



Far East Group Limited
(Company Registration No.:196400096C)
(Incorporated in the Republic of Singapore on 18 March 1964)

PROPOSED DISPOSAL OF 5 THIRD LOK YANG ROAD, SINGAPORE 628000

1. INTRODUCTION

The Board of Directors (the “**Board**” or the “**Directors**”) of Far East Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has, on 16 August 2017, entered into an option to purchase agreement (the “**OTP**”) with Swee Builders Pte. Ltd. (the “**Purchaser**”), an independent and unrelated third party, to grant an option to the Purchaser for the sale of the property situated at 5 Third Lok Yang Road, Singapore 628000 (the “**Property**”) (the “**Proposed Disposal**”).

2. INFORMATION ON THE PROPERTY

The Property is a leasehold property with a 60-year lease granted by Jurong Town Corporation (“**JTC**”) commencing from 1 January 1972. The Property occupies a land area of approximately 4,150 square metres and serves as both a service centre with assembly and value-added services as well as a storage facility. The Property has a net book value of S\$1.2 million as at 30 June 2017.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal is part of the Company’s plan to consolidate the operations of the Group, as announced by the Company on 11 August 2017, in relation to the non-legally binding memorandum of understanding entered into involving, *inter alia*, the proposed acquisition by the Company of the property at 51 Ubi Avenue 3, Singapore 408858. Such consolidation of operations would enhance the management’s oversight, operational efficiencies and interaction among the staff.

4. SALIENT TERMS OF THE PROPOSED DISPOSAL

A summary of the salient terms of the Proposed Disposal as set out in the OTP is as follows:

4.1 Consideration

The aggregate sale consideration for the Proposed Disposal excluding GST is S\$3,900,000 (the “**Consideration**”). The Consideration was arrived at based on arm’s length negotiations and on a willing-buyer and willing-seller basis, after taking into account, *inter alia*, prevailing market conditions and the current market prices of the properties in the surrounding vicinity of the Property.

The Consideration will be fully satisfied in cash and will be paid by the Purchaser to the Company in the following manner:

- (a) an initial deposit of S\$39,000 (the “**Option Fee**”) together with GST payable thereon, equivalent to 1% of the Consideration, which had been paid by the Purchaser on 16 August 2017, the date of the OTP, and on which the Company granted the Purchaser the option to purchase the Property;
- (b) a further deposit of S\$156,000 (the “**Deposit**”) together with GST payable thereon, equivalent to 4% of the Consideration will be received by the Company from the Purchaser on the exercise of the option to purchase the Property by the Purchaser (which shall take place no later than 2 weeks from the date of the OTP); and
- (c) the balance of the Consideration of S\$3,705,000 together with GST payable thereon, which is equivalent to 95% of the Consideration, will be received by the Company from the Purchaser upon completion of the Proposed Disposal.

4.2 Conditions Precedent

The Proposed Disposal is subject to and conditional upon, *inter alia*, the fulfilment and satisfaction of the following conditions:

- (a) approval from JTC and all relevant authorities namely National Environment Agency (“**NEA**”), Building & Construction Authority (“**BCA**”), Urban Redevelopment Authority (“**URA**”) and Public Utilities Board (“**PUB**”) (collectively, the “**Authorities**”) for the sale by the Company and the purchase by the Purchaser of the Property and for use of the Property by the Purchaser for steel and metal fabrication works and storage of construction equipment; and
- (b) the Purchaser’s solicitors receiving satisfactory replies to the legal requisitions as set out in the OTP.

4.3 Completion

Completion of the Proposed Disposal herein shall take place on the later of:

- (a) three (3) months from the date of receipt by the Company of JTC’s and the Authorities’ approval for the sale and the intended change of use by the Purchaser of the Property; or

- (b) where the Company is required by JTC and/or the Purchaser to regularize or remove unauthorized works, the date falling four (4) weeks from (and including) the date when JTC confirms and/or the Purchaser is satisfied that the unauthorized works have been rectified by the Company; or
- (c) where an Environmental Baseline Study (“**EBS**”) is required to be carried out and the EBS shows that there are no contaminants at the Property or the presence of contaminants at the Property but no decontamination works are required to be carried out by the Company, the date falling four (4) weeks from (and including) the date when JTC confirms that no decontamination works are required to be carried out; or
- (d) where EBS shows the presence of contaminants at the Property and decontamination works are required by JTC to be carried out by the Company, the date falling four (4) weeks from (and including) the date when JTC confirms that the decontamination works carried out by the Company are satisfactory to JTC.

