Far East Group Limited
(Company Registration No.:196400096C)

(Incorporated in the Republic of Singapore on 18 March 1964)

PROPOSED ACQUISITION AND PARTIAL LEASEBACK OF 51 UBI AVENUE 3, SINGAPORE 408858 – SALE AND PURCHASE AGREEMENT

All capitalised terms in this announcement shall, unless otherwise defined herein, have the same meanings as ascribed to them in the Earlier Announcements (as defined below).

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**") refers to its announcements dated 11 August 2017, 8 September 2017 and 22 September 2017 (the "**Earlier Announcements**") in relation to the proposed acquisition and partial leaseback of 51 Ubi Avenue 3, Singapore 408858 (the "**Property**") (the "**Proposed Transactions**"), via a non-legally binding memorandum of understanding ("**MOU**") entered into between the Company and Moduslink Pte. Ltd. (the "**Vendor**") on 10 August 2017.

Further to the Earlier Announcements, the Board wishes to announce that the Company has, on 5 October 2017, entered into a sale and purchase agreement with the Vendor for the Proposed Transactions (the "**SPA**").

2. INFORMATION ON THE PROPERTY

The Property, being the whole of Lot 4406A of Mukim 23 together with the building erected thereon, held under Certificate (SUB) Volume 458 Folio 196, bearing the address 51 Ubi Avenue 3 Singapore 408858, has a gross floor area of approximately 167,692 square feet with a leasehold tenure of 60 years commencing 1 January 1990.

3. INFORMATION ON THE VENDOR

The Vendor, which is a wholly-owned subsidiary of Moduslink Corporation, executes comprehensive supply chain and logistics services designed to improve clients' revenue, cost, sustainability and customer experience objectives. The Moduslink group operates through more than 21 sites across North America, Europe and the Asia-Pacific regions. The Vendor is an independent and unrelated third-party.

4. RATIONALE FOR THE PROPOSED TRANSACTIONS

The rationale of the Proposed Acquisition is to consolidate the operations of the Group which are currently being carried out at various locations in Singapore. Such consolidation would enhance management's oversight, operational efficiencies and interaction among the staff.

Further, there is a necessity for the Company to seek and obtain sufficient office, warehouse, assembly and product development space for the Group's business purpose as the Company had granted an option to Swee Builders Pte. Ltd. for the sale of the property situated at 5 Third Lok Yang Road, Singapore 628000 via an option to purchase agreement. Swee Builders Pte. Ltd. had on 28 August 2017 exercised the option to purchase the property in accordance with the terms and conditions of the option to purchase agreement.

5. VALUE OF AND NET PROFIT/LOSS ATTRIBUTABLE TO THE PROPERTY

As the Property is not a revenue-generating asset, the Proposed Acquisition will not contribute any profit or loss to the Group. However, due to the Proposed Partial Leaseback between the Company and the Vendor, the Company will be receiving monthly rental income from the date immediately after legal completion of the Proposed Acquisition until 31 December 2019.

6. SOURCES OF FUNDS

The Proposed Acquisition will be funded by existing cash and bank borrowings of the Group.

7. SALIENT TERMS OF THE PROPOSED TRANSACTIONS

A summary of the salient terms of the Proposed Transactions as set out in the SPA are as follows:

7.1 Proposed Acquisition

Purchase Price and Deposit

The aggregate purchase price of the Property, including all mutually agreed plant, machinery and equipment situated on the Property, is S$22,500,000 (exclusive of Goods and Services Tax ("**GST**")) (the "**Purchase Price**"). The Purchase Price was arrived at based on arm's length negotiations and on a willing-buyer and willing-seller basis, after taking into account, *inter alia*, prevailing market conditions and the current market prices of the properties in the surrounding vicinity of the Property.

The Purchase Price will be fully satisfied in cash and will be paid by the Company in the following manner:

(a) an initial payment of S$225,000 (the "**Initial Payment**"), equivalent to 1% of the Purchase Price, together with the GST payable thereon, which had been paid by the Company to the Vendor on 10 August 2017, the date of signing of the MOU;

(b) a further payment of S$2,025,000 (the "**Deposit**"), equivalent to 9% of the Purchase Price, together with the GST payable thereon, which had been paid by the Company to the Vendor's solicitors on 5 October 2017, the date of the signing of the SPA, to be stakeheld by the Vendor's solicitors on behalf of the Vendor pending successful completion of the Proposed Acquisition; and

(c) the balance of the Purchase Price of S$20,250,000, which is equivalent to 90% of the Purchase Price, together with the GST payable thereon, will be received by the Vendor from the Company upon completion of the Proposed Acquisition.

