



SOON LIAN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration Number: 200416295G)

PROPOSED SALE OF PROPERTY

1. Introduction

The board of directors (the “**Board**” or “**Directors**”) of Soon Lian Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that, pursuant to an option agreement (“**Option Agreement**”) entered into between Soon Lian Hardware (Pte) Ltd (the “**Vendor**”, being a wholly-owned subsidiary of the Company) and M Metal Pte Ltd (the “**Purchaser**”) whereby the Vendor granted an option to the Purchaser to purchase from the Vendor (the “**Option**”), the Group’s existing premises at 9 Tuas Avenue 2, Singapore 639449 (the “**Property**”), the Purchaser had, on 12 July 2017, exercised the Option to purchase the Property (the “**Proposed Sale**”).

2. The Proposed Sale

2.1. Information on the Property

The Property is a 2-storey detached factory located at 9 Tuas Avenue 2, Singapore 639449. The tenure of the land is 30 years from 16 August 1990 with an option to extend for another 30 years. It is currently used by the Group as office workshop and warehouse. The Property was purchased by the Group in 2014 to provide additional space for the Group’s then intended business expansion. A portion of the Property has been leased to third party tenants.

2.2. Sale Price

Pursuant to the Option Agreement, the sale price for the Property is S\$23,000,000 (the “**Sale Price**”), excluding good and services tax, to be satisfied fully in cash. The Sale Price was arrived at based on arm’s length negotiations between the parties, after taking into account prevailing market conditions and the market value of the Property based on a valuation report commissioned by the Vendor (the “**Valuation Report**”). According to the Valuation Report, the market value of the Property as at 12 July 2017, based on a direct comparison approach adopted by the valuer, was S\$23,000,000.

The Sale Price shall be payable by the Purchaser to the Vendor in the following manner:

- (a) an initial deposit of S\$230,000 (the “**Option Money**”), equivalent to 1% of the Sale Price, which had been paid by the Purchaser to the Vendor upon the signing of the Option Agreement;
- (b) a further deposit of S\$920,000 (together with the Option Money, the “**Deposit**”), equivalent to 4% of the Sale Price, which had been paid by the Purchaser to the Vendor upon the exercise of the Option; and
- (c) the balance of S\$21,850,000, equivalent to 95% of the Sale Price, shall be payable by the Purchaser to the Vendor on the date of the completion of the Proposed Sale.

2.3. Salient terms of the Proposed Sale

2.3.1. Salient terms of the Option Agreement are, *inter alia*, as follows:-

- (i) the title of the Property shall be in order and free from encumbrances on completion of the Proposed Sale; and
- (ii) the sale and purchase of the Property is with existing tenancies and includes all existing fixtures and fittings as listed in the inventory annexed to the Option Agreement to be given on completion. Upon completion of the Proposed Sale, the Vendor will lease back the remaining area of approximately 5,833 square metres at a monthly rental of \$85,000 for a term of six months.

2.3.2. The Proposed Sale is subject to and conditional upon, *inter alia*, the fulfillment and satisfaction of the following conditions:

- (a) the approval of the shareholders of the Company ("**Shareholders**") being obtained for the sale of the Property to the Purchaser being obtained at a general meeting;
- (b) the in-principle approval being obtained from Jurong Town Corporation ("**JTC**") for the Vendor to sell and the Purchaser to buy the Property on the terms and conditions contained in the Option Agreement;
- (c) the written confirmation being obtained from JTC that it has no objection to the execution of a deed of assignment or instrument of transfer in relation to the Property (as the case may be), or such other confirmation of similar nature (the "**JTC Confirmation**"); and
- (d) the Purchaser's solicitors receiving satisfactory replies to the legal requisitions as set out in the Option Agreement.

2.3.3. The completion of the Proposed Sale shall take place on 15 December 2017 or within four weeks from the date of the JTC Confirmation, whichever is later.

2.3.4. Subject to the parties having complied with all other terms and conditions of the Option Agreement in relation to the application to JTC for its approval to the sale and purchase therein, in the event that the JTC Confirmation is not obtained by the expiry of six months from the date of the acceptance of the Option (or such other extended time as the Vendor may in its absolute discretion agree) or if approval is refused by JTC, then the following conditions shall apply:-

- (a) if the inability to obtain the JTC Confirmation is attributable to the Purchaser's default in not completing and/or submitting the requisite forms/documents to and all particulars and details required by JTC and/or relevant authority within the time stipulated in the Option or is otherwise attributable to the action or omission or any default on the Purchaser's part, the Deposit and all monies paid by the Purchaser shall be forfeited and belong to the Vendor without prejudice to any of the Vendor's other rights and remedies;
- (b) if the inability to obtain the JTC Confirmation is not due to the Purchaser's default but due to reasons which are entirely beyond the control of the Purchaser and the Purchaser is unable to do anything whatsoever to either resubmit the application to JTC or to appeal to JTC for reconsideration, then the Deposit and all monies paid by the Purchaser shall be refunded to the Purchaser without any interest or deduction and neither party shall have any further claims or demand against the other; or
- (c) if the inability to obtain the JTC Confirmation is due to JTC imposing any term or condition which has to be performed by the Vendor and the Vendor is unable to perform the same due to reasons beyond their control, then the Deposit and all monies paid by the Purchaser shall be refunded to the Purchaser without any interest or deduction and neither part shall have any further claims or demand against the other.

