

CIRCULAR DATED 11 JANUARY 2017

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your issued and fully paid-up ordinary shares in the capital of Debao Property Development Ltd. ("**Company**"), you should immediately forward this Circular, the enclosed Notice of Extraordinary General Meeting and the enclosed Proxy Form to the purchaser or transferee, or the stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained in this Circular.

Terms appearing on the cover of this Circular have the same meanings as defined in this Circular.



DEBAO PROPERTY DEVELOPMENT LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200715053Z)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

DISPOSAL OF 100% SHAREHOLDINGS IN INFINITY REAL ESTATE HOLDINGS PTE.LTD (TOGETHER WITH ITS WHOLLY-OWNED SUBSIDIARY, FOSHAN SANSHUI NENGRUN PROPERTY DEVELOPMENT CO., LTD.) AND FOSHAN SANSHUI FANGAO LAND CO., LTD.

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	24 January 2017 at 3.30 p.m.
Date and time of Extraordinary General Meeting	:	26 January 2017 at 3.30 p.m.
Place of Extraordinary General Meeting	:	Room 327 Suntec Singapore Convention & Exhibition Centre 1 Raffles Boulevard Suntec City Singapore 039593

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DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:-

“Board”	:	The board of Directors as at the date of this Circular
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 11 January 2017
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time
“Company”	:	Debao Property Development Ltd.
“Completion”	:	Completion of the Transaction
“Completion Date”	:	The date of Completion
“Condition 1”	:	Has the meaning ascribed to it at paragraph 2.5.4(iv) of this Circular
“Condition 2”	:	Has the meaning ascribed to it at paragraph 2.5.4(v) of this Circular
“Condition 3”	:	Has the meaning ascribed to it at paragraph 2.5.4(vi) of this Circular
“Condition 4”	:	Has the meaning ascribed to it at paragraph 2.5.4(vii) of this Circular
“Condition 5”	:	Has the meaning ascribed to it at paragraph 2.5.4(viii) of this Circular
“Condition 6”	:	Has the meaning ascribed to it at paragraph 2.5.4(ix) of this Circular
“Condition 7”	:	Has the meaning ascribed to it at paragraph 2.5.4(x) of this Circular
“Condition 8”	:	Has the meaning ascribed to it at paragraph 2.5.4(xi) of this Circular
“Consideration”	:	Has the meaning ascribed to it at paragraph 2.1.6 of this Circular
“DBKL”	:	Datuk Bandar Kuala Lumpur
“Debao HK”	:	Debao Property Development (HK) Limited
“Deposit”	:	Has the meaning ascribed to it at paragraph 2.5.2(i) of this Circular
“Designated Lawyer”	:	Has the meaning ascribed to it at paragraph 2.5.4(vi) of this Circular
“Directors”	:	The directors of the Company as at the date of this Circular
“Disposed Subsidiaries”	:	Has the meaning ascribed to it at paragraph 2.1.1 of this Circular

DEFINITIONS

“EGM”	:	The Extraordinary General Meeting of the Company to be convened on 11 January 2017, notice of which is set out on pages 29 and 30 of this Circular
“Elite Starhill”	:	Elite Starhill Sdn Bhd
“EPS”	:	Earnings per Share
“Evergrande Real Estate Group”	:	Evergrande Real Estate Group Limited (恒大地产集团有限公司)
“Famous Way”	:	Famous Way Properties Limited (香港南丰基金)
“Fangao Land”	:	Foshan Sanshui Fangao Land Co., Ltd. (佛山市三水区帆高置业投资有限公司)
“Fangao Land Shares”	:	Has the meaning ascribed to it at paragraph 2.1.4 of this Circular
“Fangao Renovation”	:	Foshan Nanhai Fangao Renovation Services Co., Ltd. (佛山市南海区帆高装饰工程有限公司)
“Fangao Renovation Loan”	:	Has the meaning ascribed to it at paragraph 2.2.3 of this Circular
“Foshan Nanhai Debao”	:	Foshan Nanhai Debao Property Development Co., Ltd (佛山市南海区德宝房地产开发有限公司)
“FY”	:	Financial year ended or ending 31 December
“GFA”	:	Gross floor area
“Group”	:	The Company and its subsidiaries
“GTSB”	:	Gabungan Tiasa Sdn Bhd
“Guangdong Evergrande”	:	Evergrande Real Estate Group Guangdong Real Estate Development Co., Ltd (恒大地产集团广东房地产开发有限公司)
“Guangzhou Mingxin”	:	Guangzhou Mingxin Investment Co., Ltd (广州明新投资有限公司)
“Guarantor”	:	Has the meaning ascribed to it at paragraph 2.1.1 of this Circular
“Guihe”	:	Foshan Nanhai Guihe Construction Engineering Co., Ltd. (佛山市南海区桂和建筑工程有限公司)
“Imbi Land”	:	Has the meaning ascribed to it at paragraph 2.4.4(iii) of this Circular
“Infinity”	:	Infinity Real Estate Holdings Pte. Ltd.
“Infinity Loan”	:	Has the meaning ascribed to it at paragraph 2.2.1 of this Circular
“Infinity Pledge”	:	Has the meaning ascribed to it at paragraph 2.2.1 of this Circular
“Infinity Shares”	:	Has the meaning ascribed to it at paragraph 2.1.5 of this Circular

DEFINITIONS

“Joint Account”	:	Has the meaning ascribed to it at paragraph 2.5.4(vi) of this Circular
“Joint Venture Agreement”	:	Has the meaning ascribed to it at paragraph 2.4.4(iv) of this Circular
“Joint Venture Projects”	:	Has the meaning ascribed to it at paragraph 2.4.4(iv) of this Circular
“Latest Practicable Date”	:	5 January 2017, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended or modified from time to time
“Loan A”	:	Has the meaning ascribed to it at paragraph 2.2.2 of this Circular
“Loan B”	:	Has the meaning ascribed to it at paragraph 2.2.2 of this Circular
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Nengrun”	:	Foshan Sanshui Nengrun Property Development Co., Ltd. (佛山市三水区能润置地房地产开发有限公司)
“Nengrun Guarantee”	:	Has the meaning ascribed to it at paragraph 2.2.2 of this Circular
“Nengrun Loan”	:	Has the meaning ascribed to it at paragraph 2.2.2 of this Circular
“Net Proceeds”	:	Has the meaning ascribed to it at paragraph 2.5.6 of this Circular
“Notification to Complete”	:	Has the meaning ascribed to it at paragraph 2.5.4(ii) of this Circular
“NTA”	:	Net tangible assets
“Pavillion”	:	Pavillion Treasures Land and Development Sdn Bhd
“PCSB”	:	Profit Consortium Sdn Bhd
“Plaza Rakyat Project”	:	Has the meaning ascribed to it at paragraph 2.4.4(v) of this Circular
“Poly Ritz Development”	:	Poly Ritz Development Sdn Bhd
“PRC”	:	The People’s Republic of China
“Project Expenses”	:	Has the meaning ascribed to it at paragraph 2.2.2 of this Circular
“Proxy Form”	:	The proxy form in respect of the EGM as set out in this Circular
“Purchasers”	:	Has the meaning ascribed to it at paragraph 2.1.1 of this Circular
“Repayment Agreement”	:	Has the meaning ascribed to it at paragraph 2.5.4(vi) of this Circular
“Register of Members”	:	Register of members of the Company
“Securities and Futures Act”	:	Securities and Futures Act, Chapter 289 of Singapore, as may be amended or modified from time to time

