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**Issuer:** Debao Property Development Ltd.

**Security:** Debao Property Development Ltd.

**Meeting details:**

Date: 30 November 2018

Time: 10.00 a.m.

Venue: 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624

**Company Description**

Debao Property Development Ltd., an investment holding company, operates as an integrated property developer in the People's Republic of China. The company operates through Property Development, Construction Contract, and Others segments. It develops residential, commercial, and other properties; and provides property investment and management, public utilities engineering, landscaping, and renovation services. It is also involved in construction activities; and the sale and distribution of construction materials. The company was founded in 2000 and is based in Foshan, the People's Republic of China. Debao Property Development Ltd. is a subsidiary of Billion Equity Holdings Limited.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=BTF](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BTF))

1. On 13 April 2018, the company released an announcement on SGXNet titled “Waiver: Application for extension of time to hold FY2017 Annual General Meeting”.

In the announcement, the company disclosed the following:

- *It has come to the knowledge of the Company and the Auditors that judgement (“Judgement”) has been passed against the Company’s wholly-owned subsidiary, Foshan Nanhai Debao Property Development Co., Ltd, and the Executive Chairman and Chief Executive Officer of the Company, Mr Yuan Le Sheng, for bribing a Chinese official (“Chinese Official”) of Foshan City, Guangdong Province, the People’s Republic of China (“PRC”)*
- *The Group approached the Chinese Official to assist in the resolution of these issues as these would have adversely affected the Sanshui Project. The said Chinese Official requested for certain construction contracts to be awarded to a certain PRC contractors after providing such assistance. These contracts were however awarded on arm’s length basis.*
- *The Guangdong Province, Foshan City, Nanhai District People’s Court concluded that Foshan Nanhai Debao Property Development Co., Ltd, through Mr Yuan Le Sheng, returned the favour of the Chinese Official by giving cash gifts and gifts totalling RMB 2,700,000 between 2008 to 2012.*
- *Accordingly, Foshan Nanhai Debao Property Development Co., Ltd has been found guilty of bribery and fined RMB 2,000,000.*
- *Mr Yuan Le Sheng, as legal representative of Foshan Nanhai Debao Property Development Co., Ltd, has been sentenced to either an imprisonment of two (2) years or three (3) years of probation in lieu of imprisonment.*
- *Mr Yuan Le Sheng and Foshan Nanhai Debao Property Development Co., Ltd will seek an appeal on the Judgement*

- (i) Would the board, especially the independent directors, help shareholders understand their role in the preparation of the company’s announcements on SGXNet?**
- (ii) Given that the content of the announcement relates to a court judgement finding a principal operating subsidiary and the executive chairman guilty of bribery, did the board, especially the independent directors, consider it appropriate to make a standalone announcement, in line with the disclosure guidelines of SGX and with a more appropriate announcement title?**
- (iii) Do the independent directors considered it timely to carry out a review to improve the manner which the company communicates with shareholders?**

In addition, it was noted that the company has included several events in Note 42 (page 106 – Events after reporting period) that might not have been announced to the market. For instance, the company announced that on 28 June 2018 and 10 July 2018, various accounting books and records of a subsidiary, Profit Consortium Sdn. Bhd., including

journal vouchers, bank statements, and payment application forms for the financial years 2016 to 2018, were collected by the Malaysian Anti-Corruption Commission (“MACC”).

- (iv) With regard to the bribery of a Chinese official, and the payments by the company’s subsidiaries to a political party in Malaysia, what is the board’s stance on bribery and corruption? Has the board, especially the independent directors, assessed if bribery and corruption risk is considered a key risk for the group? What are the improvements made to the group’s preventative anti-corruption controls, if any?**

2. On 12 November 2018, the company announced that independent auditor of the company has issued a disclaimer of opinion in respect of its Independent Auditor's Report for the financial statements of the group for the financial year ended 31 December 2017 (“FY2017”).

While the board has given its response in the announcement dated 12 November 2018, the auditors have raised the following points which is reproduced below for reference:

*- Legal matter – court’s verdict on the acts of bribery: During the audit of the financial statements for the year ended December 31, 2016, management represented to us that the focus of the investigation was on transactions relating to a construction contract which was awarded by a subsidiary of the Group to a construction company owned by an associate of this Chinese official.... Our audit procedures during the current year revealed that in December 2017, there was a court hearing in Nanhai District People’s Court in relation to the abovementioned matter and in February 2018, the subsidiary and the CEO, as the legal representative of the subsidiary were found guilty of an act of bribery by the court. The subsidiary was fined RMB2,000,000 and the CEO was sentenced to either an imprisonment of two (2) years or three (3) years of probation in lieu of imprisonment. These important developments were not disclosed to us, even though we made specific enquiries with management on the status of the investigation during the course of current year’s audit, including at the Audit Committee meeting held on February 28, 2018 to approve the announcement of the Group’s full year results.... In addition to the abovementioned matters, we have concerns over the inconsistent information and explanations that have been provided to us during the course of our audit with regards to the legal matter. In particular, the court hearing which took place in December 2017 and subsequent court verdict which was announced in February 2018 were not disclosed to us, even though specific enquiry was made on the status of the investigation at the audit committee meeting on February 28, 2018*

- (i) Would the audit committee (AC) help shareholders if it had reviewed the level of cooperation that management gave to the external auditors?**
- (ii) What was the role of the AC in the preparation of the financial statements? What assistance did the AC members give to the external auditors relating to their queries on the investigation?**

- (iii) Would Mr Cheong Keng Chuan Alfred, as AC chairman (and who is also an executive director of Crowe Horwath First Trust LLP, a certified public accountants firm) help shareholders understand his personal involvement in the finalisation of the group's audit?**
- (iv) Would the AC clarify the extent of its assistance and the clarification(s) provided to the external auditors at the audit committee meeting on 28 February 2018?**

3. Would the board/management provide shareholders with better clarity on the following operational and financial matters? Specifically:

- (i) Tianjin Boulevard: With the redevelopment completed but awaiting "inspection and acceptance" from the Fire Services Bureau, has management started its leasing efforts? If so, what is the committed occupancy? What are management's plans for the hotel?**
- (ii) Project Imbi: What is the group's positioning of the development? Given the current uncertainties over real estate investment/ownership by foreigners in Malaysia, what is the strategy by the group to market the units in the project?**
- (iii) Plaza Rakyat: The group has paid RMB144 million in deposits for the acquisition of the land for Plaza Raykat. Given that the development started in 2015, can management update shareholders if it has secured all the planning/development permits required? What is the impact on the development following the investigation by the Malaysian Anti-Corruption Commission?**
- (iv) Deferred consideration: Can management update shareholders on the status of the deferred consideration of RMB392 million relating to the disposal of the subsidiaries? As stated in Note 41 (page 105 – Disposal of subsidiaries), the deferred consideration will be settled in cash by the purchasers on or before 30 September 2018.**