

## **ENTER INTO PRELIMINARY AGREEMENT**

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The Board of Directors ("**Board**") of Vashion Group Ltd. (the "**Company**" and together with its subsidiaries the "**Group**") wishes to announce that the Company, through its wholly owned subsidiary PT Louis Gianni ("**PTLG**"), has on 6 May 2016 entered into a preliminary agreement ("**Preliminary Agreement**") with Mdm. Ng An Ho, an Indonesian (the "**Lessor**") to lease a commercial property of warehouse in an industrial park ("**Commercial Property**") in Jakarta Timur, Indonesia for twenty years ("**Lease**"). The transaction is subject to execution of definitive agreement ("**Definitive Agreement**").

### Rationale of the Preliminary Agreement

The Group is looking for investment opportunity to improve its financial and cash flow position. The Lease arrangement was entered with a view to sublet the Commercial Property and to generate rental income for the Group. The Company would like to diversify its revenue streams and to capitalise on the growth in Indonesia after the termination of coal mine project in the financial year ended 31 December 2015 ("**FY2015**"). The Company has commenced sourcing for potential sub-lessee, however, as at the date of this announcement, no definitive subletting agreement has been executed with the potential sub-lessee.

### Description of the Commercial Property and Lessor

The Commercial Property is located at Jalan Raya Cakung-Cilincing, Jakarta Timur with a total lettable area of 6,055 square meter and situated in the 40,000 square meter industrial park. The substantial shareholder of the Company and the former Chairman of the Company, Mr. Tansri Saridju Benui, is deemed to have an indirect interest in the transaction as he is the landlord of the commercial property ("**Landlord**"). The Landlord of the commercial property has granted the right of use of the commercial property to Lessor for a period of 60 years commencing from 28 August 2009. The Lessor has the right and is the beneficiary to enter in contract or agreement with other parties within the period. The Lessor is not related to any of Directors and/or substantial shareholders of the Company ("**Substantial Shareholders**"). As at the date of this announcement, there is no profit attributable to the Commercial Property as it is currently unoccupied.

### Consideration of the Lease

The consideration of the Lease ("**Consideration**") is S\$2,906,400. The Consideration is based on a total lettable area 6,055 square meter with S\$2 per square meter per month for 20 years. An independent valuation ("**Valuation Report**") conducted by Kantor Jasa Penilai Publik Muhammad Taufik Property appraisers and Consultants (the "**Valuer**") has been performed to assess the market rental value per year. The Valuation Report is based on comparison method to arrive at the market value. According to the Valuation Report dated 15 April 2016, the market rental value per year is higher than the leasing fee per annum.

The Valuer has no present or contemplated interest in the Commercial Property and are acting independent of all parties. The directors and substantial shareholders of the Valuer are not related to the Company and its subsidiaries, the Directors, the Substantial Shareholders, the Lessor, and the Landlord.

The Directors have conducted their due diligence and are satisfied that the Commercial Property can be subsequently leased out at higher leasing fees based on the Valuation Report and discussions with potential sub-lessee. As such, the Directors confirmed that the Lease is in the interest of the Company and its shareholders (including minority shareholders). There is no upgrade or further capital expenditure required to be spent for the Commercial Property to be leased out. The Directors confirm that the Company have the necessary expertise and skills, third party professionals to manage the leasing of the Commercial Property. There are no commission or fees payable to any party acting as introducer for the Lease. Based on representation from the Lessor, the Company confirms that none of the Directors or Substantial Shareholders have any interest in the Lease except for the Landlord mentioned in above. There is no fee or commission paid to any party (including Mr. Tansri Saridju Benui) in connection with the Lease.

Upon signing of the Definitive Agreement, a fully refundable commitment deposit of S\$500,000 shall be paid to Lessor. Additional S\$500,000 refundable deposit is to be paid after completion of the due diligence. The remaining balance will be settled after the satisfaction of conditions mentioned in (a) to (d) below. The Directors are satisfied the recoverable of the refundable deposits from the Lessor in the event the Lease does not proceed as the Landlord has undertaken to indemnify the Company in case of the Lessor fails to refund the deposits.

The Consideration will be financed by the Group's internal resources (deposit sum with CIMB Niaga).

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### Conditions precedent attached to the Preliminary Agreement

Completion of the Preliminary Agreement shall be conditional on, *inter alia*, the following:

- (a) Execution of the Definitive Agreement;
- (b) Satisfactory due diligence (whether legal, financial, contractual, tax or otherwise) by the Company;
- (c) The approval by Board and shareholders (where applicable) of the Company;
- (d) All necessary third party, governmental and regulatory (including, *inter alia*, the Singapore Exchange Securities Trading Limited (“**SGX-ST**”)) consents, approvals and waivers where required for the transactions contemplated hereunder having been obtained, and such consents, approvals and waivers not having been amended or revoked before any date as may be mutually agreed between PTLG and Lessor; and
- (e) The payment of final cash consideration of S\$1,906,400 will be settled in 120 days after the completion of the conditions mentioned in (a) to (d).

All deposit paid to Lessor shall be fully refunded to the Company within 7 days if (a), (b), (c) and (d) are not satisfied.

