DEBAO PROPERTY DEVELOPMENT LTD.

(Incorporated in Singapore on 16 August 2007)
(Registration Number: 200715053Z)

PROPOSED DISPOSAL OF 19% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF PROFIT CONSORTIUM SDN BHD

The Board of Directors (the "**Board**") of Debao Property Development Ltd. (the "**Company**", and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s wholly-owned subsidiary, Pavillion Treasures Land and Development Sdn Bhd (the “**Vendor**”), had on 25 July 2019 entered into a sale and purchase agreement (the “**SPA**”) with Perfect Praise Investments Limited (the “**Purchaser**”) in relation to the proposed disposal of 1,076,667 ordinary shares (the “**Sale Shares**”), representing approximately 19% of the total issued share capital of Profit Consortium Sdn Bhd (the “**Target**”), on the terms and subject to the conditions of the SPA (the “**Proposed Disposal**”).

Following the Proposed Disposal, the Vendor will cease to have any interest in the Target.

1. INFORMATION ON THE TARGET

The Target was incorporated on 23 April 2013 in Malaysia as a private company limited by shares and it has an issued and paid-up share capital of MYR 5,666,666 comprising 5,666,666 ordinary shares as at the date of this announcement.

As announced on 29 April 2019 (the “**29 April Announcement**”), the Company had through the Vendor disposed of 43% of its shareholdings in the Target to Guangzhou Xu Zhuo Enterprise Management Co. Limited (广州市旭卓企业管理有限公司). After the disposal, the Company holds approximately 19% of the shareholdings in the Target through the Vendor. The remaining 20% and 18% of the shareholdings in the Target are owned by independent third party shareholders, Mr Tee Yam and Gabungan Tiasa Sdn Bhd, respectively.

The Target is intended to carry on property development and the development of the Plaza Rakyat Project (as defined in the 29 April Announcement). Please refer to the 29 April Announcement for more details on the development of the Plaza Rakyat Project.

2. INFORMATION ON THE PURCHASER

The Purchaser was incorporated on 6 March 2019 in the British Virgin Islands and it has an issued and paid-up share capital of USD 1, comprising one (1) ordinary share as at the date of this announcement.

The director and the ultimate shareholder of the Purchaser is Chen Ganrong. Chen Ganrong is an independent third party and runs multiple businesses which include building design, decoration and construction.

3. CONSIDERATION

The consideration for the Sale Shares is RMB 2,000,000 (the “**Consideration**”), which shall be paid in RMB to the Vendor by way of telegraphic transfer to the designated bank account of the Vendor in the PRC upon completion of the Proposed Disposal and approval of the Proposal Disposal by the Kuala Lumpur City Hall.

The Consideration was determined based on arm’s length negotiations between the Purchaser and the Vendor and arrived at on a willing-buyer and willing-seller basis. In arriving at the Consideration, the parties took into account, amongst others, the cash flow, the value of the assets held by the Target and the payment deadlines faced by the Target with respect to the Plaza Rakyat Project.

Based on the audited financial statements of the Group as at 31 December 2017, the deficit of the Consideration from the Proposed Disposal over the net tangible assets of the Sale Shares shall be approximately RMB 18,278,669. Assuming that the Proposed Disposal had been effected on 1 January 2017, the Proposed Disposal is expected to result in a loss of approximately RMB 18,278,669 to the Group for financial year ended 31 December 2017.

Based on the unaudited financial statements of the Group as at 31 March 2019, the deficit of the Consideration from the Proposed Disposal over the net tangible assets of the Sale Shares shall be approximately RMB19,355,531, and the amount of loss from the Proposed Disposal shall be approximately RMB19,355,531.

4. REPAYMENT OF THE TARGET'S ACCOUNTS PAYABLES

The parties to the SPA agree that the Purchaser or the Purchaser's nominee shall transfer a total amount of RMB 58 million (the "**Transfer Amount**") to the Target for the partial repayment of the Target's accounts payables (the "**Accounts Payables**") as follows:

(a) Upon completion of the Proposed Disposal and approval of the Proposed Disposal by the Kuala Lumpur City Hall, the Purchaser or the Purchaser's nominee shall transfer the first tranche of the Transfer Amount amounting to RMB 18 million to the Target.

(b) Upon satisfaction of the above repayment terms in (a) and within three (3) business days of the receipt of the use of land Building Plan approval by the Target, the Purchaser or the Purchaser's nominee shall transfer the second tranche of the Transfer Amount amounting to RMB 20 million (the "**2nd Transfer**") to the Target.

