

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 SECOND QUARTER ("2Q2020") AND HALF YEARLY ENDED 30 JUNE 2020 ("1H2020")

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 September 2020 in relation to the announcement of the unaudited financial statements for 2Q2020 and 1H2020 made by the Company on 14 August 2020.

SGX-ST's Query 1

Page 3: Trade and other receivables

Revenue for 6 months in 1H2020 amounted to RMB204,249,000. However, Trade and other receivables amount to RMB676,957,000. Provide a breakdown between trade and other receivables, and explain why the Company is unable to collect its trade receivables from its sales. Provide the aging schedule in bands of 3 months. Also disclose the nature of other receivables outstanding, and elaborate on when these other receivables will be repaid.

Company's Response

Descriptions	RMB (millions)	Aging (days)				Over one year
		within 90	91-180	181- 270	271- 365	
Management fee	2.5	0.1	0.6	1.0	-	0.8
Construction works	39.8	5.9	-	33.9	-	-
Rent	15.9	3.1	6	6.7	0.1	-
ShengYu (BVI) Limited	212.5	-	-	-	-	212.5
Prepayment	50.1	-	8.1	-	42.0	-
Deposits	50.4	-	-	0.4	-	50.0
Guangzhou Xu Zhou Enterprise Management Co. Ltd.	55	-	-	55	-	-
Perfect Praise Investment Limited	54	-	-	54	-	-
Properties sales	116	107.3	8.7	-	-	-
Global Ace Enterprise Limited	71.9	-	-	-	-	71.9
Others	8.8	7.6	1.2	-	-	-
	676.9	124	24.6	151	42.1	335.2

Other than receivables from management fee. Construction works and Rent, other items are other receivables.

For the nature of amount due from Sheng Yu (BVI) Limited. ("Sheng Yu"), please refer to announcement dated 13 July 2020. We expected the amount will be recovered in full by the end of 2021.

For the nature of prepayments, please refer to announcement dated 13 July 2020. These items are expected to be fully utilised in FY2020.

For the nature of deposits, please refer to announcement dated 13 July 2020. These can only be recovered in two to three years when our existing development property projects are completed.

For the nature of receivables from Guangzhou Xu Zhou Enterprise Management Co. Ltd. and Perfect Praise Investment Limited, please refer to announcement dated 13 July 2020. These amounts can only be collected after shareholder approval for the transaction(s) is obtained at an extraordinary general meeting (“**EGM**”). The EGM circular has been prepared and is currently being reviewed by the SGX-ST.

Properties sales receivables relate to sales for which the buyers are taking a bank mortgage to pay the remaining amount. We will collect this amount only after the bank mortgage has been granted to the buyers. It usually takes one to three months for the banks to complete their mortgage approval process. Due to COVID-19 and Chinese New Year, the mortgage release process are delayed and resulted in the increase in this amount. They are expected to be received by the end of 2020.

For the receivables from Global Ace Enterprise Limited, please refer to announcement dated 13 July 2020. We are now receiving payment based on agreed schedule with full repayment expected by end of 2020.

SGX-ST's Query 2

Page 3: Development Properties of RMB944,315,000

Provide a breakdown of the projects and a status update on the year of completion of these properties.

Company's Response

Projects	RMB (million)	Expected Year of Completion
Bay ONE	372	2021
The Landmark	572	2023
	<u>944</u>	

SGX-ST's Query 3

Page 3: Investment Properties of RMB2,120,650,000

Please clarify if the Company has assessed the value of its investment properties and its basis of assessment. Please explain how the Board has addressed its mind to the carrying value of its properties and decided if any material change is required, in view of the current Covid-19 situation.

Company's Response

The Group performs the annual valuation of the investment properties for financial reporting expenses, including Level 3 fair values according to the SFRS.

Level 3 fair values of the Group's properties have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is the reference to market evidence of transaction prices for similar properties and the rental income of the properties, and were performed in accordance with Royal Institution of Chartered Surveyors Valuation – Global Standards 2017. In estimating the fair value of the properties, the highest and best use of the properties is their current basis.

Discussion of valuation processes and results are held between the members of the Board of Directors based on the highest-and-best-use basis and market transacted data available publicly on a yearly basis.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The Company has engaged licensed valuers to perform valuation appraisals for all its investment properties. The Group is currently undergoing its FY2019 audit, and the valuation reports will be reviewed by the auditors as part of the audit process. The Board will also assess the carrying values of its properties and decide if any material change is required in view of the current Covid-19 situation in the FY2019 audited figures.

