

# DEBAO PROPERTY DEVELOPMENT LTD.

(Incorporated in Singapore on 16 August 2007)

(Registration Number: 200715053Z)

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## ACQUISITION OF 45% SHAREHOLDINGS IN SIHUI DEBAO JIANGNAN MINGJU PROPERTY DEVELOPMENT Co., LTD (四会德宝江南名居房地产开发有限公司) AND DISPOSAL OF 50% SHAREHOLDINGS IN FOSHAN DEGANGJIAN INVESTMENT CO., LTD (佛山市德港健投资有限公司)

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### 1. INTRODUCTION

#### 1.1 Acquisition of 45% shareholdings in Sihui Debao Jiangnan Mingju Property Development Co., Ltd (四会德宝江南名居房地产开发有限公司) (“Sihui Debao”)

The board of directors (“**Board**” or “**Directors**”) of Debao Property Development Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Foshan Nanhai Debao Property Development Co., Ltd (佛山市南海区德宝房地产开发有限公司)(“**Foshan Nanhai Debao**”), has on 17 September 2015 entered into a sale and purchase agreement (the “**Acquisition SPA**”) with Guangzhou Mingxin Investment Co., Ltd (广州明新投资有限公司) (“**Guangzhou Mingxin**”) to acquire all of Guangzhou Mingxin 45% shareholdings in Sihui Debao at a consideration of RMB127.35 million (“**Acquisition Consideration**”) upon the terms and subject to the conditions of the Acquisition SPA (“**Acquisition**”). Foshan Nanhai Debao currently owns 54.999% of the shareholdings in Sihui Debao. Pursuant to the Acquisition, Foshan Nanhai Debao will own 99.999% of Sihui Debao.

#### 1.2 Disposal of 50% shareholdings in Foshan Degangjian Investment Co., Ltd (佛山市德港健投资有限公司) (“Foshan Degangjian”)

Concurrently, the Company’s wholly-owned subsidiary, 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)(“**Foshan Sanshui Nengrun**”), has on 17 September 2015 entered into a sale and purchase agreement (the “**Disposal SPA**”) with Foshan Sanshui Fugang Property Development Co., Ltd (佛山市三水富港房地产开发有限公司) (“**Foshan Sanshui Fugang**”), to dispose of all of its 50% shareholdings in Foshan Degangjian to Foshan Sanshui Fugang, for a consideration of RMB233.75 million (the “**Disposal Consideration**”) together with an interest of RMB26.5 million (“**Interest**”), upon the terms and subject to the conditions of the Disposal SPA (the “**Disposal**”). Foshan Sanshui Fugang currently owns 35% shareholdings in Foshan Degangjian.

1.3 Mr Chen Guangming is a controlling shareholder of Guangzhou Mingxin and holds 78% of the share capital in Guangzhou Mingxin. Foshan Sanshui Fugang is a wholly-owned subsidiary of Guangdong Fugang Investment Group Ltd. (广东富港投资集团有限公司) (“**Guangdong Fugang**”). Mr Chen Guangming and his associate hold an aggregate of 74% of the share capital in Guangdong Fugang.

1.4 Where applicable, the Acquisition and the Disposal shall be referred to as the “**Transactions**”.

### 2. ACQUISITION

#### 2.1 Information on Sihui Debao

Sihui Debao was incorporated on 15 June 2011 in Sihui City, Guangdong Province, PRC.

Currently, Foshan Nanhai Debao holds 54.999% shareholding interest in Sihui Debao and the 45% shareholding interest is held by Guangzhou Mingxin. The main business activity of Sihui Debao is in the business of development of Sihui Project, which comprises Sihui City Mall and residential properties.

## 2.2 Rationale for the Acquisition

Sihui Debao currently owns the Sihui Project which is a mixed development property comprising the Sihui City Mall and residential properties (the “**Residential Properties**”). Sihui City Mall commenced business in January 2015 and the Residential Properties will be delivered by the end of 2015 for which the sales income will be recognized upon delivery. Sihui City Mall is about 80% leased out currently.

Sihui Debao also has a piece of commercial land which is ready for development. The Company is of the view that Sihui Debao has good prospects and will be profitable in the next one to two years.

The Company is also of the view that the Acquisition is an opportunity for the Company to increase its shareholdings in Sihui Debao which will be able to provide the Company with a sustainable leasing income in the future.

## 2.3 Principal Terms of the Agreement

### 2.3.1 Conditions Precedent

The Acquisition SPA is conditional upon the approval by the Company’s shareholders at a general meeting.

