)**	**601,436**
Group								
2018								
Balance as at 31 December 2018	909,831	86,726	11,611	23,886	263,124	1,295,178	(11,699)	1,283,479
Prior year adjustments and adoption of SFRS (I)	-	-	5,510	-	(101,901)	(96,391)	6	(96,385)
Balance as at 1 January 2018	909,831	86,726	17,121	23,886	161,223	1,198,787	(11,693)	1,187,094
Total comprehensive income/(loss) for the year:								
Loss for the year	-	-	-	-	(321,785)	(321,785)	(11,772)	(333,557)
Other comprehensive loss for the year	-	-	(25,722)	-	-	(25,722)	-	(25,722)
Balance as at 31 December 2018	**909,831**	**86,726**	**(8,601)**	**23,886**	**(160,562)**	**851,280**	**(23,465)**	**827,815**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Operating activities			
Loss after tax		**(224,636)**	(333,557)
Adjustments for:			
Income tax	10	**18,302**	(41,163)
Fair value gain on investment properties	8	**(76,532)**	(22,375)
Gain on disposal of property, plant and equipment	8	**(6)**	-
Gain on disposal of joint venture	8	**(8,598)**	-
Gain on disposal of financial assets, FVOCI	8	**(1,528)**	-
Impairment for non-current assets held for sale	8	**40,267**	54,852
Unrealised exchange differences		**(29,259)**	103,911
Interest expense	9	**219,714**	176,180
Depreciation expense	5	**3,960**	2,905
Amortisation of prepaid leases	5	**223**	223
Provision for liabilities on legal cases	8	**3,703**	-
Loss on revocation of purchase of investment properties	8	**-**	4,243
Impairment loss on insurance assets	8	**-**	3,210
Impairment loss on goodwill	8	**-**	4,192
Interest income	7	**(4,736)**	(2,606)
Operating cash flows before movements in working capital		**(59,126)**	(49,985)
Trade and other receivables		**(13,854)**	322,407
Contract assets		**(7,677)**	(10,973)
Inventories		**(10)**	(2)
Development properties		**(166,832)**	63,415
Properties held for sale		**(1,674)**	51,133
Trade and other payables		**196,319**	(293,999)
Contract liabilities		**(10,851)**	(36,989)
Provisions		**(3,703)**	1,500
Cash (used in)/provided by operations		**(67,408)**	46,507
Interest paid		**(85,227)**	(168,835)
Interest received		**4,736**	2,606
Income tax refunded/(paid)		**821**	(66,166)
Net cash used in operating activities		**(147,078)**	(185,888)
Investing activities			
Purchase of property, plant and equipment	20	**(301)**	(1,026)
Proceeds from disposal of joint venture	24	**8,598**	-
Proceeds from disposal of financial assets, FVOCI		**2,828**	-
Investment in associated companies	23	**(5)**	(40)
Proceeds from disposal of property, plant and equipment		**6**	-
Proceeds from disposal of non-current assets held for sale		**85,000**	-
Addition to investment properties	21	**-**	(15,640)
Net cash provided by/(used in) investing activities		**96,126**	(16,706)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Financing activities			
Decrease in restricted cash		**182,076**	2,955
Lease payments		**-**	(6,354)
Repayment of lease liabilities		**(7,506)**	-
New bank loans raised		**37,175**	330,359
Other loans raised		**162,160**	137,799
Repayment of bank loans		**(221,584)**	(74,114)
Repayment of other loans		**(107,034)**	(205,075)
Proceed from/(repayment to) former non-controlling interests		**4,037**	(11,617)
Net cash provided by financing activities		**49,324**	173,953
Net decrease in cash and cash equivalents		**(1,628)**	(28,641)
Cash and cash equivalents at beginning of year		**17,525**	46,166
Cash and cash equivalents at end of year	12	**15,897**	17,525

Reconciliation of liabilities arising from financing activities

					Non-cash changes			
	1 January 2019 RMB'000	Proceeds from borrowings RMB'000	Adoption of SFRS(I) 16 RMB'000	Principal and interest payments RMB'000	Foreign exchange movement RMB'000	Interest expense RMB'000	Trade and other payables RMB'000	31 December 2019 RMB'000
Bank loans	593,964	37,175	-	(253,043)	-	31,459	-	409,555
Other loans	1,293,320	162,160	-	(160,802)	14,655	178,362	(124,594)	1,363,101
Lease liabilities	178,579	-	6,785	(7,506)	-	9,893	-	187,751

				Non-cash changes	
	1 January 2018 RMB'000	Proceeds from borrowings RMB'000	Principal and interest payments RMB'000	Foreign exchange movement RMB'000	31 December 2018 RMB'000
Bank loans	267,241	330,359	(74,114)	70,478	593,964
Other loans	1,367,426	137,799	(205,075)	(6,830)	1,293,320

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General information

Debao Property Development Limited (the "Company") is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "Singapore Exchange" or "SGX-ST") and incorporated and domiciled in Singapore. The address of its registered office and principal place of business is at 80 Raffles Place, #32-01, UOB Plaza 1, Singapore 048624.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiary corporations, associated companies and a joint venture are disclosed in Note 22, 23 and 24 to the financial statements.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements are presented in Chinese Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") as indicated.

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases:

Adoption of SFRS(I) 16 *Leases*

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the statement of financial position. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.16.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 *Lease* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of SFRS(I) 16 *Leases* (continued)

(a) When the Group is the lessee (continued)

ii) On a lease-by-lease basis, the Group has:

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its ROU assets at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019. For ROU assets which meet the definition of an investment property, the Group had measured the ROU assets at their fair values at 1 January 2019.

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristics.

(iii) The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

(iv) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

	Increase RMB'000
Investment properties (Note 21)	6,785
Lease liabilities	6,785

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of SFRS(I) 16 *Leases* (continued)

The explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	9,506
Less: Short-term leases	(1,514)
Less: Discounting effect using weighted average incremental borrowing rate of 4.75%	(1,207)
Lease liabilities recognised as at 1 January 2019	6,785

At 1 January 2019, the lease payables relatinge to the investment property held under an operating lease are reclassified to lease liabilities. The differences between the carrying amount of the ROU assets and lease liabilities as at the date of initial application of SFRS(I) 16 are immaterial to the Group.

Going concern

In preparing the financial statements, the Board of Directors has considered the operations of the Group as a going concern notwithstanding that the Group incurred a net loss of RMB224,636,000 (2018: RMB333,557,000) for the financial year ended 31 December 2019 and was in a net current liabilities position of RMB869,286,000 (2018: net current asset position of RMB437,048,000) as at that date. The Group's operations are highly dependent on borrowings and as at 31 December 2019, total borrowings amounted to RMB1,772,656,000 (2018: RMB1,887,284,000) and amounts classified as current amounted to RMB1,438,362,000 (2018: RMB526,466,000). During the financial year, to support the Group's operating cash flow requirements, the Group obtained loans from individuals and other non-financial institutions amounting to RMB162,160,000 and the total outstanding balance of other loans as at 31 December 2019 is RMB1,363,101,000. These other loans from individuals and other non-financial institutions bore average annual interest rate ranging from 18% to 38% and the Group incurred interest expense amounting to RMB178,362,000 for the financial year ended 31 December 2019.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2019 is still appropriate after taking into consideration the following assumptions and measures:

(a) The Group is confident in obtaining the lenders' approval for roll over of all the loans, which are due in the financial year ending 31 December 2020;

(b) The Group's ability to sell the development properties at the current market selling price and the timing of the receipt of proceeds estimated by management;

(c) The ongoing litigation cases do not have any significant adverse impact on the Group's core operations; and

(d) The Group's controlling shareholder has provided an undertaking to provide continuing financial support to the Group for the next 12 months after reporting date; and

(e) The Group is able to generate positive cash flow from operations for the next twelve months and with the satisfactory outcome of (a) to (d) above, the Group would have sufficient cash to meet its obligations as and when they fall due for the next twelve months.

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern **(continued)**

In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

2.2 Revenue recognition

(a) Revenue from development properties

The Group develops and sells residential and commercial properties before completion of construction of the properties.

Revenue is recognised when control over the property has been transferred to the customer, either over time or at a point in time.

For development properties whereby the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

For development properties whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset, i.e. at a point in time.

Estimates of revenue, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision are made known to the Group.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relate less the costs that relate directly to providing the goods and that have not been recognised as expenses.

(b) Revenue from sale of investment properties

Management is of the view that each contract comprises a single performance obligation which is satisfied at a point in time. Hence, the revenue is recognised when the control of the properties (for example, title deed transfer) is transferred to the customers and the customers have accepted it in accordance with the sales and purchase agreement.

2 Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(c) Property management service income

Management fee income is recognised when services are rendered and each contract comprises a single performance obligation which is satisfied over time. Hence, the revenue is recognised when the service is rendered.

(d) Revenue from construction contracts

Certain entities within the Group construct properties for property developers. Revenue is recognised when the control over the property has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the property over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the completed property is delivered to the customers and the customers have accepted it in accordance with the sales contract.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms follows the industry practice to protect the performing entity from the customers' failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Estimates of revenue, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision are made known to the Group.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

(e) Property rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(f) Interest income

Interest income, including income arising from financial instruments, is recognised using the effective interest method.

2 Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(g) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.4 Group accounting

(a) Subsidiary corporations

(i) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) Subsidiary corporations (continued)

(ii) Acquisitions (continued)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the identifiable net assets of the subsidiary corporation acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation, including any goodwill, are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations, associated companies and joint ventures" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) Associated companies and joint ventures

An associated company is an entity over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(c) Associated companies and joint ventures (continued)

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on the associated companies and joint ventures represents the excess of the cost of acquisition of the associated companies or joint ventures over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction at the carrying amount of the investments.

When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of the associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations, associated companies and joint ventures" for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2 Significant accounting policies (continued)

2.5 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using for purpose other than to produce inventories.

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Land	28 years
Building	20 years
Plant & machinery	5 years
Motor vehicles	5 years
Equipment, furniture and fixtures	3 - 5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains/(losses) - net".

2 Significant accounting policies (continued)

2.6 Intangible assets

Goodwill

Goodwill on acquisitions of subsidiary corporations and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of the subsidiary corporations include the carrying amount of goodwill relating to the entity sold.

2.7 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.8 Investment properties

(a) Measurement

Investment properties include those portions of commercial buildings, commercial units and residential units that are held for long-term rental yields and/or for capital appreciation. Investment properties include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest and best use basis. Changes in fair values are recognised in profit or loss.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

(b) Disposal

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

(c) Transfers

Transfers to, or from, investment properties are made when there is a change in use, evidenced by:

(i) Commencement of owner-occupation with a view for own use, for a transfer from investment properties to property, plant and equipment; and

(ii) Commencement of an operating lease to another party, for a transfer from development properties to investment properties.

2 Significant accounting policies (continued)

2.9 Investments in subsidiary corporations, associated companies and joint ventures

Investments in subsidiary corporations, associated companies and joint ventures are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.10 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) *Development properties*
Properties held for sale
Property, plant and equipment
Investments in subsidiary corporations, associated companies and joint ventures

Development properties, properties held for sale, property, plant and equipment and investments in subsidiary corporations, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2 Significant accounting policies (continued)

2.11 Financial assets

(a) Classification and measurement

Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

These are subsequently measured in the amortised costs category, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains/(losses) - net". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

FVPL: Debts instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other gains/(losses) - net".

2 Significant accounting policies (continued)

2.11 Financial assets (continued)

(a) Classification and measurement (continued)

(ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains/(losses) - net", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/(losses)" in other comprehensive income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 38(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profit along with the amount previously recognised in other comprehensive income relating to that asset.

2.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 Significant accounting policies (continued)

2.13 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss computed using impairment methodology under SFRS(I) 9.

2.14 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.16 Leases

The accounting policy for leases before 1 January 2019 is as follows:

(a) When the Group is the lessee:

The Group leases motor vehicles and office equipment under finance leases and leases land, premises and office equipment under operating leases from non-related parties.

(i) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statements of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

2 Significant accounting policies (continued)

2.16 Leases (continued)

The accounting policy for leases before 1 January 2019 is as follows: (continued)

(a) When the Group is the lessee: (continued)

(ii) Lessee - Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) When the Group is the lessor:

The Group sublets its leasehold land and premises and freehold properties under operating leases to non-related parties.

Lessor - Operating leases

Leases of leasehold land and premises and freehold properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

The accounting policy for leases after 1 January 2019 is as follows:

(a) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

  The Group recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

  Right-of-use assets (except for those which meets the definition of an investment property) are presented within "Property, plant and equipment".

  Right-of-use assets which meets the definition of an investment property are presented within "Investment properties" and accounted for in accordance with Note 2.8.

