



Far East Group Limited
(Company Registration No.:196400096C)
(Incorporated in the Republic of Singapore on 18 March 1964)

**RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
ON THE PROPOSED DIVERSIFICATION OF BUSINESS AND ENTRY INTO SUBSCRIPTION AND
SHAREHOLDERS AGREEMENT IN RESPECT OF COMFRESH GROUP HOLDINGS PTY LTD**

Unless otherwise defined or the context otherwise requires, all capitalised terms used herein bear the same meanings as in the Announcement (as defined below).

The Board of Directors (the "**Board**" or "**Directors**") of Far East Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 23 July 2021 (the "**Announcement**") relating to the Proposed Diversification and the Proposed Subscription.

The Company sets out below its responses to the SGX-ST's queries received on 27 July 2021.

Query 1

Why was there no valuation commissioned? What did the Board consider in determining the potential of the Comfresh Group?

Company's Response

As disclosed in paragraph 3.2 of the Announcement, while no valuation based on international valuation standard was commissioned by the Company in respect of the Subscription Shares, the Company has, with the assistance of a reputable international accounting firm, assessed the preliminary indicative valuation of the Comfresh Group based on enterprise value and equity value using future maintainable earnings ("**FME**") and earnings multiple.

Enterprise value is derived from assessed FME multiplied by assessed EBITDA multiple. In arriving at the estimate of the FME, adjusted *pro forma* EBITDA of the Comfresh Group over the historical period from 1 July 2018 to 28 February 2021 and forecast period from 1 March 2021 to 30 June 2022 have been considered. In the assessment of an earnings multiple, the implied EBITDA multiples of comparable listed companies and transactions completed of comparable target companies which operate within the fresh produce wholesale and distribution industry have been considered. Equity value (which is the preliminary indicative value of the Comfresh Group) is derived from enterprise value add net cash/debt and surplus assets (properties).

Such indicative valuation was prepared in accordance with APES225 Valuation Services ("**APES225**"). APES225 is the Australian Professional & Ethical Standards Board's Standard that specifies the professional and ethical obligations of a member of the Chartered Accountants Australia and New Zealand (CAANZ) in the respect of the provision of a valuation service.

The Subscription Price is within the range of the preliminary indicative valuation the Comfresh Group of between AUD\$30.5 million and AUD\$37.2 million as disclosed in paragraph 3.2 of the Announcement. The valuation work will be finalised at Closing.

Query 2

Has the Company entered into any consultancy agreement on the provision of HVAC&R solutions to Comfresh, or any other agriculture businesses / farms? How different are such solutions compared to the Group's current business?

Company's Response

The Company has not entered into any agreement directly with Comfresh on the provision of HVAC&R solutions. In the past, the Company only provided recommendations on equipment selection based on Comfresh's enquiries and Comfresh made its purchases through our distributor in Australia. There will not be any significant changes to the solutions offered by the Group in terms of its current business as the solutions offered by the Group are being applied to multiple industries, including but not limited to agricultural and food processing businesses.

Query 3

It was stated in the announcement that the Company does not plan to restrict the Proposed Diversification to any specific geographical market. However, a Restraint Clause exists whereby shareholders of Comfresh shall not engage in a competing business. How does the Company envision that it will expand the Fresh Produce Business?

Company's Response

The Company is prohibited from engaging in any business in competition with Comfresh in Australia and directly with its business. Comfresh's business is currently carried out only in Australia. The Company can carry out the expansion of the Proposed Diversification (1) through Comfresh or (2) through the Company's existing network in the regions where the Company has presence and where Comfresh currently does not have any business or on sub-distribution basis.

Query 4

Given that the Group is only acquiring 20% of Comfresh on an enlarged basis, and Comfresh will be accounted for as an associated company of the Group, please elaborate on how the acquisition will provide "additional, recurrent and sustainable revenue streams" for the Group.

Company's Response

While the Company's investment in Comfresh is only 20%, the Company's management sees value in Comfresh being a major grower and distributor in Australia. The potential growth of Comfresh's business in the future 5 years would add significant value to the Group in terms of the profitability and net worth. As disclosed in paragraph 3.4(g) of the Announcement, at least 30% of the after-tax profits shall be paid as dividends but the shareholders of Comfresh may waive this requirement if the directors of Comfresh justify any exceptions with regard to current and future cash flow, liquidity and further investment. In addition, the Company leverages on the experience and expertise of Comfresh's management to advise the Group on its plans to further expand into the Fresh Produce Business.

By Order of the Board

Loh Mun Yew
Chief Executive Officer and Executive Director
29 July 2021

*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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