



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

**PROPOSED DISPOSAL OF LAND AND FACTORY BUILDING AT LOT NO. 42182, GM 5748,
LOCALITY OF 13th MILE SUNGAI BESI ROAD, PEKAN KAJANG, DISTRICT OF HULU
LANGAT, STATE OF SELANGOR DARUL EHSAN, MALAYSIA**

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 Far East Maju Engineering Works Sdn. Bhd. ("**Far East Maju**"), a wholly-owned subsidiary of the Company had, on 8 December 2017, accepted a letter of offer (the "**Letter of Offer**") to sell the land located at Lot No. 42182, GM 5748, Locality of 13th Mile Sungai Besi Road, Pekan Kajang, District of Hulu Langat, State of Selangor Darul Ehsan, Malaysia and the factory building constructed thereon (the "**Property**") to Ng Hin Kwee & Sons Sdn. Bhd. (the "**Purchaser**") at a sale consideration of RM11,500,000 (excluding goods and services tax) (the "**Consideration**") and on the terms and subject to the conditions of the Letter of Offer (the "**Proposed Disposal**").

2. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Malaysia and is principally involved in the business of investment holding and provision of premises for rental business.

The Purchaser is an unrelated third party. The Company, its Directors, and controlling shareholders are not related to the Purchaser.

3. INFORMATION AND VALUE OF THE PROPERTY

The Property consists of a piece of freehold industrial land with a gross land area of 4,485 square metres and an individual designed double storey office building annexe single storey factory/warehouse constructed thereon with a gross built up area of 3,430.16 square metres. At present, the Property is used as warehouse.

Based on the independent valuation of the Property commissioned by the Group and undertaken by the independent professional valuer, VPC Alliance (KL) Sdn Bhd, the open market value ascribed to the Property as at 22 March 2017 in its valuation report dated 22 March 2017 (the "**Valuation Report**") was RM11,800,000 (being approximately S\$3,902,000 based on an exchange rate of S\$1:MYR 3.024) (the "**Valuation**"). The valuation method adopted was the comparison method. This method entails comparing recorded transactions of two to three storey office building annexe single storey warehouses and vacant industrial plot located within the vicinity and adjustments made in terms of location, land tenure, improvements and finishes of the building, land area, built-up area of the building, states of repair and time factor.

Based on the Group's latest announced unaudited consolidated financial statements for the half year ended 30 June 2017 ("**HY2017**"), the carrying amount of the Property as at 30 June 2017 was

approximately S\$1,086,000. The Proposed Disposal is expected to result in a gain on disposal of approximately S\$2,459,000 after deducting estimated related expenses.

4. CONSIDERATION

The Consideration was arrived at on a willing-buyer-willing-seller basis, after taking into account the Valuation.

Under the terms of the Letter of Offer, the Consideration shall be fully satisfied in cash and payable by the Purchaser to Far East Maju in the following manner:

- (i) the sum of RM230,000 (equivalent to 2% of the Consideration) (the "**Earnest Deposit**") has been paid by the Purchaser to Knight Frank Malaysia Sdn Bhd ("**Knight Frank**") upon execution of the Letter of Offer and is authorised to release the Earnest Deposit to Far East Maju upon execution of the sale and purchase agreement (the "**SPA**");
- (ii) a further sum of RM920,000 (equivalent to 8% of the Consideration) (together with the Earnest Deposit, the "**Deposit**") is payable upon execution of the SPA; and
- (iii) the balance sum of RM10,350,000 (being 90% of the Consideration) is payable within three (3) months from the date of the SPA (the "**Completion Date**").

5. SALIENT TERMS OF LETTER OF OFFER

A summary of the salient terms of the Letter of Offer are as follows:

- (i) In the event the Purchaser fails to proceed with the execution of the SPA within 30 days from the date of Far East Maju's acceptance of the Letter of Offer (unless such failure is due to Far East Maju or its solicitors' delay in agreeing to the terms of the SPA), Far East Maju shall be entitled to forfeit the Earnest Deposit, as agreed liquidated damages and thereafter, neither party shall have any claims whatsoever against the other;
- (ii) In the event Far East Maju fails to execute the SPA within 30 days from the date of its acceptance of the Letter of Offer (unless such failure is due to the Purchaser or its solicitors' delay and default), the Purchaser shall be entitled to terminate the Letter of Offer whereupon Far East Maju shall instruct Knight Frank to refund the Earnest Deposit to the Purchaser and Far East Maju shall pay a sum equivalent to the Earnest Deposit as liquidated damages to the Purchaser and thereafter, neither party shall have any claims whatsoever against the other;
- (iii) An extension payment period of one month from the Completion Date shall be automatically granted to the Purchaser subject to an interest payment of 8% per annum calculated on a daily basis on the balance of the outstanding Consideration from the expiry of the Completion Date to the date of full settlement thereof;
- (iv) Far East Maju is required to deliver vacant possession of the Property free from all encumbrances on the Completion Date or 31 March 2018, whichever is later (the "**Delivery Date**"), failing which, Far East Maju is required to pay interest calculated at 8% on the Consideration on a daily basis from the Delivery Date to the date of actual delivery of vacant possession of the Property;
- (v) Until the execution of the SPA or the termination of the Letter of Offer, whichever happens earlier, Far East Maju shall not whether on its own or through an agent or other party, initiate or enter into any manner of discussion, negotiation or arrangement with any other party for any transaction in respect of the Property;

