



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

**PROPOSED DISPOSAL OF LAND AND FACTORY BUILDING AT LOT NO. 42182, GM 5748,
LOCALITY OF 13th MILE SUNGAI BESI ROAD, PEKAN KAJANG, DISTRICT OF HULU
LANGAT, STATE OF SELANGOR DARUL EHSAN, MALAYSIA**

1. INTRODUCTION

Unless otherwise defined, all capitalised terms used herein shall bear the same meaning as in the Company's announcements dated 13 December 2017 and 5 January 2018.

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 the announcements dated 13 December 2017 and 5 January 2018, and wishes to update that Far East Maju had, on 20 January 2018, executed the sale and purchase agreement (the "**SPA**") for the sale of the land located at Lot No. 42182, GM 5748, Locality of 13th Mile Sungai Besi Road, Pekan Kajang, District of Hulu Langat, State of Selangor Darul Ehsan, Malaysia and the factory building constructed thereon (the "**Property**") to Ng Hin Kwee & Sons Sdn. Bhd. (the "**Purchaser**") at a sale consideration of RM11,500,000 (excluding goods and services tax) (the "**Consideration**") and on the terms and subject to the conditions of the SPA (the "**Proposed Disposal**").

2. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Malaysia and is principally involved in the business of investment holding and provision of premises for rental business.

The Purchaser is an unrelated third party. The Company, its Directors and controlling shareholders are not related to the Purchaser.

3. INFORMATION AND VALUE OF THE PROPERTY

The Property consists of a piece of freehold industrial land with a gross land area of 4,485 square metres and an individual designed double storey office building annexe single storey factory/warehouse constructed thereon with a gross built up area of 3,430.16 square metres. At present, the Property is used as a warehouse.

Based on the independent valuation of the Property commissioned by the Group and undertaken by the independent professional valuer, VPC Alliance (KL) Sdn Bhd, the open market value ascribed to the Property as at 22 March 2017 in its valuation report dated 22 March 2017 (the "**Valuation Report**") was RM11,800,000 (being approximately S\$3,961,000 based on an exchange rate of S\$1:RM2.979) (the "**Valuation**"). The valuation method adopted was the comparison method. This method entails comparing recorded transactions of two to three storey office building annexe single storey warehouses and vacant industrial plot located within the vicinity and adjustments made in terms of location, land tenure, improvements and finishes of the building, land area, built-up area of the building, states of repair and time factor.

Based on the Group's latest announced unaudited consolidated financial statements for the half year ended 30 June 2017 ("**HY2017**"), the carrying amount of the Property as at 30 June 2017 was approximately S\$1,102,000. The Proposed Disposal is expected to result in a gain on disposal of approximately S\$2,496,000 after deducting estimated related expenses.

4. CONSIDERATION

The Consideration was arrived at on a willing-buyer-willing-seller basis, after taking into account the Valuation.

Under the terms of the SPA, the Consideration shall be satisfied in cash and payable by the Purchaser to Far East Maju in the following manner:

- (i) the sum of RM230,000 (equivalent to 2% of the Consideration) has been paid by the Purchaser to Knight Frank Malaysia Sdn Bhd upon execution of the Letter of Offer;
- (ii) a further sum of RM920,000 (equivalent to 8% of the Consideration) has been paid by the Purchaser upon execution of the SPA, out of which RM805,000 was paid to the Purchaser's solicitors (the "**Retention Sum**") and RM115,000 was paid to Far East Maju; and
- (iii) the balance sum of RM10,350,000 (90% of the Consideration) (the "**Balance Consideration**") is payable to the Vendor's solicitors within three (3) months from the date of the SPA (the "**Completion Date**").

5. SALIENT TERMS OF THE SPA

- 5.1 The Purchaser's solicitors shall pay the Retention Sum within 30 days from the date of the SPA to the Inland Revenue Board pursuant to the Real Property Gains Tax Act 1976 of Malaysia. In the event the Retention Sum is insufficient, Far East Maju shall be liable to pay the shortfall.
- 5.2 The Completion Date may be extended for one (1) month with interest payable on the Balance Consideration or any part thereof that remains outstanding at 8% per annum on a daily basis from the Completion Date to the date of actual payment.
- 5.3 The Property is presently charged to United Overseas Bank (Malaysia) Bhd (the "**Chargee Bank**") and the Vendor's solicitors shall be authorised to utilise the Balance Consideration to settle for and on behalf of the Vendor, the sum to be repaid to the Chargee Bank at any time within the duration of the SPA to secure the discharge of the Property, and to pay all outstanding sums and outgoings payable by Far East Maju in respect of the Property up to the Completion Date.

6. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS

The Property has been dormant since December 2016 when the manufacturing operations of the Group in Malaysia were moved to China. With the consolidation of the manufacturing operations in China, the manufacturing plant in China is running at a more efficient capacity. The Proposed Disposal will realise net cash proceeds of approximately S\$2,496,000 (after deducting estimated related expenses) and thereby will place the Group in a better position to strengthen its financial position and improve the Group's working capital.

The Group intends to deploy the entire net proceeds from the Proposed Disposal for use as general working capital.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The *pro forma* financial effects of the Proposed Disposal set out below, based on the Group's audited consolidated financial statements for FY2016, are purely for illustration purposes only and

do not reflect the future actual financial position and performance of the Company or the Group after the completion of the Proposed Disposal. The financial effects as shown below are prepared on the assumption that the expenses in connection with the Proposed Disposal have been disregarded.

7.1 Net Tangible Assets ("NTA")

The effect of the Proposed Disposal on the NTA per share of the Group for FY2016, assuming that the Proposed Disposal had been effected as at 31 December 2016 is as follows:

As at 31 December 2016	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	20,490	22,979
Number of issued shares ('000) (excluding treasury shares)	108,480	108,480
NTA per share (cents)	18.89	21.18

7.2 Earnings per Share ("EPS")

The effect of the Proposed Disposal on the EPS of the Group for FY2016, assuming that the Proposed Disposal had been effected on 1 January 2016 is as follows:

FY2016	Before the Proposed Disposal	After the Proposed Disposal
Earnings after tax attributable to ordinary shareholders (S\$000)	(1,179)	1,310
Weighted average number of issued shares ('000) (excluding treasury shares)	108,480	108,480
EPS (cents)	(1.09)	1.21

8. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE CATALIST RULES

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules") are as follows:

Rule 1006	Bases	%
(a)	The net asset value ("NAV") of the assets to be disposed of, compared with the Group's net asset value	4.40% ⁽¹⁾
(b)	The net profit attributable to the assets disposed of, compared with the Group's net profit	Not applicable ⁽²⁾
(c)	The aggregate value of the consideration received, compared with the Company's market capitalisation	48.35% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the	Not applicable ⁽⁴⁾

Rule 1006	Bases	%
	number of equity securities previously in issue	
(e)	The aggregate volume or amount proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable ⁽⁵⁾

Notes:

- (1) Based on the Property's NAV of approximately S\$1.1 million and the Group's NAV of approximately S\$25.1 million as at 30 June 2017.
- (2) Rule 1006(b) of the Catalist Rules is not applicable as the Group did not derive any income from the Property.
- (3) Based on the Consideration of RM11,500,000.00 (being approximately S\$3,860,000 based on an exchange rate of S\$1:RM2.979) and the Company's market capitalisation of approximately S\$7,984,128 on 19 January 2018 (being the last market day preceding the date of the SPA), computed based on the Company's volume weighted average price of S\$0.0736 per share and the Company's issued and paid-up capital of 108,480,000 shares.
- (4) Rule 1006(d) of the Catalist Rules is not applicable as the Consideration 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 relevant relative figure for the Proposed Disposal computed on the basis set out in Rule 1006(c) of the Catalist Rules exceeds 5% but is less than 50%, the Proposed Disposal constitutes a discloseable transaction under Chapter 10 of the Catalist Rules and does not require the approval of shareholders.

9. DIRECTORS' SERVICE CONTRACT

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.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings (if any) in the Company.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at the Company's registered office at 112 Lavender Street #04-00 Far East Refrigeration Building, Singapore 338728 for 3 months from the date of this announcement:

- (a) SPA; and
- (b) Valuation Report on the Property.

By Order of the Board

Loh Mun Yew
Chief Executive Officer and Executive Director
22 January 2018

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), SAC Capital Private Limited, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by 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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