DEFINITIONS

“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”	:	Boardroom Corporate & Advisory Services Pte. Ltd.
“Shareholders”	:	The registered holders of Shares, except that where the registered holder is CDP, the term “ Shareholders ” shall, in relation to those Shares, mean the Depositors who have shares entered against their names in the Depository Register
“Sale Shares”	:	Has the meaning ascribed to it at paragraph 2.2.4 of this Circular
“Shares”	:	Ordinary shares in the capital of the Company
“Shengyu”	:	Shengyu (BVI) Limited (盛誉 (BVI) 有限公司)
“Subscription”	:	Has the meaning ascribed to it at paragraph 2.4.4(v) of this Circular
“Subscription Shares”	:	Has the meaning ascribed to it at paragraph 2.4.4(v) of this Circular
“Subsidiary” or “Subsidiaries”	:	Has the meaning ascribed to it at Section 5 of the Companies Act
“SPA 1”	:	Has the meaning ascribed to it at paragraph 2.1.1 of this Circular
“SPA 2”	:	Has the meaning ascribed to it at paragraph 2.1.5 of this Circular
“Target Land”	:	Target Land A and Target Land B
“Target Land A”	:	Has the meaning ascribed to it at paragraph 2.2.2 of this Circular
“Target Land B”	:	Has the meaning ascribed to it at paragraph 2.2.3 of this Circular
“Transaction”	:	Has the meaning ascribed to it at paragraph 1.1 of this Circular
“Vendors”	:	Has the meaning ascribed to it at paragraph 2.1.1 of this Circular
“9M2016”	:	The nine months ended 30 September 2016

Currencies and Units

“RMB”	:	Renminbi, the lawful currency of The People’s Republic of China
“S\$” or “SGD”	:	Singapore dollars, the lawful currency of the Republic of Singapore
“sq ft”	:	Square feet
“sq m”	:	Square metres
“US\$” or “USD”	:	United States dollars, the lawful currency of the United States of America
“%”	:	Percentage

DEFINITIONS

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meaning ascribed to them respectively in Section 81SF of the Securities and Futures Act.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, Listing Manual or any statutory modification thereof and used in this Circular shall have the same meaning assigned to it under the Companies Act, Listing Manual or any statutory modification thereof, as the case may be.

Any reference to a time of a day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Circular between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

LETTER TO SHAREHOLDERS

DEBAO PROPERTY DEVELOPMENT LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200715053Z)

Directors:

Yuan Le Sheng (*Executive Chairman and CEO*)
Zhang Mao (*Executive Director*)
Zhong Yu Zhao (*Executive Director*)
Cheong Keng Chuan Alfred (*Lead Independent Director*)
He Guo Quan (*Independent Director*)
Chia Seng Hee, Jack (*Independent Director*)
Yuan Jiajun (*Alternate Director*)

Registered Office:

80 Raffles Place
#32-01 UOB Plaza 1
Singapore 048624

11 January 2017

To: The Shareholders of Debao Property Development Ltd.

Dear Sir / Madam

DISPOSAL OF 100% SHAREHOLDINGS IN INFINITY REAL ESTATE HOLDINGS PTE. LTD (TOGETHER WITH ITS WHOLLY-OWNED SUBSIDIARY, FOSHAN SANSHUI NENGRUN PROPERTY DEVELOPMENT CO., LTD.) AND FOSHAN SANSHUI FANGAO LAND CO., LTD.

1 INTRODUCTION

- 1.1 The Directors propose to convene an EGM to seek approval from Shareholders for the disposal of 100% shareholdings in Infinity (together with its wholly-owned subsidiary, Nengrun) and Fangao Land ("**Transaction**").
- 1.2 The purpose of this Circular is to explain the rationale for, and provide Shareholders with the relevant information relating to the Transaction, and to seek Shareholders' approval at the EGM for the same, notice of which is set out on pages 29 and 30 of this Circular.
- 1.3 The SGX-ST assumes no responsibility for the accuracy of any statements made, reports contained or opinions expressed in this Circular.

2 THE TRANSACTION

2.1 Introduction

2.1.1 The Company announced on 8 November 2016 that the Company has entered into a sale and purchase agreement ("**SPA 1**") with Fangao Renovation, as vendors ("**Vendors**"); Shengyu and Guangdong Evergrande, as purchasers ("**Purchasers**"); and Evergrande Real Estate Group as guarantor ("**Guarantor**") for Shengyu and Guangdong Evergrande, pursuant to which the Company shall dispose of its subsidiaries, namely:

- (i) Infinity, together with its wholly-owned subsidiary, Nengrun; and
 - (ii) Fangao Land,
- (collectively, "**Disposed Subsidiaries**").

2.1.2 The Company wholly-owns Infinity, which wholly-owns Nengrun.

LETTER TO SHAREHOLDERS

- 2.1.3 The Company also, through various wholly-owned subsidiaries, wholly-owns Fangao Land.
- 2.1.4 Pursuant to SPA 1, Fangao Renovation will dispose of 100% shareholdings in Fangao Land (“**Fangao Land Shares**”) to Guangdong Evergrande.
- 2.1.5 In accordance with Clause 10.5 of SPA 1, the Company had on 9 January 2017 entered into a sale and purchase agreement (“**SPA 2**”) as vendor with Shengyu as purchaser for the sale of its 100% shareholdings in Infinity (“**Infinity Shares**”) to Shengyu.
- 2.1.6 The aggregate consideration for the Transaction (“**Consideration**”) shall be RMB2.023 billion.
- 2.1.7 As announced by the Company on 9 January 2017, of the Consideration of RMB2.023 billion for the disposal of the Sale Shares, the consideration for the disposal of the Infinity Shares shall be RMB1.973 billion, which shall be paid in accordance with SPA 1.
- 2.1.8 The Transaction is deemed as a “major transaction” under Chapter 10 of the Listing Manual and is subject to the approval of Shareholders being obtained at an extraordinary general meeting to be convened.
- 2.1.9 Upon Completion, Infinity, Nengrun and Fangao Land will cease to be subsidiaries of the Company.

2.2 Information on the Disposed Subsidiaries

2.2.1 Infinity

Infinity was incorporated on 2 August 2007 in Singapore as an investment holding company. As at the Latest Practicable Date, Infinity has an issued and paid-up share capital of S\$162,000 comprising 162,000 ordinary shares.

Infinity and its Acquisition of Nengrun

Infinity had on 13 August 2007 and 21 February 2008 entered into two (2) share transfer agreements, pursuant to which Infinity acquired 100% of the equity interest in Nengrun for an aggregate consideration of RMB 22,904,234.

Infinity Loan and Infinity Pledge

On 4 April 2014, Infinity entered into a loan agreement with Famous Way for a loan of US\$50 million (“**Infinity Loan**”). Pursuant thereto, Infinity pledged its 100% shareholdings in Nengrun to Famous Way to secure the Infinity Loan (“**Infinity Pledge**”). The said sum of US\$50 million was used to pay up the unpaid share capital of Nengrun. As at the Latest Practicable Date, the Infinity Loan remains outstanding.

2.2.2 Nengrun and Target Land A

Nengrun was incorporated on 4 April 2007 in Foshan City, Guangdong Province, PRC. The main business activity of Nengrun is property development. As at the Latest Practicable Date, Nengrun has a paid-up share capital of RMB752 million.

LETTER TO SHAREHOLDERS

Target Land A and the Shanshui Longpan Project

Nengrun owns a piece of land of 993,680.3 sq m at Foshan Sanshui, Baini Town, Huoju Foshan Electrical and Electronic Industrial District (佛山市三水区白坭镇国家火炬计划佛山电器产业基地北区) (No. 87), which is in the vicinity of high-end residential estates and amenities (“**Target Land A**”). The original shareholders of Nengrun had on 21 March 2007 successfully tendered for Target Land A for an aggregate consideration of RMB624 million and on 4 April 2007 incorporated Nengrun to hold Target Land A and to develop the Shanshui Longpan project on Target Land A.

Shanshui Longpan is a largescale and multi-phased integrated residential and commercial property development project comprising high-rise residential apartments and villas, bungalows, retail shop units, office units and a four-star hotel, the Shanshui Longpan Hotel, of an aggregate GFA of approximately 1,087,922.76 sq m, of which approximately 282,113.33 sq m have been completed and 139,738.73 sq m are being developed.

