

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 NINE MONTHS ENDED 30 SEPTEMBER 2023 (“3Q2023”)

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 21 November 2023 in relation to the announcement of the unaudited financial statements for the nine months ended 30 September 2023 made by the Company on 14 November 2023.

SGX-ST’s Query 1

In relation to the receivables from Sheng Yu (BVI) Limited, Company had announced on 29 August 23 in relation to Response to SGX Queries that the Company expects the court hearing results to be out in October 23. Please provide an update on the Court hearing results.

Company’s Response

The last court hearing was held on April 2023. We are still waiting for the results of the court hearing and will plan no further action until then. The court does not provide us a definite date for the judgement.

SGX-ST’s Query 2

It is disclosed in the unaudited financial results that, the Company reported trade receivables amounting to RMB 374.8 million which represented 419% of the Group’s revenue of RMB 89.4 million for the period ended 30 September 23. Apart from the receivables for Sheng Yu (BVI) Limited, Prepayments and Deposits that had been explained in the 3Q2023 Financial Results, please disclose:

- (i) the underlying transactions, the terms of the transactions (including the contract sum), terms of payment, and whether this was incurred in the ordinary course of business;
- (ii) the ageing profile of the Group’s trade and other receivables/trade receivables in bands of 3 months;
- (iii) whether these outstanding amounts are owing to related parties. If yes, to provide details and quantify;

- (iv) whether these debtors are related to any directors, key executives, substantial shareholders or their respective associates;
- (v) whether these customers are still in operation; and
- (vi) the Board's assessment on the recoverability of the Group's trade and other receivables/trade receivables, and the basis for such an assessment.

Company's Response

- (i) All receivables are incurred in the ordinary course of business. The amount consists of various amount ranging from several hundred to several millions depending on the nature.

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 delayed payments but we do not expect any problems in recovering these amounts in full.

Rent relate to the rental from our lessee. 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.

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.

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

- (ii) Aging are as follows:

	< 90	91-180	181-270	271-365	Over one year
	RMB	RMB	RMB	RMB	RMB
	Million	Million	Million	Million	Million
Total					

Management fee	2.0	0.3	0.1	0.1	0.2	1.3
Construction works	18.5	-	-	-	-	18.5
Rent	4.5	0.3	0.4	0.2	0.3	3.3
ShengYu (BVI) Limited	160.0	-	-	-	-	160.0
Prepayment	51.7	0.2		0.1		51.4
Deposits	60.1	-	-	-	-	60.1
Guangzhou Xu Zhou Enterprise Management Co. Ltd	24.8	-	-	-	-	24.8
Perfect Praise Investment Limited	16.0	-	-	-	-	16.0
Properties sales	32.6	0.4			7.4	24.8
Others	3.8	-	-	-	-	3.8
	<u>374.0</u>	<u>1.2</u>	<u>0.5</u>	<u>0.4</u>	<u>7.9</u>	<u>364.0</u>

- (iii) No outstanding amounts are owing to related parties.
- (iv) No debtors are related to any directors, key executives, substantial shareholders or their respective associates.
- (v) The entities relating to trade receivables are still in operations.
- (vi) The Board's reviewed the receivables periodically and considered the trade receivables can be recovered in full.

SGX-ST's Query 3

The Company stated that the significant provisions of RMB99.3 million in 30 September 23 (56% of NAV), comprising of provisions for (i) cost of disposed subsidiaries and (ii) late delivery of properties to buyer and construction works. Please disclose:

- (i) the nature of and breakdown for the cost of disposed subsidiaries and when were these subsidiaries disclosed and why the Company is still taking up such costs of disposed subsidiaries;
- (ii) the breakdown of the costs relating to the late delivery of properties to buyer and construction works and disclose their aging in bands of 3 months with the period of the upper band clearly disclosed.
- (iii) basis and methodology used to determine the provisions for the respective item (i) and (ii). To also justify the methodology selected.

Company's Response

- (i) For nature and the cost of provision for rectification costs of disposed subsidiaries' development properties, please refer to page 94 of the audited financial statement for the year ended 31 December 2019 and page 102 of the audited financial statement for the year ended 31 December 2018. They are all charged to income statement in previous years.