Conditions Precedent

The Proposed Acquisition is subject to and conditional upon, *inter alia*, the fulfilment or waiver of the following conditions:

(a) the Company having completed the due diligence on the Property and the Company being satisfied with the results of the same;

(b) any requisite approvals, consents, authorisations, clearances, orders, waivers and alike, including but not limited to, the approval of the Housing Development Board ("**HDB**") for the Proposed Transactions;

(c) any requisite approvals, consents, authorisations, clearances, orders, waivers and alike, by any third party, governmental or regulatory body or relevant competent authority in relation to the transactions contemplated under the SPA;

(d) the Company obtaining the letter of confirmation / waiver from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for compliance matters relating to the sale and purchase of the Property;

(e) the approval of the (i) shareholder of the Vendor, and (ii) board of directors of the Vendor; and

(f) the approval of the (i) shareholder(s) of the Company, and (ii) Board of Directors of the Company.

Completion

Subject to fulfilment or waiver of the conditions precedent, completion of the Proposed Acquisition will take place on the latest of the following dates (unless otherwise agreed between the Vendor and the Company):

(a) the date falling on the expiry of twelve (12) weeks from the date of the SPA; or

(b) the date falling on the expiry of three (3) weeks from the date of HDB's written confirmation that HDB has no objection to the Vendor's execution of the transfer or assignment of the Property.

7.2 Proposed Partial Leaseback

Demised Premises

The premises to be leased-back to the Vendor by the Company will comprise the entire 3rd floor of the building on the Property measuring approximately 75,000 square feet (as set out in the relevant approval from the HDB) of the Property.

Lease Term and Lease Commencement

The Company and the Vendor shall execute the lease agreement in relation to the Proposed Partial Leaseback (the "**Lease Agreement**") on completion of the Proposed Acquisition. Leaseback to the Vendor will commence from the date immediately after legal completion of the Proposed Acquisition until 31 December 2019.

Other Proposed Salient Terms

A draft Lease Agreement to be executed upon completion of the Proposed Acquisition has been prepared in accordance with the terms of the MOU. The salient terms in the draft Lease Agreement include the following:

Monthly Rental

The monthly rental to be paid by the Vendor to the Company is S$135,000.00 (exclusive of GST). Rental and other payments are payable in advance without any deductions whatsoever on or before the 1st day of each calendar month via GIRO payment.

Rental Security Deposit

On commencement of the lease, the Vendor will provide to the Company a rental security deposit equivalent to two (2) months' rental or based on the corresponding leaseback period at one (1) month per year of rental.

8. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**") based on the Company's latest announced unaudited financial statements of the Group for the half year ended 30 June 2017 ("**HY2017**") are as follows:

Rule 1006	Bases	Relative Figures (%)
a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value as at 30 June 2017	Not applicable[1]
b)	The net profits attributable to the assets acquired, compared with the Group's net profits for HY2017	Not applicable[2]
c)	The aggregate value of the Purchase Price, compared with the market capitalisation of the Company	256.1[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 (excluding treasury shares)	Not applicable[4]
e)	The 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	Not applicable[5]

Notes:

(1) Rule 1006(a) of the Catalist Rules is not applicable as the Proposed Acquisition does not involve a disposal.

(2) Rule 1006(b) of the Catalist Rules is not applicable as the Property is not a revenue-generating asset.

(3) The Purchase Price of S$22.50 million (excluding GST) represents approximately 256.1% of the Company's market capitalisation of approximately S$8,786,880, computed based on the Company's volume weighted average price of S$0.081 per share on 3 October 2017 (being the last day on which the shares of the Company ("**Shares**") were traded on the SGX-ST prior to the date of the signing of the SPA) and the Company's issued and paid-up capital of 108,480,000 Shares as at the date of this announcement.