### 2.3.2 Consideration on Acquisition

The Acquisition Consideration will be funded through internal resources. It is arrived on a willing buyer willing seller basis based on the figure derived from the deduction of the assets at cost of Sihui Debao with the liabilities and unpaid dues of Sihui Debao and shall be paid in the following manner:

- (i) a transfer of 50% shareholdings of Foshan Degangjian by Foshan Sanshui Nengrun to Foshan Sanshui Fugang in satisfaction of part of the Acquisition Consideration of approximately RMB73.35 million; and
- (ii) the remaining RMB54 million to be satisfied fully in cash by 1 December 2015.

## 2.4 Financial Effects on the Acquisition

The financial effects of the Acquisition 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 Acquisition. The financial effects of the Acquisition set out below have been prepared based on the Group’s audited consolidated financial statements for the financial year ended 31 December 2014 (“**FY2014**”).

### (a) Net Tangible Assets (“NTA”)

The effects of the Acquisition on the audited consolidated NTA per share of the Group as at 31 December 2014, assuming that the Acquisition had been effected on 31 December 2014, are summarised below:

	Before the Acquisition	After the Acquisition
<b>NTA (S\$’000)</b>	339,361	358,335
<b>Number of Shares (’000)</b>	1,125,000	1,125,000

<b>NTA per Share (S\$)</b>	0.30	0.32
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**(b) Earnings Per Share (“EPS”)**

The effects of the Acquisition on the audited consolidated EPS of the Group for FY2014, assuming that the Acquisition had been effected on 1 January 2014 are summarised below:

	<b>Before the Acquisition</b>	<b>After the Acquisition</b>
<b>Consolidated net profit (S\$'000)</b>	24,482	70,128
<b>Weighted average number of shares ('000)</b>	1,125,000	1,125,000
<b>EPS (Singapore cents)</b>	2.18	6.23

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

**2.5.1** Based on the latest unaudited consolidated financial statements for the second quarterly and half yearly financial period ended 30 June 2015, the relative figures in respect of the Acquisition, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

<b>Rule 1006(a)</b>	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.	Not Applicable
<b>Rule 1006(b)</b>	The net loss <sup>(1)</sup> attributable to the assets acquired compared with the Group's net loss.  (S\$2.75 million) ÷ (S\$17.40 million) x 100%	16%
<b>Rule 1006(c)</b>	The aggregate value of the Consideration given or received, compared with the Company's market capitalisation <sup>(2)</sup> based on the total number of issued shares excluding treasury shares.  S\$28.00 million ÷ S\$40.50 million x 100% <sup>(3)</sup>	69%
<b>Rule 1006(d)</b>	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
<b>Rule 1006(e)</b>	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) “net loss” means loss before income tax, minority interests and extraordinary items.

- (2) “market capitalisation” of the Company is determined by multiplying the number of shares in issue of 1,125,000,000 by the weighted average price of the shares of S\$0.036 transacted on 16 September 2015, being the market day preceding the date of the Acquisition SPA.
- (3) The exchange rate for 16 September 2015, being the market day preceding the date of the Acquisition SPA is S\$1.00 to RMB4.5475.

**2.5.2** As the relative figure under Rule 1006(c) exceeds 20%, the Acquisition constitutes a “**Major Transaction**” as defined under Chapter 10 of the Listing Manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Ltd (“**SGX-ST**”) and will be subject to the approval of the shareholders of the Company pursuant to Rule 1014 of the Listing Manual.

### **3. DISPOSAL**

#### **3.1 Information on Foshan Degangjian**

Foshan Degangjian was incorporated on 26 September 2014 in Foshan City, Guangdong Province, PRC. Currently, Foshan Sanshui Nengrun holds 50% of the shareholding interest in Foshan Degangjian and two (2) unrelated third parties, Foshan Sanshui Fugang and Foshan Haiyun Investment Co., Ltd. (佛山海韵置业投资发展有限公司), hold 35% and 15% of the shareholding interests in Foshan Degangjian respectively. The main business activities of Foshan Degangjian are property development and investment, but it has not yet commenced business as at the date of this announcement.

#### **3.2 Rationale for the Disposal**

The Company is of the view that the Disposal is in the best interests of the Company. The Disposal is an opportunity for the Company to divest a loss-making business. Foshan Degangjian currently owns two (2) plots of land and the remaining 50% of the Land Transfer Fees (“**Remaining LTF**”) had not been paid and further capital will be required for the payment of the Remaining LTF. Lastly, Foshan Degangjian has not commenced business and the development costs and risks are expected to be very significant.

#### **3.3 Principal Terms of the Agreement**

##### **3.3.1 Conditions Precedent**

The Disposal SPA is conditional upon the approval by the Company’s shareholders at a general meeting.

##### **3.3.2 Consideration on Disposal**

The Disposal Consideration of RMB233.75 million is arrived at on a willing buyer willing seller basis based on the value of the LTF Payment (as defined below) and will be paid by Foshan Sanshui Fugang in the following manner:

- (i) RMB73.35 million to be offset by part of the Acquisition Consideration; and
- (ii) RMB160.4 million to be satisfied fully in cash.