The construction of Shanshui Longpan commenced in December 2007 and is developed in four (4) main phases to-date:

Phase	Type of development	Approximate size (GFA)	Timeline (commencement to expected completion)
1.	Hotel	17,060.60	2008 to 2011
2.	Villas	154,478.29	2007 to 2012
3.	Townhouse	41,568.07	2014 to 2019
4.	Apartments	208,745.10	2013 to 2019

Sale of the Shanshui Longpan properties commenced on 3 May 2010. As at the Latest Practicable date, 742 of 862 apartment units, 317 of 447 villas and a retail area of 753.87 sq m out of 4,365.69 sq m have been sold for an aggregate sum of RMB1,554,341,543.98, and the four-star hotel has been rented out.

Loan A and Mortgages

The following entities, most of which are related parties of the Vendors, have entered into various facility agreements with banks as borrowers for loans aggregating RMB611.32 million (“**Loan A**”). Loan A was used by the Group for property development. As at 30 September 2016, RMB528.93 million has been utilised by Nengrun and the remainder RMB82.39 million by other Group companies. Pursuant thereto, various lots of Target Land A were mortgaged to the banks to secure Loan A. As at the Latest Practicable Date, Loan A remains outstanding.

The breakdown of Loan A is as follows:

No.	Name of borrower	Whether the company is a Group Entity	Loan amount (RMB)
1.	Guihe	Wholly-owned subsidiary of the Company	114.00 million
2.	Foshan Nanhai Yi Tian Procurement and Trading Co., Ltd, (佛山市南海区益添贸易有限公司)	Wholly-owned subsidiary of the Company	69.00 million

LETTER TO SHAREHOLDERS

3.	Foshan Nanhai Shun Mao Public Utilities Engineering Co., Ltd.(佛山市南海区顺茂市政工程有限公司)	Wholly-owned subsidiary of the Company	100.00 million
4.	Foshan Nanhai Yuzhi Landscaping Services Co., Ltd. (佛山市南海区雨知园林工程有限公司)	Wholly-owned subsidiary of the Company	18.50 million
5.	Foshan Nanhai Guicheng Public Utilities Engineering Co., Ltd (佛山市南海区桂城市政工程有限公司)	Unrelated third party	99.00 million
6.	Foshan Nanhai Benji Public Utilities Engineering Co., Ltd (佛山市南海区本基市政工程有限公司)	Unrelated third party	84.00 million
7.	Guihe and Sihui Debao Jiangnan Mingju Development Co., Ltd. (四会市德宝江南名居房地产开发有限公司)	Wholly-owned subsidiary of the Company	126.82 million
	Total:		611.32 million

Loan A shall be repaid with the third tranche of the Consideration as set out in paragraph 2.5.2(iv) below.

Nengrun Loan

Nengrun had entered into two (2) loan agreements, one with a financial institution and another with a bank, for an aggregate loan of RMB212 million (“**Nengrun Loan**”). To secure the said loans, various lots of Target Land A were mortgaged to the lenders and personal guarantees were provided by parties, including, *inter alia*, Mr Yuan Le Sheng, the Company’s Executive Chairman and CEO. As at the Latest Practicable Date, the Nengrun Loan remains outstanding.

Nengrun Liabilities

As at the Latest Practicable Date, approximately RMB120 million of expenses from projects undertaken by Nengrun (“**Project Expenses**”) remain outstanding.

Nengrun Guarantee

Foshan Nanhai Hongye Cotton Goods Limited (佛山市南海鸿业棉类制品有限公司), an unrelated third party, and Guihe, a related party of the Vendors, had entered into various loan agreements with banks as borrowers for an aggregate loan of RMB114 million (“**Loan B**”). Loan B was used by the Group for property development. As at 30 September 2016, none of Loan B has been used by the Disposed Subsidiaries. Nengrun had provided corporate guarantees to secure the Loan B (“**Nengrun Guarantee**”). As at the Latest Practicable Date, Loan B remains outstanding.

Prior to Completion, the Vendors shall procure the release of Nengrun as the guarantor of Loan B and the discharge of the Nengrun Guarantee.

In the event that the Vendors are unable to complete the above, (i) the Vendors shall fully repay Loan B and procure the discharge of the Nengrun Guarantee prior to the fifth tranche payment of the Consideration, and (ii) the Company shall provide a corporate guarantee to the Purchasers prior to such full repayment of Loan B.

LETTER TO SHAREHOLDERS

2.2.3 Fangao Land, Fangao Renovation and Target Land B

The Company, through various wholly-owned subsidiaries (including Fangao Renovation), wholly-owns Fangao Land.

Fangao Land was incorporated on 5 January 2012 in Foshan City, Guangdong Province, PRC. The main business activity of Fangao Land is property development. As at the Latest Practicable Date, Fangao Land has a paid-up share capital of RMB1 million.

Target Land B

Fangao Land owns a piece of land of 16,446.1 sq m at Foshan Sanshui, Baini Town, Huoju Foshan Electrical and Electronic Industrial District (佛山市三水区白坭镇国家火炬计划佛山电子电器产业基地北区) (No. 87-12 16446) ("**Target Land B**"). The Group had on 18 November 2011 successfully tendered for Target Land B for an aggregate consideration of RMB13.54 million.

Target Land B is adjacent to Shanshui Longpan. It is used to develop ancillary facilities to the Shanshui Longpan Hotel in Shanshui Longpan and to supplement the hotel operations. As at the Latest Practicable date, the development of Target Land B has not commenced.

Fangao Renovation Loan

On 30 December 2015 and 6 June 2016, Fangao Renovation entered into two (2) facility agreements with the Industrial and Commercial Bank of China for loans of RMB2 million and RMB12 million, respectively (collectively, the "**Fangao Renovation Loan**"). The Fangao Renovation Loan has been utilised by Fangao Land for property development. Fangao Renovation mortgaged land lot 11 of Target Land B (No. 20092100078) to the lender to secure the Fangao Renovation Loan. As at the Latest Practicable Date, the Fangao Renovation Loan remains outstanding.

2.2.4 Value of the Disposed Subsidiaries

The net book value and net tangible asset value attributable to the Fangao Land Shares and the Infinity Shares ("**Sale Shares**") are both RMB734,727,402, based on the latest unaudited consolidated financial statements of the Group for 9M2016.

2.3 **Information on the Purchasers, Shengyu and Guangdong Evergrande and the Guarantor, Evergrande Real Estate Group**

2.3.1 Shengyu

Shengyu was incorporated on 6 March 2007 in the British Virgin Islands as an investment holding company, part of the Evergrande Group headquartered in Guangzhou, which is in the business of real estate, finance, health, tourism, culture and sports. As at the Latest Practicable Date, Shengyu has an issued and paid-up share capital of US\$50,000 comprising 50,000 ordinary shares.

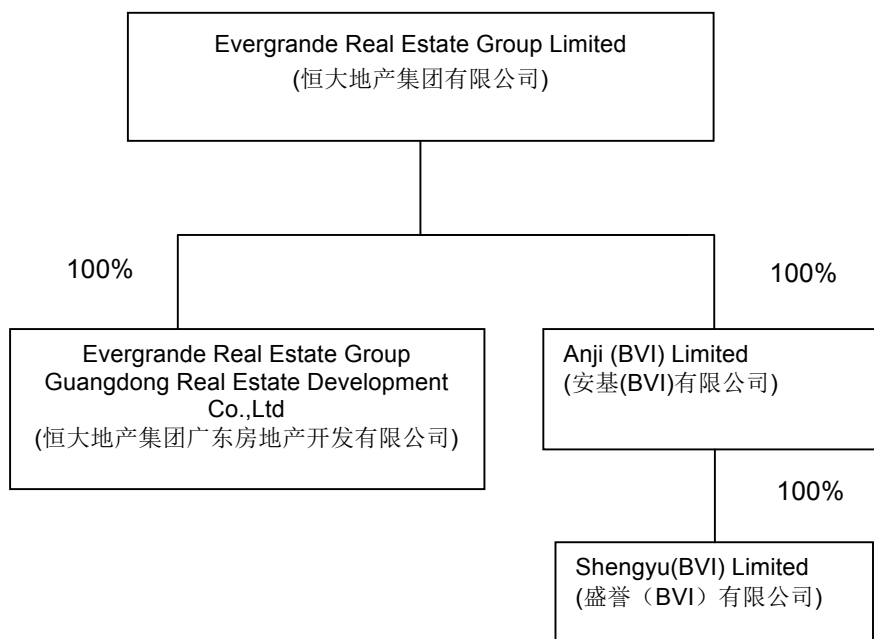
2.3.2 Guangdong Evergrande

Guangdong Evergrande was incorporated on 19 December 2007 in Guangzhou City, Guangdong Province, PRC. It is a property development company, part of the Evergrande Group. As at the Latest Practicable Date, Guangdong Evergrande has a paid-up share capital of RMB50 million.