(4) Rule 1006(d) of the Catalist Rules is not applicable as the Purchase Price 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 relative figure under Rule 1006(c) of the Catalist Rules exceeds 100% and the Proposed Acquisition will not result in a change in control of the Company, the Proposed Acquisition would be considered a "Very Substantial Acquisition" pursuant to Rule 1015 of the Catalist Rules. Accordingly, the Proposed Acquisition shall be conditional upon, *inter alia*, the approval by the Company's shareholders at a general meeting.

However, the Company will be seeking a waiver of Rule 1015 of the Catalist Rules from the SGX-ST, through its sponsor, SAC Capital Private Limited, on the basis that, *inter alia*, the Proposed Acquisition is for the purpose of obtaining sufficient office, warehouse, assembly and product development space for the Group's business purpose, and is not expected to change the risk profile of the Group. The Company will make a further announcement on receipt of a response from the SGX-ST on the application for waiver.

9. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

The financial effects of the Proposed Transactions as set out below are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Group and of the Company following the completion of the Proposed Transactions.

The financial effects of the Proposed Transactions on the net tangible assets ("**NTA**") per Share, loss per Share ("**LPS**") and net gearing ratio are prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016, and are subject to the following assumptions:

(a) the financial effects on the consolidated NTA per Share are computed based on the assumption that the Proposed Acquisition was completed on 31 December 2016;

(b) the financial effects on the consolidated LPS are computed based on assumption that the Proposed Acquisition was completed on 1 January 2016 and the Proposed Partial Leaseback commenced on 1 January 2016;

(c) the financial effects on the net gearing ratio are computed based on the assumption that the Proposed Acquisition was completed on 31 December 2016; and

(d) corporate actions announced and undertaken by the Group subsequent to 1 January 2017 and the expenses in connection with the Proposed Transactions have been disregarded.

9.1 Financial effects of the Proposed Acquisition on the consolidated NTA per Share

	Before the Proposed Acquisition	**After the Proposed Acquisition**
NTA[(1)] (S$'000)	20,490	20,490
Number of Shares ('000)	108,480	108,480
NTA per Share (cents)	18.89	18.89

Note:

(1) NTA refers to total assets less the sum of total liabilities, non-controlling interest and intangible assets.

9.2 Financial effects of the Proposed Transactions on the consolidated LPS

	Before the Proposed Transactions	After the Proposed Transactions
Loss attributable to owners of the Company (S$'000)	(1,179)	(1,392)
Weighted average number of Shares (excluding treasury shares) ('000)	108,480	108,480
LPS (cents)	(1.09)	(1.28)

9.3 Financial effects of the Proposed Acquisition on the Net Gearing Ratio

	Before the Proposed Acquisition	After the Proposed Acquisition
Net borrowings of the Group[(1)] (S$'000)	6,560	29,060
Total equity ('000)	25,186	25,186
Net gearing ratio[(2)] (times)	0.26	1.15

Notes:

(1) Net borrowings means total borrowings less cash and bank balances (including restricted cash in bank).
(2) Net gearing ratio is determined based on net borrowings divided by total equity.

10. DIRECTORS' SERVICE CONTRACTS

No person will be appointed as a director of the Company in connection with the Proposed Transactions. Accordingly, no service contract in relation thereto will be entered into between the Company and any such person.

11. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and controlling shareholders of the Company, or their respective associates, has any interests, direct or indirect, in the Proposed Transactions, other than through each of their respective shareholding interests, direct and/or deemed (if any), in the Company.

12. DOCUMENT FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the Company's registered office at 112 Lavender Street, #04-00 Far East Refrigeration Building, Singapore 338728 for a period of three (3) months from the date of this announcement.

13. FURTHER ANNOUNCEMENTS

The Company will make the necessary announcements, in compliance with the requirements of the Catalist Rules of the SGX-ST, as and when there are material developments in respect of the Proposed Transactions, the SPA and other matters contemplated in this announcement.

14. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading their securities in the Company as the Proposed Transactions are subject to conditions precedent and there is no certainty or assurance as at the date of this announcement that all of the conditions precedent will be satisfied (or waived, as the case may be) or that the Proposed Transactions will be completed. In the event that shareholders and potential investors are in doubt when dealing in the Shares, 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
5 October 2017

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*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 Sponsor has not 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, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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