2 Significant accounting policies (continued)

2.16 Leases (continued)

The accounting policy for leases after 1 January 2019 is as follows: (continued)

(a) *When the Group is the lessee: (continued)*

- Lease liabilities

  The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

  Lease payments include the following:

  - Fixed payments (including in-substance fixed payments), less any lease incentives receivables;
  - Variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
  - Amounts expected to be payable under residual value guarantees;
  - The exercise price of a purchase option if it is reasonably certain to exercise the option; and
  - Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

  For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease components for property leases and account for these as one single lease component.

  Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

  - There is a change in future lease payments arising from changes in an index or rate;
  - There is a change in the Group's assessment of whether it will exercise an extension option; or
  - There is modification in the scope or the consideration of the lease that was not part of the original term.

  Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short term and low value leases

  The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2.17 Prepaid leases

Prepaid leases comprise land use rights and prepaid land rentals for use of mines. These are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease terms ranges from 40 to 50 years. The prepaid land rentals are amortised on a straight-line basis over the lease terms ranges from 18 to 20 years. The estimated useful lives and amortisation method are reviewed at the end of each year end, with the effect of any changes in estimate being accounted for on a prospective basis.

2 Significant accounting policies (continued)

2.18 Development properties and properties held for sale

(a) Development properties

Development properties are those land and properties which are held with the intention for development and sale in the ordinary course of business. They are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. The write-down to net realisable value is presented as allowance for foreseeable losses.

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding the development properties are also capitalised, on a specific identification basis as part of the cost of the development properties until the completion of development. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable. When it is probable that the cost of development properties will exceed sale proceeds of the development properties, the expected loss is recognised as an expense immediately. The development properties in progress have operating cycles longer than one year. Revenue recognition on properties under development is described in Note 4 to the financial statements.

(b) Properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes cost of land and construction costs, related overhead expenditure, and financing charges and other net costs incurred during the period of development. Write-down is made when it is anticipated that the development properties' net realisable value has fallen below cost. Revenue recognition on completed properties held for sale is described in Note 4 to the financial statements.

2.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.20 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

2 Significant accounting policies (continued)

2.20 Income taxes (continued)

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment properties measured at fair value are presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair or replace products still under warranty at the reporting date. This provision is based on historical experience of the level of repairs and replacements.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised in the profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.22 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) 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 reporting date.

(c) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes 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.

2 Significant accounting policies (continued)

2.23 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is Singapore Dollar. The financial statements are presented in Chinese Renminbi and have been rounded to the nearest thousand ("RMB'000") as majority of the Group's transactions are denominated in RMB.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "Finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "Other gains/(losses) - net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer who is responsible for allocating resources and assessing performance of the operating segments.

2 Significant accounting policies (continued)

2.25 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the statement of financial position. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.26 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When entity purchases its own ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.27 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.28 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates, assumptions and judgements in applying the entity's accounting policies

(a) *Provision of expected credit loss ("ECL") of trade and other receivables*

The Group uses the simplified approach permitted by SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables. The loss rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The loss rates are initially based on management's historical observed default rates. Management will calibrate and adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

3 Critical accounting estimates, assumptions and judgements (continued)

3.1 Critical accounting estimates, assumptions and judgements in applying the entity's accounting policies (continued)

(a) Provision of expected credit loss ("ECL") of trade and other receivables (continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in Note 38(b).

The carrying amount of trade receivables as at 31 December 2019 is RMB9,963,000 (2018: RMB16,608,000).

For other receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the other receivables has not increased significantly since initial recognition, the Group measures the loss allowance for other receivables at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The carrying amount of other receivables as at 31 December 2019 is RMB501,696,000 (2018: RMB530,935,000)

(b) Estimation of net realisable value for development properties

Development properties are stated at the lower of cost and net realisable value.

The Group assesses at each reporting date the net realisable value of development properties by reference to sales prices of comparable properties, timing of sale launches, location of property, expected net selling prices and development expenditure. Market conditions may, however, change which may affect the future selling prices on the remaining unsold units of the development properties and accordingly, the carrying amount of development properties for sale may have to be written down in future periods.

The carrying amount of the development properties stated at net realisable value as at 31 December 2019 is RMB1,149,377,000 (2018: RMB970,855,000).

(c) Valuation of investment properties

As disclosed in Note 21 to the financial statements, investment properties are stated at fair value based on valuations performed by an independent professional valuer. In determining the fair value, the valuer has used a valuation method which involves certain estimates. In relying on the valuation reports, management has exercised its judgement and is satisfied that the valuation method is reflective of current market conditions and the estimations used are appropriate.

(d) Corporate guarantees

The Group has corporate guarantees as disclosed in Note 36 to the financial statements. The determination of the probability of the counterparties claiming under the guarantees requires judgement. Based on expectations at the end of the reporting period, management considers that it is more likely than not that no amount will be payable under the arrangement.

3 Critical accounting estimates, assumptions and judgements (continued)

3.1 Critical accounting estimates, assumptions and judgements in applying the entity's accounting policies (continued)

(e) Land Appreciation Tax ("LAT")

All income from sale of properties in the People's Republic of China ("PRC") is subjected to LAT at progressive rates under the PRC tax laws and regulations. Management has to estimate the LAT progressive rate to provide for LAT in accordance with the PRC tax laws and regulations.

The Group, as disclosed in Notes 10 and 33 to the financial statements, considered the provision of LAT to be adequate.

(g) Construction contracts

The Group has significant ongoing contracts to construct property. Revenue is recognised when the control over the property has been transferred to the customer. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for onerous contracts is recognised immediately.

Significant judgement is used to estimate these total contract costs to complete. In making these estimates, Management has relied on the expertise of the surveying engineers to determine the progress of the construction and also on past experience of completed projects.

As at 31 December 2019, RMB18,650,000 (2018: RMB10,973,000) of the Group's contract assets is subject to the estimation of progress towards completion using the input method. If the total contract cost of on-going contracts to be incurred had been higher/lower by 10% from Management's estimates, the Group's revenue and contract assets would have been lower/higher by RMB1,865,000 (2018: RMB1,097,000) respectively. If the total contract costs of on-going contracts to be incurred had been higher by 10% from Management's estimates, a provision for onerous contracts of RMB1,865,000 (2018: RMB1,097,000) would have been recognised.

3.2 Critical judgements in applying the entity's accounting policies

(a) Deferred income tax

The Group recognises income tax liabilities and assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, management judgement is required in determining the amount of current and deferred income tax recognised and the extent to which amounts should or can be recognised.

A deferred income tax asset is recognised for tax losses and capital allowances carried forward if it is probable that the entities within the Group will generate sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations in the respective jurisdictions in which the respective entities within the Group operates in.

If the tax authority regards the entities within the Group is not satisfying and/or meeting certain statutory requirements in their respective countries of incorporation, the unrecognised tax losses and merger and acquisition allowances will be forfeited.

The carrying values of deferred tax assets and deferred tax liabilities are set out in Note 33.

3 Critical accounting estimates, assumptions and judgements (continued)

3.2 Critical judgements in applying the entity's accounting policies (continued)

(b) Sale of development properties

For the sale of development properties, the Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. In making the assessment, the Group considered the terms of the contracts entered into with customers and the provisions of relevant laws and regulations applicable to the contracts. The assessment of whether the Group has an enforceable right to payment for performance completed to date involves judgement made in determining the enforceability of the right to payment under the legal environment of the jurisdictions where the contracts are subject to.

Revenue from sale of development properties is disclosed in Note 4.

4 Revenue from contracts with customers

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Revenue from contract revenue with customers:		
- Sales of investment properties	**1,096**	-
- Sales of development properties	**24,181**	66,558
Revenue from construction contracts	**31,814**	69,179
Property management service income	**20,813**	19,250
	77,904	154,987
Property rental income	**20,177**	17,031
	98,081	172,018

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following categories, by nature of revenue and geographical regions.

	At a point in time RMB'000	Over time RMB'000	Total RMB'000
2019			
Sales of investment properties			
- China	**429**	**-**	**429**
- Malaysia	**667**	**-**	**667**
Sales of development properties			
- China	**24,181**	**-**	**24,181**
Revenue from construction contracts			
- China	**-**	**31,814**	**31,814**
Property management service income			
- China	**20,813**	**-**	**20,813**
	46,090	**31,814**	**77,904**

4 Revenue from contracts with customers (continued)

(a) *Disaggregation of revenue from contracts with customers* (continued)

	At a point in time RMB'000	Over time RMB'000	Total RMB'000
2018			
Sales of development properties			
- China	66,558	-	66,558
Revenue from construction contracts			
- China	-	69,179	69,179
Property management service income			
- China	19,250	-	19,250
	85,808	69,179	154,987

(b) *Contract assets and liabilities*

	2019 RMB'000	2018 RMB'000
Over time:		
Contract assets – construction contracts	**18,650**	10,973
Point in time:		
Contract liabilities – sales of properties	**64,859**	75,710

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date arising from construction contracts. Contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

Contract assets increased due to the timing differences between the agreed payment schedule and the progress of the construction work.

Contract liabilities are in relation to advance consideration received from customers. The contract liabilities are recognised as revenue when the Group fulfils its performance obligations under contract when control of properties transfers to the customer.

Revenue recognised in relation to contract liabilities

	Group	
	2019 RMB'000	2018 RMB'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the year		
- Sales of development properties	**19,297**	36,989

(c) *Assets recognised from costs to fulfil contracts*

The Group has no other current assets in relation to costs to fulfil contracts with customers. Costs are amortised to profit or loss as cost of sales on a basis consistent with the pattern of recognition of the associated revenue.

Based on the Group's assessment, the expected costs to complete the remaining construction contracts as at 31 December 2019 are expected to be completely recovered through contract revenue, hence no expected loss is recognised in the financial year ended 31 December 2019 (2018: RMB Nil).

5 Expenses by nature

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Amortisation of prepaid leases (Note 18)	**223**	223
Cost of construction contracts, development properties and investment properties	**70,929**	84,194
Director's fees	**799**	811
Depreciation of property, plant and equipment (Note 20)	**3,960**	2,905
Employee compensation (Note 6)	**22,896**	26,519
Entertainment expenses	**2,514**	2,046
Traveling expenses	**1,008**	1,022
Marketing expenses	**5,278**	6,174
Fees on audit services paid/payable to:		
- Auditor of the Company	**2,026**	1,407
Fees on non-audit services paid/payable to:		
- Auditor of the Company	**32**	22

6 Employee compensation

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Wages and salaries	**20,356**	22,240
Employer's contribution to defined contribution plans	**2,150**	4,053
Other short-term benefits	**390**	226
	22,896	26,519

7 Other income

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Bank interest income	**4,736**	2,606
Sundry income	**3,470**	668
Total	**8,206**	3,274

8 Other gains/(losses) - net

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Bad debts written off – trade receivables	**-**	(19,323)
Bad debts written off – other receivables	**-**	(106,473)
Loss upon revocation	**-**	(4,243)
Impairment for disposal group classified as held for sale (Note 19)	**(40,267)**	(54,852)
Insurance assets written-off (Note 26)	**-**	(3,210)
Impairment loss on goodwill (Note 27)	**-**	(4,192)
Gain on disposal of joint venture (Note 24)	**8,598**	-
Gain on disposal of financial assets, FVOCI (Note 25)	**1,528**	-
Gain on disposal of property, plant and equipment	**6**	-
Foreign exchange losses, net	**(10,052)**	(53,592)
Fair value gain on investment properties recognised in profit or loss (Note 21)	**76,532**	22,375
Provision for liabilities on legal cases (Note 32(b))	**(3,703)**	-
Provision for rectification cost of disposed subsidiary corporations' development properties (Note 32(b))	**-**	(1,500)
Other expenses	**(2,265)**	(5,761)
Total	**30,377**	(230,771)

9 Finance expenses

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Interest expense		
- Borrowings	**209,821**	176,545
- Finance lease liabilities	**-**	34
- Lease liabilities	**9,893**	-
	219,714	176,579
Less: Amount capitalised as cost of investment properties	**-**	(399)
	219,714	176,180

10 Income taxes

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Income tax expense/(credit)		
Tax expense/(credit) attributable to profit/(loss) is made up of:		
Loss for the financial year:		
- Current income tax	**(6)**	446
- Deferred income tax (Note 33)	**18,308**	(41,609)
	18,302	(41,163)

10 Income taxes (continued)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the People's Republic of China standard rate of income tax is as follow:

	Group 2019 RMB'000	Group 2018 RMB'000
Loss before income tax	**(206,334)**	(374,720)
Tax calculated at tax rate of 25% (2018: 25%)	**(51,584)**	(93,680)
Effects of:		
- Different tax rates in other countries	**18,061**	14,920
- Expenses not deductible for tax purposes	**63,953**	36,804
- Income not subject to tax	**(1,542)**	(1,944)
- Deferred income tax assets not recognised	**-**	21,115
- Utilisation of previously unrecognised capital allowance and tax losses	**(10,586)**	(19,893)
- Land appreciation tax	**-**	1,515
Tax charge/(credit)	**18,302**	(41,163)

11 Loss per share

(a) *Basic loss per share*

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group 2019	Group 2018
Net loss attributable to equity holders of the Company (RMB'000)	**(216,039)**	(321,785)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**75,000**	75,000
Basic loss per share (cents per share)	**(288)**	(429)

(b) *Diluted loss per share*

For the purpose of calculating diluted loss per share, net loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has the following dilutive potential ordinary shares: share options.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised.