LETTER TO SHAREHOLDERS

2.3.3 Evergrande Real Estate Group

Evergrande Real Estate Group is the holding company of the Purchasers. A diagrammatic depiction of the shareholdings is as follows:



As the Guarantor, Evergrande Real Estate Group guarantees the Purchasers' fulfilment of obligations under SPA 1, including but not limited to the satisfaction of the Consideration.

2.4 Rationale for the Transaction

2.4.1 The Company is of the view that the Transaction is in the best interests of the Company.

2.4.2 The Transaction is an opportunity for the Company to divest its loss-making businesses.

Infinity has been incurring significant losses since 2014, owing to high finance cost for the Infinity Loan and has accumulated losses from 2007 to 2015. As at 31 December 2015, the amount of net accumulated losses amounted to S\$25,667,118 (based on the audited accounts of Infinity). For 9M2016, Infinity recorded a profit of S\$2,402,692 mainly due to foreign exchange gain of S\$2,428,000 on the Infinity Loan.

Nengrun has been incurring significant losses since 2010, owing to high finance cost and administrative expenses, save for its net profit of RMB58,701,413, RMB60,746,274 and RMB2,889,206 in the financial years ended 2011, 2013 and 2015 due to completion and hand-over of property units which were recognised. The amount of net accumulated losses of Nengrun amounted to RMB30,829,446 as at 31 December 2015 (based on the audited accounts of Nengrun). For 9M2016, Nengrun recorded a loss of S\$30,291.

Fangao Land has been incurring significant losses since 2012, as it did not have any operating income but bore a high land use tax. Fangao Land has accumulated losses from 2007 to 2015.

As at 31 December 2015, the amount of net accumulated losses amounted to RMB586,310 (based on the audited accounts of Fangao Land). For 9M2016, Fangao Land recorded a loss of S\$8,006.

LETTER TO SHAREHOLDERS

The Transaction would allow the Company to rationalise its financial and capital resources since the Disposed Subsidiaries are loss-making and the Board is of the view that further investments or a continued investment in the Disposed Subsidiaries is unlikely to provide positive returns in the foreseeable future. The Transaction will also enable the Company to focus on its other profitable operations.

2.4.3 The Transaction also allows the Group to repay existing loan facilities given by financial institutions or banks, thereby allowing for savings in interest payments.

2.4.4 The Company intends to use the Net Proceeds of RMB709.1 million (please refer to section 2.5.6 of this Circular for details) for working capital purposes including deploying the Net Proceeds for the development of its other property development projects:

(i) Tianjin Boulevard Project

As announced by the Company on 11 March 2013, Foshan Nanhai Debao, a wholly-owned subsidiary, had on 18 October 2012 entered into a share acquisition and project investment agreement with Messrs Tay Thiang Khek, Liu Chen-Kang, Tin Chiu and Sun Feng-Ti for the acquisition of 68% shareholdings in Tianjin Hotel Street Co., Ltd. ("**Tianjin Hotel Street**"), at a consideration of RMB 68million. Of the 68% shareholdings acquired, 10.2% was held in trust on behalf of Mr Pan Qi Jiang. Mr Pan Qi Jiang is an unrelated third party. He is a Chinese businessman with businesses in property development. The Executive Chairman and CEO of the Company, Mr Yuan Le Sheng, and Mr Pan Qi Jiang are business partners. Mr Pan Qi Jiang holds 10.2% of the shareholdings in Tianjin Hotel Street but is not involved in the operations of Tianjin Hotel Street.

Tianjin Hotel Street is a company incorporated and existing in Tianjin City, PRC. Tianjin Hotel Street owns the Tianjin Boulevard Project which is a redevelopment project of a heritage building located at Tianjin Heping District, Nanshi Hotels Street (天津市和平区南市旅馆街) ("**Heritage Building**") into a hotel and a shopping mall. The Heritage Building has a GFA of approximately 46,000 sq m. Tianjin Hotel Street holds the Heritage Building on a lease term expiring on 30 June 2033.

The Heritage Building is located in a popular area of Tianjin, surrounded by a fashion street, an eating street, hotel rows and shopping malls. The Heritage Building is one of the key redevelopment projects of the local government of Tianjin, PRC in the Heping District, Tianjin City.

The development and renovation works of the Tianjin Boulevard Project commenced in 2013 and as at the Latest Practicable Date, approximately 90% of such works have been completed. The hotel and shopping mall are expected to open in May 2017.

(ii) Sihui Project

As announced by the Company on 18 September 2015, Foshan Nanhai Debao, a wholly-owned subsidiary, had on 17 September 2015 entered into a sale and purchase agreement with Guangzhou Mingxin to acquire all of Guangzhou Mingxin's 45% shareholdings in Sihui Debao at a consideration of RMB127.35 million. Following completion of such acquisition, Sihui Debao had become a wholly-owned subsidiary of Foshan Nanhai Debao.

Sihui Debao is a company incorporated and existing in Sihui City, Guangdong Province, PRC. Sihui Debao owns the Sihui Project which is a mixed development property comprising the Sihui City Mall and residential properties. Sihui City Mall has a GFA of approximately 155,100 sq m. Sihui City Mall commenced business in January 2015 and as at the Latest Practicable Date, approximately 85% of Sihui City Mall has been leased out.

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Sihui Debao also has a piece of commercial land which is ready for development. As at the Latest Practicable Date, development of the commercial land has not commenced.

(iii) Imbi Land

As announced by the Company on 25 September 2015, Debao HK, a wholly-owned subsidiary through Dynamic Real Estate Holdings Pte. Ltd., had completed the acquisition of 500,000 ordinary shares, representing 100% of the total issued and fully paid up or credited as fully paid up share capital of Elite Starhill, from Messrs Wong Siaw Puie and Koo Soon for a cash consideration of RM10 million. Following the completion of the acquisition, Elite Starhill had become a wholly-owned subsidiary of the Company.

Elite Starhill is a company incorporated and existing in Malaysia. The principal activity of Elite Starhill is property development. As at the Latest Practicable Date, Elite Starhill has completed the purchase of a plot of land located at Geran 42800, Lot 1289, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan K.L. and measuring in area of approximately 8,362 sq m ("**Imbi Land**") at a consideration of RM388 million. The Imbi Land is used for the development of both commercial and residential properties. As at the Latest Practicable Date, land leveling works of the land have commenced.

(iv) Joint Venture Projects

As announced by the Company on 24 November 2015, Debao HK had entered into a joint venture agreement dated 23 November 2015 with Poly Ritz Development ("**Joint Venture Agreement**") for the purposes of the investment and development of two (2) projects in Malaysia.

Pursuant to the Joint Venture Agreement, Debao HK and Poly Ritz Development shall develop a mixture of commercial and residential development on a piece of land with a land area of 3.48 acres in Kuala Lumpur, Malaysia and a residential development on a piece of land with a land area of 10.47 acres in the state of Selangor, Malaysia ("**Joint Venture Projects**").

The Group will be investing approximately RM20 million representing 50% of the investments in the Joint Venture Projects. As at the Latest Practicable Date, development of the land has not commenced.

(v) Plaza Rakyat Project

As announced by the Company on 3 March 2016, Pavillion, a wholly-owned subsidiary of the Company, had on 29 November 2015 entered into a subscription agreement with PCSB and GTSB pursuant to which PCSB shall allot and issue to Pavillion 4,646,666 new callable ordinary shares representing 82% of the enlarged share capital of PCSB ("**Subscription Shares**") at an aggregate consideration of RM88 million and Pavillion shall subscribe to the Subscription Shares ("**Subscription**"). Pursuant to the Subscription, PCSB had become a subsidiary of the Company.

