

DEBAO PROPERTY DEVELOPMENT LTD.

(Incorporated in Singapore on 16 August 2007)

(Registration Number: 200715053Z)

ADDENDUM TO ANNOUNCEMENT ON 27 MARCH 2020 – UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019 (“FY2019”)

Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as ascribed to them in the Company’s announcement on the unaudited financial statements for the fourth quarter and financial year ended 31 December 2019 which was released on 27 March 2020 (the “**Previous Announcement**”).

The Board of Directors (the “**Board**”) of Debao Property Development Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refer to the Previous Announcement and wish to inform that the following should be included in the Previous Announcement in accordance to Appendix 7.2 of the Listing Manual:

3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

- (a) Updates on the efforts taken to resolve each outstanding audit issue.
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that a material uncertainty relating to going concern.

Reference is made to pages 33 to 37 of the FY2018 Annual Report. Other than the issue of material uncertainty relating to the going concern assumption, the disclaimer of opinion by the Company’s auditor arose from the following six (6) issues:

- (i) Opening balances
 - a) Legal matter – court’s verdict on the act of bribery
 - b) Payment to political party in Malaysia
- (ii) Land costs of Elite Starhill Sdn. Bhd.
- (iii) Divestment of Profit Consortium Sdn. Bhd.
- (iv) Poly Ritz Green (Malaysia) Sdn Bhd
- (v) Expected Credit Loss of Other Receivables of RM43,534,000 (RMB72,366,000)
- (vi) Non-receipt of bank confirmations

(a) *Updates on the efforts taken to resolve each outstanding audit issue.*

- (i)(a) Legal matter – court’s verdict on the act of bribery

The details of the lawsuit in China has been fully disclosed to the Board and to the existing auditors. The former CEO has also stepped down from his position with effect from 19 April 2018. Management considers this issue resolved and this will not have any impact on the current or comparative figures for FY2019.

- (i)(b) Payment to political party in Malaysia

Management considers this issue resolved and this will not have any impact on the current or comparative figures for FY2019.

(ii) Land costs of Elite Starhill Sdn. Bhd. (“**Elite Starhill**”)

The Land Purchase Agreement was signed on 26 June 2013 before the Company acquired Elite Starhill, as announced on 25 September 2015. The consideration amount was reached after extensive discussions between the seller and the buyer, where Debao Property Development (HK) Limited and Messrs Wong Siaw Puie and Koo Soon Khang entered into an arm’s length transaction. The consideration amount takes into account the net tangible assets of Elite Starhill, together with the potential developments in the Imbi Land thereon. As part of the payments were settled through management staff who have since resigned, the auditors could not ascertain the purpose for the amounts paid and could not perform alternative audit procedures. Nonetheless, the land cost can be cross-checked with government records. The Group will arrange for such records to be provided to the auditors during the FY2019 audit, and will also arrange for a face-to-face meeting(s) between the auditors and management staff who have resigned to assist the auditors in clarifying their queries, if any.

It is noted that the warning letter sent by the local authorities stipulating that the Company had not complied with noise level regulations caused construction was addressed to the Company’s subcontractor and not the Company. Construction has since resumed and the project commenced pre-sales in November 2019.

(iii) Divestment of Profit Consortium Sdn. Bhd.

The auditors could not verify that the land cost and various other costs paid through related parties were solely for that particular purpose. The Group was unable to arrange for the related parties to meet with the auditors during their fieldwork. The Group will arrange for face-to-face meeting(s) between the auditors and management staff who have resigned to assist the auditors to confirm the nature of payments.

(iv) Poly Ritz Green (Malaysia) Sdn Bhd

The auditors could not verify that the payments to the Group through related parties were solely for the agreed purpose due to insufficient audit evidence. This was because the Group was unable to arrange for the related parties to meet with the auditors during the fieldwork. The Group will arrange for the related parties to meet with the auditors during the next audit fieldwork.

(v) Expected Credit Loss of Other Receivables of RM43,534,000 (RMB72,366,000)

The Company will work diligently with the independent auditors to appropriately account for its expected credit risk losses provisions for the upcoming audit for FY2019.

(vi) Non-receipt of bank confirmations

The Group has many bank accounts. The Group had received 82% of the bank confirmations (by value) required by the independent auditors at the date of the audit report, the independent auditors still required receipt of 100% of the bank confirmations to ascertain the carrying value and completeness of the bank [balances?], loan balances and any other banking arrangements which are required for disclosure for the financial year ended 31 December 2018. Management will place more attention on this audit procedure for the upcoming audit for FY2019. The Group has also urged the auditors to send out bank confirmations early in order to receive a timely response.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

The Board confirms that the impact of all outstanding audit issues on the financial statements have been adequately disclosed in these financial statements.

By Order of the Board

Zhong Yuzhao
Executive Director and Chief Executive Officer
2 April 2020