(c) The Purchaser or the Purchaser's nominee shall transfer the third tranche of the Transfer Amount amounting to RMB 20 million to the Target within six (6) months from the date of payment of the 2nd Transfer.

Upon receipt of the relevant amounts, the Target shall make payment in settlement of the Accounts Payables. Alternatively, the Target may authorise the Purchaser on its behalf to repay the Accounts Payables to the creditors of the Target.

5. VENDOR'S UNDERTAKINGS AND GUARANTEES

The Vendor has made the following undertakings and guarantees under Clause 2 of the SPA:

(a) All information as set out in the SPA and such information disclosed or provided to the Purchaser before the date of signing the SPA, including but not limited to the Target's assets, claims, debts, and information and data relating to the Plaza Rakyat Project, are legal, true, valid and do not contain any material misleading statement or which omits or conceal any material fact.

(b) The Vendor is the legal and beneficial owner of the Sale Shares and has the capacity and rights under the relevant laws to sell the Sale Shares and transfer the rights to the use of land under the Plaza Rakyat Project.

(c) There are no pledges, claims or any other restrictions created over the Sale Shares prior to the completion of the Proposed Disposal.

(d) Save as disclosed in the SPA, there are no ongoing litigation, arbitration, legal or administrative proceedings or government investigations relating to matters as set out in the SPA or which may have an adverse effect on the parties to the SPA or affect their performance of obligations under the SPA.

The Vendor also guarantees that the tax issues, arbitration, litigation or such disputes which had arisen prior to the Target obtaining the right to use the lands under Plaza Rakyat Project shall not affect the acquisition of the Sale Shares by the Purchaser nor affect the Target's right to use or develop the lands under Plaza Rakyat Project.

(e) Save as disclosed to the Purchaser, the Target does not have any other liabilities (including any unpaid taxes incurred before the signing of the SPA) or contingent liabilities, nor are there any events which may result in the Target being held legally responsible for. There have also been no instances of government investigations on the Target arising from a breach of contract entered into with the government, failing which the Vendor shall compensate such losses suffered by the Purchaser or Target after the completion of the Proposed Disposal.

6. PURCHASER'S UNDERTAKINGS AND GUARANTEES

The Purchaser has made the following undertakings and guarantees under Clause 3 of the SPA:

(a) It shall pay the Consideration to the Vendor for the acquisition of the Sale Shares and transfer the Transfer Amount to the Target in accordance with the SPA on a timely basis.

(b) It has duly and validly completed and performed all actions and procedures necessary for the execution and performance of the SPA in accordance with its Constitution, and obtained the resolutions of the board of directors or shareholders necessary for the Proposed Disposal.

(c) Unless in accordance with the law or due to a non-performance of the SPA, the Purchaser shall not unilaterally terminate the SPA or delay the performance of its obligations under the SPA.

7. RATIONALE AND USE OF PROCEEDS

The Company is of the view that the Proposed Disposal is in the best interests and benefit of the Group.

The Proposed Disposal is an opportunity for the Company to divest its loss-making business entirely. The Target has been incurring significant losses since 2016, owing to high finance cost for the Plaza Rakyat Project, and has accumulated losses since 2016. As at 31 March 2019, the amount of net accumulated losses amounted to MYR 7,993,733.

The Company intends to use the entire proceeds from the Proposed Disposal for the working capital of the Company.

8. VALUE OF THE SALE SHARES

Based on the Group's audited consolidated financial statements for financial year ended 31 December 2017, and the unaudited consolidated financial statements for financial year ended 31 March 2019, the book value and the net tangible assets attributable to the Sale Shares as at 31 December 2017 were approximately RMB 1,725,649 and RMB 20,266,038 respectively, and the book value and the net tangible assets attributable to the Sale Shares as at 31 March 2019 were approximately RMB 1,769,038 and RMB 21,355,531 respectively.

The open market value of the Sale Shares is not available as the shares of Profit Consortium Sdn Bhd are not publicly traded. No valuation was done in respect of the Sale Shares.

9. LISTING MANUAL COMPUTATION

The relative figures computed based on the Group's latest announced unaudited consolidated results for the three (3) months ended 31 March 2019 on the bases set out in Rule 1006 are as follows:

	Bases set out in Rule 1006	**Relative Figure (%)**
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets. (S$ 4,312,750/ S$ 249,948,466)	1.73
(b)	The net loss attributable to the assets acquired or disposed of compared with the group's net loss(1). (S$ -7,954/ S$ -1,972,244)	0.4(2)
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation(3) based on the total number of issued shares excluding treasury shares. (S$ 395,600/ S$ 5,849,976)	6.76
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable(4)
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount	Not Applicable(5)

Notes:

(1) Net loss is defined as loss before income tax, minority interests and extraordinary items.