PCSB had on 30 October 2015 entered into a sale and purchase agreement with DBKL to acquire from DBKL five (5) parcels of land ("**Plaza Rakyat Project**").

PCSB is intended to carry on property development and the development of the Plaza Rakyat Project. The Plaza Rakyat Project is a mixed-use development project located in central Kuala Lumpur, Malaysia.

The preliminary development plan is for the Plaza Rakyat Project to occupy a GFA of approximately 7,300,000 sq ft, consisting of:

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- (a) a central business district occupying an area of approximately 1,350,000 sq ft;
- (b) a five-star hotel occupying an area of approximately 200,000 sq ft;
- (c) a budget hotel occupying an area of approximately 150,000 sq ft; and
- (d) a residential condominium area occupying an area of approximately 5,600,000 sq ft.

The Company believes that Plaza Rakyat, when completed, will become the next most significant landmark of Kuala Lumpur after the Petronas Twin Towers. As at the Latest Practicable Date, the Company is finalising the development plan for the Plaza Rakyat Project and repair works of the existing development on the land have commenced.

2.5 Principal terms of SPA 1

A summary of the principal terms of the Transaction as set out in SPA 1 is provided below.

2.5.1 Consideration

The Consideration of RMB2.023 billion is arrived at after arm's length negotiations and on a willing-buyer willing-seller basis, taking into account, *inter alia*, the following:

- (i) the value of Loan A, the Fangao Renovation Loan, the Infinity Loan, the Nengrun Loan and the Project Expenses amounting to approximately RMB1.29 billion; and
- (ii) the net book value and the net tangible asset value attributable to the Sale Shares of RMB734,727,402 as stated at paragraph 2.2.4 above.

The Consideration comprises the following:

- (i) payment of RMB731.75 million fully in cash;
- (ii) repayment by the Company and/or Fangao Renovation of the outstanding Loan A and Fangao Renovation Loan of RMB625.32 million;
- (iii) repayment by the Company and/or Infinity of the outstanding Infinity Loan of US\$50 million; and
- (iv) assumption / repayment by the Purchasers of the outstanding Nengrun Loan of RMB212 million and Project Expenses of RMB120 million.

The Consideration comprises repayment of Loan A and excludes repayment of Loan B because:

- (i) part of Loan A was used by Nengrun for property development. The portion of Loan A which was used by Nengrun was recorded as a liability in the accounts of Nengrun. Therefore, the Consideration is to be specifically used for the repayment of Loan A in order to ensure that Nengrun is disposed free of liabilities; and
- (ii) in comparison, Loan B was not used by Nengrun and was not recorded as a liability in the accounts of Nengrun. The Vendors are only required to procure the release of Nengrun as the guarantor of Loan B. Please refer to paragraph 2.2.2 of this Circular for further details of the Nengrun Guarantee.

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2.5.2 Payment Tranches

The payment of the Consideration shall be carried out in the manner set out below.

All payments in USD equivalent shall be based on the central parity exchange rate of US\$ to RMB published by the Bank of China on the day before the date of payment.

The due date for the payment in accordance with this paragraph may be extended for one (1) month if payment date falls during PRC banks' financial statement periods, usually during the months of March, June and December. During these periods, short term interest rates are usually higher. Accordingly, the parties have agreed that the Purchasers may request for an extension of the due date for the relevant payment in order to avoid incurring higher interest rates on short term loans taken for the payment of the Consideration.

For the purpose of this paragraph, the payment of the Consideration by the Purchasers to either the Company or Fangao Renovation shall suffice as payment to the Vendors.

(i) Deposit

Within five (5) working days from the signing of SPA 1, Guangdong Evergrande shall pay a sum of RMB50 million ("**Deposit**") into a joint account set up by Fangao Renovation and Guangdong Evergrande. As at the Latest Practicable Date, the Deposit has been paid.

Within three (3) working days from the fulfilment of Conditions 1 and 2, Fangao Renovation and Guangdong Evergrande shall transfer the Deposit amount to a bank account designated by Fangao Renovation. The bank interest generated from the Deposit in the said joint account shall belong to the Purchasers.

(ii) First Tranche

The first tranche of the Consideration shall be satisfied by the payment of US\$50 million to a bank account designated by Famous Way in accordance with Condition 3.

(iii) Second Tranche

Within one (1) month from the fulfilment of Conditions 4(a), 5 and 6, the second tranche of the Consideration shall be satisfied by:

- (a) the payment of Deposit in accordance with item (i) above; and
- (b) the payment by Shengyu to the Company of the USD equivalent of RMB209.4 million.

(iv) Third Tranche

Within two (2) months (but no later than three (3) months) from the fulfilment of Conditions 4, 5, 6 and 7, the third tranche of the Consideration shall be satisfied by payment of RMB625.32 million by the Purchasers to the Vendors, for the repayment of the Loan A and the Fangao Renovation Loan within five (5) working days of the receipt thereof.

Within 20 working days from such repayment, the Vendors shall submit an application to the relevant government authority to discharge the mortgages or any other encumbrances on the Target Land. The Vendors shall, on the day after such discharge, deliver the original copy of the Land certificate to the Purchasers.

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(v) Fourth Tranche

Within four (4) months from the fulfilment of Conditions 4, 5, 6 and 7, and upon the fulfilment of other obligations of the Vendors in paragraph 2.5.4, the fourth tranche of the Consideration shall be satisfied by the payment of the USD equivalent of RMB209.4 million by Shengyu to the Company.

(vi) Fifth Tranche

Within seven (7) months from the fulfilment of Conditions 4, 5, 6 and 7, upon the fulfilment of other obligations in Conditions 8 and 9, and upon the discharge of the Nengrun Guarantee, the fourth tranche of the Consideration shall be satisfied by the payment of the USD equivalent of RMB139.6 million by Shengyu to the Company.

(vii) Sixth Tranche

Within three (3) months from the fulfilment of Conditions 4, 5, 6 and 7, the Purchasers shall assume the liabilities of Nengrun of RMB332 million, which comprises outstanding Project Expenses of RMB120 million and an outstanding Nengrun Loan of RMB212 million. The Purchasers shall repay the Project Expenses in instalments in accordance with the agreement between Nengrun and the contractors and taking into consideration the construction progress. In the event that the Project Expenses are less than RMB212 million, the difference shall constitute part of this sixth tranche of the Consideration to be paid by the Purchasers to the Vendors.

Accordingly, the sixth tranche of the Consideration shall be satisfied by the assumption of the abovementioned liabilities of Nengrun by the Purchasers, the discharge of guarantees provided by the Vendors and the related parties (including Mr Yuan Le Sheng (the Company's Executive Chairman and CEO), Mr Zhong Yu Zhao (the Company's Executive Director), Mr Zhang Mao (the Company's Executive Director), and the fulfillment such other obligations under this paragraph.

(viii) Balance Tranche

Within 10 months from the fulfilment of Conditions 4, 5, 6 and 7, upon the fulfilment of all obligations of the Vendors in SPA 1 (or within five (5) working days from the rectification of any unfulfilled obligations, or acceptance of responsibility for such breach of SPA 2), the balance tranche of the Consideration shall be satisfied by the payment of the USD equivalent of RMB120.35 million by Shengyu to the Company.

2.5.3 Adjustment of Consideration

Of the Consideration of RMB2.023 billion, the Purchasers are holding RMB3 million for the purpose of future adjustments to the Consideration, details of which are set out below. In the event that there are no adjustments, the RMB3 million will be paid to the Vendors on Completion Date.

