斯恩威 CNA

CNA GROUP LTD.
(Company Registration No. 199000449K)

PROPOSED DISPOSAL OF THE PROPERTY SITUATED AT 28 KAKI BUKIT CRESCENT, SINGAPORE 416259

1. Introduction

The board of directors ("**Board**" or "**Directors**") of CNA Group Ltd. (the "**Company**" or "**Purchaser**") (the Company together with its subsidiaries (the "**Group**") hereinafter referred to as the "**Group**") wishes to announce that CNA Development Pte Ltd (the "**Vendor**"), a wholly owned subsidiary of the Company has on 2 September 2014 entered into an option agreement ("**Agreement**") to sell the property situated at 28 Kaki Bukit Crescent (the "**Property**") to Entrepot Marketing Pte Ltd (the "**Purchaser**") ("**Proposed Disposal**").

2. Consideration

The consideration for the Proposed Disposal is S$6,500,000 ("**Consideration**") and was arrived at on a willing-buyer, willing-seller basis after taking into consideration the current market conditions and the prevailing transacted prices in the vicinity of the Property.

The Company had commissioned a valuation on the Property by PREMAS Valuers & Property Consultants Pte Ltd (the "**Valuer**"). The Valuer assessed the Property's valuation at S$6,600,000 in its valuation report dated 12 September 2014 (the "**Valuation Report**").

The Consideration shall be paid in the following manner:

a. The sum of S$65,000 (the "**Option Money**"), which is equivalent to 1% of the Consideration, which was paid by the Purchaser to the Vendor on 2 September 2014, the date the Vendor granted the Purchaser the option to purchase the Property;

b. The sum of S$260,000 ("**the Deposit**"), which is equivalent to 5% of the Consideration less the Option Money, which was paid by the Purchaser to the Vendor on 10 October 2014 the date the Purchaser exercised the option to purchase the Property;

c. The balance of the Consideration of S$6,175,000 (equivalent to 95% of the Consideration) shall be paid upon completion of the Proposed Disposal.

3. Information on the Property

Description and Location	Effective Group Interest	Site Area (Square Meters)	Built-up Area (Square Meters)	Tenure of Property

A building located at Lot 28 Kaki Bukit Crescent, Singapore 416259	100%	685.8	1,426	Leasehold 60 years commencing from 25 September 1993

The Group currently only uses the Property as its office space. As the Group does not conduct and does not need to conduct any operations at the Property, the Property is not material to the Group's business and is a non-core asset of the Group.

4. Rationale for the Proposed Disposal

The Directors consider it an appropriate time to dispose of and unlock the value of the Property, given the current outlook of the property market in Singapore. The Proposed Disposal will enable the Group to receive cash in equity for the Property, which the Directors believe is beneficial to the Group, especially since the Property is a non-core asset of the Group.

5. Material terms of the Agreement

Pursuant to the terms of the Agreement, the Purchaser will lease the Property back to the Group at the rental consideration of S$30,000 per month for a period of two years from the date of the completion of the Proposed Disposal, with an option to renew the lease for one more year. The Property was also sold to the Purchaser on an "as is" basis. The Completion of the Proposed Disposal shall take place within 10 weeks from the date of the Purchaser exercising the option to purchase.

Save for the aforementioned, there are no other material terms or conditions attached to the Proposed Disposal, including a put, call or other option and details thereof.

6. Gain from the Proposed Disposal

The excess from the proceeds of the Proposed Disposal over the the book value of the Property is S$4.6 million.

7. Use of Sale Proceeds

The Company intends to use the Consideration to settle its outstanding debts and to fund its various projects.

8. Financial Effects

For the purposes of illustration only, the financial effects of the Proposed Disposal taken as a whole are set out below based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 ("**FY2013**"). Please note that the financial effects of the Proposed Disposal on the Group as set out below are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Proposed Disposal.

<u>Net Tangible Assets ("**NTA**")</u>

Assuming that the Proposed Disposal was completed on 31 December 2013, the effects of the

Proposed Disposal on the NTA of the Group is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA of the Group as at 31 December 2013 (S$'million)	20.7	24.3
Number of shares in issue (millions)	367.8	367.8
NTA per share as at 31 December 2013 (cents)	5.6	6.6

9. The value of the assets being acquired

Loss per share ("**LPS**")

Assuming that the Proposed Disposal was completed on 1 January 2013, the effects of the Proposed Disposal on the LPS of the Group are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Loss attributable to Shareholders (S$' 000)	25.1	19.6
Number of shares (millions)	367.8	367.8
Consolidated LPS (cents)	6.8	5.3

10. Interests of Directors and Controlling Shareholders

None of the other directors or controlling shareholders of the Company have any direct interests or deemed interests in the Proposed Disposal.

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.