The Preliminary Agreement will terminate on the earlier of (a) nine (9) months from the date of the Preliminary Agreement, and (b) execution of the Definitive Agreement, or on any other date as may be mutually agreed between the Company and the Lessor.

Save as disclosed above, there are no other material terms and conditions attaching to the Preliminary Agreement.

### Financial effects of the Preliminary Agreement

The pro forma financial effects of the transaction on the Group set out below are for illustrative purposes only and are therefore, not indicative of the actual financial performance or position of the Group. The financial effects set out below have been prepared based on the audited consolidated financial statements of the Group for FY2015 and on the following basis:

(i) The effect of the transaction on the net tangible assets (“**NTA**”) per share of the Group for FY2015, assuming that the transaction had been effected at the ended of FY2015 (being 31 December 2015); and

(ii) The effect of the transaction on the earnings per share (“**EPS**”) or losses per share (“**LPS**”) of the Group for FY2015, assuming that the transaction had been effected at the beginning of FY2015 (being 1 January 2015)

(a) NTA

There is no difference on the NTA per share of the Group as at 31 December 2015 before and after the Preliminary Agreement.

(b) EPS/(LPS)

The effects of the Preliminary Agreement on the (LPS) of the Group for FY2015 is as follow:-

	Before the Preliminary Agreement	After the Preliminary Agreement
<b>FY2015</b>		
Net profit/(loss) after tax (S\$'000)	(2,813)	(2,958) <sup>(2)</sup>
EPS/(LPS) (cents) <sup>(1)</sup>	(0.09)	(0.10)

Notes:-

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(1) The LPS is calculated by dividing the net loss after tax attributable to owners of the Company by the weighted average number of ordinary shares in issue of 3,031,293,241 as at 31 December 2015.

(2) The leasing fee is S\$145,320 per annum for FY2015 and assuming there is no income generated from the Commercial Property for FY2015.

There will be no material impact on the NTA/LPS per Share of the Company for the most recently completed financial year.

### Relative Figures under Rule 1006 of the Listing Manual of the SGX-ST Section B: Rules of Catalist ("Catalist Rules")

For the purposes of Chapter 10 of the Catalist Rules, the relative figures for the Lease computed on the bases set out in Rule 1006 of the Catalist Rules based on the latest announced consolidated financial statements of the Group for FY2015 and subject to the SGX-ST rules and confirmation/consultation 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.	Not Applicable
(b)	The net profits attributable to the assets acquired or disposed compared with the Group's consolidated net profits.	Not Applicable <sup>(1)</sup>
(c)	The aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares as at 5 May 2016.	66.11% <sup>(2)</sup>
(d)	The 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.	Not Applicable

#### Notes:

- (1) As at the date of this announcement, there is no profit attributable to the Commercial Property as it is currently unoccupied. The Company has commenced sourcing for potential sub-lessee, however, as at the date of this announcement, no definitive subletting agreement has been executed with the potential sub-lessee. The Group recorded loss before tax of approximately S\$2.8 million for FY2015.
- (2) The market capitalization has been computed based on the Company's issued share capital comprising 4,396,293,241 shares and the weighted average price for the shares of S\$0.001 on 5 May 2016, being the latest market day preceding the date of the Preliminary Agreement.

Based on the relevant figures computed under Rule 1006 of the Catalist Rules and subject to the SGX-ST's rules and confirmation/consultation, as the relative figure under Rule 1006(c) exceeds 5% but less than 75%, the Lease constitutes a discloseable transaction.

### Interest of Directors and Substantial Shareholders

None of the Directors or Substantial Shareholders has any interest, direct or indirect, in the Lease except the Landlord mentioned above (other than through their shareholdings in the Company).

### Service Contract of Directors

There are no Directors who are proposed to be appointed to the Company in connection with the Preliminary Agreement.

### 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

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belief, this announcement constitutes full and true disclosure of all material facts about the Lease, 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 the 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.

The Lease will result in expansion of the business into a new geographical market, new business sector and will have positive impact on the earnings in the event that the Commercial Property is leased out at higher leasing fees and significant adverse impact on the working capital of the Group as the Company will have to settle the consideration in full by cash within 120 days after the completion of the conditions precedent. Accordingly, there will be a change in the risk profile of the business of the Group and as such, Shareholders' approval may be required.

As at the date of this announcement, no Definitive Agreement have been entered into by the Company with Lessor other than the Preliminary Agreement. The Company will make further announcement upon entering into a Definitive Agreement.

The Company and the Board of Directors confirm that they are not aware of any other material information (including but not limited to financial information) with respect to the Group and the Lease which was not formally disclosed or announced. The Company will undertake to comply with all relevant requirements of the Catalist Rules in connection with the Lease.

### Documents for inspection

Shareholders should note that a copy of the Preliminary Agreement and Valuation Report will be available for inspection during normal business hours at the Company's registered office at 280 Woodlands Industrial Park, E5 #10-50, Harvest @ Woodlands, Singapore 757322 for three (3) months from the date of this announcement.

By Order of the Board

**Christian Kwok-Leun Yau Heilesen**  
Executive Director  
6 May 2016

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**"). The Company's Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.*

*This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms Foo Quee Yin  
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