The number of shares that could have been issued upon the exercise of all dilutive share options less the number of share that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net loss.

11 Loss per share (continued)

(b) *Diluted loss per share* (continued)

Diluted loss per share attributable to equity holders of the Company is calculated as follows:

	Group	
	2019	**2018**
Net loss attributable to equity holders of the Company and used to determine diluted earnings per share (RMB'000)	**(216,039)**	(321,785)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**75,000**	75,000
Diluted loss per share (cents per share)	**(288)**	(429)

12 Cash and cash equivalents

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash at bank and on hand	**15,897**	17,525	**30**	35

13 Restricted cash

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Fixed deposits pledged for bank loans for development properties	**20,000**	202,076

The average effective interest rate of fixed deposits ranged from 0.50% to 2.10% (2018: 0.11% to 2.10%) per annum and the fixed deposits have a tenure of approximately 360 days (2018: 360 days).

Significant restrictions

Cash in bank of RMB20,000,000 (2018: RMB202,076,000) is held in the People's Republic of China and are subject to local exchange control regulations. These local exchange regulations provide for restrictions on remitting capital from the country, other than through normal dividends.

14 Trade and other receivables

	Group	
	2019 RMB'000	2018 RMB'000
Trade receivables		
- Non-related parties	**6,526**	12,627
- Related parties	**3,437**	3,981
Trade receivables – net	**9,963**	16,608
Other receivables		
- Non-related parties	**492,775**	501,186
- Related parties	**8,921**	29,749
Other receivables – net	**501,696**	530,935
Deposits	**54,702**	44,721
Advances to non-related parties	**-**	13,281
Prepayments	**4,591**	36,433
Prepaid tax	**12,420**	12,540
Total trade and other receivables	**583,372**	654,518
Less: Non-current portion	**-**	(10,000)
Current portion	**583,372**	644,518

Included in deposits, amounting to RMB22,618,000 (2018: RMB19,551,000) was a deposit paid to a non-financial institution to secure borrowings (Note 28).

Retention monies under construction contracts amounted to RMB2,800,000 (2018: RMB4,933,000).

	Company	
	2019 RMB'000	2018 RMB'000
Other receivables – non-related parties	**228,928**	228,928
Amounts due from subsidiary corporations	**1,052,018**	1,053,068
Advance payments	*****	*
Dividend receivable	**24,320**	23,671
Total trade and other receivables	**1,305,266**	1,305,667

* Less than RMB1,000

Amounts due from subsidiary corporations are unsecured, interest-free and repayable on demand.

15 Inventories

	Group	
	2019 RMB'000	2018 RMB'000
Consumables	**247**	257

16 Properties held for sale

	Group 2019 RMB'000	Group 2018 RMB'000
Cost	**36,988**	35,314

During the year, properties with a carrying amount of RMB Nil (2018: RMB15,897,000) were transferred to investment properties.

17 Development properties

	Group 2019 RMB'000	Group 2018 RMB'000
Properties under development	**435,410**	268,578
Land for development	**702,277**	702,277
Currency translation differences	**11,690**	-
	1,149,377	970,855

At the reporting date, the development properties held by the Group are as follows:

Location	Description	Tenure	Stage of completion 2019 %	Stage of completion 2018 %	Expected date of completion	Gross floor area (sq. m)
Zhaoqing, Guangdong Province, the People's Republic of China	Sihui Project – Bay One	1	**69**	10	2021	100,000
Kuala Lumpur, Malaysia	Imbi Project	3	**33**	15	2023	185,000
Kuala Lumpur, Malaysia	Plaza Rakyat Project *	5	**10**	10	2023	685,000

Project	Group's effective interest 2019 %	Group's effective interest 2018 %
Sihui Project - Phase II	**100**	100
Imbi Project	**100**	100
Plaza Rakyat Project *	**-**	-

*: Classified as held for sale as at 31 December 2018 and 2019.

Certain bank borrowings are secured by development properties of the Group with carrying amounts of RMB702,277,000 (2018: RMB702,277,000) (Note 28).

18 Prepaid leases

	Group		
	Prepaid land rentals RMB'000	Prepaid leases RMB'000	Total RMB'000
Cost			
As at 31 December 2018 and 2019	2,627	2,973	5,600
Accumulated amortisation			
As at 1 January 2018	568	668	1,236
Amortisation during the year (Note 5)	142	81	223
As at 31 December 2018	710	749	1,459
Amortisation during the year (Note 5)	142	81	223
As at 31 December 2019	852	830	1,682
Carrying amount			
As at 31 December 2018	1,917	2,224	4,141
As at 31 December 2019	**1,775**	**2,143**	**3,918**
Amount to be amortised:			
As at 31 December 2018			
- Current	142	81	223
- Non-current	1,775	2,143	3,918
As at 31 December 2019			
- Current	**142**	**81**	**223**
- Non-current	**1,633**	**2,062**	**3,695**

The Group has prepaid leases in the People's Republic of China ("PRC") where the Group's PRC corporate office and administrative facilities reside. The prepaid leases for the PRC corporate office have a remaining tenure of 27 years (2018: 28 years).

The prepaid land rentals represent land use rights for a mine, under operating lease arrangements before the mining concession is obtained. The prepaid land rentals for the mine have a remaining tenure of 12 to 14 years (2018: 13 to 15 years).

19 Disposal group classified as held-for-sale

During the financial year ended 31 December 2018, the Group has committed to a plan to dispose its partially-owned subsidiary corporation in Malaysia, Profit Consortium Sdn. Bhd. ("PCSB"). On 26 April 2019 and 25 July 2019, the Group's management signed sales and purchase agreements with buyers to dispose 43% and 19% of the Group's shareholdings in PCSB respectively. Therefore, as at 31 December 2018, the entire assets and liabilities relating to PCSB are presented as a disposal group held-for-sale. An impairment loss of RMB54,852,000 was recognised in financial year ended 31 December 2018.

During the financial year ended 31 December 2019, 43% of the Group's shareholdings in PCSB was transferred to the buyer. As at 31 December 2019, the remaining 19% of the Group's shareholding in PCSB has not been transferred to the contractual buyer. Therefore, as at 31 December 2019, the remaining assets and liabilities related to the Group's 19% shareholding in PCSB continue to be presented as a disposal group held-for-sale, and a further impairment loss of RMB40,267,000 was recognised in current year's profit or loss.

Details of the assets of disposal group classified as held-for-sale are as follows:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Trade and other receivables	**95,724**	167,327
Development properties	**51,278**	174,583
Cash and cash equivalents	*****	3
Property, plant and equipment (Note 20)	*****	5
	147,002	341,918

* Less than RMB1,000

Details of the liabilities directly associated with disposal group classified as held-for-sale were as follows:

Trade and other payables	**46,736**	87,066
Net assets	**100,267**	254,852
Impairment loss to be recognised (Note 8)	**(40,267)**	(54,852)
Re-classed to other receivables due to repayment of liabilities on behalf by the new acquirer	**(58,000)**	(194,000)
Net assets of disposal group classified as held-for-sale	**2,000**	6,000

In accordance with SFRS(I) 5, the assets of disposal group classified as held-for-sale and liabilities directly associated with disposal group classified as held-for-sale were written down to their fair value less costs to sell of RMB2,000,000 (2018: RMB6,000,000).

20 Property, plant and equipment

	Building RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, furniture and fixtures RMB'000	Total RMB'000
Group					
2019					
Cost					
Beginning of financial year	36,655	4,185	10,565	4,317	55,722
Currency translation differences	-	-	38	774	812
Additions	-	-	78	223	301
Write off	-	(4,176)	(495)	(215)	(4,886)
Disposals	-	-	(247)	(5)	(252)
End of financial year	36,655	9	9,939	5,094	51,697
Accumulated depreciation and impairment losses					
Beginning of financial year	13,175	4,178	9,279	3,219	29,851
Currency translation differences	-	-	27	6	33
Depreciation charge (Note 5)	3,054	-	472	434	3,960
Write off	-	(4,176)	(495)	(215)	(4,886)
Disposals	-	-	(247)	(5)	(252)
End of financial year	16,229	2	9,036	3,439	28,706
Net book value					
Beginning of financial year	23,480	7	1,286	1,098	25,871
End of financial year	**20,426**	**7**	**903**	**1,655**	**22,991**

20 Property, plant and equipment (continued)

	Building RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, furniture and fixtures RMB'000	Total RMB'000
Group					
2018					
Cost					
Beginning of financial year	37,519	4,185	10,717	4,659	57,080
Currency translation differences	(864)	-	55	(748)	(1,557)
Reclassified as assets held for sale (Note 19)	-	-	-	(5)	(5)
Additions	-	-	579	447	1,026
Disposals	-	-	(786)	(36)	(822)
End of financial year	36,655	4,185	10,565	4,317	55,722
Accumulated depreciation and impairment losses					
Beginning of financial year	11,332	4,178	9,491	2,659	27,660
Currency translation differences	-	-	103	5	108
Depreciation charge (Note 5)	1,843	-	471	591	2,905
Disposals	-	-	(786)	(36)	(822)
End of financial year	13,175	4,178	9,279	3,219	29,851
Net book value					
Beginning of financial year	26,187	7	1,226	2,000	29,420
End of financial year	23,480	7	1,286	1,098	25,871

Certain bank borrowings are secured by property, plant and equipment of the Group with carrying amounts of RMB20,645,000 (2018: RMB24,627,000) (Note 28).

21 Investment properties

Group	Leasehold land and buildings RMB'000	Freehold properties RMB'000	Total RMB'000
2019			
Fair value			
Beginning of financial year	2,079,528	35,523	2,115,051
Adoption of SFRS(I) 16	6,785	-	6,785
Disposal	(811)	(856)	(1,667)
Currency translation differences	-	918	918
Net fair value gain recognised in profit or loss (Note 8)	75,293	1,239	76,532
End of financial year	**2,160,795**	**36,824**	**2,197,619**
2018			
Fair value			
Beginning of financial year	1,984,305	30,834	2,015,139
Transferred from property held for sale	61,897	-	61,897
Additions	12,975	2,665	15,640
Net fair value gain recognised in profit or loss (Note 8)	20,193	2,182	22,375
End of financial year	2,079,370	35,681	2,115,051

Investment properties are leased to third parties under operating leases (Note 39).

Certain bank borrowings are secured by investment properties of the Group with carrying amounts of RMB649,003,000 (2018: RMB597,582,000) (Note 28).

