

DEBAO PROPERTY DEVELOPMENT LTD.
(Incorporated in Singapore on 16 August 2007)
(Registration Number: 200715053Z)

DISPOSAL OF ASSETS IN FOSHAN NANHAI FANGAO RENOVATION SERVICES CO., LTD (佛山市南海区帆高装饰工程有限公司)

1. INTRODUCTION

- 1.1 The Board of Directors (“**Board**”) of Debao Property Development Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Foshan Nanhai Fangao Renovation Services Co., Ltd (佛山市南海区帆高装饰工程有限公司) (the “**Seller**”), had entered into a sale and purchase agreement (the “**SPA**”) and a supplemental agreement (collectively, the “**Agreements**”) with Foshan Nanhai Shihuang Stainless Steel Co., Ltd (佛山市南海狮皇不锈钢有限公司) (the “**Buyer**”) for the disposal of land with an area of 19393.6 square metres located at No. 7 Xingye East Road, Shishan Town, Nanhai District, Foshan City, Guangdong Province, People’s Republic of China (the “**Land**”) together with the properties built on the Land (collectively the “**Assets**”) (the “**Disposal**”).
- 1.2 The Consideration (as defined below) is RMB2 million in deficit of the value of the Assets (“**Deficit**”) and the Company intends to use the proceeds from the Consideration as general working capital. The Company is of the view that the Consideration is adequate despite the Deficit due to the slowing property market conditions and the general economic slowdown in the People’s Republic of China (“**PRC**”).
- 1.3 According to the valuation report of the Cushman & Wakefield Valuation Advisory Services (HK) Ltd (“**Valuer**”) dated 31 December 2014 (“**Valuation Report**”), the Valuer, employing the direct comparison approach and the income capitalisation approach, is of the opinion that the fair value of the Assets is RMB37 million.

2. INFORMATION ON THE BUYER

The Buyer is a company incorporated in the People’s Republic of China on 11 September 2012 with a registered capital of RMB1 million. It is engaged in the business of manufacture and sale of stainless steel pipes and plates.

3. RATIONALE FOR THE DISPOSAL

The Company is of the view that the Disposal is in the best interests of the Company as the Disposal is an opportunity for the Company to sell the Assets close to its valuation despite the economic slowdown in the PRC and the Company deems the Disposal to be in the ordinary course of business as the Assets form part of an investment of the Group.

4. PRINCIPAL TERMS OF THE DISPOSAL

The terms of the Disposal are set out in the Agreements and a summary of the principal terms of the Disposal is set out in this section.

4.1 Consideration

The consideration is RMB35 million (“**Consideration**”) which was negotiated on arms-length and arrived on a willing seller willing buyer basis, taking into account the fair value as determined by the Valuer. The Consideration shall be satisfied in cash and is payable in the following manner:

- (1) RMB6 million due as a deposit upon signing of the SPA and RMB6 million due within ten (10) days after signing of the SPA (collectively the **"First Payment"**);
- (2) RMB8 million due within ten (10) working days upon the Discharge and the signing of the Government Agreement (as defined below);
- (3) RMB8 million due on the day the Buyer receives the certificate of state land use right by the relevant authorities of the PRC (**"Land Certificates"**); and
- (4) RMB7 million due on the day the Buyer receives the title deeds on the properties built on the Land by the relevant authorities of the PRC (**"Property Title Deeds"**).

4.2 Breach of Obligations

- (1) In the event that the Buyer breaches any conditions of the Agreements after the First Payment, all monies paid to the Seller shall not be refunded.
- (2) In the event that the Seller breaches any conditions of the Agreements after the First Payment, the Seller shall be obliged to pay the Buyer an amount of RMB24 million, consisting:
 - (a) the refunding of the First Payment; and
 - (b) an amount of RMB12 million as damages resulting from the breach of the conditions of the Agreements by the Seller.
- (3) It shall be deemed as a breach of the Agreements by the Seller if the Discharge (as defined below) is not completed within six (6) months from the signing of the Agreements.

