

## DEBAO PROPERTY DEVELOPMENT LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No. 200715053Z)

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### RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") ON THE ANNOUNCEMENT OF INCREASE IN SHARE CAPITAL AND REDUCTION OF PERCENTAGE SHAREHOLDING IN PROFIT CONSORTIUM SDN. BHD.

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The Board of Directors (the "**Board**") of Debao Property Development Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce the following in response to the queries raised by the SGX-ST on 15 September 2020 in relation to the announcement of increase in share capital and reduction of percentage shareholding in Profit Consortium Sdn. Bhd. (the "**Target**") made by the Company on 1 September 2020 (the "**Announcement**").

*Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as ascribed to them in the Announcement.*

#### SGX-ST's Query 1

##### Paragraph 1 of the Announcement

1. Disclose the beneficial shareholders and directors of the controlling shareholder of the Target.
2. Disclose details of the assets and details of the projects held by the Target and the status of development. Also disclose the NAV of the Target.
3. Was shareholders' approval obtained by the Target for the issuance of the 102,000,034 new ordinary shares at RM1 per share? If so, please explain why the Company was unaware of the dilution. If shareholders' approval was obtained by the Target for the issuance of the new shares, did the Company vote for the issuance? On what basis was the amount of RM102,000,034 for the issuance of the 102,000,034 new ordinary shares at RM1 per share fair and reasonable? What percentage of the then issued share capital did this represent?
4. It was announced that 10,000,000 ordinary shares were paid-up in cash. In relation to this, has the RM10,000,000 cash been paid, and by whom to whom? If so, when and what was the use of proceeds?
5. How much was the total amount of the shareholders' loan extended by the controlling shareholder to the Target? Provide details of this shareholders' loan. When was it extended? How much of this loan was capitalised? What were the terms of this loan?

#### Company's Response

Our subsidiary, namely Pavillion Treasures Land and Development Sdn. Bhd. ("**Pavillion Treasures**") has commenced legal proceedings for oppression of minority shareholders and to seek to nullify and void the issuance.

1. According to the 2019 audited report dated 7 September 2020, the ultimate holding company for the Target is Golden Silvers Universe Limited (BVI). We are not privy to who the shareholders and directors of Golden Silvers Universe Limited are.
2. The Target is the developer of the Plaza Rakyat in Malaysia. We have not been provided with any information in relation to the latest NAV of the Target.

3. The issuance of the 102,000,034 new ordinary shares at RM1 per share was passed by a majority vote by the current controlling shareholder who owned 81% of the original shareholdings in the Target. The Group did not participate in the voting for the issuance. Even if the Group had participated, our minority shareholdings of 19% would not have affected the outcome of the vote.

We are unable to comment whether the amount of RM102,000,034 for the issuance of the 102,000,034 new ordinary shares at RM1 per share is fair and reasonable as we have not been provided with any details relating to the issuance.

Based on the resolution provided to us, the new issue represents 94.7% of the increased share capital.

4. We have not been provided any information in this respect.
5. We do not have and have not been provided any information in relation to this.

### **SGX-ST's Query 2**

#### **Paragraph 2 of the Announcement**

How much was the cost of investment of the Company's 19% investment in the Target, and what is the value of its current diluted 1% interest? Please quantify.

#### **Company's Response**

From the announcement dated 3 March 2016, the investment costs for 82% of shares in the Target is RM88 million. 20% of shares were held on behalf on Tee Yam who has settled the cost of 20% shares with Pavillion Treasures. The investment costs for 62% and 19% of shares in the Target are RM66.5 million and RM20.4 million respectively. Although the percentage of shares has been diluted to 1%, the investment costs for the original 19% and subsequently diluted 1% shareholding is still its historical value of RM20.4 million.

### **SGX-ST's Query 3**

#### **Paragraph 3 of the Announcement**

Elaborate on why there is no material impact on the consolidated net tangible assets or earnings per share of the Company, quantify the impact to the Company, and provide the basis of the Board's views.

#### **Company's Response**

When preparing the 31 December 2018 audited report, the assets and liabilities of the Target after providing impairment loss are grouped into "Disposal group assets classified as held-for-sale" and "Liabilities directly associated with group assets classified as held-for-sale". The net amount of "Disposal group assets classified as held-for-sale" and "Liabilities directly associated with group assets classified as held-for-sale" recorded on 31 December 2018 is RMB 6 million which represents the share value at selling price only. The board of directors is of the view that the recovery of the current accounts outstanding is not affected by the dilution nor is there any other material impact on the consolidated net tangible assets or earnings per share of the Company.

By Order of the Board

Zhong Yuzhao  
Executive Director and Chief Executive Officer  
17 September 2020