Completion of the Proposed Disposal shall take place no later than 31 December 2017 or twenty-eight (28) weeks from the exercise of the option, whichever is earlier.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The relative figures of the Proposed Disposal computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Catalist Rules**”) based on the Company’s latest announced unaudited financial statements of the Group for the half year ended 30 June 2017 (“**HY2017**”) are as follows:

Rule 1006	Bases	Relative Figures (%)
a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value	4.9% ⁽¹⁾
b)	The net profits attributable to the assets disposed of, compared with the Group’s net profits	Not applicable ⁽²⁾
c)	The aggregate value of the Consideration, compared with the market capitalisation of the Company	44.9% ⁽³⁾
d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue (excluding treasury shares)	Not applicable ⁽⁴⁾
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	Not applicable ⁽⁵⁾

	reserves	
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Notes:

- (1) Based on the unaudited net book value of the Property as at 30 June 2017 of approximately S\$1.2 million, and the unaudited net asset value of the Group as at 30 June 2017 of approximately S\$25.1 million.
- (2) Rule 1006(b) of the Catalist Rules is not applicable as the Property is not a revenue-generating asset.
- (3) Based on the Consideration of S\$3.9 million excluding GST and the Company's market capitalisation of approximately S\$8.7 million. The market capitalisation of the Company was computed based on the issued share capital of the Company ("**Shares**") of 108,480,000 Shares and the volume weighted average price of S\$0.080 per Share on 15 August 2017 (being the last day on which the Shares were traded on the SGX-ST prior to the date of the exercise of the OTP by the Purchaser).
- (4) Rule 1006(d) of the Catalist Rules is not applicable as the Consideration will be fully satisfied in cash.
- (5) Rule 1006(e) of the Catalist Rules is not applicable as the Company is not a mineral, oil and gas company.

As the relative figures computed above exceed 5% but do not exceed 50%, the Proposed Disposal is considered a "discloseable transaction" under Rule 1010 of the Catalist Rules, and therefore does not require shareholders' approval.

6. USE OF PROCEEDS

The net proceeds from the Proposed Disposal of approximately S\$3.8 million (the "**Net Proceeds**"), after deducting related fees and expenses of approximately S\$0.1 million, will be utilised for the acquisition of the property at 51 Ubi Avenue 3, Singapore 408858 and/or to repay outstanding debt and bank borrowings.

Assuming that the Proposed Disposal was completed on 30 June 2017, the gain on the Proposed Disposal or the excess of the Net Proceeds over the book value of the Property as at 30 June 2017 would be approximately S\$2.7 million.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal as set out below are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Group and of the Company following the completion of the Proposed Disposal.

The financial effects of the Proposed Disposal on the net tangible assets ("**NTA**") per Share and earnings per Share ("**EPS**") are prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016, and are subject to the following assumptions:

- (a) the financial effect on the consolidated NTA per Share is computed based on the assumption that the Proposed Disposal was completed on 31 December 2016;

(b) the financial effect on the consolidated EPS is computed based on assumption that the Proposed Disposal was completed on 1 January 2016; and

(c) the expenses in connection with the Proposed Disposal have been disregarded.

7.1 Financial effects of the Proposed Disposal on the consolidated NTA per share

	Before the Proposed Disposal	After the Proposed Disposal
NTA ⁽¹⁾ of the Group (S\$'000)	20,490	23,107
Number of Shares (excluding treasury shares) ('000)	108,480	108,480
NTA per Share (cents)	18.89	21.30

Note:

(1) NTA refers to total assets less the sum of total liabilities, non-controlling interest and intangible assets.

7.2 Financial effects of the Proposed Disposal on the consolidated EPS

	Before the Proposed Disposal	After the Proposed Disposal
(Loss) / Profits ⁽¹⁾ attributable to owners of the Company (S\$'000)	(1,179)	1,438
Weighted average number of Shares (excluding treasury shares) ('000)	108,480	108,480
(Loss) / Earnings per Share (cents)	(1.09)	1.33

Note:

(1) (Loss) / profit refers to the loss or profit after income tax, minority interests and extraordinary items.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company, or their respective associates, has any interest, direct or indirect, in the Proposed Disposal (other than through their shareholdings in the Company, if any).

9. DIRECTORS' SERVICE CONTRACTS

No person will be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract in relation thereto will be entered into between the Company and any such person.

10. DOCUMENT FOR INSPECTION

A copy of the OTP is available for inspection during normal business hours at the Company's registered office at 112 Lavender Street, #04-00 Far East Refrigeration Building, Singapore 338728 for a period of three (3) months from the date of this announcement.

11. FURTHER ANNOUNCEMENTS

The Company will make further announcement(s) as appropriate when there are material developments to the Proposed Disposal.

12. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading their securities in the Company as the Proposed Disposal is subject to conditions precedent and there is no certainty or assurance as at the date of this announcement that all of the conditions precedent will be satisfied (or waived, as the case may be) or that the Proposed Disposal will be completed. In the event that shareholders and potential investors are in doubt when dealing in the shares of the Company, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Loh Mun Yew
Chief Executive Officer and Executive Director
16 August 2017

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Advisors Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms. Lee Khai Yinn (Telephone: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542. SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.