DEBAO PROPERTY DEVELOPMENT LTD.

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

PROPOSED DISPOSAL OF 43% 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 26 April 2019 entered into a sale and purchase agreement (the “**SPA**”) with Guangzhou Xu Zhuo Enterprise Management Co. Limited (广州市旭卓企业管理有限公司) (the “**Purchaser**”) and Guangdong Debao Property Investment Co. Limited (广东德宝置业投资有限公司) and Guangzhou Xiang Chun Enterprises Management Co. Limited (广州市翔春企业管理有限公司) as guarantors in relation to the proposed disposal of 2,436,666 ordinary shares (the “**Sale Shares**”), representing 43% 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 hold 19% of the issued and paid-up share capital of 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.

The Company owns 62% 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 herein).

The Target had on 30 October 2015 entered into a sale and purchase agreement with Datuk Bandar Kuala Lumpur (the “**Government Contract**”) for the acquisition of five (5) parcels of land located in central Kuala Lumpur, Malaysia (the “**Plaza Rakyat Project**”).

Pursuant to the Government Contract, the Target is to pay a total of MYR 700 million, excluding pension and interest for late payment, to Datuk Bandar Kuala Lumpur for the acquisition of land. As at 21 February 2019, the Target has paid the first instalment of MYR 70 million, part of the second instalment of MYR 20 million which was due on 31 March 2019, and a late payment interest of MYR 11.31 million to Datuk Bandar Kuala Lumpur. The third, fourth and fifth instalments of MYR 150 million, MYR 150 million and MYR 190 million are payable after the Building Plan has been obtained. The Target also owes pensioners an amount of approximately MYR 7.36 million under the Government Contract as at 21 February 2019.

The Plaza Rakyat Project is a large-scale integrated development, including high-quality residential units, a five-star hotel, a budget hotel, offices, and a large-scale shopping mall. The Company believes that the Plaza Rakyat Project, when completed, will be the second highest building in the world, after Petronas Twin Towers in Kuala Lumpur. More details of the Plaza Rakyat Project may be found in the Company’s announcement dated 3 March 2016.

The Target had finalised the development plan in 2017 and commenced the repair works of the existing development on the land for the Plaza Rakyat Project. However, due to cash flow difficulties encountered by the Target to fund the Plaza Rakyat Project and/or working capital requirements, the works have been delayed and affected the continued development of the Plaza Rakyat Project.

2. INFORMATION ON THE PURCHASER

The Purchaser was incorporated in November 2016 in The People's Republic of China (PRC) and it has a paid-up capital of RMB 5 million as at the date of this announcement.

The Purchaser is a management services company. The sole shareholder of the Purchaser is Guangdong Hailunbao Investment Co., Ltd and the ultimate shareholder of Guangdong Hailunbao Investment Co., Ltd is Hailunbao Group Holdings Limited who are independent third parties having businesses such as elderly care industry investments and development, business management services, hotel management and land and real estate development.

3. CONSIDERATION

The consideration for the Sale Shares is RMB 4,000,000 (the "**Consideration**"), which shall be paid following the Transfer of Shares (as defined below) and within five (5) business days of the fulfilment of the Conditions Precedent (as defined below) to the Vendor by way of telegraphic transfer to the designated bank account of the Vendor in the PRC.

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 41,865,243. 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 41,865,243 to the Group for financial year ended 31 December 2017.

Based on the unaudited financial statements of the Group as at 31 December 2018, the deficit of the Consideration from the Proposed Disposal over the net tangible assets of the Sale Shares shall be approximately RMB 41,178,562. Assuming that the Proposed Disposal had been effected on 1 January 2018, the Proposed Disposal is expected to result in a loss of approximately RMB 41,178,562 to the Group for financial year ended 31 December 2018.

4. VENDOR'S OBLIGATIONS

Pursuant to Clause 3.1.1 of the SPA, the Vendor shall, within five (5) business days of the execution of the SPA, carry out the following:

(a) transfer of the Sale Shares to the Purchaser (or such person nominated by the Purchaser) (the "**Transfer of Shares**");

(b) procure the change of directors of the Target to such persons nominated by the Vendor;

(c) obtain the relevant approval from the Malaysian governmental authorities; and

(d) hand over the relevant documents/items including but not limited to the Target's company seal and financial books to persons nominated by the Purchaser in accordance with Clause 4.9 of the SPA on the date when the change of directors of the Target is duly registered with the relevant authority,

collectively referred to as the "**Share Transfer and Other Transfer Procedures**".

5. LOAN TO THE TARGET

The parties to the SPA agree that the Purchaser shall loan a sum of RMB 136 million to the Target (the "**Loan**") as working capital for the repayment of accounts payables of the Target (the "**Accounts Payables**"), which shall be disbursed as follows:

(a) Upon the completion of the Share Transfer and Other Transfer Procedures, the first tranche of the Loan amounting to RMB 66 million shall be disbursed to the Target.

(b) The second tranche of the Loan amounting to RMB 30 million shall be disbursed to the Target upon the fulfilment of the following conditions:

(i) the completion of the Transfer of Shares; and

(ii) the receipt of the use of land Development Order approval by the Target.

(c) The third tranche of the Loan amounting to RMB 20 million (the "**Tranche 3 Loan**") shall be disbursed to the Target within five (5) business days of the receipt of the use of land Building Plan approval by the Target.

(d) The fourth tranche of the Loan amounting to RMB 20 million shall be disbursed to the Target within six (6) months from the date of payment of Tranche 3 Loan.