3. Relative figures under Rule 1006 of the SGX-ST Listing Manual Section B: Rule of Catalyst (the “Catalist Rules”)

The relative figures for the Proposed Sale as computed on the bases set out in Rule 1006 of the Catalyst Rules and the audited financial statements of the Group for the financial year ended 31 December 2016 (“FY2016”) are as follows:

Rule 1006	Bases	Relative figures (%)
(a)	The net asset value of assets to be disposed of, as compared with the Group’s net asset value	76.3% ⁽¹⁾
(b)	The net profits attributable to the assets disposed of, as compared with the Group’s net profits	Not applicable ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company’s market capitalisation	354.9 ⁽³⁾
(d)	The number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁴⁾
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group’s proven and probable reserves	Not applicable ⁽⁵⁾

Notes:

- (1) Based on the audited net asset value of the Property as at 31 December 2016 of approximately S\$21.07 million, and the audited net asset value of the Group as at 31 December 2016 of approximately S\$27.63 million.
- (2) Rule 1006(b) of the Catalyst Rules is not applicable as the Property is not a revenue-generating asset.
- (3) Based on the Sale Price of S\$23.0 million and the Company’s market capitalisation of approximately S\$6.48 million. The market capitalisation of the Company was computed based on the issued share capital of the Company (“**Shares**”) of 108,000,000 Shares and the volume weighted average price of S\$0.060 per Share on 31 May 2017 (being the last day on which the Shares were traded prior to the date of the exercise of the Option by the Purchaser).
- (4) Rule 1006(d) of the Catalyst Rules is not applicable to a disposal of assets.
- (5) Rule 1006(e) of the Catalyst Rules is not applicable as the Company is not a mineral, oil and gas company.

As the relative figures under Rules 1006(a) and 1006(c) of the Catalyst Rules exceed 50%, the Proposed Sale constitutes a “major transaction” under Rule 1014 of the Catalyst Rules and is subject to the approval of the Shareholders in a general meeting. However, it is noted that, pursuant to Practice Note 10(A) paragraph 8(c) of the Catalyst Rules, “*where an issuer proposes to dispose of a non-core business or a non-core asset (for example, a vacant factory) without affecting the nature of its main business, it is reasonable in normal circumstances to expect shareholders not to be overly concerned about the disposal. The Exchange may grant a waiver under such circumstances*”. Accordingly, the Company intends to seek clarity from and will apply to the SGX-ST for a waiver to hold an extraordinary general meeting to seek Shareholders’ approval for the Proposed Sale. The Company will provide updates to Shareholders, where applicable, in due course.

4. Financial Information

4.1 Book value of the Property and excess of Sale Price over book value

Based on the audited consolidated financial statements of the Group for FY2016, the book value of the Property amounted to approximately \$21,074,000 as at 31 December 2016. The excess of the Sale Price over the book value of the Property will amount to approximately \$1,926,000. After deducting estimated expenses in connection with the Proposed Sale of approximately S\$475,000, there will be a net gain on the Proposed Sale of approximately \$1,451,000.

4.2 Use of net proceeds from the Proposed Sale

The estimated net proceeds from the Proposed Sale, after deducting estimated expenses to be incurred in connection with the Proposed Sale of approximately S\$475,000, is approximately S\$22,525,000 ("**Net Proceeds**").

The Company intends to utilise the Net Proceeds to repay bank borrowings of approximately S\$13,000,000 and the balance of the Net Proceeds for general working capital requirements of the Group.

4.3 Financial effects of the Proposed Sale

The *pro forma* financial effects of the Proposed Sale on the Group set out below are purely for illustrative purposes only and are therefore not indicative of the actual future financial position of the Company or the Group after the completion of the Proposed Sale.

The *pro forma* financial effects of the Proposed Sale have been prepared based on the audited consolidated financial statements of the Group for FY2016, and on the following bases and assumptions:

- (a) the financial effect on the consolidated net tangible assets ("**NTA**") per Share is computed based on the assumption that the Proposed Sale was completed on 31 December 2016;
- (b) the financial effect on the consolidated loss per share ("**LPS**") is computed based on assumption that the Proposed Sale was completed on 1 January 2016; and
- (c) the expenses to be incurred in connection with the Proposed Sale are estimated to be S\$475,000.

(i) NTA per Share

The effects of the Proposed Sale on the NTA are as follow:

	Before the Proposed Sale	After the Proposed Sale
NTA (S\$'000)	27,522	28,973
Number of Shares ('000)	108,000	108,000
NTA per Share (cents)	25.48	26.83

(ii) LPS

The financial effects of the Proposed Sale on the LPS are as follow:

	Before the Proposed Sale	After the Proposed Sale
Net loss attributable to Shareholders (S\$'000)	(2,433)	(1,174)
Weighted average number of Shares (excluding treasury Shares) ('000)	108,000	108,000
LPS (cents)	(2.25)	(1.09)

5. Rationale for the Proposed Sale

The Property was purchased by the Group in 2014 to provide additional space required for the Group's then intended business expansion. However, the last two years had been challenging for the Group's business due to factors including the slowdown in the marine segment and volatile oil prices. As the Group does not require the entire space available in the Property for its business, part of the premises has been leased to third party tenants. The Proposed Sale will enable the Group to reduce its bank borrowings and provide additional working capital for the Group's operations.

6. Interests of Directors and controlling Shareholders in the Proposed Sale

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

7. Service contracts

No person will be appointed to the Board of the Company in connection with the Proposed Sale. Accordingly, no service contract in relation thereto will be entered into between the Company and any such person.

8. 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 Option, the Proposed Sale, 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.

9. Documents available for inspection

A copy of the Option Agreement and the Valuation Report are available for inspection at the registered office of the Company at 9 Tuas Avenue 2, Singapore 639449 during normal business hours for a period of three (3) months from the date of this announcement.

By Order of the Board

Tan Yee Chin
Chairman and CEO
13 July 2017

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST 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 Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.