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

PROPOSED DISPOSAL OF 2,356,823 SHARES IN FOSHAN NANHAI RURAL CREDIT UNION

---

1. INTRODUCTION

The Board of Directors (the "**Board**") of Debao Property Development Ltd. (the "**Company**", and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s wholly-owned subsidiary, Foshan Nanhai Debao Investment Management Co., Ltd. (formally known as Foshan Nanhai Debao Property Development Co., Ltd.) (the “**Vendor**”), had on 25 June 2019 entered into a sale and purchase agreement (the “**SPA**”) with the controlling shareholder of the Company, Mr Yuan Le Sheng (the “**Purchaser**”), in relation to the proposed disposal of 2,356,823 shares (the “**Sale Shares**”) in Foshan Nanhai Rural Credit Union (the “**Target**”), representing 0.0597% of the share capital of the Target, on the terms and subject to the conditions of the SPA (the “**Proposed Disposal**”).

2. INFORMATION ON THE TARGET

The Target in located in Foshan, Guangdong province. It was founded on 23 December 2011 and was formerly known as Nanhai Rural Credit Cooperative.

The services provided by the Target include financial solutions for corporate and international businesses, financial market services, small and micro enterprise financial services, investment banking services as well as retail banking.

At the end of 2018, the Target has 244 offices in Foshan city, including one (1) branch in Sanshui district and Chancheng district. Within Nanhai district, the Target has the largest number of employees and credit scale and provides the widest range of services. The Target is one of the smaller banks in South China with strong competitiveness and influence.

3. CONSIDERATION

The consideration for the Sale Shares is RMB 2,828,188 (the “**Consideration**”), which shall be paid on 25 June 2019.

The Consideration was determined based on arm’s length negotiations between the Vendor and the Purchaser and arrived at on a willing-buyer and willing-seller basis. In arriving at the Consideration, the Vendor and the Purchaser took into account, *inter alia*, the following factors:

(a) a lack of market and liquidity for the shares in the Target;

(b) the shares in the Target are not listed on a stock exchange and cannot be traded publicly; and

(c) the independent valuation by an independent valuer, Crowe Horwath First Trust Appraisal Pte. Ltd. (the “**Independent Valuer**”), on the Sale Shares.

Based on the unaudited financial statements of the Group as at 31 March 2019, the excess of the Consideration from the Proposed Disposal over the net tangible assets of the Sale Shares shall be approximately RMB 1,528,188 (approximately S$ 301,955), and the amount of gain from the Proposed Disposal shall be approximately RMB 1,528,188 (approximately S$301,955).

4. LEGAL COSTS AND EXPENSES

Each party to the SPA shall bear his/its own costs and expenses incurred in relation to the SPA, regardless of whether the SPA completes.

5. RATIONALE AND USE OF PROCEEDS

The Company is of the view that the Proposed Disposal is in the best interests of the Company.

The Proposed Disposal is an opportunity for the Group to realise its investment in the Sale Shares, as the Group would be able to sell the Sale Shares at a price which is at a premium to the investment costs of the Sale Shares and recognise a profit of approximately RMB 1,528,188.

With the Proposed Disposal, the Company will have funds to be deployed for the Company to undertake new investment opportunities that may arise in the future, which may result in higher value to the shareholders of the Company. The Proposed Disposal also allows the Group to repay existing loan facilities given by financial institutions or banks, thereby allowing for savings in interest payments.

The Company intends to use the entire proceeds from the Proposed Disposal for the working capital of the Company.

6. LISTING MANUAL COMPUTATION

The relative figures computed based on the Group's latest announced unaudited consolidated results for the three (3) months ended 31 March 2019 on the bases set out in Rule 1006 are as follows:

	Bases set out in Rule 1006	Relative Figure (%)
(a)	Net asset value of assets to be disposed of compared to group's net asset value. This basis is not applicable to an acquisition of assets. (S$ 262,067 / S$ 249,502,903)	0.11%
(b)	Net profits[(1)] attributable to the assets acquired or disposed of compared with the group's net profits. (S$ 0 / S$ 1,968,728)	0%[(2)]
(c)	Aggregate value of the consideration given or received compared with the issuer's market capitalization based on the total number of issued shares excluding treasury shares. (S$ 558,822 / S$ 6,599,973)	8.47%
(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable

(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. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	Not Applicable

Notes:

(1) Under Rule 1002(3)(b), "net profits" means profit or loss before income tax, minority interests and extraordinary items.

(2) There was no investment income recorded for the three (3) months ended 31 March 2019.

(3) Based on the Consideration of RMB 2,828,188 (equivalent to about S$558,822 based on an exchange rate of about S$1 to RMB 5.061) and the market capitalisation of the Company of S$6,599,973 as at 24 June 2019. Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of shares in issue by the weighted average price of S$0.088 per share on 24 June 2019 (being the last full market day on which the shares were traded prior to the date of the SPA).

As the relative figure calculated under Listing Rule 1006(c) exceeds 5% but does not exceed 20%, the Proposed Disposal is a "Discloseable Transaction" as defined under Chapter 10 of the listing manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**"), and therefore does not require the approval of shareholders of the Company.

