

DEBAO PROPERTY DEVELOPMENT LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No. 200715053Z)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") ON THE ANNOUNCEMENT OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2021 ("1Q2021")

The Board of Directors (the "Board") of Debao Property Development Ltd. (the "Company") wishes to announce the following in response to the queries raised by the SGX-ST on 19 May 2021 in relation to the announcement of the unaudited financial statements for 1Q2021 made by the Company on 14 May 2021.

SGX-ST's Query 1

Page 1: Selling and distribution expenses

Provide a breakdown of these expenses amounting to RMB2,267,000 versus RMB627,000 in 1Q2020, and explain the reasons for the significant increase of 262% when Revenue rose only 144%.

Company's Response

RMB '000

	1Q2021	1Q2020
Sales center decorations	49	21
Salaries	190	496
Advertising	165	55
Agents commission	1,847	47
Others	16	8
	<u>2,267</u>	<u>627</u>

In order to increase sales of Bay ONE in 1Q2021, the company increased the use of third party agents whom have a higher commission rate than our internal sales force used in 1Q2020.

SGX-ST's Query 2

Page 3: Trade and other receivables

Provide a breakdown between trade and other receivables, and explain why the Company is unable to collect its receivables. Why is there such a large receivables amount of RMB386,217,000? Also provide the breakdown by project and provide aging schedule in bands of 3 months, as well as disclose the nature of other receivables outstanding, and elaborate on when these other receivables will be repaid.

Company's Response

Descriptions	RMB (million)	Aging (days)				Over one year
		within 90	91-180	181- 270	271- 365	
Management fee	3.0	0.9	1.0	0.4	0.7	-
Construction works	38.9	10.0	-	6.7	2.2	20.0
Rent	10.5	0.9	-	2.4	-	7.2

Descriptions	RMB (million)	Aging (days)				Over one year
		within 90	91-180	181- 270	271- 365	
ShengYu (BVI) Limited	160.0	-	-	-	-	160.0
Prepayment	8.3	-	0.3	-	-	8.0
Deposits	60.1	-	10.1	-	-	50.0
Guangzhou Xu Zhou Enterprise Management Co. Ltd.	24.8	-	-	-	-	24.8
Perfect Praise Investment Limited	16.0	-	-	-	-	16.0
Properties sales	61.4	30.4	31.0	-	-	-
Others	3.2	-	3.2	-	-	-
	386.2	42.2	45.6	9.5	2.9	286.0

Management fees relate to the fees we need to collect for our management services provided to properties which includes Debao Garden, Xinliwan Garden, JiangNanMingJu and Sihui City Mall. Some occupants have either delayed or forgot to pay. We do not expect any problems in recovering these amounts in full.

Receivables relate to construction works performed mainly in ShanShuiLongPan and other various work sites. It is an industry practice for developers to retain the last payment until the work is certified. This amount is related to work not yet certified. Also, some are related to works which require us to enhance or modify. We expect this amount to be collected in full.

Rent receivables relate to the monthly rents payable by lessees in our shopping malls, mainly in Tianjin Boulevard, Debao Garden, JiangNanMingJu and Sihui City Mall. However, some rent has not been paid when due or delayed as a result of disputes relating to utilities. As the lessees have their establishments in our shops, we consider this amount to be fully recoverable.

For details of the receivables from Sheng Yu (BVI) Limited, please refer to our announcement dated 18 January 2021. The Guangzhou Arbitration Commission accepted our application for arbitration and we are waiting for their notice of court hearings. The management considered this amount to be collected in full.

For prepayments, they are mainly prepayments for materials, machinery rental and construction fee for our development properties. These items are expected to be fully utilised by the end of FY2021.

Deposits mainly related to the deposits that we are required to pay to the government bureaus in order to obtain their approval to commence development properties construction for Project Imbi and Bay One. These can only be recovered in two to three years when our existing development property projects are completed.

Receivables from Guangzhou Xu Zhou Enterprise Management Co. Ltd. relates to the disposal of 43% shares in Profit Consortium. This amount is received according to the contract terms which is dependent on the issuance of the building plan and development order.

Receivables from Perfect Praise Investment Limited relate to the disposal of 1% shares in Profit Consortium.

Properties sales receivables relate mainly to sales in Bay ONE for which the buyers are taking a bank mortgage to pay the remaining amount. We will collect this amount only after the bank mortgage have been granted to the buyers. It usually takes one to three months for the banks to complete their mortgage approval process. If the buyer apply for special loan from Housing Provident Fund Center, the approval process will take more time. We expect this amount to be collected in full.

There should no material collectability issues in relation to these trade and other receivables.

SGX-ST's Query 3

Page 10: Litigation case involving key management of Foshan Nanhai Chuangxintian Hotel Management Co., Ltd. ("Chuangxintian")

Explain in detail the nature of the suspect scam cases, and explain the consequences to the Company arising from these scams. Disclose the identity of the Majority Shareholder, and explain whether they are involved in these scams and investigations.

Company's Response

Please refer to our reply to SGX query 3 on announcement dated 22 January 2021 and our reply to SGX query 3 on announcement dated 29 January 2021 for the nature of the suspect scam cases, and the consequences to the Company arising from these scams.. The company and its majority shareholder are not involved in the scams and investigations. The Company has requested for a situation update on 3 May 2021 but has not received any replies from the PRC police.

SGX-ST's Query 4

Page 17: Project Imbi ("The Landmark")

Provide an update on the status of this development, and the expected date of completion.

Company's Response

The development of The Landmark is now on hold as the company is concentrating its funds to complete the construction of Bay ONE in 2021. The company plan to continue its development on The Landmark in 1Q2022. The Landmark is expected to complete its development by June 2026.

SGX-ST's Query 5

Page 17: Project Kuchai Lama

Provide an update on the expected date of completion, percentage sold, and whether there will be liquidated damages for any delays in construction.

Company's Response

The project was disposed together with the disposal of Poly Ritz Geen (Malaysia) Sdn Bhd. on 30 May 2019. It was mistakenly included in the quarterly announcement.

SGX-ST's Query 6

Page 18: Tianjin Boulevard

Provide an update on the percentages sold and occupied. What is the amount of rental income from this project, and what is the yield? What percentage of this project is owned by the Company?

Company's Response

Tianjin Boulevard is a 57.8% owned redecoration and rental project. The occupancy rate is now approximately 25%. The low occupancy rate is mainly due to the prolonged COVID-19 pandemic which affected the investment environment, especially on the high end entertainment and catering industry. In the meantime, monthly rental income from this project is approximately RMB 2.5 million and the yearly gross rental yield is approximately 12.7%. The remaining project life is 12 years.

SGX-ST's Query 7

Page 18: Bay One

Provide an update on the percentage sold.

Company's Response

The apartments sold are approximately 58%. The hotel tower, shopping mall and car parks have not commenced its sales. The company plan to commence sales for hotel tower, shopping mall and car park in 4Q2021.

SGX-ST's Query 8

Independent Directors currently resident in Singapore

Provide an update on the Company's appointment of a Singapore-resident Independent Director.

Company's Response

The Company is interviewing replacement for Singapore-resident Independent Director and will appoint one by 5 June 2021.

By Order of the Board

Zhong Yuzhao
Executive Director and Chief Executive Officer
21 May 2021