11. Listing Manual Computations

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") **("Listing Manual")** are as follows:

Rule 1006	Bases	Relative Figures
(a)	The net asset value ("**NAV**") of the assets to be disposed of, compared with the Group's NAV	7.22%
(b)	The net profits attributable to the assets acquired,	

	compared with the Group's net profits	Nil[1]
(c)	The aggregate value of the consideration given, compared with the Company's market capitalization	23.6%
(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
(e)	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

Notes:-

(1) The Property is held by CNA Development Pte Ltd ("**CNAD**"), which is a wholly-owned subsidiary of the Company. The Company uses the Property as its office premises and CNAD bills the Company S$27,000 per month for the rental of the Property. As such, the Company does not actually make a profit from the Property. If CNAD were to rent out the property to a third party for the same amount of S$27,000 in order to receive actual profit from the Property, the Company would then have to, as a consequence of renting out the Property to a third party, find a new office premise, and the rental charges for occupying a new premise would either be the same amount of rent at S$27,000 or more than S$27,000, which would mean that the Company would ultimately not make any profit, or even suffer a loss. Accordingly, as the Group does not lose any income or is not deprived of any income from the sale of the Property, the Company believes that Rule 1006(b) of the Listing Manual, which refers to the "net profit attributable to the property" is nil at the Group level.

12. Waiver from compliance with Rule 1014(2) of the Listing Manual for the Proposed Disposal ("Waiver")

As the relative figure computed under Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Disposal is considered a major transaction under Chapter 10 of the Listing Manual, and requires shareholder approval at a general meeting. The Company has however, applied to the SGX-ST on 10 September 2014 for the Waiver and the SGX-ST has on 18 September 2014, granted to the Company the Waiver subject to the following:

(i) the Company announcing the grant of the Waiver, details of reasons for seeking the Waiver and the conditions as required under Rule 107 of the Listing Manual; and

(ii) submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company.

<u>Reasons for seeking the waiver</u>

The Company applied for the Waiver on the following grounds:

(i) **Non-core asset:** The Company's core business is in the area of providing information communication technology expertise and services, providing mechanical, electrical and plumbing expertise and services, and providing sustainable solutions to its client. As the Property has only been used for office space and the Company does not conduct and does not need to conduct any operations at the Property, the Property is a non-core asset of the Group and is easily replaceable. Hence the Proposed Disposal will not affect the Group's existing business.

(ii) **Net profits attributable to the Property is nil at Group level:** The Property is held by the Vendor, which is a wholly-owned subsidiary of the Company. The Company uses the Property as its office premises and the Vendor bills the Company S$27,000 per month for the rental of the Property. As such, the Company does not actually make a profit from the Property. If the Vendor were to rent out the Property to a third party for the same amount of S$27,000 in order to receive actual profit from the Property, the Company would then have to, as a consequence of renting out the Property to a third party, find a new office premise, and the rental charges for occupying a new premise would either be the same amount of rent at S$27,000 or more than S$27,000, which would mean that the Company would ultimately not make any profit, or even suffer a loss. Hence, as the Group does not lose any income or is not deprived of any income from the sale of the Property, the Company believes that Rule 1006(b) of the Listing Manual, which refers to the "net profit attributable to the property" is nil at the Group level.

(iii) **Market capitalisation is expected to increase in the near future, bringing relative market capitalization ratio pursuant to Rule 1006(c) of the Listing Manual to approximately 20%:** The Company had on 29 August 2014 received approval from its shareholders to create and issue redeemable zero coupon convertible bonds with an aggregate principal amount of S$120,000,000 ("**Bond Issue**"). The first tranche of bonds with an aggregate principal amount of S$2 million was issued on 29 August 2014 and subsequently converted into 30,308,594 shares on 3 September 2014 and 9 September 2014 respectively. Together with the 10,285,714 shares allotted to Pacific Alliance Asia Opportunity Fund L.P. for its services in relation to the Bond Issue, the total share capital of the Company was enlarged from 383,152,974 to 423,747,283 to date.

The second tranche of bonds with an aggregate principal amount of S$2 million was issued on 10 September 2014. A third tranche of bonds with an aggregate principal amount of S$2 million is pending. These bonds will be eventually be converted into shares of the Company. Assuming that the conversion price of the bonds remains at S$0.06588, the S$4 million worth of bonds will be converted into 60,716,454 shares of the Company. The enlarged share capital of the Company will then constitute 484,463,737, shares. Assuming that the share price remains the same at S$0.06588, the market capitalisation of the Company will then be S$31,916,471 million. Accordingly, the relative ratio calculated under Rule 1006(c) of the Listing Manual would then decrease to 20.3%, which only exceeds the 20% threshold by 0.3%. Hence, as the issue and conversion of subsequent tranches of bonds pursuant to the Bond Issue would further increase the share capital of the Company, it is highly probable that the relative ratio calculated under Rule 1006(c) of the Listing Manual will decrease to below 20% in the near future. In such a scenario, as none of the bases under Rule 1006 would be above 20%, the Proposed Disposal would no longer be considered a major transaction for the purposes of the Listing Manual, and accordingly, shareholders' approval for the Proposed Disposal would not need to be obtained.

Pursuant to the Waiver granted by the SGX-ST on 18 September 2014, the Company will not be seeking shareholders' approval for the Proposed Disposal at a general meeting.

13. Other matters

A copy of the Option and the Valuation Report will be available for inspection during normal business hours at the Company's registered office at 28 Kaki Bukit Crescent, Kaki Bukit Techpark 1, Singapore 416259, for a period of three (3) months from the date of this announcement.

By Order of the Board

Company Secretary
Lun Chee Leong
14 October 2014