The following amounts are recognised in profit or loss:

	Group	
	2019 RMB'000	2018 RMB'000
Rental income	**18,129**	17,031
Direct operating expenses arising from:		
- Revenue generating properties	**(495)**	(1,095)

21 Investment properties (continued)

At the reporting date, the details of the Group's investment properties are as follows:

Description	Location	Title	Details of occupancy
Debao Hotel Complex	No. 136 Nanhai Avenue South, Nanhai District, Foshan City, Guangdong Province	The property is held under a land use term expiring on April 6, 2046	Tenanted
Underground car parking spaces	Yitong Commercial Building, Nanhai District, Foshan City, Guangdong Province	The property is held under a land use term expiring on December 31, 2052	Tenanted
An office unit and 14 retail shop units and 10 car parking spaces	Debao Garden, Nanhai District, Foshan City, Guangdong Province	The property is held under a land use term expiring on August 16, 2068	Tenanted
Various retail shop units Phases 1 to 4, Jiangnan Mingju	No. 39 Nanyi Road, Nanhai District, Foshan City, Guangdong Province	The property is held under a land use term expiring on September 24, 2072	Tenanted
Xinliwan Garden	Haibei Road, Nanhai District, Foshan City, Guangdong Province	The property is held under a land use term expiring on April 9, 2063	Tenanted
Tianjin Hotel Street Building	Nanshi Hotel Street, Heping District, Tianjin City	The property is held under a lease term expiring on June 30, 2033	Tenanted
Sihui Project Block A Sihui Shopping Mall	Sihui, Zhaoqing City, Guangdong Province	The property is held under a land use term expiring on December 30, 2052	Tenanted
Sihui Project Block B & C retail shop units	Sihui, Zhaoqing City, Guangdong Province	The property is held under a land use term expiring on December 30, 2052	Tenanted
Green Beverly Hills Sky Bungalows	Nilai, Negeri Sembilan, Malaysia	The property is held under freehold land	Tenanted
Sihui Project 639 basement carpark units	Sihui, Zhaoqing City, Guangdong Province	The property is held under a land use term expiring on December 30, 2052	Tenanted

21 Investment properties (continued)

Fair value hierarchy - Recurring fair value measurement

	Fair value measurement using		
Description	**Quoted prices in active markets for identical assets (Level 1) RMB'000**	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**
As at 31 December 2019			
- Residential - Malaysia	**-**	**-**	**36,824**
- Commercial - China	**-**	**-**	**2,160,795**
As at 31 December 2018			
- Residential – Malaysia	-	-	35,681
- Commercial – China	-	-	2,079,370

Valuation techniques and inputs used to derive Level 3 fair values

Level 3 fair values of the Group's properties have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is the reference to market evidence of transaction prices for similar properties and the rental income of the properties, and were performed in accordance with Royal Institution of Chartered Surveyors Valuation – Global Standards 2017. In estimating the fair value of the properties, the highest and best use of the properties is their current basis. There has been no change to the valuation technique during the financial year.

Valuation process of the Group

The Group performs the valuation of the investment properties required for financial reporting purposes, including Level 3 fair values. Discussion of valuation processes and results are held between the Executive Directors based on the highest-and-best-use basis and market transacted data available publicly on a yearly basis.

There were no changes in valuation techniques during the financial year.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers into or out of fair value hierarchy levels for the financial years ended 31 December 2019 and 2018.

21 Investment properties (continued)

Description	Fair value RMB'000	Valuation technique(s)	Significant unobservable input(s)	Range
2019				
Investment properties	2,197,619	Direct comparison approach	price per square meter [(1)]	RMB7,000 - RMB31,500
		Income capitalisation approach	market rent per square meter per month [(1)]	RMB21 - RMB194
			capitalisation rate [(2)]	4.5% - 10%
2018				
Investment properties	2,115,051	Direct comparison approach	price per square meter [(1)]	RMB6,600 - RMB30,300
		Income capitalisation approach	market rent per square meter per month [(1)]	RMB20 - RMB188
			capitalisation rate [(2)]	4.5% - 10%

(1) Any significant isolated increases/(decreases) in these inputs would result in a significantly higher/(lower) fair value measurement.

(2) Any significant isolated increases/(decreases) in these inputs would result in a significantly lower/(higher) fair value measurement.

22 Investments in subsidiary corporations

	Company	
	2019 **RMB'000**	**2018** **RMB'000**
Unquoted equity shares, at cost	**10**	10
Advance to subsidiary corporation	**1,018**	1,018
	1,028	1,028
Allowance for impairment	**(1,028)**	(1,028)
End of financial year	*****	*

* Less than RMB1,000

22 Investments in subsidiary corporations (continued)

Management assessed for impairment whenever there is any objective evidence or indication that investments in subsidiary corporations may be impaired. An allowance for impairment loss was made in respect of the Company's investment in certain subsidiary corporations to reduce the carrying amount of the investments to the recoverable amounts, after taking into account the financial conditions of the related subsidiary corporations.

The Group has the following subsidiary corporations as at 31 December 2019 and 2018:

Name of Company	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2019 %	**2018 %**	**2019 %**	**2018 %**	**2019 %**	**2018 %**
Held by the Company								
Dynamic Real Estate Holdings Pte. Ltd. (1)	Investment holding	Singapore	**100**	100	**100**	100	**-**	-
Derong Real Estate Holdings Pte. Ltd. (1)	Investment holding	Singapore	**100**	100	**100**	100	**-**	-
Pavillion Treasures Land and Development Sdn. Bhd. (3)	Property development and investment	Malaysia	**100**	100	**100**	100	**-**	-
Held by Dynamic Real Estate Holdings Pte. Ltd.								
Foshan Nanhai Jiangnan Mingju Property Development Co., Ltd. (2)	Property development	People's Republic of China ("PRC")	**100**	100	**100**	100	**-**	-
Debao Property Development (HK) Limited (2))	Property development, general trade and investment	Hong Kong	**100**	100	**100**	100	**-**	-
Million Goldyear Sdn. Bhd. (4)	Property development and investment	Malaysia	**100**	100	**100**	100	**-**	-
Held by Derong Real Estate Holdings Pte. Ltd.								
Foshan Nanhai Debao Investment Management Co., Ltd. (2)	Investment property holding and development	PRC	**100**	100	**100**	100	**-**	-

22 Investments in subsidiary corporations (continued)

The Group has the following subsidiary corporations as at 31 December 2019 and 2018: (continued)

Name of Company	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Held by Foshan Nanhai Jiangnan Mingju Property Development Co., Ltd.								
Foshan Nanhai Guiyu Property Management Co., Ltd. (2)	Property management	PRC	**100**	100	**100**	100	**-**	-
Foshan Nanhai Guihe Construction Engineering Co., Ltd. (2)	Construction	PRC	**100**	100	**100**	100	**-**	-
Held by Foshan Nanhai Debao Investment Management Co., Ltd.								
Sihui Debao Jiangnan Mingju Development Co., Ltd. (2)	Investment property holding and development	PRC	**100**	100	**100**	100	**-**	-
Tianjin Hotel Street Co., Ltd. (2)	Investment property holding	PRC	**57.8**	57.8	**57.8**	57.8	**42.2**	42.2
Held by Foshan Nanhai Guiyu Property Management Co., Ltd.								
Foshan Nanhai Shun Mao Public Utilities Engineering Co., Ltd. (2)	Public utilities engineering	PRC	**100**	100	**100**	100	**-**	-
Held by Foshan Nanhai Guihe Construction Engineering Co., Ltd.								
Foshan Nanhai Yi Tian Procurement and Trading Co., Ltd. (2)	Sales and distribution of construction materials	PRC	**100**	100	**100**	100	**-**	-
Held by Foshan Nanhai Yi Tian Procurement and Trading Co., Ltd.								
Foshan Nanhai Yuzhi Landscaping Services Co., Ltd. (2)	Landscaping services	PRC	**100**	100	**100**	100	**-**	-
Foshan Nanhai Fangao Renovation Services Co., Ltd. (2)	Renovation services	PRC	**100**	100	**100**	100	**-**	-

22 Investments in subsidiary corporations (continued)

The Group has the following subsidiary corporations as at 31 December 2019 and 2018: (continued)

Name of Company	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Held by Foshan Nanhai Yuzhi Landscaping Services Co., Ltd.								
Guangdong Debao Land Co., Ltd. (2)	Property development	PRC	**50**	50	**100**	100	**-**	-
Held by Guangdong Debao Land Co., Ltd.								
Guangxi Hezhou Deneng Mining Co., Ltd. (2)	Mining, yet to commence operations	PRC	**68**	68	**68**	68	**32**	32
Held by Foshan Nanhai Fangao Renovation Services Co., Ltd.								
Guangdong Debao Real Estate Investment Co., Ltd. (2)	Property development	PRC	**50**	50	**100**	100	**-**	-
Held by Sihui Debao Jiangnan Mingju Development Co., Ltd								
Sihui BaoHeng Property Development Co., Ltd (5)	Property holding and development	PRC	**100**	-	**100**	-	**-**	-
Held by Foshan Nanhai Shun Mao Public Utilities Engineering Co., Ltd.								
Foshan Nanhai Deqiang Trading Co., Ltd. (2)	Sales and distribution of construction materials	PRC	**100**	100	**100**	100	**-**	-
Foshan Nanhai Shichu Investment Co., Ltd. (2)	Investment holding	PRC	**100**	100	**100**	100	**-**	-
Held by Debao Property Development (HK) Limited								
Deao Investment Company Limited (2)	Investment holding	PRC	**100**	100	**100**	100	**-**	-
Elite Starhill Sdn. Bhd. (3)	Property development	Malaysia	**100**	100	**100**	100	**-**	-

(1) Audited by Nexia TS Public Accounting Corporation, Singapore
(2) Audited by Nexia TS Shanghai Certified Public Accountants, China for consolidation purpose
(3) Audited by Hasnan THL Wong & Partners, Malaysia
(4) Audited by Chew & Associates, Malaysia
(5) Newly incorporated and not yet commenced operations

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiary corporations would not compromise the standard and effectiveness of the audit of the Group.

22 Investments in subsidiary corporations (continued)

The Group has the following subsidiary corporations as at 31 December 2019 and 2018: (continued)

Carrying value of non-controlling interests

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Tianjin Hotel Street Co., Ltd.	**(26,628)**	(18,234)
Others	**(5,434)**	(5,231)
Total	**(32,062)**	(23,465)

Summarised financial information of subsidiary corporations with material non-controlling interests

Set out below are the summarised financial information for the subsidiary corporation that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

There were no transactions with non-controlling interests for the financial years ended 31 December 2019 and 2018.

(i) Tianjin Hotel Street Co., Ltd.

Summarised statement of financial position	**2019**	**2018**
	RMB'000	**RMB'000**
Current		
Assets	**5,199**	2,475
Liabilities	**(293,160)**	(265,051)
Total current net liabilities	**(287,961)**	(262,576)
Non-current		
Assets	**403,259**	397,342
Liabilities	**(178,397)**	(177,975)
Total non-current net assets	**224,862**	219,367
Net liabilities	**(63,099)**	(43,209)

Summarised income statement	**2019**	**2018**
	RMB'000	**RMB'000**
Revenue	**4,629**	-
Loss before income tax	**(18,409)**	(27,073)
Income tax expenses	**(1,480)**	-
Total comprehensive loss, representing net loss	**(19,889)**	(27,073)
Total comprehensive loss allocated to non-controlling interests	**(8,393)**	(11,425)

Summarised cash flows	**2019**	**2018**
	RMB'000	**RMB'000**
Net cash provided by operating activities	**304**	12,904
Net cash used in investing activities	**(3)**	(12,796)
Net increase in cash and cash equivalents	**301**	108
Cash and cash equivalents at beginning of financial year	**271**	163
Cash and cash equivalents at end of financial year	**572**	271

23 Investments in associated companies

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Equity investment at cost		
Beginning of financial year	**40**	-
Additions	**5**	40
End of financial year	**45**	40

Set out below are the associated companies of the Group.

Name of company	**Principal activities**	**Country of business/ incorporation**	**% of ownership interest**	
			2019	**2018**
			%	**%**
Held directly by Foshan Nanhai Debao Investment Management Co., Ltd.				
Foshan Nanhai Chuangxintian Hotel management Co., Ltd. [(2)(3)(4)]	Property investment and development	PRC	**60**	60
Held directly by Guangdong Real Estate Investment Co., Ltd.				
Foshan Cai Xin Debao Property Development Co., Ltd. [(1)(2)(5)]	Property investment and development	PRC	**20**	-

(1) Audited by Nexia TS Shanghai Certified Public Accountants, China for consolidation purpose

(2) Not material to the Group

(3) 19.8% of the equity interests in the associated company is held on behalf of the Company by a related party

(4) The investee does not meet the requirements as a subsidiary corporation in accordance with SFRS(I) 10 Consolidation as the Group and the Company do not have control over the entity because they do not have power over the entity, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns due to insufficient representation on the board of directors. As such, the Group and the Company has elected to measure the investee as an associated company as it is only able to exert significant influence over the investee and its policy-making processes

(5) Newly incorporated and not yet commenced operations

24 Investment in a joint venture

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Equity investment at cost		
Beginning of financial year	*****	*
Disposal	*****	-
End of financial year	**-**	*

* Less than RMB1,000

Set out below is the joint venture of the Group as at 31 December 2019 and 2018.

24 Investment in a joint venture (continued)

Name of company	Principal activities	Country of business/ incorporation	% of ownership interest	
			2019 %	2018 %
Poly Ritz Green (Malaysia) Sdn. Bhd.	Property investment and development	Malaysia	-	50

On 30 May 2019, the Group's wholly-owned subsidiary corporation, Million Goldyear Sdn. Bhd. has disposed its 50% equity interest in Poly Ritz Green (Malaysia) Sdn. Bhd. to an unrelated party for a consideration of RM16,000,000 (RMB27,277,000) and a gain of RM5,155,000 (RMB8,598,000) has been recognised in "Other gains/(losses) – net". Following the disposal, the Group ceased to have any equity interest in Poly Ritz Green (Malaysia) Sdn. Bhd..

