

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 SECOND QUARTER ENDED 30 JUNE 2021 ("2Q2021")

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 24 August 2021 in relation to the announcement of the unaudited financial statements for the second quarter ended 30 June 2021 made by the Company on 14 August 2021.

SGX-ST's Query 1

Page 3: Provisions: RMB89,869,000

Provide a breakdown of these provisions amounting to RMB89,869,000 as at 30.06.2021 and RMB96,311,000 as at 30.06.2020, and the reasons for the provisions and significant movements.

Company's Response

RMB'000	30.06.2021	30.06.2020
Provision for cost of disposed subsidiaries	88,297	88,297
Provision for late delivery of properties to buyer and construction works	1,572	8,014
Provisions	<u>89,869</u>	<u>96,311</u>

The decrease in provision for late delivery of properties to buyer was mainly due to the lapse in the legal prosecution period that the buyer can file a court proceedings for penalties.

SGX-ST's Query 2

Page 10: RELATED PARTY TRANSACTIONS

Disclose the nature of the transactions with Zhong Yu Xin and Yuan Le Sheng.

Company's Response

Please refer to page 10 Notes (1) – (4) of our Condensed Interim Financial Statements on 14 August 2021.

SGX-ST's Query 3

Page 16: TRADE AND OTHER RECEIVABLES: ShengYu (BVI) Limited: RMB160 million

Provide an update on the collections from Sheng Yu, and steps taken by the Board and Audit Committee ("AC") for the collections.

Company's Response

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 arbitration commission is asking us to submit various additional information in several batches since January 2021 and we provide the information accordingly. The last batch of information was provided on 19 August 2021. We are in the progress waiting for the court hearings and until the results of the court hearing come out, we plan no further actions.

SGX-ST's Query 4

Page 16: TRADE AND OTHER RECEIVABLES: Deposits: RMB60.1 million

Provide an update on the underlying transactions/contracts for these deposits amounting to RMB60.1 million.

Company's Response

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.

SGX-ST's Query 5

Page 16: TRADE AND OTHER PAYABLES: Accruals: RMB461.7 million

Provide a breakdown of the RMB461.7 million as at 30-Jun-21 and RMB454 million as at 31-Dec-20, and explain why accruals are so significant. When were these expenses incurred? Provide the ageing schedule.

Company's Response

<u>30 June 2021</u>	RMB	Ageing (days)				
		within 90	91-180	181-270	271-365	Over one year
Descriptions	(millions)					
Interest accrual	340.1	-	-	-	-	340.1
Construction works accrual	121.6	20.3	80.1	21.2	-	-
	461.7	20.3	80.1	21.2	-	340.1

<u>31 December 2020</u>	RMB	Ageing (days)				
		within 90	91-180	181-270	271-365	Over one year
Descriptions	(millions)					
Interest accrual	306.1	-	-	-	-	306.1
Construction works accrual	147.9	25.3	28.8	63.3	30.5	-
	454.0	25.3	28.8	63.3	30.5	306.1

When the company granted construction works to subcontractors, the payment terms are usually based on the completion of work. The invoice will come in only after the construction work had been verified. During the construction progress, the company will estimate the work done by the subcontractors and provide for the accruals. The days between the actual construction works done and invoice date usually spread over a long period depending on the type of work for the construction work granted. The interest accrual is related to the loan interest payables to Huarong and Binhai.

SGX-ST's Query 6

Page 20: Divestment of Profit Consortium Sdn. Bhd. ("Profit Consortium")

"This disclaimer arose mainly due to the shares sales of Profit Consortium of remaining 1% not completed before year end and thus the auditors could not ascertain whether the provision for impairment were adequate. Debao is currently finalizing the details with potential buyers and is expected to conclude by the end of 3Q2021. When finalised, it would provide adequate information to auditors for making adequate provision for the impairments."

Provide details of these negotiations, and provide a full update on this matter.

Company's Response

We are having meetings with the buyers periodically to go through proposed payment schedule by both parties. Last meeting was held on 20 August 2021 but no conclusion was reached yet. We will continue the negotiation with the buyers and release update once it is ready.

SGX-ST's Query 7

Page 20: Divestment of Poly Ritz Green (Malaysia) Sdn. Bhd. ("Poly Ritz")

"This disclaimer arose mainly due to the buyer of Poly Ritz refusing to provide auditors the books and records after transfer date. Debao considered this issue resolved as this disclaimer will not carry forward to FY2021".

Explain why the disclaimer will not carry forward to FY2021, and whether the books have been provided to the auditors. If not, how will this issue be resolved?

Company's Response

We confirmed with the auditors that as Poly Ritz was disposed during FY2019, they need not review the books and records of Poly Ritz in FY2020 to ascertain the consolidated results and thus the issue was resolved.

SGX-ST's Query 8

Page 20: 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. We contacted the police in August 2021 to discuss the progress of investigation but we did not get any updates from the police."

Disclose which police department was contacted, and whether this was done via the proper procedures? Disclose the procedures undertaken by the Company to find out the progress of the investigations and updates on court proceeds involving these criminal offences.

