

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 7 March 2024 in relation to the announcement of the unaudited financial statements for the twelve months ended 31 December 2023 made by the Company on 29 February 2024.

SGX-ST’s Query 1

Please disclose the breakdown of the finance expenses of RMB 118 million with explanation on the material items contributing to the balance. To also provide details on the Company’s plan for repayment of the loans, which contributed to the significant finance expenses that is 85% of the Company’s revenue generated in FY2023 (RMB 139 million).

Company’s Response

	Amount (RMB Million)
Bank Loans	22.7
Huarong Loan	63.7
Binhai Loan	8.4
Operating Lease – Tianjin Project – Interest portion	9.3
Individual Loans	13.7
	<u>117.8</u>

In the financial costings, the most significant portion is the interest relating to the Huarong loan. We are in the process of arranging further investment and loans from Huarong which includes converting the Huarong loan interest into a loan. At the moment, Huarong’s loan interest is accrued for recording purpose and we need not pay the interest.

In relation to Binhai loan’s interest, we are requested not to make re-payment until further notice due to Binhai’s scam case.

With the completion of the remaining 2 towers of Bay ONE and the sales commenced in Year 2024, we expect the sales in Year 2024 will significantly increase and is able to cover the financial cost and lower the interest to revenue ratio.

SGX-ST's Query 2

We note that the Company had provided the basis for the Group to operate as a going concern that includes, inter alia, the Group "obtaining the lenders' approval for roll over of all the loans, which are due in the financial year ending 31 December 2023 and "the Group's ability to sell the development properties at the current market selling price and the timing of the receipt of proceeds estimated by management and thus able to generate positive cashflows from operations".

- (i) With respect to all the loans that are due in financial year ending 31 December 2023, please confirm that lenders' approval have been obtained for the roll over.
- (ii) With respect to the Company's borrowings of RMB 1.58 billion that are repayable in one year or less, or on demand ("short-term borrowings"), please disclose the exact maturity dates within the next 12 months.
- (iii) Taking into negative working capital of RMB 1.28 billion in FY2023 that had increased by 10% from the negative working capital of RMB 1.16 billion in FY2022, please provide the Board's assessment of whether the Company is able to fulfill the associated payment obligations or refinance these short-term borrowings at the respective maturity dates. In your response, please also explain the basis for such assessment, as well as disclose the Company's repayment plans in relation to the significant short-term borrowings.
- (iv) Considering the significant balance of development properties of RMB 1.04 billion in FY2023 that had only decreased marginally by 2.7% from RMB 1.07 billion in FY2022, please provide the Board's assessment on the Group's ability to sell the development properties at the current market selling price, basis for such assessment and the expected timeline to generate positive cashflows for the Company from the sales of these development properties.

Company's Response

- (i) The bank loans are all rolled over with material dates from Year 2025 to Year 2033. Other loans have no fixed repayment date.

(ii)

<u>Nature</u>	<u>Amount (RMB Million)</u>	<u>Repayment date</u>
Bank loans	101.6	Monthly instalments in Year 2024
Individual loans	75	No fixed repayment date
Institutional loans	1,408.0	No fixed repayment date

- (iii) The Board considers the Company is able to fulfill the associated payment obligations or refinancing of these short-term borrowings at the respective maturity dates. The main reasons are as follows:
 - (a) With the completion of the remaining 2 towers in Bay ONE and commencement of sales, we expect the sales of development properties will be approximately RMB 400 -500 million in Year 2024.
 - (b) The investment and refinance proposal amounting to RMB 2 billion from Huarong will be approved in Year 2024, which including extending the existing loan from Huarong amounting to RMB 1.2 billion. The remaining amount is sufficient for us to cover the short term loan.
- (iv) The decrease in development properties mainly consists of sales and is offset by the construction works the company has done to complete the remaining 2 towers. Based on the recent selling price in Bay ONE and the property market stabilizing, we expect the Group is able to sell the development properties at the current market selling price and we expect to generate positive cashflows in Year 2024.

SGX-ST's Query 3

With respect to the Prepayments (RMB 45.9 million in FY2023) and Deposits (RMB 60.1 million in FY2023) disclosed under Note 11 of the FY2023 Financial Results (Page 16):

- (i) Please provide breakdown of these significant amounts paid and the identity to whom these payments have they been remitted and the dates on which payments were remitted.
- (ii) Please explain the reasons why these amounts have been paid at their respective dates and on what bases were the amounts paid.
- (iii) Please also explain why these significant amounts remain outstanding and how the Company intends to recover these prepayments and deposits.
- (iv) Please disclose the status of the construction in FY2022 and FY2023, as well as the bases for the Board's assessment that the Company will be able to complete the projects in 2 to 3 years.