Jointly controlled operation

The Group entered into a joint venture agreement and supplemental agreements with a third party for the property development project "Jin Long Garden". Pursuant to these agreements, the Group is obliged to contribute 55% share of the development fund of the project and in return is entitled to 55% share of the net income of the project. The project was completed in 2012. The jointly controlled operation is audited by Nexia TS Shanghai Certified Public Accountants, China for consolidation purpose.

The above jointly controlled operation is accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly).

25 Financial assets, at fair value through other comprehensive income ("FVOCI")

	Group	
	2019 RMB'000	2018 RMB'000
Beginning of financial year	**1,300**	1,300
Disposal	**(1,300)**	-
End of financial year	**-**	1,300

Unquoted equity shares consist of investment in Foshan Nanhai Rural Credit Union. This represents an investment in 1,300,000 shares of Foshan Nanhai Rural Credit Union at RMB1 each. The Directors of the Company are of the view that the fair value of unquoted share cannot be measured reliably. Accordingly, the investment cost is deemed as fair value as at 31 December 2018. The equity shares were disposed in 2019, with a gain on disposal of RMB1,528,000.

26 Insurance assets

	Group	
	2019 RMB'000	2018 RMB'000
Beginning of financial year	**-**	3,210
Written off (Note 8)	**-**	(3,210)
End of financial year	**-**	-

The insurance assets relate to life insurance policies purchased by two key management personnel of a subsidiary corporation. The contracts will mature in 2045, or death of the insured person whichever is earlier. At the time of death of the insured person, 100% of the insured amount will be payable to the Group. The insurance policies lapsed during the previous financial year due to non-payment of the premium, hence have been written off.

27 Goodwill

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Equity investment at cost		
Goodwill	**-**	-
Cost		
Beginning and end of financial year	**4,192**	4,192
Accumulated impairment		
Beginning of financial year	**(4,192)**	-
Impairment of goodwill (Note 8)	**-**	(4,192)
End of financial year	**(4,192)**	(4,192)
End of financial year		
Net book value	**-**	-

Impairment tests for goodwill

Goodwill on consolidation arose from the acquisition of Tianjin Hotel Street Co., Ltd. and has been allocated to the Group's property investment segment in China as the cash-generating unit ("CGU").

The recoverable amount of a CGU was determined based on value-in-use calculations. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the property investment business in which the CGU operates. The key assumptions and estimates used in the calculations are revenue growth of Nil (2018: Nil) and discount rate of Nil (2018: Nil).

Management determined budgeted revenue growth based on past performance and its expectations of market/economic conditions and developments. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

An impairment charge of RMB4,192,000 is included within "Other gains/(losses) – net" in the consolidated statement of comprehensive income of the financial year ended 31 December 2018. There is no impairment charge during the year as the CGU have been fully impaired. The Group has also reassessed the useful lives of its property, plant and equipment related to the same business segment and determined that no changes in the useful lives were required.

28 Borrowings

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Current		
Bank borrowings	**75,261**	264,996
Other loans	**1,363,101**	261,470
	1,438,362	526,466
Non-current		
Bank borrowings	**334,294**	328,968
Other loans	**-**	1,031,850
	334,294	1,360,818
Total	**1,772,656**	1,887,284

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the reporting date are as follows:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
6 months or less	**409,555**	593,964

The Group has principal bank and other loans as follows:

(a) A loan from a lender amounting to RMB Nil (2018: RMB44,980,000) is interest free, unsecured and repayable on demand.

(b) Loans from a lender amounting to RMB1,046,505,000 (2018: RMB1,031,850,000) with an effective interest rate of 11.67% (2018: 9.71%) per annum, is secured by a director of the Group and subsidiaries and repayable on demand.

(c) A loan from a lender amounting to RMB343,080,200 (2018: RMB350,847,000) with an effective interest rate of 7.35% (2018: 7.35%) per annum, is secured by investment properties of the Group and repayable on demand.

(d) A loan from a lender amounting to RMB Nil (2018: RMB142,110,000) with an effective interest rate of Nil% (2018: 4.22%) per annum, is secured by subsidiaries and repayable on demand.

(e) A loan from a lender amounting to RMB Nil (2018: RMB39,534,000) with an effective interest rate of Nil% (2018: 15.00%) per annum, is unsecured and repayable on demand.

(f) A loan from a lender amounting to RMB37,925,000 (2018: RMB37,300,000) with an effective interest rate ranging from 1.55% to 8.50% (2018: 4.75% to 8.50%) per annum, is secured by subsidiaries and investment properties of the Group and repayable on demand.

(g) A loan from a lender amounting to RMB Nil (2018: RMB35,000,000) with an effective interest rate of Nil% (2018: 30.00%) per annum, is unsecured and repayable on demand.

(h) A loan from a lender amounting to RMB Nil (2018: RMB35,000,000) with an effective interest rate of Nil% (2018: 42.00%) per annum, is unsecured and repayable on demand.

(i) A loan from a lender amounting to RMB Nil (2018: RMB33,707,000) with an effective interest rate of Nil% (2018: 3.00%) per annum, is secured by subsidiaries and repayable on demand.

28 Borrowings (continued)

The Group has principal bank and other loans as follows: (continued)

(j) A loan from a lender amounting to RMB Nil (2018: RMB20,000,000) with an effective interest rate of Nil% (2018: 34.80%) per annum, is unsecured and repayable on demand.

(k) A loan from a lender amounting to RMB20,000,000 (2018: RMB20,000,000) with an effective interest rate of 22.20% (2018: 22.20%) per annum, is secured by property of the Group and repayable on demand.

(l) Loans from a lender amounting to RMB15,000,000 (2018: RMB15,000,000) with an effective interest rate at 6.09% (2018: 6.09%) per annum, is secured by investment properties of the Group and repayable on demand.

(m) Loans from a lender amounting to RMB5,000,000 (2018: RMB15,000,000) with an effective interest rate at 5.49% (2018: 5.49%) per annum, is secured by investment properties of the Group and repayable on demand.

(n) A loan from a lender amounting to RMB8,000,000 (2018: RMB8,000,000) with an effective interest rate of 1.00% (2018: 1.00%) per annum, is unsecured and repayable on demand.

(o) A loan from a lender amounting to RMB Nil (2018: RMB46,708,000) is interest free, unsecured and repayable on demand.

(p) A loan from a lender amounting to RMB70,000,000 (2018: RMB Nil) is interest free, unsecured and repayable on demand.

(q) A loan from a lender amounting to RMB Nil (2018: RMB12,645,000) with an effective interest rate at 5.22% to 5.88% (2018: 5.22% to 5.88%) per annum, unsecured and repayable on demand.

(r) A loan from a lender amounting to RMB2,113,000 (2018: RMB2,113,000) is interest free, unsecured and repayable on demand.

(s) A loan from a lender amounting to RMB Nil (2018: RMB3,000,000) with an effective interest rate at Nil% (2018: 30%) per annum, is unsecured and repayable on demand.

(t) A loan from a lender amounting to RMB20,000,000 (2018: RMB Nil) with an effective interest rate at 33.60% (2018: Nil%) per annum, is unsecured and repayable on demand.

(u) A loan from a lender amounting to RMB8,000,000 (2018: RMB Nil) with an effective interest rate at 12.00% (2018: Nil%) per annum, is unsecured and repayable on demand.

(v) A loan from a lender amounting to RMB2,850,000 (2018: RMB2,850,000) with an effective interest rate at 9.50% (2018: 9.50%) per annum, is unsecured and repayable on demand.

(w) A loan from a lender amounting to RMB5,700,000 (2018: RMB Nil) with an effective interest rate at 5.00% (2018: Nil%) per annum, is unsecured and repayable on demand.

(x) A loan from a lender amounting to RMB190,597,000 (2018: RMB98,900,000)with an effective interest rate at 14.20% (2018: 14.20%) per annum, is unsecured and repayable on demand.

Security granted

Total borrowings include secured liabilities of RMB1,666,032,000 (2018: RMB1,646,405,000) for the Group. Bank borrowings of the Group are secured over certain restricted cash deposits (Note 13), properties held for sale (Note 16), development properties (Note 17), investment properties (Note 21) and certain land and buildings of the Group (Note 20).

28 Borrowings (continued)

Fair value of non-current borrowings

	Group 2019 RMB'000	Group 2018 RMB'000
Bank borrowings	**289,670**	300,464
Other borrowings	**-**	1,022,891

The fair values above are determined from the cash flow analysis, discounted at market borrowing rates of an equivalent instrument at the reporting date which the directors expect to be available to the Group are as follows:

	Group 2019 %	Group 2018 %
Bank borrowings	**7.23**	7.23
Other borrowings	**-**	13.00

The fair values are within Level 2 of the fair value hierarchy.

29 Trade and other payables

	Group 2019 RMB'000	Group 2018 RMB'000
Current		
Trade payables		
- Non-related parties	**192,306**	150,610
Other payables		
- Non-related parties	**349,039**	222,223
- Related parties	**16,545**	22,650
Accruals for operating expenses	**325,831**	161,770
Deposits received	**10,652**	9,837
Other lease payables	**56**	7,749
Other tax payable	**21,835**	21,693
Payroll payable	**4,583**	6,128
Advances from non-controlling interests	**9,358**	5,321
Advances from customers	**11,624**	8,898
	941,829	616,879
Non-current		
Other lease payables	**-**	(7,749)
	941,829	609,130

29 Trade and other payables (continued)

	Company 2019 RMB'000	Company 2018 RMB'000
Current		
Other payables		
- Non-related parties	**2,400**	1,312
- Related parties	**9,436**	17,987
Amount due to subsidiary corporations	**341,654**	338,008
Accruals for operating expenses	**6,212**	53
	359,702	357,360

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

The Group's other payables to related parties are unsecured, interest free and repayable on demand.

The Company's amount due to subsidiary corporations and related parties are unsecured, interest free and repayable on demand.

30 Lease payables

	Group Minimum lease payments 2018 RMB'000
Amount payable under operating lease of right to use asset:	
Within one year	42,100
In the second to fifth year inclusive	62,370
More than five years	169,400
	273,870
Less: Future finance charges	(95,291)
Present value of lease obligations	178,579

	Present value of minimum lease payments
Amount payable under operating lease of right to use asset:	
Within one year	27,425
In the second to fifth year inclusive	34,718
More than five years	116,436
Present value of lease obligations	178,579
Less: Amount due for settlement within 12 months	(27,425)
Amount due for settlement after 12 months	151,154

The lease payables pertain to an operating lease for a property which has been assessed by management to be an investment property. The remaining lease term is 15 years as at 31 December 2018.

Lease payables were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16.

31 Lease liabilities

	Group 2019 RMB'000
Current	
Lease liabilities	**32,417**
Non-current	
Lease liabilities	**155,334**
Total	**187,751**

(a) Carrying amounts

ROU assets classified within investment properties

The right-of-use asset relating to the leasehold properties presented under investment properties (Note 21) is stated at fair value and has a carrying amount at reporting date of RMB700,000.

(b) Interest expense

	Group 2019 RMB'000
Interest expense on lease liabilities	**9,893**

(c) Lease expense not capitalised in lease liabilities

	Group 2019 RMB'000
Lease expense – short-term leases	**1,416**

(d) Total income from subleasing ROU assets in 2019 was RMB5,131,000.

(e) Total cash outflow for all the leases in 2019 was RMB8,922,000.

32 Provisions

		Group	
		2019	**2018**
		RMB'000	**RMB'000**
(a)	***Composition:***		
	Current		
	Provision for rectification costs of disposed subsidiary corporations' development properties	**88,297**	86,204
	Provision for legal contractual disputes	**8,014**	4,311
		96,311	90,515
(b)	***Movements:***		
	(i) Provision for rectification cost of disposed subsidiary corporations' development properties		
	Beginning of financial year	**86,204**	81,736
	Provision made (Note 8)	**-**	1,500
	Currency translation	**2,093**	2,968
	End of financial year	**88,297**	86,204
	(i) Provision for legal contractual disputes		
	Beginning of financial year	**4,311**	7,103
	Provision made (Note 8)	**3,703**	-
	Utilised	**-**	(2,792)
		8,014	4,311

	Company	
	2019	**2018**
	RMB'000	**RMB'000**
Current		
Provision for recitification costs of disposed subsidiary corporations' development properties	**88,297**	86,204
Beginning of financial year	**86,204**	81,736
Provision made	**-**	1,500
Currency translation	**2,093**	2,968
End of financial year	**88,297**	86,204

Provision for rectification costs of disposed subsidiary corporations' development properties pertains to any rectification costs in which the Group has to repay to the buyer which the disposed subsidiary corporations have to incur to rectify, for example, repairs, unpaid liabilities and taxes due to the development properties of the disposed subsidiary corporations.