The Consideration may be adjusted upon the occurrence of the following events:

- (i) In the event that the land area of the Target Land is smaller than the land area of 1,010,126.3 sq m recorded on the State-Owned Land Land Use Certificate, the Purchasers shall reduce the Consideration to be paid in any of the tranches based on the rate of RMB 2,000 per sq m of shortfall in land area. Following Completion Date, in the event the GFA of the remaining land available for sale on the Target Land (not including the resettlement housing area and hotel area) is smaller than 666,797 sq m, the Purchasers shall reduce the Consideration to be paid in any of the tranches based on the rate of RMB 3,034 per sq m of shortfall in land area.

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For the purpose of this paragraph, the relevant rates of shortfall were derived by dividing the Consideration of RMB 2.023 billion by the relevant area of the Target Land.

- (ii) In the event the Vendors fail to deliver the Official Tax Receipts such that the Purchasers are subject to higher land appreciation tax or enterprise income tax, the Purchasers shall (a) reduce the Consideration to be paid in any of the tranches by an amount equivalent to 55% of the shortfall in amount of expenses which are not reflected on the Official Tax Receipts, or (b) recover such amount from the Consideration paid.

For the purpose of this paragraph, PRC land appreciation tax and enterprise income tax are payable by the Purchasers and will be calculated at Completion. Any expenses incurred by the relevant company in the development of property (such as construction costs) presented via official receipts to the government ("**Official Tax Receipts**") will be not be considered as part of land appreciation or enterprise income. If the Vendors fail to deliver such Official Tax Receipts to the Purchasers, the Purchasers will be subject to higher land appreciation tax and enterprise income tax. The aforesaid rate of 55% is based on land appreciation tax and enterprise income tax rates of 30% and 25%, respectively.

2.5.4 Conditions

The Completion is conditional upon, *inter alia*, the following matters being fulfilled or done on or prior to the Completion Date:

- (i) Within 15 working days from the signing of SPA 1, the Purchasers shall complete its due diligence exercise on Infinity, Nengrun, Fangao Land and the Target Land.
- (ii) Within three (3) working days from the completion of the due diligence exercise, the Purchasers shall notify the Vendors in writing of its intention to fulfill its obligations in SPA 1 ("**Notification to Complete**"), to terminate the Transaction or to enter into further negotiations in relation thereto. As announced by the Company on 5 December 2016, the Company has received the Notification to Complete the Transaction dated 2 December 2016.
- (iii) Within three (3) working days from the signing of SPA 1, the Purchasers shall have the right to enter the Target Land.
- (iv) Within two (2) months from the Notification to Complete, the Company shall obtain such approvals (including but not limited to Shareholders' approval) as it may require for the Transaction ("**Condition 1**").
- (v) Within five (5) working days from the Notification to Complete, the Company shall:
 - (a) provide an irrevocable undertaking in writing to Shengyu for the following:
 - a. upon the fulfilment of Condition 1, to transfer the Infinity Shares, such transfer to be effected by a law firm designated by Shengyu; and
 - b. to sign and prepare all documents required for the disposal of Infinity; and
 - (b) prepare all documents required for the resignation of the corporate representative(s), directors, secretary and supervisor(s) (where applicable) in Infinity,(collectively, "**Condition 2**").

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As at the Latest Practicable Date and as announced on 9 January 2017, the Company and Shengyu have executed SPA 2 for the sale of the Infinity Shares.

- (vi) Upon the signing of SPA 1, the Company shall enter into negotiations with Famous Way with regard to the discharge of the Infinity Loan and the Infinity Pledge. Accordingly, the Company shall enter into a repayment agreement with Famous Way ("**Repayment Agreement**") (or for Famous Way to provide a receipt of repayment). Within 10 working days from the signing of the Repayment Agreement and the fulfilment of Conditions 1 and 2, the Purchasers shall transfer US\$50 million to a joint bank account set up by Infinity, Famous Way and Shengyu ("**Joint Account**"), upon which Famous Way shall discharge the Infinity Pledge. Upon such discharge, the said sum of US\$50 million shall be paid to Famous Way from the Joint Account.

Alternatively, in the event that Famous Way requires the immediate repayment of the Infinity Loan prior to discharge of the Infinity Pledge, within 10 working days from the signing of the Repayment Agreement and the fulfilment of Conditions 1 and 2, the Purchasers and Famous Way shall sign and prepare all documents required for the discharge of the Infinity Pledge through a lawyer designated by Shengyu ("**Designated Lawyer**"). Thereafter, the Purchasers shall pay US\$50 million to a bank account designated by Famous Way, upon which the Designated Lawyer shall discharge the Infinity Pledge.

In the event that Famous Way does not accept either of the above arrangements, the Company, Shengyu and Famous Way shall enter into negotiations to resolve the matter for a period of up to six (6) months. If the matter is not resolved upon the expiry of the said period, SPA 1 shall be terminated and parties shall be released from all obligations thereunder.

("Condition 3")

As at the Latest Practicable Date, the Company and Famous way are in discussions.

- (vii) Within 15 working days from the Notification to Complete, the receipt of clearance from the SGX-ST and the receipt of Deposit, the following shall be fulfilled ("**Condition 4**"):
- (a) Fangao Renovation shall transfer its 100% shareholdings in Fangao Land to Guangdong Evergrande and concurrently appoint the new corporate representative(s), directors and supervisor(s) in Fangao Land, such persons to be designated by Guangdong Evergrande;
 - (b) the documents required for the normal operation of Infinity, Nengrun and Fangao Land, including but not limited to the company seal, operative licence and accounts, shall be placed under the joint management of the Vendors and the Purchasers; and
 - (c) within two (2) days from the fulfilment of the above items, Fangao Renovation shall deliver Target Land B to Guangdong Evergrande in accordance with SPA 1.
- (viii) Within five (5) working days from the signing of the Repayment Agreement, and the payment of US\$50 million to the Joint Account (or upon the direct payment of US\$50 million to a bank account designated by Famous Way) in accordance with Condition 3, the Company shall:
- (a) discharge the Infinity Pledge;

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- (b) in accordance with Condition 2, hand over to the Designated Lawyer all documents required for the transfer of shares in Infinity and to complete such share transfer; and
- (c) appoint the corporate representative(s), directors, secretary or supervisor(s) (where applicable) nominated by Shengyu,

("Condition 5").

- (ix) Within three (3) working days from the fulfilment of Condition 5, the Company shall deliver Target Land A to the Purchasers in accordance with SPA 1 ("Condition 6").
- (x) The day following the receipt of the second tranche payment of the Consideration, the documents required for the normal operation of Infinity, Nengrun and Fangao Land, which are jointly managed in accordance with Condition 4, shall be solely managed by the Purchasers ("Condition 7").
- (xi) Within two (2) months from the Completion Date, the employees in the Disposed Subsidiaries shall be terminated ("Condition 8").
- (xii) Within two (2) months from the Completion Date, the property management responsibilities of the Disposed Subsidiaries shall be vested in the Purchasers.

2.5.5 Completion

The following items are to be fulfilled on the Completion Date:

- (i) the transfer of Sale Shares being completed;
- (ii) the appointment by Infinity of the corporate representative(s), secretary, directors and supervisor (s) (if applicable) designated by the Purchasers;
- (iii) the appointment by Nengrun and Fangao Land of the corporate representative(s), directors and supervisor(s) designated by the Purchasers;
- (iv) the delivery of all original documents required for the normal operation of the Disposed Subsidiaries to the Purchasers including but not limited to the company seal, operative licence and accounts; and
- (v) the transfer of Target Land to the Purchasers.

The Completion Date shall be:

- (i) the day the above items are fulfilled; or
- (ii) in the event the above items are not fulfilled on the same day, the day the transfer of Sale Shares are completed.

