

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

UPDATE ON PROPOSED DISPOSAL OF 43% AND 19% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF PROFIT CONSORTIUM SDN BHD

1. Introduction

The Board of Directors (“**Board**”) of Debao Property Development Ltd. (“**Company**”, and together with its subsidiaries, “**Group**”) refers to:

- (a) the announcements dated 29 April 2019 in relation to the disposal by a wholly-owned subsidiary of the Company, Pavillion Treasures Land and Development Sdn Bhd (“**Vendor**”), of 2,436,666 ordinary shares, representing 43% of the total issued share capital of Profit Consortium Sdn Bhd (“**Target**”), to Guangzhou Xu Zhuo Enterprise Management Co. Limited (广州市旭卓企业管理有限公司) (“**Purchaser 1**”), on the terms and subject to the conditions of sale and purchase agreement dated 26 April 2019 (“**SPA 1**”) entered into by the Vendor, Purchaser 1, Guangdong Debao Property Investment Co. Limited (广东德宝置业投资有限公司) and Guangzhou Xiang Chun Enterprises Management Co. Limited (广州市翔春企业管理有限公司) (“**First Disposal**”); and
- (b) the announcements dated 25 July 2019 and 26 July 2019 in relation to the disposal by the Vendor, of 1,076,667 ordinary shares, representing 19% of the total issued share capital of the Target, to Perfect Praise Investments Limited (“**Purchaser 2**”), on the terms and subject to the conditions of sale and purchase agreement dated 25 July 2019 between the Vendor and Purchaser 2 (“**Second Disposal**”, together with the First Disposal, “**Disposals**”),

(collectively, the “**Announcements**”).

All capitalised terms used herein shall bear the meanings ascribed thereto in the Announcements unless otherwise defined herein or where the context requires otherwise.

2. Consultation with the Singapore Exchange Securities Trading Limited

Further to the Announcements, the Company has consulted with the SGX-ST on the application of Chapter 10 of the Listing Manual for the Disposals pursuant to Rule 1007 of the Listing Manual.

The Board wishes to inform shareholders of the Company (“**Shareholders**”) that based on the representations and submissions by the Company, the SGX-ST requires the Company to seek ratification from the Shareholders on the First Disposal (“**Proposed Ratification**”) and to obtain prior Shareholders’ approval for the Second Disposal (“**Proposed Disposal**”), having regard to the following factors:

- (a) The Group had paid MYR66.5 million for the subscription by the Vendor of 62% equity interest in the Target, and extended loans amounting to MYR106.5 million to the Target (“**Group’s Loan**”). As announced by the Company on 29 April 2019 and 25 July 2019, the consideration for the First Disposal and Second Disposal are RMB4 million and RMB2 million respectively.
- (b) The First Disposal and the Second Disposal, when taken together, would result in a significant loss of approximately RMB105 million from the original investment of MYR66.5 million.

- (c) The Company is of the view that the Group's Loan is fully recoverable from the Target in due course, as Purchaser 1 and Purchaser 2 have agreed to extend loans amounting to MYR194 million ("**Purchasers' Loan**") to the Target under the Disposals. The Purchasers' Loan will be used to repay the Target's accounts payables, including the Group's Loan, which will be given priority in repayment.
- (d) Based on the significant loss arising from the Disposals, the Company is required to seek approval from Shareholders on the Proposed Ratification and Proposed Disposal.

In addition, the SGX-ST has requested that the Company include an independent valuation report on the Target in its circular to Shareholders for the Proposed Ratification and Proposed Disposal.

The First Disposal had completed on 30 April 2019. Accordingly, a circular, containing, *inter alia*, the notice for convening an extraordinary general meeting of the Company ("**EGM**"), to seek Shareholders' approval on the Proposed Ratification and Proposed Disposal will be despatched to Shareholders in due course.

The substantial Shareholders and their related parties, Yuan Lesheng, Billion Equity Holdings Limited and Pride Capital Investment Holdings Limited, have undertaken to, with respect to their respective direct shareholding, vote in favour of the ordinary resolutions in respect of the Proposed Ratification and Proposed Disposal at the EGM.

3. Cautionary Statement

Shareholders ought to exercise caution when trading or dealing in their shares of the Company. Shareholders and potential investors should seek advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubts about the actions they should take.

The Company will make further announcements as and when there are material developments on the Disposals.

By Order of the Board

Zhong Yuzhao
Executive Director and Chief Executive Officer
26 November 2019