33 Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the consolidated statement of financial position as follows:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Deferred income tax assets		
- To be recovered after one year	**19,017**	19,017
Deferred income tax liabilities		
- To be settled after one year	**(283,017)**	(264,709)

Movement in deferred income tax account is as follows:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Beginning of financial year	**(245,692)**	(287,301)
(Charged)/credited to profit or loss	**(18,308)**	41,609
End of financial year	**(264,000)**	(245,692)

33 Deferred income taxes (continued)

Deferred income tax assets

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) are as follows:

	Investment properties RMB'000	Development properties RMB'000	Properties held for sale RMB'000	Land appreciation tax RMB'000	Advance receipts from customer RMB'000	Others RMB'000	Total RMB'000
Group							
2019							
Beginning of financial year	**19,017**	**-**	**-**	**-**	**-**	**-**	**19,017**
Credited to profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**
End of financial year	**19,017**	**-**	**-**	**-**	**-**	**-**	**19,017**
2018							
Beginning of financial year	17,309	-	-	-	-	-	17,309
Credited to profit or loss	1,708	-	-	-	-	-	1,708
End of financial year	19,017	-	-	-	-	-	19,017

Deferred income tax liabilities

	Investment properties RMB'000	Development properties RMB'000	Properties held for sale RMB'000	Land appreciation tax RMB'000	Advance receipts from customer RMB'000	Others RMB'000	Total RMB'000
Group							
2019							
Beginning of financial year	**(230,947)**	**(64,881)**	**1,562**	**(13,501)**	**26,658**	**16,400**	**(264,709)**
Charged to profit or loss	**(18,176)**	**-**	**(137)**	**-**	**(1)**	**6**	**(18,308)**
End of financial year	**(249,123)**	**(64,881)**	**1,425**	**(13,501)**	**26,657**	**16,406**	**(283,017)**
2018							
Beginning of financial year	(256,446)	(64,881)	(1,286)	(13,501)	26,658	4,845	(304,611)
Credited to profit or loss	25,499	-	2,848	-	-	11,555	39,902
End of financial year	(230,947)	(64,881)	1,562	(13,501)	26,658	16,400	(264,709)

33 Deferred income taxes (continued)

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

Deferred tax arising on the fair value adjustment in development properties and properties held for sale were related to the fair value adjustment to the cost of development properties and properties held for sale for the acquisition of PRC subsidiaries in prior years, and credited to profit or loss when the Group recorded sales for the sold properties during the year.

At the end of the reporting year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiary corporations for which deferred tax liabilities have not been recognised is RMB561,160,000 (2018: RMB752,157,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. Accordingly, withholding tax amounting to RMB56,116,000 (2018: RMB75,216,000) relating to the undistributed earnings has not been recognised.

34 Share capital

	Company	
	No. of ordinary shares '000	**Amount RMB'000**
2019		
Beginning and end of financial year	**75,000**	**909,831**
2018		
Beginning and end of financial year	75,000	909,831

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

35 Other reserves

	Group	
	2019 RMB'000	**2018 RMB'000**
(a) Composition:		
Capital reserve	**86,726**	86,726
Translation reserve	**(10,344)**	(8,601)
Statutory reserve	**23,886**	23,886
	100,268	102,011

35 Other reserves (continued)

	Group 2019 RMB'000	Group 2018 RMB'000
(b) Movements:		
(i) Capital reserve		
Beginning and end of financial year	**86,726**	86,726
(ii) Translation reserve		
Beginning of financial year	**(8,601)**	17,121
Net currency translation differences of financial statements of foreign subsidiary corporations	**(1,743)**	(25,722)
End of financial year	**(10,344)**	(8,601)
(iii) Statutory reserve		
Beginning and end of financial year	**23,886**	23,886

	Company 2019 RMB'000	Company 2018 RMB'000
Translation reserve	**47,711**	25,625

The capital reserve represents the effects of changes in ownership interests in subsidiary corporations that did not result in a change of control.

The translation reserve accumulates all foreign exchange differences.

The statutory reserve pertains to certain subsidiary corporations following the accounting principles and relevant financial regulations of the People's Republic of China ("PRC GAAP") applicable to Sino-foreign recorded equity joint venture enterprises in the preparation of the accounting records and statutory financial statements.

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

The profit arrived at must be set-off against any accumulated losses sustained by the subsidiary corporations and associated companies in prior years, before allocation is made to the statutory reserve. Appropriation to the subsidiary corporations reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital.

The other reserves are not distributable unless realised.

36 Contingencies

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Guarantees given to banks in connection with facilities	**390,000**	548,482

The Group arranges with various domestic banks in the PRC to provide loans and mortgage facilities to the property purchasers prior to completion. In line with certain 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 default on their mortgage obligations. The Group provides guarantees on the condition that the purchasers pay a down payment of between 20% and 50% of the purchase price. If a purchaser defaults on a loan, the relevant mortgagee bank is also entitled to auction off or sell the property to third parties and use the sales proceeds to satisfy the loan, or in some mortgage facilities require the Group to repurchase the properties. In the opinion of management, the fair value of the financial guarantee contracts is not significant. Management considered that it is more likely than not that no amount will be payable under the arrangement.

37 Commitments

(a) *Operating lease commitments – where the Group is a lessee*

The Group leases land, premises and office equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases, contracted for at the reporting date but not recognised as liabilities, are as follows:

	Group
	2018
	RMB'000
Not later than one year	3,395
Between one and five years	5,202
Later than five years	909
	9,506

As disclosed in Note 2.1, the Group has adopted SFSR(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

37 Commitments (continued)

(b) *Operating lease commitments – where the Group is a lessor*

The Group sublets its leasehold land and premises and investment properties to non-related parties under non-cancellable operating leases. The lessees are required to pay absolute fixed annual increase to the lease payments during the lease period.

As at 31 December 2019, the future minimum lease receivables under non-cancellable operating leases, contracted for at the reporting date but not recognised as receivables, are as follows:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Not later than one year	**24,806**	35,684
Between one and five years	**82,004**	107,530
Later than five years	**41,713**	121,947
	148,523	265,161

38 Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

Financial risk management is carried out by the finance department in accordance with the policies set. The finance personnel identifies and evaluates financial risks in close co-operation with the Group's operating units. The finance personnel measures actual exposures against the limits set and prepares regular reports for review by the Chief Financial Officer. Regular reports are also submitted to the Board of Directors.

(a) Market risk

(i) *Currency risk*

The Group operates in Asia with dominant operations in Singapore, China, Malaysia and Hong Kong.

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Malaysia Ringgit ("RM"), Hong Kong Dollar ("HKD") and Singapore Dollar ("SGD"). The Group's risk management policy is to match the sales and purchases with the same currency as much as practicable.

38 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in Malaysia is managed primarily through borrowings denominated in the relevant foreign currency.

The Group's and the Company's foreign currency exposure based on the information provided to key management is as follows:

	RMB RMB'000	SGD RMB'000	USD RMB'000	RM RMB'000	HKD RMB'000	Total RMB'000
Group						
2019						
Financial assets						
Cash and cash equivalents	13,430	33	314	2,071	49	15,897
Restricted cash	20,000	-	-	-	-	20,000
Trade and other receivables	368,322	-	-	198,039	-	566,361
	401,752	33	314	200,110	49	602,258
Financial liabilities						
Trade and other payables	(563,420)	(2,876)	(266,624)	(60,597)	(5,495)	(899,012)
Lease liabilities	(187,751)	-	-	-	-	(187,751)
Borrowings	(685,812)	-	(1,046,505)	-	(40,339)	(1,772,656)
	(1,436,983)	(2,876)	(1,313,129)	(60,597)	(45,834)	(2,859,419)
Net financial (liabilities)/assets	(1,035,231)	(2,843)	(1,312,815)	139,513	(45,785)	(2,257,161)
Less:						
Net financial liabilities/(assets) denominated in the respective entities' functional currencies	1,035,231	-	-	(139,513)	-	895,718
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	-	(2,843)	(1,312,815)	139,513	(45,785)	(1,361,443)

38 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's and the Company's foreign currency exposure based on the information provided to key management is as follows: (continued)

	RMB RMB'000	SGD RMB'000	USD RMB'000	RM RMB'000	Total RMB'000
Group					
2018					
Financial assets					
Cash and cash equivalents	13,297	3,886	43	299	17,525
Restricted cash	202,076	-	-	-	202,076
Trade and other receivables	219,447	228,924	-	143,893	592,264
Financial assets, FVOCI	1,300	-	-	-	1,300
	436,120	232,810	43	144,192	813,165
Financial liabilities					
Trade and other payables	(168,326)	(212,926)	(147,923)	(51,792)	(580,967)
Lease payables	(178,579)	-	-	-	(178,579)
Borrowings	(640,083)	-	(1,247,201)	-	(1,887,284)
	(986,988)	(212,926)	(1,395,124)	(51,792)	(2,646,830)
Net financial (liabilities)/ assets	(550,868)	19,884	(1,395,081)	92,400	(1,833,665)
Less:					
Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	550,868	-	-	(92,400)	279,889
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	-	19,884	(1,395,081)	-	(1,375,197)

38 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's and the Company's foreign currency exposure based on the information provided to key management is as follows: (continued)

	RMB RMB'000	SGD RMB'000	USD RMB'000	RM RMB'000	Total RMB'000
Company					
2019					
Financial assets					
Cash and cash equivalents	**-**	**2**	**28**	**-**	**30**
Trade and other receivables	**1,197,408**	**24,320**	**-**	**83,538**	**1,305,266**
	1,197,408	**24,322**	**28**	**83,538**	**1,305,296**
Financial liabilities					
Trade and other payables	**(356,870)**	**(2,832)**	**-**	**-**	**(359,702)**
	(356,870)	**(2,832)**	**-**	**-**	**(359,702)**
Net financial assets	**840,538**	**21,490**	**28**	**83,538**	**945,594**
Less:					
Net financial assets denominated in the functional currency of the Company	**-**	**(21,490)**	**-**	**-**	**(21,490)**
Currency exposure of financial assets net of those denominated in the Company's functional currency	**840,538**	**-**	**28**	**83,538**	**924,104**
2018					
Financial assets					
Cash and cash equivalents	-	6	29	-	35
Trade and other receivables	1,200,568	23,671	-	81,428	1,305,667
	1,200,568	23,677	29	81,428	1,305,702
Financial liabilities					
Trade and other payables	(353,314)	(4,046)	-	-	(357,360)
	(353,314)	(4,046)	-	-	(357,360)
Net financial assets	847,254	19,631	29	81,428	948,342
Less:					
Net financial assets denominated in the functional currency of the Company	-	(19,631)	-	-	(19,631)
Currency exposure of financial assets net of those denominated in the Company's functional currency	847,254	-	29	81,428	928,711

38 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

A 10% (2018: 10%) strengthening of Chinese Renminbi against the following currencies at the reporting date would decrease/(increase) the (loss)/profit before income tax by the amounts shown below. This analysis assumes that all other variables being held constant.

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
USD	**131,282**	139,508
SGD	**284**	(1,988)
HKD	**4,579**	-

	Company	
	2019	**2018**
	RMB'000	**RMB'000**
MYR	**(8,354)**	(8,143)
USD	**(3)**	(3)

A 10% (2018: 10%) weakening of Singapore Dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables are being held constant.

(ii) Price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group and the Company which are classified on the statements of financial position as financial assets, FVOCI.

As at 31 December 2018, the unquoted investments held by the Group and the Company which are classified on the statements of financial position as financial assets, FVOCI are not quoted on any active market. The management is of the opinion that these investments are not exposed to equity price risk as the investments are to be sold to a prospective buyer at an agreed consideration.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from interest-earning financial assets and interest-bearing financial liabilities. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 6 months from the reporting date.

The Group obtains additional financing through bank borrowings and finance lease arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its exposure.

38 Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks (continued)

The following table sets out the carrying amounts, by maturity or repricing, whichever is earlier, of the financial instruments of the Group that are exposed to interest rate risk:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Financial liabilities		
Fixed rate		
Bank borrowings	**343,080**	350,847
Other loans	**316,596**	261,470
	659,676	612,317
Floating rate		
Bank borrowings	**66,475**	243,117
Other loans	**1,046,505**	1,031,850
	1,112,980	1,274,967

The Company is not exposed to material fixed and floating rate financial liabilities.

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company are not exposed to changes in interest rates for fixed rate financial assets and financial liabilities.

Cash flow sensitivity analysis for variable rate instruments

For the variable rate financial liabilities, a change of 50 basis points (2018: 50 basis points) in interest rate at the reporting date would increase/(decrease) loss/(profit) before income tax by the amounts shown below. This analysis assumes that all other variables being held constant.