- (vi) If after the execution of the SPA, the Purchaser fails to complete the purchase of the Property by the Completion Date, as the case may be (save and except due to the default of Far East Maju), Far East Maju shall be entitled, by notice in writing, to terminate the SPA whereupon Far East Maju shall be entitled to forfeit the Deposit as agreed liquidated damages but shall refund to the Purchaser all other monies which have been paid, free of interest and thereafter, neither party shall have any claims whatsoever against the other; and
- (vii) If after the execution of the SPA, Far East Maju fails to complete the sale of the Property by the Completion Date, as the case may be (save and except due to the default of the Purchaser), the Purchaser shall be entitled, by notice in writing, to terminate the SPA whereupon Far East Maju shall refund to the Purchaser all monies which have been paid, free of interest together with payment of a sum equivalent to the Deposit as agreed liquidated damages and thereafter, neither party shall have any claims whatsoever against the other.

The Proposed Disposal is subject to, and conditional upon, *inter alia*, the execution of the SPA. Further announcement(s) will be made as appropriate when there are material developments to the Proposed Disposal.

6. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS

The Property has been dormant since December 2016 when the manufacturing operations of the Group in Malaysia were moved to China. With the consolidation of the manufacturing operations in China, the manufacturing plant in China is running at a more efficient capacity. The Proposed Disposal will realise net cash proceeds of approximately S\$2,459,000 (after deducting estimated related expenses) and thereby will place the Group in a better position to strengthen its financial position and improve the Group's working capital.

The Group intends to deploy the entire net proceeds from the Proposed Disposal for use as general working capital.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The *pro forma* financial effects of the Proposed Disposal set out below, based on the Group's audited consolidated financial statements for the financial year ended 31 December 2016 ("FY2016"), are purely for illustration purposes only and do not reflect the future actual financial position and performance of the Company or the Group after the completion of the Proposed Disposal. The financial effects as shown below are prepared on the assumption that the expenses in connection with the Proposed Disposal have been disregarded.

7.1 Net Tangible Assets ("NTA")

The effect of the Proposed Disposal on the consolidated NTA per share of the Group for FY2016, assuming that the Proposed Disposal had been effected as at 31 December 2016 is as follows:

As at 31 December 2016	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	20,490	22,942
Number of issued shares ('000) (excluding treasury shares)	108,480	108,480
NTA per share (cents)	18.89	21.15

7.2 Earnings per Share ("EPS")

The effect of the Proposed Disposal on the consolidated EPS of the Group for FY2016, assuming that the Proposed Disposal had been effected on 1 January 2016 is as follows:

FY2016	Before the Proposed Disposal	After the Proposed Disposal
Earnings after tax attributable to owners of the Company (S\$'000)	(1,179)	1,273
Weighted average number of issued shares ('000) (excluding treasury shares)	108,480	108,480
EPS (cents)	(1.09)	1.17

8. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE CATALIST RULES

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**Catalist Rules**") based on the Group's latest announced unaudited consolidated financial statements for HY2017 are as follows:

Rule 1006	Bases	%
(a)	The net asset value (" NAV ") of the assets to be disposed of, compared with the Group's net asset value	4.33% ⁽¹⁾
(b)	The net profit attributable to the assets disposed of, compared with the Group's net profit	Not applicable ⁽²⁾
(c)	The aggregate value of the consideration received, compared with the Company's market capitalisation	46.74% ⁽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	Not applicable ⁽⁴⁾
(e)	The aggregate volume or amount 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 Property's NAV of approximately S\$1.1 million and the Group's NAV of approximately S\$25.1 million as at 30 June 2017.
- (2) Rule 1006(b) of the Catalist Rules is not applicable as the Group did not derive any income from the Property.
- (3) Based on the Consideration of RM11,500,000.00 (being approximately S\$3,803,000 based on an exchange rate of S\$1:MYR 3.024) and the Company's market capitalisation of approximately S\$8,136,000 on 7 December 2017, computed based on the Company's volume weighted average price of S\$0.075 per share and the Company's issued and paid-up capital of 108,480,000 shares (being the last market day preceding the date of the Letter of Offer).

- (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 relevant relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Catalist Rules exceed 5% but is less than 50%, the Proposed Disposal constitutes a discloseable transaction under Chapter 10 of the Catalist Rules and does not require the approval of shareholders.

9. DIRECTORS' SERVICE CONTRACTS

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

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at the Company's registered office at 112 Lavender Street #04-00 Far East Refrigeration Building, Singapore 338728 for 3 months from the date of this announcement:

- (a) Letter of Offer; and
- (b) Valuation Report on the Property.

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, *inter alia*, the execution of the SPA and conditions precedent to be fulfilled, and there is no certainty or assurance as at the date of this announcement that the SPA will be executed 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
13 December 2017

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

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