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2.5.6 Use of Net Proceeds

The net proceeds from the Transaction amount to approximately RMB709.1 million (the "**Net Proceeds**") after deducting expenses relating to the Transaction of approximately RMB22.6 million. The Group is expected to record a gain on the Sale Shares of approximately RMB56.7 million calculated as follows:

	<u>RMB'000</u>
Total Consideration	2,023,000
Cash	731,750
Minus cash outflow:	
(i) Repayment of loans	
Loan A and Fangao Renovation Loan	625,320
Infinity Loan (based on an exchange rate of RMB6.6786: US\$1)	333,930
Nengrun Loan	212,000
Nengrun Project Expenses	120,000
(ii) Estimated expenses relating to the Transaction	22,685
Total Cash out flow	1,313,935
Net Proceeds	709,065
Minus	
(iii) Net asset value	734,727
Plus	
(iv) Loans not utilised by Disposed Subsidiaries but by Group companies which will be repaid using consideration proceeds (625,320 - 542,929)	82,391
Net Gain	56,729

The Company intends to use the Net Proceeds for general working capital purposes as set out in Section 2.4.4 of this circular, and pending deployment thereof, the Net Proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, as the Directors may deem appropriate in the interests of the Company.

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2.6 The Relative Figures as set out in Rule 1006 of the Listing Manual

2.6.1 Based on the latest unaudited consolidated financial statements for 9M2016, the relative figures in respect of the Transaction, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

Rule 1006(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\$398,016,490 ⁽¹⁾ / S\$289,965,338)	137%
Rule 1006(b)	The net profits ⁽²⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits. S\$2,364,395/ (S\$9,849,047)	Not Meaningful ⁽³⁾
Rule 1006(c)	The aggregate value of the consideration given or received ⁽⁴⁾ , compared with the Company's market capitalisation ⁽⁵⁾ based on the total number of issued shares excluding treasury shares. (S\$414,917,300 / S\$17,999,925)	2305%
Rule 1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable
Rule 1006(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.	Not Applicable

Notes:

- (1) S\$398,016,490 is the equivalent of RMB1,940,609,000 (RMB2,023,000,000 – RMB82,391,000), based on an exchange rate of S\$1.00 to RMB4.8757. For consistency in this section, calculation is based on the full amount of the Consideration after deducting the amount of loans not utilised by the Disposed Subsidiaries of RMB82,391,000.
- (2) "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) The Group made a loss of S\$9,849,047. Profit attributable to the Sale Shares is S\$2,364,395, mainly due to foreign exchange gain of S\$2,428,000 on the Infinity Loan.
- (4) S\$414,917,300 is the equivalent of the Consideration of RMB2.023 billion, based on an exchange rate of S\$1.00 to RMB4.8757.
- (5) "market capitalisation" of the Company is determined by multiplying the number of shares in issue of 74,999,688 by the weighted average price of the shares of S\$0.24 transacted on the 7 November 2016, being the Market Day preceding the date of SPA 1.

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2.6.2 As the relative figures under Rule 1006(a) and (c) exceed 20%, the Transaction constitutes a “Major Transaction” as defined under Chapter 10 of the Listing Manual of the SGX-ST and will be subject to the approval of Shareholders pursuant to Rule 1014 of the Listing Manual.

2.7 Financial Information of the Disposed Subsidiaries

The financial statements of the Disposed Subsidiaries for the financial years ended 31 December 2014 and 2015 are set out below:

2.7.1 Audited Profit and Loss Statements

	Infinity		Nengrun		Fangao Land	
	FY2014 (SGD'000)	FY2015 (SGD'000)	FY2014 (RMB'000)	FY2015 (RMB'000)	FY2014 (RMB'000)	FY2015 (RMB'000)
Revenue	-	-	77,737	208,734	-	-
Cost of sales	-	-	(57,799)	(161,521)	-	-
Gross profit / (loss)			19,938	47,213	-	-
Other operating income	-	-	526	49,831	-	-
Distribution expenses	-	-	(26,228)	(17,498)	-	-
Administrative expenses	(10)	(9)	(12,401)	(8,062)	(124)	(116)
Other operating expenses	(4,079)	(6,425)	(5,304)	(20)	-	-
Profit / (loss) from operations	(4,089)	(6,434)	(23,469)	71,464	(124)	(116)
Finance costs	(2,863)	(11,662)	(62,650)	(51,074)	(1)	(83)
Profit / (loss) before tax	(6,952)	(18,096)	(86,119)	20,390	(125)	(199)
Income tax	-	-	(6,203)	(17,500)	-	-
Net profit / (loss) for the year	(6,952)	(18,096)	(92,322)	2,889	(125)	(199)

2.7.2 Audited Balance Sheets

	Infinity		Nengrun		Fangao Land	
	FY2014 (SGD'000)	FY2015 (SGD'000)	FY2014 (RMB'000)	FY2015 (RMB'000)	FY2014 (RMB'000)	FY2015 (RMB'000)
Assets						
Non-current assets						
Property, plant and equipment	-	-	500	342	-	-
Investment property	-	-	270,000	369,000	-	-
Intangible assets	-	-	-	-	-	-
Investment	156,708	156,708	-	-	-	-
Deferred income tax assets	-	-	-	-	-	-
Current assets						
Inventories	-	-	1,390,431	1,419,333	14,222	14,222
Trade and other receivables	6,216	8,806	105,042	114,333	14,954	14,954
Amount due from related parties	-	-	98,171	3,171	-	-
Amount due to group companies	278	12,324	96,495	176,673	24,500	24,499
Cash and cash equivalents	1,465	226	57,073	37,044	24	18
Total assets	164,667	178,064	2,017,712	2,120,796	53,700	53,693
Equity						
Share capital and share premium	162	162	773,709	773,709	1,000	1,000
Other reserves	-	-	3,699	3,699	-	-
Retained earnings	(7,571)	(25,667)	(33,719)	(30,829)	(387)	(586)
Total equity	(7,409)	(25,505)	743,689	746,579	613	414

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Liabilities

Non-current liabilities

Borrowings	66,065	70,695	-	154,000	-	-
Long term payable	-	-	20,663	-	-	-
Deferred income tax liabilities	-	-	11,469	26,803	-	-

Current liabilities

Borrowings	30,073	10,590	195,148	283,218	-	-
Trade and other payables	115	747	265,187	343,665	-	-
Amount due to related parties	-	-	110,732	23,962	-	-
Amount due to group companies	75,822	121,537	689,202	542,332	52,972	53,164
Tax payable	-	-	2,285	237	115	115
Total liabilities	172,076	203,569	1,274,023	1,374,217	53,087	53,279
Total equity and liabilities	164,667	178,064	2,017,712	2,120,796	53,700	53,693

2.8 Financial Effects on the Transaction

The financial effects of the Transaction on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Transaction. The financial effects of the Transaction set out below have been prepared based on the Group's audited consolidated financial statements for FY2015.

(a) Share Capital

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

(b) NTA

The effects of the Transaction on the audited consolidated NTA per share of the Group for FY2015, assuming that the Transaction had been effected on 31 December 2015, are summarised below:

	Before the Transaction	After the Transaction
NTA (S\$'000)	324,198	346,644
Number of Shares('000)	1,125,000	1,125,000
NTA per share (S\$)	0.29	0.31

(c) EPS

The effects of the Transaction on the audited consolidated EPS of the Group for FY2015, assuming that the Transaction had been effected on 1 January 2015, are summarised below:

	Before the Transaction	After the Transaction
Consolidated net profit (S\$'000)	7,465	36,334
Weighted average number of shares ('000)	1,125,000	1,125,000
EPS (Singapore cents)	0.66	3.23

LETTER TO SHAREHOLDERS

(d) Gearing

The effects of the Transaction on the gearing of the Group for FY2015, assuming that the Transaction had been effected on 31 December 2015, are summarised below:

	Before the Transaction	After the Transaction
Total debts (S\$'000)	586,840	333,862
Total equity (S\$'000)	326,158	348,603
Gearing ratio (times)	1.80	0.96

3 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1 As at the Latest Practicable Date, the interests of the Directors in the Shares, as extracted from the Register of Directors' Shareholdings of the Company and the interests of Substantial Shareholder(s), as extracted from the Register of Substantial Shareholders' Shareholdings of the Company, maintained pursuant to Sections 164 and 88 of the Companies Act respectively, are as follows:-