7. VALUE OF THE SALE SHARES

Based on the Group's latest unaudited consolidated financial statements for the three (3) months ended 31 March 2019, the net asset value and net tangible asset value attributable to the Sale Shares as at 31 March 2019 was approximately RMB 1,300,000.

The open market value of the Sale Shares is not available as the shares of the Target are not publicly traded.

The Company has commissioned a valuation to be conducted by the Independent Valuer on the Sale Shares for the purpose of the Proposed Disposal. According to the valuation report issued by the Independent Valuer relating to the valuation of the Sale Shares, the value of the Sale Shares as at 30 April 2019 based on the income approach, in particular the residual income model, is RMB 2,828,187.60 (RMB 1.20 per share) – 4,855,055.38 (RMB 2.06 per share).

8. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The illustrative financial effects on the Group before and after the Proposed Disposal are summarised below and have been prepared using the Group's unaudited financial statements for the financial year ended 31 December 2018 ("**FY2018**") based on, *inter alia*, the following assumptions:

(a) for the purposes of the effect on the Earnings Per Share ("**EPS**") and Gearing, the Proposed Disposal had been completed on 1 January 2018, being the beginning of the most recently completed financial year of the Company; and

(b) for the purposes of the effect on Net Tangible Assets Per Share ("**NTA**"), the Proposed Disposal had been completed on 31 December 2018, being the end of the most recently completed financial year of the Company.

(i) Share Capital

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

(ii) Earnings Per Share

The effects of the Proposed Disposal on the unaudited consolidated EPS of the Group for FY2018, assuming that the Proposed Disposal had been effected on 1 January 2018, being the beginning of the most recently completed financial year of the Company, are summarised below:

	Before the Proposed Disposal	After the Proposed Disposal
Consolidated net profit (S$'000)	-32,164	-31,860
Weighted average number of shares ('000)	75,000	75,000
EPS (cents)	-42.89	-42.48

(iii) Net Tangible Assets

The effects of the Proposed Disposal on the unaudited consolidated NTA per share of the Group for FY2018, assuming that the Proposed Disposal had been effected on 31 December 2018, being the end of the most recently completed financial year of the Company, are summarised below:

	As at 31 December 2018	Adjusted for the Proposed Disposal
NTA ($'000)	239,440	239,182
Number of Shares ('000)	75,000	75,000
NTA per Share ($)	3.19	3.19

(iv) Gearing

The effects of the Proposed Disposal on the gearing of the Group for FY2018, assuming that the Proposed Disposal had been effected on 1 January 2018, being the beginning of the most recently completed financial year of the Company, are summarised below:

	Before the Proposed Disposal	After the Proposed Disposal
Total borrowings (S$'000) (A)	352,134	352,134
Shareholders' equity (S$'000) (B)	254,808	254,808
Gearing (A)/(B)	1.38	1.38

Note:

For the purposes of the above calculations, "Gearing" means the ratio of total borrowings to shareholders' funds. "Total borrowings" means the aggregate borrowings from banks and financial institutions including hire purchase financing and "shareholders' funds" means the aggregate amount of share capital, asset revaluation reserve, fair value reserve, translation reserve and retained earnings.

9. THE PROPOSED DISPOSAL AS AN INTERESTED PERSON TRANSACTION

As at the date of this Announcement, the Purchaser is a controlling shareholder of the Company, and is an interested person in relation to the Company within the meaning of Rule 904(4) of the Listing Manual. Accordingly, the Proposed Disposal between the Vendor, being a subsidiary of the Company and an "entity at risk", and the Purchaser as an "interested person" would constitute an interested person transaction under Chapter 9 of the Listing Manual.

Notwithstanding the above, the value of the Proposed Disposal is less than 3% (RMB 2,828,188 ÷ RMB 1,283,480,000 = 0.22%) of the latest audited consolidated net tangible assets of the Company as at 31 December 2017, being RMB 1,283,480,000, and less than 3% (RMB 2,828,188 ÷ RMB 1,206,064,000 = 0.23%) of the unaudited consolidated net tangible assets of the Company as at 31 December 2018, being RMB 1,206,064,000. Accordingly, the Proposed Disposal is not subject to the disclosure requirements pursuant to Chapter 9 of the Listing Manual.

10. AUDIT COMMITTEE STATEMENT

The Audit Committee of the Company has considered the terms and rationale for the Proposed Disposal, and is of the view that the Proposed Disposal is on normal commercial terms, and is not prejudicial to the interests of the Group and the minority shareholders of the Company.

11. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or any of the controlling shareholders of the Company have any interest, directly or indirectly, in the Proposed Disposal, save as disclosed in this announcement and their respective shareholdings in the Company.

12. SERVICE CONTRACTS

There are no persons who are proposed to be appointed to the Board in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

13. DOCUMENTS FOR INSPECTION

A copy of the SPA and the valuation report by the Independent Valuer is available for inspection during normal business hours at the Company's registered office at 80 Raffles Place, #32-01, UOB Plaza 1, Singapore 048624 for three (3) months from the date of this announcement.

14. DIRECTORS' RESPONSIBILITY STATEMENT

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

Where information in this announcement 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 announcement in its proper form and context.

15. 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.

By Order of the Board

Zhong Yuzhao
Executive Director and CEO
25 June 2019