SIGNING OF CONDITIONAL SALE AND PURCHASE AGREEMENT FOR THE PROPOSED SALE OF ENTIRE SHAREHOLDING INTERESTS IN HENAN ZHONGYUAN FOUR SEASONS AQUATIC LOGISTIC HARBOR CO. LTD. (河南中原四季水产物流港股份有限公司)

1. INTRODUCTION

1.1 The board of directors (the "**Board**" or "**Directors**") of GSH Corporation Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company and its wholly-owned subsidiary, GSH (Zhengzhou) Investments Pte. Ltd. ("**Vendor**") have on 29 November 2019 entered into a conditional sale and purchase agreement ("**SPA**") with Henan Zhongyuan Four Seasons Aquatic Logistic Harbor Co., Ltd. (河南中原四季水产物流港股份有限公司) ("**Henan Zhongyuan**") and Henan Xinrun Industrial Co., Ltd. (河南新润实业有限公司) ("**Purchaser**"), in relation to the sale of 171 million shares in Henan Zhongyuan, held by the Vendor ("**Sale Shares**"), to the Purchaser ("**Proposed Sale**").

1.2 Henan Zhongyuan is a 30%-owned associate of the Vendor, which was acquired in March 2017. Upon completion of the SPA ("**Completion**"), the Vendor would have disposed of its entire shareholding interest in Henan Zhongyuan, and Henan Zhongyuan will cease to be an associated company of the Company.

1.3 The Proposed Sale constitutes a "major transaction" under Chapter 10 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited, and will require the approval of the shareholders of the Company (the "**Shareholders**") being obtained at an extraordinary general meeting to be convened (the "**EGM**"). For further details on the relative figures in respect of the Proposed Sale computed on the bases set out in Rule 1006 of the Listing Manual, please refer to Section 3 of this announcement.

2. THE PROPOSED SALE

2.1 Information on Henan Zhongyuan

Henan Zhongyuan is a company incorporated in the People's Republic of China ("**PRC**"). Its business operations are based in Zhengzhou, the capital of Henan Province in the PRC. Henan Zhongyuan carries on the business of leasing of properties, consisting of a food logistics and warehousing hub.

2.2 Information on the Purchaser

The Purchaser is a company incorporated in the PRC, and is a special purpose vehicle incorporated by two of the existing shareholders of Henan Zhongyuan (namely Mr. Li Hongyan (李鸿雁) and Mr. Li Junli (李军利)) for the purpose of this Proposed Sale.

This Section 2.2 in respect of information on the Purchaser is based solely on information and representations provided by the Purchaser.

2.3 Consideration

The consideration for the sale of the Sale Shares to the Purchaser under the SPA ("**Consideration**") comprises:

(i) RMB 278 million ("**Base Consideration**"), which will be paid by the Purchaser to an escrow account ("**Escrow Account**") pending Completion, in the following tranches:

(a) RMB 50 million ("**Deposit**") to be paid within 5 days of signing of the SPA or opening of the Escrow Account, whichever is later; and

(b) RMB 228 million ("**Second Tranche**") to be paid prior to 27 December 2019.

(ii) any interest earned on each of the Base Consideration tranches during the period of escrow, whether through fixed-term deposits or otherwise.

The Consideration held in escrow will be released and remitted to the Vendor on Completion.

2.3.1 Determination of Consideration

The Consideration was arrived at after arm's length negotiations between the Company, the Vendor, Henan Zhongyuan and the Purchaser (collectively, the "**Parties**") and on a willing-buyer and willing-seller basis, taking into account the returns on investment for the Company and Vendor. The Company, through the Vendor, had invested RMB 200 million to subscribe for the Sale Shares in March 2017. Assuming that the Proposed Sale is completed in March 2020, the return on investment and annualised return on investment amounts (based on the Base Consideration) would be approximately 39% and 12% respectively.

2.4 Salient terms of the SPA

In addition to the Consideration as stated in Section 2.3 above, the other salient terms of the SPA are as follows:

(a) **Escrow Account**

After execution of the SPA, the Vendor and the Purchaser shall enter into an escrow agreement with a commercial bank in the PRC as designated by the Vendor, in relation to the provision of escrow services by such bank in respect of the maintenance and operation of the Escrow Account. Pursuant to the SPA and as set out in Section 2.3, the Base Consideration shall be transferred to the Escrow Account pending Completion.

(b) **Approvals, Authorisations and Procedural Requirements**

(i) Parties shall obtain all necessary and applicable approvals and authorisations within three (3) months of the date of the SPA. This period may be unilaterally extended for a further three (3) months by any Party by notice in writing to the other Parties, should such Party fail to obtain such approvals and authorisations within the initial 3-month period.