Provision for rectification costs of disposed subsidiaries' development properties pertains to any rectification costs in which the Group has to repay to the buyer which the disposed subsidiaries have to incur to rectify, for example, repairs, unpaid liabilities and taxes due to the development properties of the disposed subsidiaries. On March 13, 2004, the Group entered into joint agreement ("agreement") with third parties to jointly develop 77.94 acres of land, which was owned by the third parties. In return, the Group agreed to let those third parties have first right to purchase of certain properties once completed. In 2015, the third parties brought a legal suit against the Group for non-compliance with the agreement for selling the properties without providing the third parties with the first right to purchase. The court ruled that the Group need to compensate third parties for damages of RMB12,522,000. Thus, based on the cost of repairs, unpaid liabilities and taxes, the auditor provided this amount. Although up to today, there is no claims for this amount, the provision are not reversed as the demand period is not yet expired under PRC rules and regulations and for prudent sake, the provision remains.

- (ii) Aging are as follows:

		< 90	91-180	181-270	271-365	Over one year
		RMB '000	RMB '000	RMB Million	RMB Million	RMB Million
Total	8,875	-	-	-	-	8,875
Provisions for late delivery	8,875	-	-	-	-	8,875
	8,875	-	-	-	-	8,875

The amount was provided based on 0.01% on each property's selling price and the length of days delayed handover as detailed in the properties sales contract.

- (iii) As the amount in (i) and (ii) are based on actual contractual agreement, we considered the provision is adequate.

SGX-ST's Query 4

With regard to the divestment of Profit Consortium Sdn. Bhd., please disclose what are the details that the Company is currently finalizing and who are the potential buyers.

Company's Response

The group is negotiating with Perfect Praise Investments Limited on the divestment of Profit Consortium Sdn. Bhd. The focus on the negotiation is currently on the timing and terms when the sales proceeds can be collected.

SGX-ST's Query 5

In relation to the Litigation case involving key management of Foshan Nanhai Chuangxintian Hotel Management Co., Ltd. (“Chuangxintian”), please disclose more details on Chuangxintian and its directors as follow:

- (i) To state the percentage held by the Group in Chuanxintian.
- (ii) the specific charges and the nature of the transactions that the directors are being charged for.
- (iii) To state the contribution of Chuanxintian to the Group's revenue, net profit and net asset value.
- (iv) To provide details on Chuanxintian's current business operations, key management and directors
- (v) To confirm that the arrested directors are no longer involved in the management and/or decision making of Chuanxintian and any of its related entities and the effective date of this.

Company's Response

- (i) The group held 40.2% of shares in Foshan Nanhai Chuangxintian Hotel Management Co., Ltd.
- (ii) The director, 谭凯欣, was arrested in relation to scam cases that are being investigated in relation to the Shenzhen Binhai Fund Management Co. Ltd. The police did not release any further information on specific charges in relation to the arrest.
- (iii) Chuanxintian has no contribution to the group's revenue, net profit and net asset value.
- (iv) Chuanxintian is a lending vehicle for Binhai Fund. Its only business operation is to lend money to Bay ONE project. Chuanxintian current director is 郑锦钊 and supervisor (“监事”) is 何劲光.
- (v) 谭凯欣 was officially retired from office in Foshan Nanhai Chuangxintian Hotel Management Co., Ltd. since 8 August 2022. 谭凯欣 no longer involved in the management and/or decision making of Chuanxintian and 谭凯欣 never involved in the management and/or decision making of Debao Property Development Limited.

SGX-ST's Query 6

In relation to the negative working capital, the Company mentioned that the Group is in negotiations with the lenders to refinance the loan(s) as appropriate. Please disclose who are the lenders and the Group's refinancing plan as the loans come due in the next 12 months.

Company's Response

Lenders are as follows:

Name	Due Date	RMB Million
Industrial and Commercial Bank of China	7/22/2030	2.5
Guangdong Nanyue Bank	11/28/2023	16.3
Bank of Communications	12/21/2023	22.9
China Citic Bank	9/29/2033	304.8
Guangdong Nanyue Bank	4/22/2024	5.0
Bank of Communications	5/12/2024	12.4
Guangzhou Rural Commercial Bank	1/22/2024	18.1
Other loans - Personal	No fixed repayment date	75.0
Other loan - Huarong	To be determined	1,281.8
Other loan - Binhai	To be determined	190.6
		<hr/> <hr/> 1,929.4

In relation to the bank loans, due to the PRC Government recent supporting policy for properties development company, all banks loans can be rolled over for one year.

In relation to loan with Binhai, due to the investigation over Binhai is still ongoing, we are requested by Economic Investigation Team of Commercial Criminal Investigation Department of Municipal Public Security Bureau of Guangzhou City not to repay the outstanding amount. The investigation is expected to be continued for more than one year.

The company is trying to arrange with Huarong for additional loan and investment to finance project and make exit offer. Huarong is now undergoing internal clearance and expected to have preliminary packaged proposal of approximately USD 50 million.