	Number of Shares				Total ⁽¹⁾ (%)
	Direct Interest	%	Deemed Interest	%	
Directors					
Yuan Le Sheng	1,106,200 ⁽²⁾	1.47	39,385,464 ⁽²⁾⁽³⁾⁽⁶⁾	52.51	53.98
Zhang Mao	-	-	80,800 ⁽⁴⁾⁽⁵⁾	0.11	0.11
Zhong Yu Zhao	101,666 ⁽⁴⁾	0.14	-	-	0.14
Cheong Keng Chuan Alfred	-	-	-	-	-
He Guo Quan	-	-	-	-	-
Chia Seng Hee, Jack	-	-	-	-	-
Substantial Shareholders (other than Directors)					
Billion Equity Holdings Limited	37,920,348 ⁽²⁾	50.56	-	-	50.56
Phillip Securities Pte Ltd	5,381,863	7.18	-	-	7.18
Zheng Li Hua	-	-	40,491,665 ⁽²⁾⁽³⁾⁽⁶⁾	53.98	53.98

Notes:-

- (1) Based on 74,999,688 Shares as at the Latest Practicable Date.
- (2) Billion Equity Holdings Limited is a company incorporated in the British Virgin Islands and wholly-owned by the Chairman of the Company, Mr Yuan Le Sheng. Accordingly, Mr Yuan Le Sheng is deemed interested in the shares of the Company held by Billion Equity Holdings Limited.
- (3) Mr Yuan Le Sheng and Mdm Zheng Lihua, are husband and wife. Accordingly, they are deemed interested in each other's shares in the Company.
- (4) Mr Zhang Mao is deemed interested in the 80,800 shares held by his spouse Ms Fang Zai Ming.

LETTER TO SHAREHOLDERS

(5) Pride Capital Investment Holdings Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr Yuan Jiajun, the son of Mr Yuan Le Sheng and Mdm Zheng Lihua. Accordingly, Mr Yuan Jiajun is deemed interested in the shares of the Company held by Pride Capital Investment Holdings Limited.

(6) Mr Yuan Jiajun is the son of Mr Yuan Le Sheng and Mdm Zheng Lihua. Accordingly, each of Mr Yuan Le Sheng and Mdm Zheng Lihua is deemed interested in Mr Yuan Jiajun's interests in the Company.

3.2 None of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Transaction, other than through their respective shareholdings in the Company.

4 DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

5 DIRECTORS' RECOMMENDATIONS

The Directors, having considered the rationale and terms of the Transaction, are of the opinion that the Transaction is in the interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the ordinary resolution in respect of the Transaction set out in the EGM notice.

6 EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out in this Circular, will be held on 26 January 2017 for the purpose of considering and, if thought fit, passing with or without modifications the ordinary resolution set out therein.

7 ACTION TO BE TAKEN BY SHAREHOLDERS

7.1 Appointment of Proxies

Shareholders who are unable to attend the EGM and wish to appoint a proxy/proxies to attend and vote on their behalf will find enclosed with this Circular, a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the Company registered office at 80 Raffles Place, #32-01 UOB Plaza 1, Singapore 048624, not less than 48 hours before the time appointed for the holding of the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM in place of his proxy/proxies if he finds that he is able to do so. In such an event, the Proxy Form will be deemed to be revoked.

7.2 Depositors

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the time fixed for the EGM.

LETTER TO SHAREHOLDERS

8 DIRECTORS' RESPONSIBILITY STATEMENT

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

9 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours from the date of this Circular up to and including the date of the EGM:-

- (a) the Constitution of the Company;
- (b) the annual report of the Company for FY2015;
- (c) SPA 1; and
- (d) SPA 2.

Yours faithfully

For and on behalf of the Board of Directors of
DEBAO PROPERTY DEVELOPMENT LTD.

Yuan Le Sheng
Executive Chairman and CEO

NOTICE OF EXTRAORDINARY GENERAL MEETING

DEBAO PROPERTY DEVELOPMENT LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200715053Z)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Debao Property Development Ltd. ("**Company**") will be held at Room 327, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, on Thursday, 26 January 2017 at 3.30 p.m., for the purpose of considering and, if thought fit, passing with or without amendment, the ordinary resolution as set out below.

All capitalised terms used in this Notice which are not defined herein shall have the meanings ascribed to them in the circular to shareholders of the Company dated 11 January 2017.

ORDINARY RESOLUTION

DISPOSAL OF 100% SHAREHOLDINGS IN INFINITY REAL ESTATE HOLDINGS PTE. LTD (TOGETHER WITH ITS WHOLLY-OWNED SUBSIDIARY, FOSHAN SANSHUI NENGRUN PROPERTY DEVELOPMENT CO., LTD.) AND FOSHAN SANSHUI FANGAO LAND CO., LTD. ("TRANSACTION")

That pursuant approval be and is hereby given:-

- (a) for the Transaction on the terms and subject to the conditions set out in SPA 1 and SPA 2; and
- (b) the Directors and each of them be and is hereby authorised to take any and all steps and to do and/or procure to be done any and all acts and things (including without limitation, to approve, sign and execute all such documents which they in their absolute discretion consider to be necessary, and to exercise such discretion as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they and/or he may consider necessary, desirable or expedient in order to implement, finalise and give full effect to this Ordinary Resolution and the Transaction and/or the matters contemplated herein.

BY ORDER OF THE BOARD

Janet Tan
Company Secretary

11 January 2017

Notes:-

1. A member of the Company (other than a Relevant Intermediary as defined in Note 2 below) entitled to attend and vote at the Extraordinary General Meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company and where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.
2. A member of the Company who is a Relevant Intermediary entitled to attend and vote at the Extraordinary General Meeting of the Company is entitled to appoint more than two (2) proxies to attend and vote in his stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. A proxy need not be a member of the Company and where a member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

NOTICE OF EXTRAORDINARY GENERAL MEETING

"Relevant Intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation. "
3. If the appointor is a corporation, the proxy form must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office, 80 Raffles Place, #32-01 UOB Plaza 1, Singapore 048624, not less than forty-eight (48) hours before the time for holding the Extraordinary General Meeting.

Personal Data Privacy

By attending the Extraordinary General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

DEBAO PROPERTY DEVELOPMENT LTD.

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

IMPORTANT

1. For investors who have used their CPF monies to buy ordinary shares in the capital of Debao Property Development Ltd., this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend and vote at the Extraordinary General Meeting should contact their CPF Approved Nominees.

PROXY FORM**EXTRAORDINARY GENERAL MEETING**

(Please see notes overleaf before completing this Form)

I/We, _____ NRIC/ Passport/ Co. Reg. No. _____

of _____ (Address)

being a member/members of DEBAO PROPERTY DEVELOPMENT LTD. (the "Company") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholding (%)

and/or failing him/her (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholding (%)

or failing him/her, the Chairman of the Extraordinary General Meeting (the "EGM") of the Company as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the EGM of the Company to be held at Room 327, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, on Thursday, 26 January 2017 at 3.30 p.m., and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the resolutions to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/their* discretion, as he/they* will on any other matters arising at the EGM.

All resolutions put to the vote of the EGM shall be decided by the way of poll.

**Delete as appropriate.*

No.	Ordinary Resolution	Number of Votes For**	Number of Votes Against**
1.	To approve the Transaction		

** If you wish to exercise all your votes "For" or "Against", please indicate with a "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ____ day of _____ 2017

Signature(s) of Shareholder(s)/ Common Seal

Total number of Shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and shares registered in your name in the Register of members.
2. A member of the Company (other than a Relevant Intermediary as defined in Note 3 below) entitled to attend and vote at the EGM of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company and where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.
3. A member of the Company who is a Relevant Intermediary entitled to attend and vote at the EGM of the Company is entitled to appoint more than two (2) proxies to attend and vote in his stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. A proxy need not be a member of the Company and where a member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

“Relevant Intermediary” means:

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. The instrument appointing a proxy or proxies must be deposited at the Company’s registered office at 80 Raffles Place #32-01 UOB Plaza 1 Singapore 048624, not less than 48 hours before the time appointed for the holding of the EGM.
5. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be either under its seal or under the hand of its attorney duly authorised.
6. Where the instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Cap. 50.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By attending the EGM and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.