



YEO HIAP SENG LIMITED

(Incorporated in Singapore)

(Company Registration No. 195500138Z)

PROPOSED DISPOSAL OF ENTIRE INTEREST IN RANKO WAY LIMITED, AN INDIRECT WHOLLY-OWNED SUBSIDIARY

1. INTRODUCTION

The Board of Directors (the “**Board**” or the “**Directors**”) of Yeo Hiap Seng Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that YHS Hong Kong (2000) Pte Limited (“**YHSHK**”) and Pei Siang Teng Cyndi (“**Pei**”) (collectively, the “**Vendor**”) have today entered into a conditional sale and purchase agreement (“**SPA**”) with Partner Merit Limited (the “**Purchaser**”) for the sale of the entire issued shares (the “**Sale Shares**”) in Ranko Way Limited (the “**Sale Company**”), and the purchase of the Sale Shares by the Purchaser, for a consideration of HK\$360.00 million (approximately S\$64.96 million based on an exchange rate of S\$1.00 : HK\$5.5417) (the “**Consideration**”) (the “**Proposed Disposal**”).

2. INFORMATION ON THE SALE COMPANY AND THE PURCHASER

2.1 Sale Company

The Sale Company is a property holding company. It was incorporated in Hong Kong on 11 May 1993 and has an issued and paid up share capital of HK\$2.00 comprising 2 ordinary shares. The shareholders of the Sale Company are YHSHK and Pei each with 1 ordinary share. Pei holds such 1 ordinary share in the Sale Company on trust for, and on behalf of, YHSHK. YHSHK (a company incorporated in Hong Kong) is an indirect wholly-owned subsidiary of the Company. Upon completion of the Proposed Disposal, the Sale Company will cease to be a subsidiary of YHSHK, and the Group will cease to have any interest in the Sale Company.

The Sale Company’s only real estate asset comprises four godown compartments and twelve car parking lots, all at Ever Gain Centre, No. 28 On Muk Street, Shatin, New Territories, Hong Kong (the “**Property**”).

2.2 The Purchaser

The Purchaser (a company incorporated in the British Virgin Islands) is an independent third party. The Purchaser is not related, whether directly or indirectly, to the Company and/or its Directors, controlling shareholders or their respective associates. As at the date of this announcement, the Purchaser does not have any shareholding interest in the Company.

3. CONSIDERATION FOR THE PROPOSED DISPOSAL

- 3.1 The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account, *inter alia*, the book value and net tangible assets value of the Sale Shares as at 31 March 2017 and the independent valuation of the Property conducted by Colliers International (Hong Kong) Ltd of HK\$346.00 million as at 30 November 2016 using the Income Capitalisation approach. This valuation was commissioned by the Company as part of the Group’s yearly valuation exercise for its portfolio of properties.

3.2 The Consideration will be satisfied wholly in cash, by the Purchaser as follows:

- (a) a deposit amounting to 10% of the Consideration (“**Deposit**”) has been paid to the Vendor’s solicitors as stakeholders upon the signing of the SPA. (This includes earnest money equivalent to 1% of the Consideration paid by the Purchaser to the Vendor’s solicitor preceding, and contingent upon, signing of the SPA). The Deposit shall be held by the Vendor’s solicitors and released to the Vendor on Completion (as defined below); and
- (b) the balance 90% of the Consideration shall be paid to the Vendor on Completion.

4. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF SALE PROCEEDS

- 4.1 Based on the Group’s unaudited consolidated financial statements for the first quarter ended 31 March 2017 (“**1QFY2017**”, and such financial statements being the “**1QFY2017 Financial Statements**”), the Group expects to realise a gain of approximately S\$4.14 million, which includes reclassification of currency translation differences, in respect of the Proposed Disposal.
- 4.2 The Consideration is in excess of the net asset value of the Sale Company, which includes the fair value of the Property. The Company is of the view that the Proposed Disposal represents an attractive opportunity for the Group to realise the value of the Property through the sale of the Sale Company at a gain, during challenging market conditions.
- 4.3 The net proceeds from the Proposed Disposal are intended to be used as general working capital of the Group. This would further strengthen the Group’s balance sheet and enhance the Group’s financial flexibility to fund potential acquisitions for growth should such opportunities arise.

5. OTHER MATERIAL CONDITIONS OF THE PROPOSED DISPOSAL

5.1 Conditions Precedent

Under the terms of the SPA, completion of the sale and purchase of the Sale Shares is conditional upon the fulfilment of, *inter alia*, the following conditions (“**Conditions Precedent**”):

- (a) the Purchaser having been satisfied with the due diligence review and investigation on the business, financial, legal and corporate matters of the Sale Company as set out in the SPA;
- (b) the Vendor having shown and proved to the Purchaser’s satisfaction the Sale Company’s good title to the Property in accordance with Section 13 of the Conveyancing and Property Ordinance (Cap.219) Hong Kong and having given good title to the Property in accordance with Section 13A of that Ordinance; and
- (c) all the warranties are true and correct in all material respects as at the date of the SPA and remain true and correct and not misleading in all material respects and at all times before and at Completion and that there has been no change or event that has or had material adverse effect on the business, financial and legal status of the Sale Company and the title to the Property from the date of the SPA up to Completion.

5.2 Completion and Long Stop Date

Subject to the satisfaction of the Conditions Precedent, completion of the sale and purchase of the Sale Shares ("**Completion**") shall take place on or before 4 August 2017 or on such other date as the Purchaser may postpone to in accordance with the SPA ("**Completion Date**").