Company's Response

(i) Prepayments

Date [#]	Description	RMB (million) [^]
2021	佛山市力泽汇里建材贸易有限公司	5.60
	江门市水电消防保安工程有限公司四会分公司	3.98
	佛山市锦泓建筑幕墙工程有限公司	6.20
	珠江富士电梯（中国）有限公司	2.19
	上海三菱电梯有限公司广东分公司	1.32
	肇庆市肇水水务发展有限公司	1.05
	四会市大昌工程有限公司	2.84
	四会市创兴电力建设工程有限公司	0.69
2022	四会市创兴电力建设工程有限公司	1.29
	江门市水电消防保安工程有限公司四会分公司	5.16
	佛山市锦泓建筑幕墙工程有限公司	3.60
	珠江富士电梯（中国）有限公司	1.25
	四会市大昌工程有限公司	1.00
	广东通捷通信技术有限公司	0.80
	肇庆市肇水水务发展有限公司	0.95
	佛山市赏林苑园林有限公司	0.95
2021	– Others ^{&}	
2022		7.03
		<hr/> <hr/> 45.90

Each line item consists of numerous payments in the year of payment.

[^] Each item represent the total balance remaining as at 31 Dec 2023.

[&] Individual items less than RMB 0.5 million

Deposits

Date	Description	RMB (million)
Jul 2013	Sihui Municipal Finance Bureau Urban Construction Project Security Deposit Account	20.0
May 2018	Dewan Bandaraya Kuala Lumpur (DBKL)	10.0
Aug 2018	Sihui Municipal Finance Bureau Urban Construction Project Security Deposit Account	20.1
Sep 2018	Dewan Bandaraya Kuala Lumpur (DBKL)	10.0
		<hr/> <hr/> 60.1

- (ii) Prepayments were made based on the construction works needed for the development of Bay ONE. As the work verification process is very long, usually only after the completion of the development and after the Government Bureau verification, a portion of the work done will be recognized as pre-payments until they are verified. The payments were therefore made based on the construction works done. For deposits, they were paid to the Government bureau according to the land development contract.
- (iii) For pre-payments, they will be transferred to development cost after their works are verified. For deposits, they can be recovered after the Government bureau verifies the development has been completed according to the land development terms. Usually, it can be recovered in 2 – 3 years after development completion.
- (iv) For Bay ONE, the development will be completed by June 2024. For the Malaysia project, we will commence development by the end of Year 2024. With the completion and sales revenue from the remaining 2 towers in Bay ONE, the Company considers its internal cashflows will be sufficient to commence the development of the Malaysia project. Together with the expected approval from Huarong's investment and refinancing of the loan, the company's financial position is sufficient to speed up the development of the Malaysia project. As the Malaysia project comparatively is in smaller scale, the company expects the project can be completed in 2 to 3 years.

SGX-ST's Query 4

With respect to the receivables from Sheng Yu (BVI) Limited, please provide details of the last court hearing held on April 2023. To also disclose when is the next court hearing date or explain why the court decision had not been forthcoming for almost a year.

Company's Response

The main reason for the delay in court decision is due to Guangdong's province take over of all the cases in relation to Evergrande Group and the need to centrally review all cases, before any court can release their judgement. We are not informed on when the decision can be made or released.

SGX-ST's Query 5

The Company had disclosed in Paragraph 6, Review Performance of the Group in the FY2023 Financial Results (Page 23) that there was an increase in properties sales by RMB 5 million in 12M2023 in its review of the Group's performance but concurrently disclosed in Note 11 of the FY2023 Financial Results (Page 16) that the decrease in properties sales receivables was attributable to a decrease in properties sales in the period. Please reconcile the difference and clarify on the Group's performance in properties sales in FY2023.

Company's Response

We apologize for the typo. The statement should be “The decrease in construction works receivables are mainly due to the decrease in construction works revenue and collection of receivables arising from construction works. The decrease in properties sales receivables are mainly due to the banks speeding up their process in the release of the mortgage loans to our customers and thus settling the property sales receivables.”