

ANNOUNCEMENT

**ENTRY INTO SALE AND PURCHASE AGREEMENT WITH
CREST INDUSTRIAL HOLDINGS II PTE. LTD. RELATING TO
THE FOREIGN WORKERS' DORMITORY KNOWN AS "NORTH COAST LODGE"**

1. INTRODUCTION

- 1.1** The board of directors (the "**Board**") of Swee Hong Limited (the "**Company**") refers to its announcement dated 18 May 2015 that the Company had entered into a sale and purchase agreement with S11 Capital Investments Pte. Ltd. (the "**S11 SPA**") relating to, *inter alia*, the sale and purchase of the rights, benefits, obligations and liabilities of the Company in respect of constructing, managing and operating the foreign workers' dormitory (the "**Dormitory**") known as "North Coast Lodge" situated at 300 Admiralty Road West, Singapore 757027 (the "**Proposed Disposal to S11**").
- 1.2** Completion under the S11 SPA is conditional upon, *inter alia*, irrevocable and unconditional undertakings by shareholders of the Company ("**Shareholders**") holding in aggregate no less than 51 per cent. of the total voting shares of the Company ("**Shares**") to vote by way of a poll in favour of the ratification of the Proposed Disposal to S11 ("**Shareholder Undertakings**") having been obtained. Shareholders holding 56.27 per cent. of the Shares (the "**Majority Shareholders**") have informed the Company that they are not prepared to and will not provide the Shareholder Undertakings. The Majority Shareholders have also informed the Company that they wish to support an offer from Crest Industrial Holdings II Pte. Ltd. ("**Crest**") instead. As such, the said condition cannot be satisfied and the Proposed Disposal to S11 cannot be completed.
- 1.3** In connection with the foregoing and in the interests of the Company's stakeholders (including its creditors), the Company has on 11 June 2015 entered into a sale and purchase agreement with Crest (the "**Crest SPA**") relating to, *inter alia*, the sale and purchase of the rights, benefits, obligations and liabilities of the Company in respect of constructing, managing and operating the Dormitory (the "**Proposed Disposal to Crest**").

2. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL TO CREST

2.1 Crest SPA

Pursuant to the terms of the Crest SPA, the Company will sell and transfer, and Crest will purchase and assume:

- 2.1.1** the rights, benefits, obligations and liabilities of the Company in respect of constructing, managing and operating the Dormitory under the sub-tenancy agreement dated 2 September 2013 (the "**Sub-Tenancy Agreement**") made between the Building and Construction Authority of Singapore ("**BCA**") and the Company relating to the construction, management and operation of the Dormitory,

as amended and/or modified by the supplementary sub-tenancy agreement dated 6 June 2014 to the Sub-Tenancy Agreement (collectively, the “**BCA Contract**”); and

2.1.2 the rights, benefits, obligations and liabilities of the Company under certain contracts which it had entered into solely for the purpose of constructing, managing and operating the Dormitory, and certain tenancy agreements,

(collectively, the “**Operations**”).

2.2 Consideration for the Proposed Disposal to Crest

2.2.1 The consideration for the Proposed Disposal to Crest (the “**Consideration**”) shall be S\$30,000,000 (plus an amount for applicable taxes thereon).

2.2.2 The Consideration was arrived at on a willing seller willing buyer basis taking into account the factors set out in paragraph 5.1. The Consideration is also higher than the consideration under the S11 SPA.

2.2.3 The Consideration will be satisfied, *inter alia*, in the following manner:

(i) an amount to the extent of S\$600,000 shall not be paid directly to the Company, but shall be retained by Crest and applied toward payment of amounts currently owed, and further fees to be paid, to certain consultants in order to facilitate Crest obtaining a temporary occupation permit for phase 2 of the construction of the Dormitory (the “**Phase 2 Construction**”) and the certificate of statutory completion for the Dormitory;

(ii) an amount to the extent of S\$515,000 shall not be paid directly to the Company, but shall be retained by Crest and applied toward satisfaction of an amount equal to the remaining cost to be incurred for furniture for phase 1 of the construction of the Dormitory (the “**Phase 1 Construction**”) and for an amount equal to the cost to be incurred for furniture for the Phase 2 Construction;

(iii) an amount equivalent to the tenancy security deposits and commercial space tenancy deposits given to the Company as landlord by the tenants under certain tenancy agreements (estimated to be S\$2,000,000 as of the date of the Crest SPA) shall not be paid directly to the Company, but shall be retained by Crest and applied toward satisfaction of the Company’s obligation to transfer such deposits to Crest;

(iv) an amount to the extent of S\$200,000 shall not be paid directly to the Company, but shall be retained by Crest and applied toward satisfaction of an amount equal to the costs required to complete the Phase 1 Construction and the outstanding works in relation to the Phase 2 Construction, each as may be determined by ADDP Architects LLP; and

(v) the balance amount of the Consideration shall be paid by Crest to the Company on the date of completion under the Crest SPA (“**Completion**”).

