

## **DEBAO PROPERTY DEVELOPMENT LTD.**

(Incorporated in the Republic of Singapore)

(Company Registration No. 200715053Z)

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### **RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") ON THE ANNOUNCEMENT OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2024("1Q2024")**

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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 23 May 2024 in relation to the announcement of the unaudited financial statements for the three months ended 31 March 2024 made by the Company on 15 May 2024.

#### **SGX-ST's Query 1**

We note that the Company's finance expenses amount to RMB 30.3 million whilst the Company only generated RMB 16.9 million in revenue that is approximately half of its finance expenses in 1Q2024. Please further elaborate further on the Company's commentary on the outlook of its business operations, performance and going concern in next 12 months.

#### **Company's Response**

The first quarter revenue usually is lower than other quarters mainly due to the Chinese New Year Holidays and thus the revenue from properties sales is usually lower than other quarters. The finance expenses mainly consists of interest accrual for Huarong's loan amounting to approximately RMB 16 million. As we are still in negotiation with Huarong for further investment/loan arrangements and the interests are expected to roll over in to the above mentioned investment/loan arrangement. However, the interests are accrued for prudence sake and no payments are necessary.

The Group has obtained the lenders' approval for roll over of all the loans, which are due in the financial year ending 31 December 2024. Together with the sales and hand over of the remaining Bay ONE properties by the end of FY2024, the company is expected to generate cash from properties sales of approximately RMB 120 million. The company is also confident to generate positive cash flow from operations for the next twelve months and have sufficient cash to meet its obligations as and when they fall due for the next twelve months.

Also, Foshan's average selling prices for properties have stabilized and the company considers the remaining properties can be sold at existing average selling prices.

#### **SGX-ST's Query 2**

The Company disclosed on Page 7 that the last valuation on investment properties were held in FY2019 and the Company's reported investment properties amount to RMB 2.2 billion that is 14x of its Net Asset Value ("NAV") of RMB 151 million.

(i) We note from Page 25 that these investment properties are held to generate rental income and/or for capital appreciation. Please disclose the rental income and/or capital appreciation recorded to date;

(ii) We note from Page 23 that the Company had incurred cost in renovation and repair works in investment properties in 3M2023. Please disclose the total cost incurred for renovation and repair works to date; and

(iii) Please quantify the potential impairment losses assessed on these investment properties and the corresponding impact on the Company's financial position.

### **Company's Response**

- (i) Rental income is approximately RMB 7 million and the capital appreciation recorded to date is approximately RMB 1.36 billion. The appreciation of fair value is mainly due to most of the investment properties being self-developed properties and thus the cost is relatively low compared to market value.
- (ii) The one-off renovation and repair works in 3M2023 was approximately RMB 7 million.
- (iii) The fair value of investment properties mainly depends on market sentiment and whether the investment properties carry rental contracts. Our investments properties carry rental contracts ranging from 2 to 20 years, together with the investment properties market price in year 2024 being slightly higher than year 2019<sup>(1)(2)</sup>, thus, with our last revaluation done in FY2019, the company considers the investment properties are fairly stated. The company will closely monitor on the market trend and perform fair value adjustment when needed.

(1) <https://tradingeconomics.com/china/house-price-index-mom>

(2) <https://fred.stlouisfed.org/series/QCNR628BIS>

### **SGX-ST's Query 3**

With respect to the Divestment of Profit Consortium Sdn. Bhd. ("Profit Consortium"), please disclose the progress on the negotiation with the potential buyer, Perfect Praise Investments Limited (as disclosed in the Company's Announcement dated 27 November 2023), the material terms negotiated and when the sales proceeds can be collected. To also disclose the potential impairment assessed from the divestment of Profit Consortium and its impact on the Company's financial position.

### **Company's Response**

We are negotiating with Perfect Praise Investments Limited on the payment terms of the disposal contract. One of the criteria for the Company to receive disposal proceeds is only

after the building plan has been submitted by the purchaser. The purchaser cannot provide a definite date for submission. Thus, since submission of the building plan will be done by the purchaser, it is out of our control. We understand that the purchaser is still amending their building plans.

The company considered there is no further needs for impairment based on the following:

1. As our negotiation with buyer is still based on the original price which was concluded at market price in year 2019-2020 and the market price level in Malaysia at present is comparable to year 2019 level<sup>(1)</sup>;
2. Impairment has been fully made based on the above said concluded amount;

<sup>(1)</sup> <https://fred.stlouisfed.org/series/QMYR628BIS>

#### **SGX-ST's Query 4**

Please provide an update on the Company's efforts to accumulate cash of SGD 1.5 million (~RMB 7.9 million) to pay off the 2017 final dividend to minority shareholders and elaborate on its progress for the delisting.

#### **Company's Response**

The company is fairly confident that it will be able to pay the dividend by the end of year due to our effort in tightening our cost structure and the sales proceeds from the sales of the remaining towers in Bay ONE as mentioned in our response to query 1 above.

The company is still waiting for the approval from Huarong on further investment/loan arrangements. Once further information is obtained, the company will provide a more concrete delisting plan.