Company's Response

We contacted the Economic Investigation Team of Commercial Criminal Investigation Department of Municipal Public Security Bureau of Guangzhou City to check for the progress of the investigation. As

the directors of Chuangxintian are still not going through court proceedings and we are not the subject for investigation, it is the only procedure we are informed of the updates of the case.

SGX-ST's Query 9

Page 20: Litigation case involving key management of Foshan Nanhai Chuangxintian Hotel Management Co., Ltd. ("Chuangxintian")

"In relation to the loan with Huarong, we are contacting Huarong on when they will commence due diligence for extension of loan. During our latest discussion with Huarong on August 2021, the company still hold the opinion that they will only carry out the due diligence review after the MCO in Malaysia. The Company will update shareholders if there are any updates on the loan arrangement."

Provide details on the status of the Huarong investigation, and how this will affect the Company's loans from Huarong. Please quantify responses.

Company's Response

There was a formatting error in page 20 and should move to page 15 point (b)(1). Please find the revised paragraphs as follows:

Loans from a lender amounting to RMB 968,580,000 (2020: RMB 979,815,000) with an effective interest rate 6.00% (2020: 13.00%) per annum and are secured by a shareholder of the Group and its subsidiaries, properties held for sale, development properties, land use rights of the Group and investment properties. In relation to this loan with Huarong, we are contacting Huarong on when they will commence due diligence for extension of loan. During our latest discussion with Huarong on August 2021, the company still hold the opinion that they will only carry out the due diligence review after the MCO in Malaysia. The Company will update shareholders if there are any updates on the loan arrangement.

SGX-ST's Query 10

Page 21: Revenue

"The Group's revenue decreased by RMB 39.6 million, or 19.4%, from RMB 204.2 million in 1H2020 to RMB 164.6 million in 1H2021. This was mainly due to a decrease in property sale revenue by 30.2 million, as well as the decrease in construction revenue by 6.9 million in 1H2021."

Provide a breakdown and details of revenue earned from each property development project, and explain fluctuations.

Company's Response

There are only one ongoing property development project, namely Bay One. The decrease in 1H2021 when compared with 1H2020 was mainly due to the fact that when back in 1H2020 which was the first time when Bay One open for sales, we introduced a greater discount to boost sales. Together with outbreak of COVID-19 in Guangdong in 2Q2021 that temporarily decreased the buyers' interest to travel around for house purchasing, both factors decreased the property sales revenue.

SGX-ST's Query 11

Page 21: Other Income (Expenses), net

"Other income increased by RMB 4.9 million from RMB 1.1 million in 2Q2020 to RMB 6 million in 2Q2021. The increase is mainly due to the one-off bad debt recovered which was provided prior to 2021"

amounting to RMB 4.2 million in 2Q2021. The original bad debt provision was related to a long outstanding trade receivables on construction projects.”

Provide details of the identity of this debtor for the significant one-off write-off, and reasons for the write-off. Quantify the amount of write-off, and whether there are further amounts due from this debtor in total.

Company's Response

It is related to construction work we performed for Guang Dong Sheng Liu Jian Ji Tuan Limited (“Liu Jian”). Due to the long outstanding and Liu Jian did not certify the work done, our ex-auditor considered the receivables amounting to RMB4.2 million not recoverable and the management agreed to write-off this amount for financial presentation purpose. There are no outstanding amount due from Liu Jian.

SGX-ST's Query 12

Page 21: Selling and Distribution Expenses

“The selling and distribution expenses increased by RMB 3.1 million in 1H2020 as compared to the previous corresponding period. The increase in selling and distribution expenses in 1H2021 were due mainly to expenses incurred in marketing of the property development project “Bay One”.”

Provide details on the status of the development and sales of Bay One, over which the significant increase in marketing expenses was incurred.

Company's Response

Bay One is now under development and on schedule. It is reaching a state of full completion. The increase in marketing expenses was mainly due to increased advertising, decoration of sample units for use in promotions and the use of third parties real estate agents.

SGX-ST's Query 13

Page 24: Project Imbi (“The Landmark”)

“We are concentrating our efforts in the completion of Bay ONE project first and expect to continue the development of Imbi project in FY2021 onwards.”

Disclose the status of project development, sales percentage, the legal TOP date and the expected completion date.

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 and the legal deadline for completion is by September 2026. Pre-sales percentage is about 1.6%.

SGX-ST's Query 14

Page 24: Tianjin Boulevard

“A development project which consists of a hotel and a shopping mall. Total redevelopment area is approximately 40,000 sq meters. All redevelopment work has been completed. Tianjin Boulevard project is expected to generate rental income till 2032.”

How much of the property has been tenanted? What is the tenure of these rental agreements? How much rental income is this expected to generate per annum?

Company's Response

The occupancy rate is now approximately 25%. The rental period range from 1 to 5 years. 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.

By Order of the Board

Zhong Yuzhao
Executive Director and Chief Executive Officer
1 September 2021