4.3 Late Payment

- (1) If the Buyer fails to pay the Consideration to the Seller after 15 days as per the timelines for the payment of the Consideration (**"Date of Default"**) (each a **"Default Payment"** and collectively **"Default Payments"**), a monthly interest of 3% shall be imposed on the Default Payment and/or Default Payments accordingly (**"Interest"**).
- (2) Such Interest shall be payable together with the Default Payment and/or Default Payments beginning the day after the Date of Default.
- (3) In the event that the Default Payment and/or the Default Payments remain outstanding for two (2) months from the Date of Default, the Agreements shall terminate and the Seller shall be obliged to retain all monies paid by the Buyer.

4.4 Undertakings by the Seller

- (1) The Seller undertakes to the Buyer that it shall procure the discharge on the mortgage of the Land within three (3) months upon the signing of the SPA (**"Discharge"**).
- (2) Upon the payment of the Deposit, the Seller agrees and undertakes to pay a monthly interest of 2% of the Deposit to the Buyer for a period from the payment of the Deposit until the Discharge is completed (the **"Period"**) and such Period shall not exceed three (3) months.
- (3) In the event that the Period exceeds three (3) months (**"Exceeded Period"**), the Seller agrees to pay an interest of 2% of the First Payment to the Buyer from the day after the Exceeded Period until the Government Agreement (as defined below) is signed.

4.5 Government Agreement

Upon the Discharge, the Seller and the Buyer are obliged under PRC regulations to sign an agreement provided by the relevant authorities of the PRC for the purposes of enabling the Buyer to obtain the Land Certificates and the Property Title Deeds (“**Government Agreement**”).

5. FINANCIAL EFFECTS

5.1 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 |
|-----------------------------------|---------------------|--------------------|
| Consolidated NTA (RMB’000) | 1,592,485 | 1,590,485 |
| Number of Shares(’000) | 1,125,000 | 1,125,000 |
| Consolidated NTA per share | 1.42 | 1.41 |

(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 |
|---|---------------------|--------------------|
| Profit attributable to equity holders of the Company (RMB’000) | 114,886 | 112,886 |
| Number of Shares(’000) | 1,125,000 | 1,125,000 |
| Consolidated EPS (RMB cents) | 10.21 | 10.03 |

6. DISCLOSEABLE TRANSACTION

6.1 Based on the latest unaudited consolidated financial statements for the first quarterly financial period ended 31 March 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:

| | | |
|--------------|--|----|
| 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. RMB37,000,000 ÷ RMB1,573,960,000 x 100% | 2% |
|--------------|--|----|

| | | |
|--------------|---|-------------------------------|
| | | |
| Rule 1006(b) | The net loss ⁽¹⁾ attributable to the assets acquired or disposed of compared with the Group's net loss. RMB2,000,000 ÷ RMB43,489,000 x 100% | 5% |
| Rule 1006(c) | The aggregate value of the Consideration given or received, compared with the Company's market capitalization ⁽²⁾ based on the total number of issued shares excluding treasury shares. RMB35,000,000 ÷ RMB315,956,363 ⁽³⁾ x 100% | 11% |
| Rule 1006(d) | 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 ⁽⁴⁾ |
| 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 Disposal of such assets. | Not Applicable ⁽⁵⁾ |

Notes:

- (1) "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) "market capitalization" of the Company is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the 4 June 2015, being the market day preceding the date of the Agreement.
- (3) The exchange rate for 4 June 2015, being the market day preceding the date of the Agreement is S\$1 to RMB4.6041.
- (4) There are no securities issued by the Company as consideration for the Disposal.
- (5) Neither the Group nor the Seller is a mineral, oil or gas company.

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

7. 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 Disposal.

8. DIRECTORS' SERVICE CONTRACTS

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreements and the Valuation Report 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
31 July 2015