

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 FOURTH QUARTER ENDED 31 DECEMBER 2020 ("4Q2020")

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 10 March 2021 in relation to the announcement of the unaudited financial statements for 4Q2020 made by the Company on 1 March 2021:

SGX-ST's Query 1

Page 1: Other income, net

Explain the 4Q2020 increase to RMB16,629,000 from RMB(13,652,000) in 4Q2019.

Company's Response

In 4Q2019, other income contains an exchange loss of approximately RMB15.7 million whereas in 4Q2020, other income contains an exchange gain of RMB9.6 million. Also, in 4Q2020, other income included an income from disposal of fixed assets amounting to RMB6 million.

SGX-ST's Query 2

Page 3: Negative working capital of RMB886,814,000

Explain whether and how the Company intends to finance its short-term liabilities as and when they fall due.

Company's Response

As at 31 December 2021, the current liabilities of the company in RMB'000 are as follows:

Current liabilities

Bank and other loans	1,342,577
Trade and other payables	721,869
Lease liabilities	36,446
Contract liabilities	99,921
Provisions	96,311
Tax payables	122,645
Liabilities directly associated with disposal assets classified as held-for-sale	46,735
Total current liabilities	2,466,504

The significant items include (1) Bank and other loans, (2) Trade and other payables and (3) Tax payables, which we elaborate below.

Banks and other loans

For bank and other loans, it can be divided into 3 categories, namely individuals, banks and non-bank loans.

RMB 118 million is from individuals which have no fixed repayments terms. The Group is able to roll-over the borrowings if required.

For the loans from banks, the amount due in one year is RMB38 million.

For the non-bank loans, RMB 979.8 million is from a non-financial institution of which we are able to roll over pending completion of their internal due diligence. For the remaining RMB190.6 million, although there are fixed repayment terms for progress repayments from 2019 to July 2021, the Group had complied with the China police to stop repayment until further notice. Further details on this loan can be found on p34 of our FY2019 annual report.

Trade and other payables

Trade and other payables include (1) accounts payables, (2) receipts in advance (3) accruals, (4) deposits received and (5) other payables.

Receipts in advance amounting to RMB 115.4 million need not be paid but will be kept as current liabilities for financial presentation only.

The accruals include RMB 405 million being interest to a non-financial institution. As mentioned above, this amount together with its loan are expected to roll over, pending internal due diligence. Another RMB 24 million was requested by the Police to withhold payment until further notice. Thus, only RMB 25 million accruals need to be repaid within one year.

Deposits received amounting to RMB 17.7 million will be repaid when the rental contracts terminate and to be repay in one year.

For the accounts payables and other payables amounting to RMB134.8 million is incurred as part of ordinary course of business. Management is confident to repay these payables when due.

Tax payables

This represents approximately RMB 10 million being provisions for tax on profits. The remaining RMB 119.6 million is from audit adjustments in previous years which the auditors considered the need for payment but the tax assessment(s) from the authorities indicate otherwise. We are discussing with the auditors to ascertain if the accounting treatment can be reversed in FY2021 if appropriate.

Repayment source

On the income side, the properties sales from BAY ONE and Imbi ("The Landmark") pre-sales deposit is expected to give rise to RMB 1,157 million cash inflow by December 2021.

A loan from GuangDong Finance Asset Management Co., Ltd amounting to RMB 230 million can also be drawn to replace a non-bank loan if needed.

The Company also expects annual rental income of approximately RMB 40 million, annual management income approximately of RMB 23 million and annual construction income of approximately RMB 29 million, approximately in line with previous year.

Furthermore, 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.

Accordingly, the Company management is confident to meet its short-term obligations as and when they fall due.

By Order of the Board

Zhong Yuzhao
Executive Director and Chief Executive Officer
12 March 2021