(2) Determined by dividing the net loss attributable of approximately S$7,954 arising from the Proposed Disposal by the Group's latest announced unaudited consolidated net loss of S$1,972,244 for the three (3) months ended 31 March 2019.

(3) Based on the consideration of RMB 2,000,000 (equivalent to about S$395,600 based on an exchange rate of about RMB1.00 to S$0.1978) and the market capitalisation of the Company of S$5,849,976 as at 18 July 2019. Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of shares in issue by the weighted average price of S$0.078 per share on 18 July 2019 (being the last full market day on which the shares were traded preceding the date of the SPA).

(4) This is not an acquisition.

(5) This is not a disposal of mineral, oil or gas assets by a mineral, oil or gas company.

As the relative figure as computed on the basis set out in Rule 1006(c) exceeds 5% but does not exceed 20%, the Proposed Disposal constitutes a discloseable transaction within the meaning of Chapter 10 of the Listing Manual.

10. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

10.1 The illustrative financial effects on the Group before and after the Proposed Disposal are summarised below and have been prepared using the latest announced unaudited accounts of the Group for the financial year ended 31 December 2018, based on, *inter alia*, the following assumptions:

(a) for the purposes of the effect on the earnings per share ("**EPS**") and gearing, the Proposed Disposal had been completed on 1 January 2018, being the beginning of the most recently completed financial year of the Company; and

(b) for the purposes of the effect on the net tangible assets ("**NTA**") per share, the Proposed Disposal had been completed on 31 December 2018, being the end of the most recently completed financial year of the Company.

(i) Share Capital

The Proposed Disposal will not have any effect on the issued and paid-up share capital of the Company.

(ii) Earnings Per Share

The effects of the Proposed Disposal on the unaudited consolidated EPS of the Group for FY2018, assuming that the Proposed Disposal had been effected on 1 January 2018, being the beginning of the most recently completed financial year of the Company are summarised below:

	Before the Proposed Disposal	After the Proposed Disposal
Consolidated net profit (S$'000)	-32,164	-35,730
Weighted average number of shares ('000)	75,000	75,000
EPS (cents)	-42.9	-47.6

(iii) Net Tangible Assets

The effects of the Proposed Disposal on the unaudited consolidated NTA per share of the Group for FY2018, assuming that the Proposed Disposal had been effected on 31 December 2018 being the end of the most recently completed financial year of the Company, are summarised below:

	As at 31 December 2018	Adjusted for the Proposed Disposal
NTA ($'000)	239,440	255,282
Number of Shares ('000)	75,000	75,000
NTA per Share ($)	3.19	3.40

(iv) Gearing

The effects of the Proposed Disposal on the gearing of the Group for FY2018, assuming that the Proposed Disposal had been effected on 1 January 2018, being the beginning of the most recently completed financial year of the Company, are summarised below:

	Before the Proposed Disposal	**After the Proposed Disposal**
Total borrowings (S$'000) (A)	352,134	352,134
Shareholders' equity (S$'000) (B)	254,808	251,174
Gearing (A)/(B)	1.38	1.40

Note:

For the purposes of the above calculations, "Gearing" means the ratio of total borrowings to shareholders' funds. "Total borrowings" means the aggregate borrowings from banks and financial institutions including hire purchase financing and "shareholders' funds" means the aggregate amount of share capital, asset revaluation reserve, fair value reserve, translation reserve and retained earnings.

11. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or any of the controlling shareholders of the Company have any interest, directly or indirectly, in the Proposed Disposal, save for their respective shareholdings in the Company.

12. SERVICE CONTRACTS

There are no persons who are proposed to be appointed to the Board in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

13. DOCUMENTS FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the Company's registered office at 80 Raffles Place, #32-01, UOB Plaza 1, Singapore 048624 for three (3) months from the date of this announcement.

14. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

15. CAUTIONARY STATEMENT

Shareholders ought to exercise caution when trading or dealing in their shares of the Company. Shareholders and potential investors should seek advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubts about the actions they should take.

By Order of the Board

Zhong Yuzhao
Executive Director and CEO
25 July 2019