2.3 Conditions Precedent

2.3.1 Pursuant to the terms of the Crest SPA, Completion is conditional upon satisfaction of the following conditions precedent:

- (i) all approvals, permissions and/or consents provided by any governmental body and competent authorities for the Dormitory (including Phase 1 Construction) as at the date of the Crest SPA, are and continue to be, in place and/or in force as at Completion;
- (ii) the grant of a waiver by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) allowing the approval of the Shareholders for the ratification of the Proposed Disposal to Crest to be obtained after Completion;
- (iii) a written consent from United Overseas Bank Ltd. (“**UOB**”) to the Proposed Disposal to Crest as required under the loan from UOB to the Company pursuant to the facility letter dated 3 September 2013 (“**UOB Facility**”) having been obtained, and, the discharge of certain pledges, mortgages and other security interests given by the Company in favour of UOB in connection with the UOB Facility; and
- (iv) a written consent having been obtained from the BCA for the novation of the BCA Contract to Crest with effect from the date of Completion without requiring any variations to be made to the BCA Contract resulting in any additional obligations being imposed on Crest in respect of the Operations.

2.4 Other Terms

Pursuant to the terms of the Crest SPA, Crest shall pay BCA one additional month’s rent and administration fee (plus applicable taxes) by 17 June 2015 provided that there is no indication from BCA by 17 June 2015 that BCA will reject the novation of the BCA Contract to Crest.

3. INFORMATION ON CREST AND THE DORMITORY

3.1 Crest

3.1.1 Crest is a private limited company incorporated in the Republic of Singapore. Crest is a special purpose vehicle set up by private equity fund Value Monetization III Limited and Crest Capital Asia Limited (“**Crest Capital**”) to acquire the Dormitory. Crest Capital and its related companies have prior experience investing in worker dormitories in locations such as Kaki Bukit and Jurong.

3.1.2 As at 11 June 2015, the directors of Crest are Chan Pee Teck Peter and Ang Siew Ling Katherine.

3.2 The Dormitory

3.2.1 The Company currently sub-leases the Dormitory from BCA under the BCA Contract for an initial three-year term commencing 1 September 2013 that may be renewed for a further two three year-terms. Under the BCA Contract, the Company is obliged to pay to BCA a monthly rent of S\$1,410,300 (GST-exempt) and a monthly administration fee of S\$46,500 (not including GST) for the initial three-year term.

3.2.2 The Dormitory is built on a 49,684.9 square metre site and comprises eight blocks of four-storey walk up dormitory buildings with a total capacity of 9,000 beds, a two-storey ancillary administration / amenities building and a single-storey ancillary laundry building, electrical sub-station and refuse centre. Phase 1 Construction, with

a capacity of 4,500 beds, was issued its temporary occupation permit (“TOP”) on 8 December 2014 and the TOP for the Phase 2 Construction is pending.

4. VALUE OF THE DORMITORY

Based on the unaudited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the third quarter ended 31 March 2015 (“3Q2015 Results”), the book value and the net tangible asset (“NTA”) value of the Dormitory as at 31 March 2015 are both S\$61,063,000.

5. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS

5.1 The Company is of the view that the Proposed Disposal to Crest is in the best interests of the Company, its Shareholders and its creditors, in view of, *inter alia*, the following:

5.1.1 the disposal of the Dormitory for value is an important part of the Company’s proposed scheme of arrangement between the Company and its creditors (as set out in the Company’s SGX-ST announcement on 11 February 2015); and

5.1.2 it is the only offer that the Majority Shareholders support, as set out in paragraph 1.2.

5.2 The proceeds arising from the Proposed Disposal to Crest represents a deficit of S\$34,378,000 on the book value of the Dormitory of S\$61,063,000. After setting off certain liabilities of the Company that will be paid for or assumed by Crest, the amount of loss on the Proposed Disposal to Crest is S\$32,287,932.

5.3 The net proceeds arising from the Proposed Disposal to Crest will be utilised towards payments to the creditors of the Company in accordance with the scheme of arrangement to be proposed by the Company and as may be sanctioned by the High Court of the Republic of Singapore.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL (THE “LISTING MANUAL”) OF THE SGX-ST

6.1 Relative Figures

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Disposal to Crest, and based on the 3Q2015 Results, are as follows:

Rule 1006	Bases	Proposed Disposal to Crest	Group	Relative Figures (%)
(a)	The net asset value ⁽¹⁾ of the Dormitory, compared with the net asset value of the Group	61,063,000	15,100,000	404
(b)	The net profit / (loss) attributable to the Dormitory, compared with the Group’s net profit / (loss) ⁽²⁾	1,995,770	425,000	470

Rule 1006	Bases	Proposed Disposal to Crest	Group	Relative Figures (%)
(c)	The aggregate value of the Consideration received, compared with the Company's market capitalisation ⁽³⁾	30,000,000	47,536,500	63

Notes:

(1) Net asset value of the Dormitory is derived from the 3Q2015 Results.