If any of the Conditions Precedent is not fulfilled in its material aspects or waived by the Purchaser on or before the Completion, the parties may agree to defer the Completion Date to a date on or before 1 September 2017 ("**Long Stop Date**") during which the Vendor shall endeavour to procure the fulfilment of any of the Conditions Precedent that is yet fulfilled on the Completion Date. If any of the Conditions Precedent is not fulfilled in its material aspects or waived by the Purchaser on or before the Long Stop Date, the Purchaser shall have the right to terminate the SPA whereupon the Vendor shall procure the Vendor's solicitors to refund to the Purchaser the Deposit already paid by the Purchaser without prejudice to the Purchaser's rights to recover its losses and damages resulting from the Vendor's failure to complete the sale of the Sale Shares in accordance with the terms and conditions of the SPA.

5.3 Rental Guarantee

Under the terms of the SPA, the Vendor has provided to the Purchaser a rental guarantee ensuring the total rental received by the Purchaser will not be lower than HK\$1,182,102 per month exclusive of management fee, government rent and government rate (the "**Guaranteed Rental**") for a period of 6 months from the Completion Date, both dates inclusive. Under the terms of the SPA, the Purchaser agrees to absorb any reduction on the Guaranteed Rental on the corresponding month(s) caused by any rent-free period of any new or existing tenancy or lease of the Property granted by the Sale Company before Completion, on the condition that the duration and distribution of such rent-free period has been agreed and accepted by the Purchaser in writing in advance, or granted by the Purchaser itself after Completion.

6. FINANCIAL INFORMATION

6.1 Book Value

Based on the Group's 1QFY2017 Financial Statements, the book value attributable to the Sale Shares as at 31 March 2017, which constitute the entire issued and paid up shares of the Sale Company, is approximately S\$62.14 million.

6.2 Net Tangible Assets ("NTA")

Based on the Group's 1QFY2017 Financial Statements, the unaudited NTA attributable to the Sale Shares as at 31 March 2017 is approximately S\$62.14 million.

6.3 Excess of Consideration over Book Value

Based on the book value of the Sale Shares as set out in paragraph 6.1 above, the amount of excess of the Consideration over the said book value is approximately S\$2.82 million.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

7.1 Illustrative Nature of Financial Effects

The financial effects of the Proposed Disposal on the NTA per share and earnings per share (“EPS”) of the Group, prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 (“FY2016”) are set out below. The financial effects are purely for illustrative purposes only and are therefore not necessarily indicative of the actual financial position of the Group after the Completion of the Proposed Disposal.

7.2 NTA

Assuming the Proposed Disposal had been completed on 31 December 2016, being the end of the most recently completed financial year of the Group, the financial effects on the NTA per share of the Group would be as follows:

	Before Proposed Disposal	After Proposed Disposal
NTA (S\$'000)	679,318	682,134
No. of issued ordinary shares ('000)	577,702	577,702
NTA per share (S cents)	117.59	118.08

7.3 EPS

Assuming the Proposed Disposal had been completed on 1 January 2016, being the beginning of the most recently completed financial year of the Group, the net profit attributable to ordinary shareholders of the Company and the financial effects on the EPS of the Group for FY2016 would be as follows:

	Before Proposed Disposal	After Proposed Disposal
Net profit attributable to ordinary shareholders (S\$'000)	28,962	33,106
Weighted average no. of ordinary shares ('000)		
- Basic	576,936	576,936
- Diluted	578,559	578,559
EPS (S cents)		
- Basic	5.02	5.74
- Diluted	5.01	5.72

7.4 Share Capital

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

8. RULE 1006 OF THE SGX-ST LISTING MANUAL

Based on the 1QFY2017 Financial Statements, being the latest announced unaudited financial statements of the Group, the relative figures in relation to the Proposed Disposal computed on the applicable bases set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (the “Listing Manual”) are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the net asset value of the Group	9.2 ⁽¹⁾
(b)	Net profits attributable to the assets to be disposed of, compared with the Group’s net profits	10.1 ⁽²⁾
(c)	Aggregate value of the consideration received compared with the market capitalisation of the Company (based on the total number of issued shares, excluding treasury shares)	8.5 ⁽³⁾
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	NA
(e)	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	NA

Notes:

⁽¹⁾ Computed based on the unaudited net asset value of the Sale Company as at 31 March 2017 of S\$62,146,000 and the Group’s unaudited net asset value as at 31 March 2017 of S\$674,905,000.

⁽²⁾ Computed based on the unaudited net profits (before income tax, minority interest and extraordinary items) attributable to the Sale Company for 1QFY2017 of S\$282,000 and the unaudited net profits (before income tax, minority interest and extraordinary items) of the Group for 1QFY2017 of S\$2,794,000.

⁽³⁾ Computed based on the Consideration of S\$64,962,000 for the Sale Shares, compared with the market capitalisation of the Company on 11 May 2017, being the market day preceding the date of the SPA, of approximately S\$768,343,191. The market capitalisation is calculated on the basis of a total number of 577,701,647 ordinary shares of the Company in issue (excluding any treasury shares) multiplied by the weighted average price of such shares transacted on the same date of S\$1.33.

As the relative figures under Rule 1006(a), (b) and (c) of the Listing Manual exceed 5% but do not exceed 20%, the Proposed Disposal constitutes a “disclosable transaction” as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Disposal is subject to announcement requirements but is not subject to the approval of shareholders of the Company in general meeting.

9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

10. DIRECTORS' SERVICE CONTRACTS

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

11. DOCUMENT FOR INSPECTION

A copy of the SPA is available for inspection at the registered office of the Company at 3 Senoko Way Singapore 758057 during normal business hours for 3 months from the date of this announcement.

By Order of the Board
Joanne Lim Swee Lee
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Company Secretaries

12 May 2017