##### **3.3.3 Interest**

In September 2014, Foshan Degangjian paid an amount of RMB467.5 million, amounting to 50% of the land transfer fees (“**Land Transfer Fees**”) for the acquisition of two (2) plots of land located in Sanshui District, Foshan City, Guangdong Province, PRC (“**Land**”). As Foshan Sanshui Nengrun holds 50% of the shareholding interest in Foshan Degangjian, correspondingly, it paid an amount of RMB233.75 million for the payment of the Land Transfer Fees (“**LTF Payment**”).

Upon the Disposal, Interest will be paid to Foshan Sanshui Nengrun as capital costs for the LTF Payment.

### 3.3.4 Total Consideration

The Disposal Consideration and the Interest shall constitute the total Consideration for the Disposal.

### 3.4 Use of Net Proceeds

The net proceeds from the Disposal amount to approximately RMB254.09 million (the "**Net Proceeds**") after deducting expenses relating to the Disposal of approximately RMB6.16 million. The Net Proceeds over the book value attributable to the Disposal is approximately RMB18.47 million. The Company intends to use the Net Proceeds for general working capital purposes, 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.

### 3.5 Financial Effects on the Disposal

The financial effects of the Disposal 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 Disposal. The financial effects of the Disposal set out below have been prepared based on the Group's audited consolidated financial statements for the financial year ended 31 December 2014 ("**FY2014**").

#### (a) Net Tangible Assets ("NTA")

The effects of the Disposal on the audited consolidated NTA per share of the Group as at 31 December 2014, assuming that the Disposal had been effected on 31 December 2014, are summarised below:

	Before the Disposal	After the Disposal
<b>NTA (S\$'000)</b>	339,361	343,297
<b>Number of Shares('000)</b>	1,125,000	1,125,000
<b>NTA per share (S\$)</b>	0.30	0.31

#### (b) Earnings Per Share ("EPS")

The effects of the Disposal on the audited consolidated EPS of the Group for FY2014, assuming that the Disposal had been effected on 1 January 2014 are summarised below:

	Before the Disposal	After the Disposal
<b>Consolidated net profit (S\$'000)</b>	24,482	28,419
<b>Weighted average number of shares ('000)</b>	1,125,000	1,125,000
<b>EPS (Singapore cents)</b>	2.18	2.53

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

3.6.1 Based on the latest unaudited consolidated financial statements for the second quarterly and half-yearly financial period ended 30 June 2015, the relative figures in respect of the Disposal, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

<b>Rule 1006(a)</b>	The net asset value of the assets to be disposed of, compared with the Group's net asset value.  S\$51.81 million ÷ S\$332.85 million x 100%	16%
<b>Rule 1006(b)</b>	The net loss <sup>(1)</sup> attributable to the assets disposed of compared with the Group's net loss.  (S\$0.02 million) ÷ (S\$17.40 million) x 100%	0%
<b>Rule 1006(c)</b>	The aggregate value of the Consideration given or received, compared with the Company's market capitalisation <sup>(2)</sup> based on the total number of issued shares excluding treasury shares.  S\$57.23 million ÷ S\$40.50 million x 100% <sup>(3)</sup>	141%
<b>Rule 1006(d)</b>	The number of equity securities issued by the Company as consideration for an Disposal, compared with the number of equity securities previously in issue.	Not Applicable
<b>Rule 1006(e)</b>	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 Disposal of such assets.	Not Applicable

Notes:

- (1) "net loss" means loss before income tax, minority interests and extraordinary items.
- (2) "market capitalisation" of the Company is determined by multiplying the number of shares in issue of 1,125,000,000 by the weighted average price of the shares of S\$0.036 transacted on the 16 September 2015, being the market day preceding the date of the Disposal SPA.
- (3) The exchange rate for 16 September 2015, being the market day preceding the date of the Disposal SPA is S\$1.00 to RMB4.5475.

**3.6.2** As the relative figure under Rule 1006(c) exceeds 20%, the Disposal 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 the shareholders of the Company pursuant to Rule 1014 of the Listing Manual.

#### **4. APPLICATION FOR WAIVER TO HOLD GENERAL MEETING**

The Company has applied to the SGX-ST for a waiver of the requirement to seek shareholders' approval for the Transactions ("**Waiver**") and will update all shareholders on the results of the Waiver accordingly.

#### **5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors and the controlling shareholders of the Company have any interest or are deemed to be interested in the Transactions.

**6. DIRECTORS' SERVICE CONTRACTS**

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

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Acquisition SPA and the Disposal SPA are available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of this announcement.

**By order of the Board**

Mr Yuan Lesheng  
Executive Chairman and CEO  
18 September 2015