SGX-ST's Query 4

Page 3: Negative working capital

Provide reasonable explanations for the negative working capital of RMB849,094,000. Explain how the Company is able to meet its short-term obligations as and when they fall due. Quantify and substantiate with data.

Company's Response

As at 30 June 2020, the current liabilities of the company in RMB'000 are as follows:

Liabilities and shareholders' equity

Current liabilities

Bank and other loans	1,458,488
Trade and other payables	785,425
Lease payables	32,817
Contract liabilities	80,000
Provisions	90,515
Tax payables	104,912
Liabilities directly associated with disposal assets classified as held-for-sale	174,616
Total current liabilities	2,726,773

The items that need to pay off are (1) Bank and other loans, (2) Trade and other payables and (3) Tax payables. Other items are accounting presentation only or there is no need to repay by cash within one year. i.e. they have its current assets counterparts to offset with

Banks and other loans

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

Out of the bank and other loans, RMB 126 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 bank, it is amounted to RMB48.5 million, we have settled RMB 15 million as of 23 September 2020.

For the non-bank loans, RMB 20 million has no fixed repayment terms and we can continue the borrowings if required, RMB 1.06 billion is from a non financial institution of which we are able to roll over pending their internal due diligence work completed. For the remaining RMB190.6 million, although they have fixed repayment terms for progress repayment from 2019 to July 2021, the Group had complied with the China police to stop repayment until further notice.

Based on above, the bank and other loans that need to repay as net current liabilities down to RMB33.5.

Trade and other payables

In trade and other payables, it included (1) accounts payables, (2) other payables, (3) receipts in advance and (4) accruals.

Receipts in advance amounting to RMB 119.5 million need not be paid out, but will be kept as current liabilities for financial presentation only.

The accruals included RMB 335 million being interest to a non-financial institution. As mentioned above, this amount together with its loan is expected to roll over, pending their internal due diligence work completed.

Based on above, the trade and other payables that need to be repaid in one year will be reduced to RMB330.9 million

Lease payables

The lease payables approximately to RMB 32.8 million are fully payable as net current liabilities.

Contract liabilities

This item represent the amount we received in advance for certain sales. This is a non-cash accounting treatment only.

Provisions

It is provision for uncertain liabilities. The Company did not receive any claims in relation to matter that caused the provision. The company is of the view that the need of provision becomes crystalized is minimal.

Tax payables

This represent approximately RMB 6 million being provisions for profit tax. The remaining RMB 98.9 million are from audit adjustments in previous years of which auditors considered there we need to pay but the tax assessment from inland revenue already showed otherwise. We are negotiating with auditors to reverse this amount.

Based on the above, the tax payables that need to repay as net current liabilities down to RMB6 million.

Liabilities directly associated with disposal assets classified as held-for sales

This item is presented for accounting purpose and will not relate to cash pay out in future to settle it.

In summary, the total amount that needs to be settled within one year is approximately RMB 403.2 million.

Income stream

On the income side, the properties sales from BAY ONE and Imbi (“The Landmark”) pre-sales deposit is expected to give rise to RMB 1,593 million cash inflow by September 2021

A loan from GuangDong Finance Asset Management Co., Ltd amounting to RMB 230 million can also be drawdown in second half of year 2020.

Together with annual rental income of approximately to RMB 50 million, annual management income approximately of RMB 25 million and annual construction income approximately of RMB 30 million, it is sufficient to repay our liabilities discussed above.

Based on the above, total cash in will be approximately RMB 1,593 million which is adequate to pay for the payables approximately to RMB403.2 million mentioned above. Therefore, the Company will be able to meet its short-term obligations as and when they fall due.

SGX-ST’s Query 5

Page 21: Market Outlook

For each project, provide completion date, status of construction, take-up rate, sales to-date, and status of collections from sales of these projects.

Company’s Response

Projects	Completion date	% of completion	% of take-up	Sales Amount RMB million	% of collection
Jiangnan Mingju Phases 5 and 6	2010	100%	98%	1,003	100%
Jin Long Garden–South Zone	2015	100%	99%	852	100%
Sihui City Mall	2016	100%	99%	377	100%
Sihui Bay One	2021	70%	16%	164	29%
The Landmark*	2023	10%	>1%	17	10%

**According to Malaysian laws, we can collect sales proceeds based on percentage of completion only.*

By Order of the Board

Zhong Yuzhao
Executive Director and Chief Executive Officer
24 September 2020