(ii) Once the Deposit has been transferred to the Escrow Account in accordance with the SPA, Henan Zhongyuan, and Vendor and the Purchaser shall each appoint one (1) personnel to a working group for the purposes of making the necessary submissions, lodgements and applications to the relevant regulatory authorities in the PRC for the purposes of effecting the transfer of the Sale Shares ("**PRC Regulatory Procedures**"). The PRC Regulatory Procedures shall be completed within three (3) months from the transfer of the Second Tranche. This period may be extended for a further three (3) months should Parties be unable to complete the PRC Regulatory Procedures within the initial 3-month period, but any further extension beyond the foregoing shall require mutual agreement between the Purchaser and the Vendor, subject to there having been no breach of the SPA.

(c) **Penalties / Liabilities for Breach of SPA Obligations**

Parties in breach of certain obligations under the SPA will be subject to certain penalties and/or liabilities depending on the obligation breached. These include the following:

(i) a RMB 50 million penalty payable by the Purchaser to the Vendor in the event the Purchaser fails to make payment of the Deposit in accordance with the SPA. The SPA may be unilaterally terminated by the Vendor in such event; and

(ii) a late-payment penalty interest of 1% per month imposed on the unpaid amount, which will accrue on a daily basis, where the Purchaser fails to make payment of the Second Tranche in accordance with the SPA. In the event the Purchaser fails to make full payment of the Second Tranche within one (1) month from the date such interest begins to accrue, the SPA may be unilaterally terminated by the Vendor and in such event, the Vendor shall have the right to claim an agreed liquidated damage amount of RMB 50 million from the Purchaser, which may be paid out of the Deposit held in the Escrow Account.

3. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL IN RELATION TO THE PROPOSED SALE

3.1 For the purposes of Chapter 10 of the Listing Manual, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual based on the latest announced unaudited consolidated financial statements of the Group for the financial period ended 30 September 2019 ("**9M2019**") are set out below:

BASE OF CALCULATION		RELATIVE FIGURES (%)
(a)	Net asset value ("**NAV**") of the Sale Shares to be disposed of, compared with the Group's NAV	17%[1]
(b)	Net profits[2] attributable to the Sale Shares disposed of, compared with the Group's net profits	35%[3]
(c)	Aggregate value of the consideration received[6], compared with the Company's market capitalisation[4] of S$714,031,206[5] based on the total number of issued shares excluding treasury shares	8%
(d)	Number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities of the Company previously in issue	Not applicable
(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. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil or gas company, but not to an acquisition of such assets	Not applicable

<u>Notes</u>:

(1) Based on the NAV of the Sale Shares, being approximately S$67,324,000 as at 30 September 2019, compared with the Group's NAV, being approximately S$392,757,000 as at 30 September 2019, based on the latest announced consolidated accounts of the Group for 9M2019. No valuation of the Sale Shares was commissioned for the purpose of the Proposed Sale.

(2) Under Rule 1002(3)(b) of the Listing Manual, "**net profits**" means profit or loss before income tax, minority interests and extraordinary items.

(3) The net profits attributable to the Sale Shares for the purposes of this calculation is S$5,475,000, computed based on the unaudited net profits of the Vendor for 9M2019. The Group's unaudited net profits for 9M2019 was S$15,727,000.

(4) Under Rule 1002(5) of the Listing Manual, "**market capitalisation**" is determined by multiplying the number of shares in issue by the weighted average price of shares transacted on the market day preceding the date of the SPA.

(5) The Company's market capitalisation is computed based on the number of issued shares of the Company ("**Shares**") on 28 November 2019 of 1,958,933,350 Shares, and the weighted average price of Shares transacted on 28 November 2019 of S$0.3645 per Share.

(6) Based on the Base Consideration of RMB 278 million (approximately S$54.0 million, based on an exchange rate of 1 RMB : 0.19418 SGD as at 28 November 2019).

3.2 As the relative figure computed on the basis set out in Rule 1006(b) of the Listing Manual exceeds 20%, the sale of Sale Shares under the Proposed Sale constitutes a "**major transaction**" under Chapter 10 of the Listing Manual and is therefore subject to Shareholders' approval.

4. RATIONALE AND BENEFITS OF THE PROPOSED SALE

The Proposed Sale was made pursuant to an offer to purchase received by the Group from the Purchaser. The Board, after careful consideration, is of the view that it is in the best interests of the Group to undertake the Proposed Sale for the following reasons:

(a) the Group acquired the Sale Shares in March 2017 at a cash consideration of RMB 200 million, with the intention of diversifying and balancing its existing property portfolio in Singapore and Malaysia with that of the business of Henan Zhongyuan;

(b) the Proposed Sale would represent an opportunity for the Group to realise the value of the Sale Shares at a premium to its investment cost, representing a return on investment of at least approximately 39% (based on the Base Consideration compared with the consideration paid for the acquisition of the Sale Shares in March 2017), to a ready and willing buyer without any due diligence to be conducted, in a time and cost-efficient manner notwithstanding that this may be below the book value of the Sale Shares (please refer to Section 6.2 below for further details).