(2) Net profit / loss is defined as profit or loss before income tax, minority interests and extraordinary items. The figures are based on the 3Q2015 Results. As the Dormitory is still under construction, depreciation is not recognised, and lease expenses and interest expense are being capitalised. Furthermore, interest expense relating to the construction was recognised in previous quarters and this was written back in 3Q2015. Without the capitalisation and write back, the net loss attributable to the Dormitory would have been S\$2,840,308 and the relative figure would have been 64 per cent.

(3) The Company's market capitalisation is calculated based on 368,500,000 Shares (excluding Shares held as treasury shares) in issue as at 5 February 2015 multiplied by the volume weighted average price of the Shares of S\$0.129 per Share transacted on 5 February 2015 (being the last trading day prior to the suspension of trading of the Shares).

6.2 Classification

As the relative figures under Rules 1006(a), 1006(b) and 1006(c) exceed 20%, the Proposed Disposal to Crest is a "major transaction" as defined in the Listing Manual which requires Shareholders' approval. The Company will in due course seek a confirmation from the SGX-ST that completion of the Proposed Disposal to Crest may occur prior to obtaining Shareholders' approval and that the Company may instead seek Shareholders' ratification of the Proposed Disposal to Crest.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL TO CREST

7.1 The following pro forma financial effects of the Proposed Disposal to Crest have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2014 ("**FY2014 Results**"), the 3Q2015 Results and the following key assumptions:

7.1.1 that the Proposed Disposal to Crest had been effected on 30 June 2014 (for the FY2014 Results) and on 31 March 2015 (for the 3Q2015 Results) for illustrating the financial effects on the NTA per Share; and

7.1.2 that the Proposed Disposal to Crest had been effected on 1 July 2013 (for the FY2014 Results) and on 1 July 2014 (for the 3Q2015 Results) for illustrating the financial effects on the earnings per Share ("**EPS**").

7.2 The financial effects of the Proposed Disposal to Crest are presented herein purely for illustrative purposes only and should not be taken to represent the actual financial situation of the Company and/or the Group immediately after the Proposed Disposal to Crest nor the future financial situation of the Company and/or the Group.

7.3 NTA – FY2014 Results

The effect of the Proposed Disposal to Crest on the NTA per Share for the financial year ended 30 June 2014 (“FY2014”) based on the FY2014 Results is illustrated as follows:

	Before the Proposed Disposal to Crest	After the Proposed Disposal to Crest
NTA (S\$'000)	16,620	(15,668)
Number of Shares (excluding Shares held as treasury shares)	368,500,000	368,500,000
NTA per Share (Singapore cents)	4.51	(4.25)

7.4 EPS – FY2014 Results

The effect of the Proposed Disposal to Crest on the EPS for FY2014 based on the FY2014 Results is illustrated as follows:

	Before the Proposed Disposal to Crest	After the Proposed Disposal to Crest
Loss after tax (S\$'000)	(19,939)	(52,227)
EPS (Singapore cents)	(5.41)	(14.17)

7.5 NTA – 3Q2015 Results

The effect of the Proposed Disposal to Crest on the NTA per Share for the third quarter ended 31 March 2015 (“3Q2015”) based on the 3Q2015 Results is illustrated as follows:

	Before the Proposed Disposal to Crest	After the Proposed Disposal to Crest
NTA (S\$'000)	15,100	(17,188)
Number of Shares (excluding Shares held as treasury shares)	368,500,000	368,500,000
NTA per Share (Singapore cents)	4.10	(4.66)

7.6 EPS – 3Q2015 Results

The effect of the Proposed Disposal to Crest on the EPS for 3Q2015 based on the 3Q2015 Results is illustrated as follows:

	Before the Proposed Disposal to Crest	After the Proposed Disposal to Crest
Profit after tax (S\$000)	425	(31,863)
EPS (Singapore cents)	0.12	(8.65)

7.7 Scheme of Arrangement

The Company's financial situation after the completion of the Proposed Disposal to Crest will be addressed in accordance with the scheme of arrangement to be proposed by the Company and as may be sanctioned by the High Court of the Republic of Singapore.

8. FURTHER INFORMATION

8.1 Directors' Service Contracts

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

8.2 Interests of Directors and Controlling Shareholders of the Company

None of the directors and the controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal to Crest.

8.3 Document for Inspection

A copy of the Crest SPA is available for inspection during normal business hours at the registered office of the Company at 190A, Choa Chu Kang Avenue 1, Singapore 689466 for a period of three months commencing from the date of this announcement.

BY ORDER OF THE BOARD

Ong Hock Leong
Managing Director
11 June 2015