The Target shall, within three (3) business days of receipt of the relevant amounts, 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 within three (3) business days of such authorisation.

6. CONDITIONS PRECEDENT

The Proposed Disposal is conditional upon the following conditions (the "**Conditions Precedent**"):

(a) The Vendor shall provide the relevant documents and such documents as requested by the Purchaser relating to Plaza Rakyat Project to the Purchaser within two (2) days of the execution of the SPA for the purpose of due diligence to be carried out by the Purchaser's professionals which due diligence shall not exceed ten (10) business days, and the results of the due diligence relating to the Target and Plaza Rakyat Project being reasonably satisfactory to the Purchaser and not materially different from the details of the Target and Plaza Rakyat Project disclosed in Clause 1 of the SPA.

(b) The obtaining of the relevant approvals from the Malaysian governmental authorities by the Target, including:

(i) the confirmation from the Malaysian government that the land payment and interest due to the Malaysian government can be delayed; and

(ii) the approval of the Malaysian government for the Purchaser to acquire the Sale Shares and to participate in the development of the land under the Plaza Rakyat Project.

(c) The release and discharge of obligations under the ongoing contracts entered into by the Target, save for the Government Contract and such other contracts as approved by the Purchaser.

(d) The termination of all employees of the Target, save for those who are retained by the Purchaser.

7. UNDERTAKINGS, WARRANTIES AND GUARANTEES

The Vendor and the Purchaser have furnished undertakings and warranties typical for transactions such as the Proposed Disposal and the Vendor has made the following representations and warranties in relation to Plaza Rakyat Project:

(a) The Vendor undertakes that it shall, within three (3) business days after the completion of the Transfer of Shares, hand over the Plaza Rakyat Project to the Purchaser, and ensure that there shall be no compensation for demolition nor land ownership dispute, failing which the Vendor shall be liable to compensate the Purchaser or the Target for any losses incurred.

(b) The Vendor shall hand over documents belonging to the Target to such person as nominated by the Purchaser including, but not limited to, the Target's licenses, common seal of the Target and information relating to the Target.

(c) Following the completion of the Transfer of Shares, if the Purchaser or the Target requires financing, the Vendor shall, within two (2) days of such request made by the Purchaser, assist the Purchaser in the execution of the relevant financing documents.

(d) The Vendor shall assist in the negotiations between the Target and the owner of the land located at the northwest side of the project land, and assist the Target to sign a formal acquisition agreement with the owner of the land.

(e) The Vendor shall assist the Target to convert the tenure of the land to a 99-year leasehold and such expenses shall be borne by the Target.

Guangdong Debao Property Investments Co. Limited (广东德宝置业投资有限公司) and Guangzhou City Xiang Chun Enterprises Management Co. Limited (广州市翔春企业管理有限公司) shall guarantee the responsibilities and performance of the obligations of the Vendor and the Purchaser under the SPA respectively for a maximum period of two (2) years from the date on which the Vendor and Purchaser have fulfilled their obligations under the SPA.

8. 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 Group faces a strained cash flow due to the tightened monetary policies implemented by the PRC government to curb liquidity and higher bank statutory reserves mandated in past years. As a result, the amount of funds available to commercial banks in the PRC to lend to businesses has reduced, including the Group. Interest rates have also risen, leading to increased finance costs. The Group requires significant capital injection to fund the development of the other property development projects. In the meantime, the Proposed Disposal would provide working capital to fund the property development projects and reduce the Group's liabilities. The Proposed Disposal will also strengthen the financial position of the Group as a whole.

The Proposed Disposal is an opportunity for the Company to divest its loss-making business. The Target has been incurring significant losses since 2016, owing to high finance cost for the Plaza Rakyat Project, and has accumulated losses from 2016 to 2018. As at 31 December 2018, the amount of net accumulated losses amounted to MYR 7,786,432.

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

9. 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 December 2018, the book value and the net tangible assets attributable to the Sale Shares as at 31 December 2017 were approximately RMB 3,905,416 and RMB 45,865,243 respectively, and the book value and the net tangible assets attributable to the Sale Shares as at 31 December 2018 were approximately RMB 4,031,952 and RMB 45,178,562 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.

10. LISTING MANUAL COMPUTATION

The relative figures computed based on the Group's latest announced unaudited consolidated results for the full year ended 31 December 2018 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$ 8,969,300 / S$ 239,439,886)	3.75
(b)	The net loss attributable to the assets acquired or disposed of compared with the group's net loss[(1)]. (S$ -131,083 / S$ -32,128,507)	0.41[(2)]
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalization[(3)] based on the total number of issued shares excluding treasury shares. (S$ 809,040 / S$ 5,849,976)	13.83
(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$131,083 arising from the Proposed Disposal by the Group's latest announced unaudited consolidated net loss of S$32,128,507 for the financial year ended 31 December 2018.

(3) Based on the consideration of RMB 4,000,000 (equivalent to about S$809,040 based on an exchange rate of about RMB1.00 to S$0.20226) and the market capitalisation of the Company of S$5,849,976 as at 25 April 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 25 April 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.

11. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

11.1 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)	-32,128	40,304
Weighted average number of shares ('000)	75,000	75,000
EPS (cents)	-42.8	53.7

(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 ($'000)	239,440	255,679
Number of Shares ('000)	75,000	75,000
NTA per Share ($)	3.19	3.41

(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	246,938
Gearing (A)/(B)	1.38	1.43

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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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
29 April 2019