(c) the Proposed Sale presents a good opportunity for the Group to realise cash flow for its other businesses. With the Proposed Sale, management can also better focus its time and attention on its other businesses and exploring other investment opportunities.

The Board is of the view that the Proposed Sale will not have any material effect on the Group's remaining and future business operations. After taking into account the above, the Board after careful consideration is of the view that the Consideration is fair and reasonable and that the Proposed Sale is in the best interests of the Group.

5. INTENDED USE OF PROCEEDS FROM THE PROPOSED SALE

The Company expects to receive net proceeds of approximately S$53.9 million[(1)] (after deducting estimated expenses of approximately S$0.1 million) from the Proposed Sale. Part of the net proceeds will be used to retire bank financing taken to finance the investment of S$26.9 million as at 30 September 2019 and the balance will be used for working capital and/or business expansions as the Directors may deem fit in their absolute discretion.

Note:

(1) Based on the Base Consideration of RMB 278 million (approximately S$54.0 million, based on an exchange rate of 1 RMB : 0.19418 SGD as at 28 November 2019) less estimated expenses of approximately S$0.1 million.

6. FINANCIAL INFORMATION

6.1 Value Attributable to the Sale Shares

(a) Book Value

Based on the Group's unaudited consolidated financial statements of the Group for 9M2019, the book value attributable to the Sale Shares as at 30 September 2019 is approximately S$67,324,000.

(b) NTA

Based on the Group's unaudited consolidated financial statements of the Group for 9M2019, the NTA attributable to the Sale Shares as at 30 September 2019 is approximately S$67,324,000.

(c) Latest Available Open Market Value

The open market value of the Sale Shares is not available. No valuation of the Sale Shares was commissioned for the purpose of the Proposed Sale.

6.2 Deficit of Proceeds over the Book Value

Based on the Group's unaudited consolidated financial statements of the Group for the period ended 30 September 2019, the Completion of the Proposed Sale is expected to result in an accounting book loss of approximately S$13,341,960 to the Group.

Post-acquisition of the Sale Shares by the Vendor in March 2017, the Company had commissioned a re-valuation of the Sale Shares in February 2018 in order to ascertain the fair value of the Sale Shares as at acquisition date for accounting purposes. As such valuation reflected a book value of the Sale Shares which was higher than the Consideration, this resulted in an accounting book loss being reflected as above, notwithstanding that the Consideration in fact yields relatively significant returns on the investment (as set out in Section 2.3.1 above). The Vendor's initial acquisition price of the Sale Shares in March 2017 was also lower compared to the valuation of the Sale Shares at the time of the acquisition.

7. FINANCIAL EFFECTS OF THE PROPOSED SALE

The financial effects of the Proposed Sale on the Group are set out below. The financial effects are shown for illustrative purposes only and they do not necessarily reflect the exact future financial position and performance of the Group immediately after completion of the Proposed Sale. The financial effects set out below have been calculated using the audited consolidated financial statements of the Group for FY2018.

Share Capital

As the Proposed Sale does not involve the issue and allotment of any new Shares, the Proposed Sale will not have any impact on the Share capital of the Company.

NTA

Assuming that the Proposed Sale had been completed on 31 December 2018, the effect of the Proposed Sale on the NTA per Share of the Group is as follows:

	Before the Proposed Sale	**After the Proposed Sale**
NTA (S$'000)	376,813	367,894
Number of Shares ('000)	1,958,933	1,958,933
NTA per Share (S$ cents)	0.19	0.19

Earnings per Share

Assuming that the Proposed Sale had been completed on 1 January 2018, the effect of the Proposed Sale on the earnings per Share of the Group is as follows[(1)]:

	Before the Proposed Sale	**After the Proposed Sale**
Net (loss)/profit attributable to Shareholders (S$'000)	5,940	(2,979)
Weighted average number of Shares ('000)	1,958,933	1,958,933
Earnings / (loss) per Share − basic (S$ cents)	0.30	(0.15)

Note:
(1) Computed based on an exchange rate of 1 RMB : 0.19418 SGD as at 28 November 2019

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

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

9. SERVICE CONTRACTS

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA is available for inspection at the Company's registered office at 20 Cecil Street, #28-01 PLUS, Singapore 049705 during normal business hours for a period of 3 months from the date of this announcement.

11. <u>EGM AND CIRCULAR TO SHAREHOLDERS</u>

The Company will convene as EGM to seek the approval of the Shareholders for the Proposed Sale and a circular containing, *inter* alia, details thereof, together with the opinions and recommendations of the Directors in relation thereto and enclosing the notice of EGM in connection therewith, will be dispatched to the Shareholders in due course.

12. <u>CAUTIONARY STATEMENT</u>

Shareholders are advised to exercise caution in trading their Shares. There is no certainty or assurance as at the date of this announcement that the Proposed Sale will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are material developments in relation thereto. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

By Order of the Board

Gilbert Ee Guan Hui
CEO / Executive Director
29 November 2019