	Profit or loss	
	50 basis points increase RMB'000	**50 basis points decrease RMB'000**
Group		
31 December 2019		
Floating rate instruments	**(5,565)**	**5,565**
31 December 2018		
Floating rate instruments	(6,375)	6,375

38 Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The major classes of financial assets of the Group and the Company are bank deposits and trade receivables. The Group adopts the policy of dealing only with:

- Customers of appropriate credit standing and history, and obtaining sufficient collaterals where appropriate to mitigate credit risk; and
- High credit quality counterparties of at least 'A' rating by external credit rating companies.

The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the management.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position, except as follows:

Cash and cash equivalents, contract assets, financial assets, FVOCI, loan to subsidiary corporations and other receivables are measured at the 12-month expected credit losses and are subject to immaterial credit loss.

(i) Trade receivables and contract assets

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates (over period of 36 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The expected loss allowance recognised during the financial year is not material.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group and Company. The Management categorises receivables for write off when a debtor fails to make contractual payment greater than 180 days past due based on historical collection trend during the financial year. Where receivables have been written off, the Group and Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

38 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as and when they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or rising damage to the Group's and the Company's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuation in cash flows. The Group also ensures the availability of funding through committed bank facilities and lines.

The table below analyses the non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year RMB'000	**Between 2 to 5 years RMB'000**	**More than 5 years RMB'000**
Group			
At 31 December 2019			
Trade and other payables	**941,829**	**-**	**-**
Lease liabilities	**55,288**	**65,727**	**152,460**
Borrowings	**1,438,362**	**334,294**	**-**
	2,435,479	**400,021**	**152,460**
At 31 December 2018			
Trade and other payables	(573,218)	(7,749)	-
Lease payables	(42,100)	(62,370)	(169,400)
Borrowings	(526,466)	(1,360,818)	-
	(1,141,784)	(1,430,937)	(169,400)
Company			
At 31 December 2019			
Trade and other payables	**(359,702)**	**-**	**-**
At 31 December 2018			
Trade and other payables	(357,360)	-	-

38 Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group's and the Company's strategies, which were unchanged, are to maintain gearing ratios of less than 100%.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as trade and other payables plus borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Net debt	**2,677,606**	2,538,851	**359,672**	357,325
Total equity	**601,436**	827,815	**822,032**	827,815
Total capital	**3,279,042**	3,366,666	**1,181,704**	1,185,140
Gearing ratio	**81.66%**	75.41%	**30.44%**	30.15%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

(e) Fair value measurements

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the assets and liabilities measured at fair value at each reporting date:

	Level 3
	RMB'000
31 December 2019	
Financial assets, FVOCI	-
31 December 2018	
Financial assets, FVOCI	1,300

38 Financial risk management (continued)

(e) Fair value measurements (continued)

There were no transfers between Levels 1, 2 and 3 of fair value measurement hierarchy during the financial years ended 31 December 2019 and 2018.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the reporting date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. These investments are classified as Level 2 and comprise debt investments and derivative financial instruments. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

The carrying amount less impairment allowance of trade and other receivables and trade and other payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosures purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of current borrowings approximate their fair values.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	2019 RMB'000	**2018 RMB'000**	**2019 RMB'000**	**2018 RMB'000**
Financial assets, at amortised cost	**602,258**	811,865	**1,305,296**	1,305,702
Financial assets, FVOCI	**-**	1,300	**-**	-
Financial liabilities at amortised cost	**2,859,419**	2,646,830	**359,702**	357,360

39 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and other related parties at terms agreed between the parties:

(a) Sales of services and equity investments

	Group	
	2019 RMB'000	**2018 RMB'000**
Rental income received from other related parties	**4,994**	5,382
Sale of equity investment (Note 25)	**1,528**	-

Related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel, directors and their close family members.

Outstanding balances as at 31 December 2018 and 2019, arising from rental income are unsecured and receivable within 12 months from the reporting date and are disclosed in Note 14.

39 Related party transactions (continued)

(b) Key management personnel compensation

The remuneration of directors and other members of key management during the financial year is as follows:

	Group	
	2019	2018
	RMB'000	RMB'000
Salaries, bonuses and short-term benefits	**3,297**	4,059
Directors' fees		
- Directors of the Company	**814**	789
	4,111	4,848
Comprised amounts paid to:		
Directors of the Company	**4,111**	4,848
	4,111	4,848

40 Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer ("CEO"), designated as the Chief Operating Decision Maker ("CODM"), that are used to make strategic decisions, allocate resources, and assess performance.

The CEO considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in four primary geographic areas namely, Singapore, Malaysia, People's Republic of China and Hong Kong. From a business segment perspective, management separately considers the business activities in these geographic areas. All the geographic areas are engaged in property development activity.

The Group has 4 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the CEO reviews the internal management reports on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Property development	:	Development of residential, commercial and other properties
Construction contract	:	Building structural projects and interior works for our jointly controlled operations and third parties
Property investment	:	Leasing of investment properties to generate rental income and to gain from the appreciation in the value of the properties in the long term
Others	:	Provision of property management, trading and public utilities

40 Segment information (continued)

There are sales between operating segments. The revenue from external parties reported to the CEO is measured in a manner consistent with that in the statement of comprehensive income.

The segment information provided to the CEO for the reportable segments is as follows:

	Group					
	Property development RMB'000	**Construction contract RMB'000**	**Property investment RMB'000**	**Others RMB'000**	**Inter segment elimination RMB'000**	**Total RMB'000**
2019						
Revenue						
Total segment sales	**24,181**	**130,358**	**1,096**	**40,990**	**(98,544)**	**98,081**
Inter segment revenue	-	98,544	-	-	(98,544)	-
Sales to external parties	24,181	31,814	1,096	40,990	-	98,081
Adjusted EBITDA	**11,234**	**(20,026)**	**(6,071)**	**27,467**	**-**	**12,604**
Depreciation of property, plant and equipment	**(913)**	**(345)**	**(394)**	**(2,308)**	**-**	**(3,960)**
Segment assets	**1,362,420**	**250,331**	**2,205,601**	**298,504**	**-**	**4,116,586**
Segment assets includes:						
Additions to:						
- Property, plant and equipment	**100**	**18**	**161**	**22**	**-**	**301**
- Investment property	**-**	**-**	**6,785**	**-**	**-**	**6,785**
Segment liabilities	**1,163,402**	**213,700**	**1,883,503**	**254,815**	**-**	**3,515,420**

	Group				
	Property development RMB'000	**Construction contract RMB'000**	**Property investment RMB'000**	**Others RMB'000**	**Total RMB'000**
2018					
Revenue					
Total segment sales	61,765	69,179	21,476	19,598	172,018
Adjusted EBITDA	17,101	50,032	(52,588)	(212,786)	(198,241)
Depreciation of property, plant and equipment	(523)	(52)	(2,207)	(123)	(2,905)
Segment assets	2,621,291	89,994	1,015,245	423,474	4,150,004
Segment assets includes:					
Additions to:					
- Property, plant and equipment	1	-	1,023	2	1,026
- Investment property	-	-	15,640	-	15,640
Segment liabilities	476,155	286,626	584,248	1,975,160	3,322,189

40 Segment information (continued)

(a) Reconciliation

Segment profit

Segment profit is reconciled to profit before income tax as follows:

The amounts provided to the CEO with respect to (loss)/profit before income tax are measured in a manner consistent with that in the consolidated statement of comprehensive income. These profit or loss is allocated based on the operations of the segment. All profit is allocated to the reportable segments other than directors' fees, employee compensation, auditors' remuneration, legal and professional fees, travelling expenses and others as these are separately analysed and driven by the finance department, which manages the financial position of the Group.

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Adjusted EBITDA for reportable segments	**(14,863)**	14,545
Adjusted EBITDA for other segments	**27,467**	(212,786)
Total adjusted EBITDA	**12,604**	(198,241)
Depreciation	**(3,960)**	(2,905)
Finance expenses	**(219,714)**	(176,180)
Interest income	**4,736**	2,606
Loss before income tax	**(206,334)**	(374,720)

(b) Geographical information

The Group's four business segments operate in four main geographical areas:

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally property development, investment in real estate related businesses, property and facility management and investment holding;
- China – the operations in this area are principally the property development, facility management and hospitality management;
- Malaysia – the operations in this area are principally the property development, facility management and hospitality management; and
- Hong Kong – the operations in this area are principally the property development, facility management and hospitality management.

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Sales		
China	**97,207**	172,018
Malaysia	**874**	-
	98,081	172,018
Non-current assets		
China	**2,205,974**	2,135,447
Malaysia	**37,393**	39,750
	2,243,367	2,175,197

41 Event occurring after the reporting date

The outbreak of the Covid-19 and the effect of the pandemic in the PRC and Malaysia has caused a severe stress on the business environment in the PRC and there was a lock-down in early January 2020 and re-open on progressive stages since mid-February 2020 in the various provinces where the Group subsidiaries are located. The Group's key wholly-owned subsidiaries in Foshan resumed operations in phases since February 2020. These subsidiaries in Foshan also provide channels for the sales of development properties. Other subsidiaries in Malaysia also faced lockdown and resumed operations in February 2020 on gradual basis. The Group also depends on subsidiaries to provide channels for construction works, management services and collection of rent. The financial statements for the current year do not reflect the financial impact for the Covid-19 as the management of the Company and of the Group is unable to quantify the related financial impact to the results for the year ending 31 December 2020.

42 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2020 and which the Group has not early adopted:

Amendments to SFRS(I) 3 Business Combination (effective for annual periods beginning on or after 1 January 2020).

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

43 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 6 January 2021.

STATISTICS OF SHAREHOLDINGS

AS AT 29 JANUARY 2021

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	93	11.60	5,139	0.01
100 - 1,000	349	43.51	110,914	0.15
1,001 - 10,000	235	29.30	953,703	1.27
10,001 - 1,000,000	117	14.59	8,356,479	11.14
1,000,001 AND ABOVE	8	1.00	65,573,453	87.43
TOTAL	**802**	**100.00**	**74,999,688**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	BILLION EQUITY HOLDINGS LIMITED	37,920,348	50.56
2	UOB KAY HIAN PRIVATE LIMITED	15,194,279	20.26
3	PHILLIP SECURITIES PTE LTD	4,153,890	5.54
4	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,619,281	3.50
5	PRIDE CAPITAL INVESTMENT HOLDINGS LIMITED	1,825,894	2.43
6	WU KWOK HUNG	1,414,388	1.89
7	RAFFLES NOMINEES (PTE) LIMITED	1,339,173	1.79
8	YUAN LE SHENG	1,106,200	1.47
9	ABN AMRO CLEARING BANK N.V.	497,372	0.66
10	KOH HANG HENG	476,100	0.63
11	THAM KENG CHUEN	444,449	0.59
12	POW KIM HOO	444,012	0.59
13	HSBC (SINGAPORE) NOMINEES PTE	441,600	0.59
14	CHUA FENG CI JANE	402,649	0.54
15	OCBC SECURITIES PRIVATE LIMITED	361,724	0.48
16	CITIBANK NOMINEES SINGAPORE PTE LTD	330,678	0.44
17	NG EE HAU	306,700	0.41
18	JANE KIMBERLY NG BEE KIOK	283,446	0.38
19	MOHAMMED HUMAYUN KABIR	256,900	0.34
20	DBS NOMINEES PTE LTD	237,911	0.32
	TOTAL	**70,056,994**	**93.41**

STATISTICS OF SHAREHOLDINGS

AS AT 29 JANUARY 2021

SHARE CAPITAL

Issued and paid-up share capital	:	S$143,750,000.00
Issued and fully paid-up	:	74,999,688
Class of Shares	:	Ordinary shares
Voting rights	:	One vote per share
Number of Treasury Shares held	:	Nil
Number of Subsidiary holdings	:	Nil

Shareholdings Held in Hands of Public

Based on information available to the Company as at 29 January 2021, 36.64% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

SUBSTANTIAL SHAREHOLDERS as at 29 January 2021

Name of Substantial Shareholder	Direct Interest	%	Deemed Interest	%
Yuan Lesheng	1,106,200 [(1)]	1.47	37,920,348 [(1)]	50.56
Billion Equity Holdings Limited	37,920,348 [(1)]	50.56	-	-

Note:

(1) Billion Equity Holdings Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr Yuan Lesheng. Accordingly, Mr Yuan Lesheng is deemed interested in the shares of the Company held by Billion Equity Holdings Limited.

ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION

Mr Zhong Yuzhao is the Director seeking re-election ("**Retiring Director**") at the forthcoming annual general meeting of the Company to be convened on 5 March 2021.

Pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the information relating to the Retiring Director as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Date of Appointment	23 November 2009
Date of last re-appointment	27 April 2017
Age	45
Country of principal residence	The People's Republic of China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Zhong Yuzhao as the Executive Director and Chief Executive Officer was recommended by the Nominating Committee and the Board of Directors has accepted the recommendation, after taking into consideration Mr Zhong Yuzhao's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive, Mr Zhong Yuzhao is responsible for the overall management, operations, strategic planning and business expansion of the Group and overseeing the day-to-day operations of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Chief Executive Oiffcer
Professional qualifications	Bachelor's Degree in Construction Project Management from Hubei Engineering College
Working experience and occupation(s) during the past 10 years	November 2009 to present: Executive Director, Debao Property Development Ltd. April 2018 to present: Chief Executive Officer, Debao Property Development Ltd.
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest – 2,770,756 ordinary shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	
Past (for the last 5 years)	Nil
Present	Present Directorship – Executive Director, Debao Property Development Ltd. Principal Commitment – Chief Executive Officer, Debao Property Development Ltd.

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.	
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was 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 2 years from the date he ceased to be a partner?	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was 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 2 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 trust, on the ground of insolvency?	No
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he 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?	No
(e) Whether he 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 has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f) Whether at any time during the last 10 years, judgment has been 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 he has 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?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No

ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION

(h) Whether he 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?	No
(i) Whether he 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?	No
(j) Whether he 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; or (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; or (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 that period when he was so concerned with the entity or business trust?	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Disclosure applicable to the appointment of Director only	
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable. This relates to the re-appointment of Director.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Debao Property Development Ltd. (the "**Company**") will be held by electronic means on Friday, 5 March 2021 at 10.00 a.m., for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2019, together with the Directors' Statement and the Auditors' Report thereon. **Resolution 1**

2. To approve Directors' fees of RMB 820,639 (equivalent to S$167,000) for the financial year ended 31 December 2020, payable half yearly in arrears. **Resolution 2**

3. To re-elect Mr Zhong Yuzhao, a Director retiring by rotation pursuant to Article 93 of the Company's Constitution. **Resolution 3**

4. To note the retirement of the following Directors, who are retiring as Directors of the Company pursuant to Article 93 of the Company's Constitution:

   (i) Mr Zhang Mao; and
   (ii) Mr Jack Chia Seng Hee.

5. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors and to authorise the Directors to fix their remuneration. **Resolution 4**

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:-

6. That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:- **Resolution 5**

   (a) allot and issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (b) 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) options, warrants, debentures or other instruments convertible into shares; and

   (c) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and (notwithstanding the authority conferred by this ordinary resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this ordinary resolution was in force,

   provided that:

   (1) the aggregate number of shares to be issued pursuant to this ordinary resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this ordinary resolution) does not exceed 50% of the total number of issued share capital of the Company for the time being (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of the shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this ordinary resolution) shall not exceed 20% of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time of this ordinary resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time of this ordinary resolution is passed provided that the share options or awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares.

Adjustments in accordance with the above with paragraph 2(i) is only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this ordinary resolution approving the mandate;

(3) in exercising the authority conferred by this ordinary resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this ordinary resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

(See Explanatory Note)

7. Renewal of Share Buyback Mandate **Resolution 6**

That for the purposes of Sections 76C and 76E of Companies Act, Chapter 50 of Singapore, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire ordinary shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company ascertained as at the time of passing of this ordinary resolution, at the price of up to but not exceeding the Maximum Price as set out in Appendix 1 to the Annual Report and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date that the next annual general meeting of the Company is held or is required by law to be held or the date when purchases and acquisitions of shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated, whichever is the earlier.

(See Explanatory Note)

OTHER BUSINESS

8. To transact any other business.

BY ORDER OF THE BOARD

Janet Tan
Company Secretary

9 February 2021

Explanatory Notes:

Resolution 3

Mr Zhong Yuzhao ("**Mr Zhong**") will, upon re-election as a Director of the Company, remain as the Executive Director and Chief Executive Officer of the Company. Detailed information on Mr Zhong can be found under the "**Board of Directors**" and "**Additional Information on Director Seeking Re-election**" sections in the Company's Annual Report.

Resolution 5

Ordinary Resolution No. 5, if passed, will empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this ordinary resolution will not exceed fifty per cent. (50%) of the issued share of the Company. For issues of shares other than on a pro-rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

Resolution 6

Ordinary Resolution No. 6, if passed, will empower the Directors, from the date of this Annual General Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting or when purchases and acquisitions of shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated, whichever is the earlier, to purchase shares by way of market purchases or off-market purchases of up to ten per cent (10%) of the total issued shares (excluding treasury shares and subsidiary holdings) at such price up to the Maximum Price. Information relating to this ordinary resolution is set out in Appendix 1 to the Annual Report 2019.

Notes:

(1) This annual general meeting ("**AGM**") is being convened and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

(2) Due to current COVID-19 situation in Singapore and as part of the measures to minimise the risk of community spread of COVID-19, the Company will arrange for a live webcast, which allows members to view the proceedings of the AGM via "live" audio and video feed ("**Webcast**"). In addition, members will be able to observe the AGM proceedings by audio only means via telephone ("**Audio Link**"). Members who wish to observe the AGM proceedings by Webcast or Audio Link must pre-register at https://agm.conveneagm.com/debaoagm by 10.00 a.m. on 2 March 2021 ("**Registration Deadline**"). Following verification of their shareholding status, members will receive further instructions on how to access the Webcast and the Audio Link via email ("**Registration Confirmation Email**") by 3 March 2021.

Members who have pre-registered by the Registration Deadline but do not receive the Registration Confirmation Email by 10.00 a.m. on 3 March 2021 should contact the Company at SRS.TeamD@boardroomlimited.com, stating: (a) the member's full name; and (b) the member's identification/registration number.

(3) Members viewing the Webcast or listening to the Audio Link will not be able to submit questions online or over the telephone using the Webcast or the Audio Link. Members must submit any questions they may have by 10.00 a.m. on 25 February 2021:

(a) in hard copy to the registered office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623;

(b) by email to SRS.TeamD@boardroomlimited.com; or

(c) via the pre-registration website at https://agm.conveneagm.com/debaoagm.

Members submitting questions are requested to state: (a) their full name; and (b) the member's identification/registration number, failing which the Company shall be entitled to regard the submission as invalid.

The Company will provide responses to substantial and relevant questions prior to the AGM through publication on SGXNet, or at the AGM.

(4) Members viewing the Webcast or listening to the Audio Link will not be able to cast their votes online or over the telephone using the Webcast or the Audio Link. All members must vote by proxy only. Members must appoint the Chairman of the AGM to act as their proxy and must specifically direct the proxy on how they wish to vote for or vote against (or abstain from voting on) the resolutions in the instrument appointing the Chairman of the AGM as proxy, failing which the instrument may be treated as invalid.

The signed instrument appointing the Chairman of the AGM as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a certified copy thereof, must be:

(a) submitted by email to SRS.TeamD@boardroomlimited.com; or

(b) lodged at the registered office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623,

in either case, by no later than 10.00 a.m. on 3 March 2021, being 48 hours before the time appointed for holding this AGM, failing which the Company shall be entitled to regard the instrument of proxy as invalid.

In view of the current Covid-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms electronically via email.

The instrument appointing the Chairman of the AGM as proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be either under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. Where the instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy (such as in the case where the appointor submits more than one (1) instrument of proxy).

In the case of a member whose shares are entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore Statutes), the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Members who hold their shares through a Relevant Intermediary (as defined in Section 181 of the Companies Act (Chapter 50) of Singapore (including Central Provident Fund ("**CPF**") Investment Scheme members or Supplementary Retirement Scheme ("**SRS**") investors) and who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective Relevant Intermediaries (including their CPF agent banks or SRS approved banks) to submit their voting instructions at least seven (7) working days prior to the date of the AGM.

(5) All documents relating to the business of the AGM will be published on SGXNet. Printed copies of such documents will NOT be sent to members.

PERSONAL DATA PRIVACY:

By pre-registering for the Webcast and/or the Audio Link, submitting an instrument appointing the Chairman of the AGM as proxy to vote at the AGM and/or any adjournment thereof, and/or submitting questions relating to the resolutions tabled for approval at the AGM or the Company's businesses and operations, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of (i) administering the Webcast and the Audio Link (including, but not limited to, verifying the identity and shareholding status of the member, registering an account for the member to access the Webcast and/or the Audio Link, facilitating and administering the Webcast and Audio Link and disclosing the member's personal data to the Company's agents or third-party service provider for any such purposes), (ii) the processing of any questions submitted to the Company, (iii) the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy appointed for the AGM (including any adjournment thereof) and (iv) the preparation and compilation of the minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"). The member's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes. Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member of the Company (such as his/her name, his/her presence at the AGM and any questions he/she may raise or motions he/she proposes/seconds) may be recorded by the Company for such purpose.

DEBAO PROPERTY DEVELOPMENT LTD.
(Company Registration No.: 200715053Z)
(Incorporated in the Republic of Singapore)

PROXY FORM

ANNUAL GENERAL MEETING

IMPORTANT

1. The Annual General Meeting ("**AGM**") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio and video feed or audio-only means via telephone), submission of questions in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Company's announcement.
3. Due to the current COVID-19 situation in Singapore and as part of the measures to minimise the risk of community spread of COVID-19 a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
4. CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 10.00 a.m. on 24 February 2021.

I/We*, ____ (name) of

____ (Address)

being a member/members* of DEBAO PROPERTY DEVELOPMENT LTD. (the "**Company**"), hereby appoint the Chairman of AGM as my/our* proxy to attend and vote on my/our* behalf, at the AGM of the Company, to be held by way of electronic means on Friday, 5 March 2021 at 10.00 a.m. and at any adjournment thereof.

All resolutions put to vote of the AGM shall be decided by way of poll. Please indicate the number of votes as appropriate.

No.	Ordinary Resolutions	Number of Votes For**	Number of Votes Against**	Number of Votes Abstain**
	Ordinary Business			
1	To receive, consider and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2019 together with the Directors' Statement and Auditors' Report thereon.			
2	To approve Directors' fees of RMB 820,639 (equivalent to S$167,000) for the financial year ended 31 December 2020, payable half yearly in arrears.			
3	To re-elect Mr Zhong Yuzhao, a Director retiring by rotation pursuant to Article 93 of the Company's Constitution.			
4	To re-appoint Messrs Nexia TS Public Accounting Corporation as the Auditors of the Company and to authorise the Directors to fix their remuneration.			
	Special Business			
5	To authorise the Directors to allot and issue new shares.			
6	To approve the proposed renewal of Share Buyback Mandate.			

* *Please delete accordingly.*

** If you wish to exercise all your votes "For" or "Against" or to "Abstain" from voting, please indicate with a "**X**" within the box provided. Alternatively, please indicate the number of votes as appropriate. **In the absence of specific directions in respect of a resolution, the appointment of Chairman of AGM as your proxy for that resolution will be treated as invalid.**

Dated this __________ day of ________________ 2021.

Total number of shares Held	
CDP Register	
Member's Register	
TOTAL	

____
Signature(s) of Member(s) or Common Seal of corporate member

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and shares registered in your name in the Register of Members. If no number is inserted, this instrument appointing a proxy will be deemed to relate to all the shares held by you.

2. Due to the current COVID-19 situation in Singapore and as part of the measures to minimise the risk of community spread of COVID-19, a member will not be able to attend the AGM in person. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The Chairman of the AGM, as proxy, need not be a member of the Company. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the proxy form, failing which the proxy form may be treated as invalid.

   CPF Investor and/or SRS Investor (as may be applicable) who wish to appoint the Chairman of the AGM as proxy should approach their respective CFP Agent Banks or SRS Operators to submit their votes by 10.00 a.m. on 24 February 2021, being 7 working days before the date of the AGM.

3. The instrument appointing the Chairman of the AGM proxy must be signed by the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the AGM is executed by an attorney on behalf of the appointer, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

4. The signed instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:

   (a) if submitted electronically, be submitted via email to SRS.TeamD@boardroomlimited.com; or

   (b) if submitted by post, be deposited at the registered office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623,

   in either cast by 10.00 a.m. on 3 March 2021, being 48 hours before the time appointed for the AGM.

   In view of the current COVID-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing the Chairman of the AGM as proxy (such as in the case where the appointer submits more than one (1) instrument of proxy). In addition, in the case of a member whose shares are entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore), the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting this instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the notice of AGM of the Company dated 9 February 2021.

DEBAO PROPERTY
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德宝房地产开发有限公司

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