

DEBAO PROPERTY DEVELOPMENT LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200715053Z)

RESPONSE TO QUESTIONS FROM SHAREHOLDERS FOR ANNUAL GENERAL MEETING TO BE HELD ON 5 MARCH 2021

The Board of Directors of Debao Property Development Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to thank shareholders for submitting their questions in advance of the Annual General Meeting to be held by way of electronic means on Friday, 5 March 2021 at 10.00 a.m.

The Company’s responses to the shareholders’ questions are set out as below:

Questions

1. For the last few years, a share buyback mandate was sought from shareholders but no buyback by the Company was made. Does the Board really need a share buyback mandate again this year? Please account for the Company as it is making significant losses. There were also an exceptional number of queries by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) over the last few years, is there fraud going on within the Company?

Company’s Response

Short-term speculation and short-time market volatility may at times cause the market price of the Company’s Shares to be depressed below the true value of the Company and the Group. The proposed share buyback mandate will provide the directors with the means to restore investors’ confidence and protect existing shareholders’ investments in the Company in a depressed share-price situation through judicious share purchases to enhance the earnings per share and/or the net asset value per share. It will also provide the Company with an expedient and cost-effective mechanism to facilitate the return of surplus cash reserves to the shareholders, as and when the directors are of the view that this would be in the best interests of the Company and the shareholders.

However, share purchases by the Company may only be made out of profits that are available for distribution as dividends. As the Company has been loss-making, it has been unable to make share purchases in accordance with the share buyback mandate.

The SGX has the prerogative to pose queries. To-date, we have answered the SGX queries with factual responses and note that the SGX queries are repetitive.

2. What is the probability that Company will go bankrupt?

Company’s Response

The Board of Directors has considered the operations of the Group as a going concern notwithstanding that the Group incurred a net loss of RMB224,636,000 (2018: RMB333,557,000) for the financial year ended 31 December 2019 and was in a net current liabilities position of RMB869,286,000 (2018: net current asset position of RMB437,048,000) as at that date. During the financial year, to support the Group’s operating cash flow requirements, the Group obtained loans from individuals and other non-financial institutions

amounting to RMB162,160,000 and the total outstanding balance of other loans as at 31 December 2019 is RMB1,363,101,000. Although the above financial and other conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, the Board of Directors believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2019 is still appropriate after taking into consideration the following factors, assumptions and measures taken by the Company:

- (a) The Group is confident in obtaining the lenders' approval for roll over of all the loans.
 - (b) The Group's ability to sell its development properties at the current market selling price and the timing of the receipt of proceeds estimated by management.
 - (c) The ongoing litigation cases do not have any significant adverse impact on the Group's core operations.
 - (d) The Group's controlling shareholder has provided an undertaking to provide continuing financial support to the Group for the next 12 months after reporting date.
3. There are many loans taken from individuals or from suspicious companies. Is there fraud between the companies related to these loans? Does the Company conduct due diligence before taking loans from these individuals and companies? What due diligence is performed before taking loans from non-established financial institutions?

Company's Response

We believe our internal controls established and maintained by the company, including anti-money laundering and anti-corruption, are effective and adequate and loans taken are after serious business considerations.

4. Based on current economic conditions, what is the likely date for the lifting of the suspension by the SGX-ST?

Company's Response

The Listing Manual of the SGX-ST does not state the maximum duration of a suspension. As the Exchange requested for the Company's suspension due to the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, the Company has to demonstrate in a satisfactory manner to the Exchange that it is able to continue as a going concern before the suspension can be lifted. The Company will submit a trading resumption proposal to SGX-ST as soon as practicable, but is unable to advise on a likely date for the lifting of the suspension by the SGX-ST.

5. The Company has just released the annual report for the financial year ended 31 December 2019 ("FY2019"). When will the Company release annual report for the financial year ended 31 December 2020 ("FY2020")?

Company's Response

The Company will release the annual report for FY2020 as soon as practicable as Covid-19 travel restrictions are still in place which affects the audit work schedule.

6. The Executive Director and Chief Executive Officer of the Company (“**CEO**”), Mr Zhong Yuzhao (“**Mr Zhong**”) is getting paid between S\$250,000 to S\$500,000. The Company continues to make loss over the years. Can we expect Mr Zhong to voluntarily resign due to his incompetence?

Company's Response

The remuneration package of Mr Zhong comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and his individual performance. The performance-related component of the remuneration package is designed to align the interests of Mr Zhong with those of the shareholders and link rewards to the Group’s financial performance. As the Company made a loss in FY2019, there was no performance related bonus for Mr Zhong in his remuneration package. Mr Zhong endeavors to strive for a better financial performance for the Group in the financial year ending 31 December 2021.

The Remuneration Committee of the Company will continuously review the remuneration package of the Company’s key management personnel to ensure fair remuneration for its personnel, in line with the Company’s policies.

7. Is Shenzhen Binhai Fund Management Co. Ltd. (“**Binhai**”) indirectly or directly own by a brother and sister of the CEO? Will there be shares allocated to Binhai?

Company's Response

To the best of our knowledge, Binhai is not related to the brother or sister of our CEO. We have no intention or plans for shares to be allocated as loan repayment.

8. Total market capitalisation of the Company is currently around S\$10 million. The RMB190 million loan from Binhai which is a few times higher than the total market capitalisation was not made public. Is this a devious loan?

Company's Response

This loan is legitimate. Further details can be found on page 34 of our FY2019 annual report.

9. Large portion of the loans were taken from individuals and non-financial institutions. Are these individuals and owner of the institutions friends and relatives of the CEO? Are we likely to see share allocation to these individuals?

Company's Response

The lenders are not related to our CEO. We have no intention or plans for shares to be allocated as loan repayment.

By Order of the Board

Zhong Yuzhao
Executive Director and Chief Executive Officer
4 March 2021