



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

PROPOSED DISPOSAL OF 112 LAVENDER STREET SINGAPORE 338728

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**”) wishes to announce that the Company has, on 23 March 2018, issued a conditional option to purchase agreement (the “**OTP**”) to Chang Hua Construction Pte Ltd (the “**Purchaser**”), an independent and unrelated third party, to grant an option to the Purchaser for the sale of the property situated at 112 Lavender Street Singapore 338728 (the “**Property**”) (the “**Proposed Disposal**”).

2. INFORMATION ON THE PROPERTY

The Property is a four-storey building situated at 112 Lavender Street, Singapore 338728 and occupies a land area of approximately 1,936 square metres. The Property is a freehold estate and it serves as the regional headquarters of the Group’s operations. The Property has a net book value of S\$4.2 million as at 31 December 2017.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Company has recently acquired the property situated at 51 Ubi Avenue 3, Singapore 408858 (“**Acquired Property**”), and such acquisition was part of the Company’s plan to (i) consolidate the operations of the Group to increase management’s oversight, operational efficiencies and interaction among the staff and (ii) convert the Acquired Property into the new regional headquarter of the Group’s operations.

Further, the Company is of the view that the Proposed Disposal will be in the best interest of the Company as it will enable the Group to realise the value of the Property and provide liquidity and cash capital for the Group, especially since the Property is a non-core asset of the Group.

4. SALIENT TERMS OF THE PROPOSED DISPOSAL

A summary of the salient terms of the Proposed Disposal as set out in the OTP is as follows:

4.1 Consideration

The aggregate sale consideration for the Proposed Disposal excluding GST is S\$27,000,000 (the “**Consideration**”). The Consideration 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. Based on a valuation report dated 17 January 2018 (the “**Valuation Report**”) by SRX Valuations, a division of StreetSine Singapore Pte Ltd, with the residual method being adopted as the method of valuation, the current market value of the site is S\$22.4 million. The residual method is used to estimate the value of the land, that is to be redeveloped and is based on the principle that the amount to be paid is equal to the difference between (i) the completed development value based on the highest and best use for the site and (ii) the total cost of all construction and building works required to carry out the development, including all ancillary costs such as transaction costs, professional fees, financing costs and an appropriate allowance for profit for the development. The valuation was commissioned by the Company.

The Consideration will be fully satisfied in cash and will be paid by the Purchaser to the Company in the following manner:

- (a) an initial deposit of S\$270,000 (the “**Option Fee**”) together with GST payable thereon, equivalent to 1% of the Consideration, which had been paid by the Purchaser on 23 March 2018;
- (b) a further deposit of S\$1,080,000 (together with the Option Fee, the “**Deposit**”) together with GST payable thereon, equivalent to 4% of the Consideration will be received by the Company from the Purchaser no later than one (1) week after shareholders’ approval is obtained by the Company; and
- (c) the balance of the Consideration of S\$25,650,000 together with GST payable thereon, which is equivalent to 95% of the Consideration, will be received by the Company from the Purchaser upon completion of the Proposed Disposal.

The grant of the Option by the Company shall only be effective immediately after the conclusion of the extraordinary general meeting (“**EGM**”) to be convened by the Company to obtain its shareholders’ approval for the Proposed Disposal, provided that the Company’s shareholders’ approval is obtained at that EGM. In the event the Company is unable to obtain its shareholders’ approval for the Proposed Disposal at the first EGM, the Company shall inform the Purchaser of the outcome of the EGM and refund the Deposit to the Purchaser (unless otherwise agreed between the Company and the Purchaser that, *inter alia*, the Company shall convene a second EGM to obtain the necessary shareholders’ approval).

4.2 Conditions Precedent

The Proposed Disposal is subject to and conditional upon, *inter alia*, the fulfilment and satisfaction of the following conditions:

- (a) the passing of a resolution by the shareholders of the Company approving the sale of the Property to the Purchaser at a duly convened general meeting; and
- (b) the Purchaser's solicitors receiving satisfactory replies to the legal requisitions as set out in the OTP.

4.3 Completion

Completion of the Proposed Disposal herein shall take place no later than 29 June 2018, subject to shareholders' approval having been obtained by the Company.

4.4 Commission

The Company will pay a commission amounting to 1.5% of the Consideration to Raffles Developments Pte Ltd as agent ("**Commission**"), with such Commission being deducted from the Consideration upon the completion of the Proposed Disposal. Raffles Developments Pte Ltd is an independent and unrelated third-party.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The relative figures of the Proposed Disposal computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**") based on the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2017 ("**FY2017**") 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	16.4% ⁽¹⁾
b)	The net profits attributable to the assets disposed of, compared with the Group's net profits	Not applicable ⁽²⁾
c)	The aggregate value of the Consideration, compared with the market capitalisation of the Company	311.1% ⁽³⁾
(1) B a s e d	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⁾
o n t h e	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⁾

unaudited net book value of the Property as at 31 December 2017 of approximately S\$4.2 million, and the unaudited net asset value of the Group as at 31 December 2017 of approximately S\$25.4 million.

- (2) Rule 1006(b) of the Catalist Rules is not applicable as the Property is not a revenue-generating asset.
- (3) Based on the Consideration of S\$27.0 million excluding GST and the Company's market capitalisation of approximately S\$8.7 million. The market capitalisation of the Company was computed based on the issued share capital of the Company ("**Shares**") of 108,480,000 Shares and the volume weighted average price of S\$0.08 per Share on 1 February 2018 (being the last day on which the Shares were traded on the SGX-ST prior to the date of the issuance of the OTP by the Purchaser).
- (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 Proposed Disposal is a disposal of an asset in which the consideration is more than 50% of the market capitalisation of the Company, in accordance with Rule 1014 read with Rule 1006(c) of the Catalist Rules, it is considered to be a "Major Transaction" as defined under Rule 1014 of the Catalist Rules. Accordingly, the Proposed Disposal shall be conditional upon, *inter alia*, the approval by the Company's shareholders at a general meeting.

6. USE OF PROCEEDS

The net proceeds from the Proposed Disposal of approximately S\$26.2 million (the "**Net Proceeds**"), after deducting related fees and expenses of approximately S\$0.8 million, will be utilised for working capital, business expansion and future investment opportunities.

Assuming that the Proposed Disposal was completed on 31 December 2017, the gain on the Proposed Disposal or the excess of the Net Proceeds over the book value of the Property as at 31 December 2017 would be approximately S\$22.0 million.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal 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 Disposal.

The financial effects of the Proposed Disposal on the net tangible assets ("**NTA**") per Share and earnings per Share ("**EPS**") are prepared based on the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2017, and are subject to the following assumptions:

- (a) the financial effect on the consolidated NTA per Share is computed based on the assumption that the Proposed Disposal was completed on 31 December 2017;
- (b) the financial effect on the consolidated EPS is computed based on assumption that the Proposed Disposal was completed on 1 January 2017; and
- (c) the expenses in connection with the Proposed Disposal have been disregarded.

7.1 Financial effects of the Proposed Disposal on the consolidated NTA per share

	Before the Proposed Disposal	After the Proposed Disposal
NTA ⁽¹⁾ of the Group (S\$'000)	20,932	43,007
Number of Shares (excluding treasury shares) ('000)	108,480	108,480
NTA per Share (cents)	19.30	39.65

Note:

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

7.2 Financial effects of the Proposed Disposal on the consolidated EPS

	Before the Proposed Disposal	After the Proposed Disposal
Profits ⁽¹⁾ attributable to owners of the Company (S\$'000)	655	22,691
Weighted average number of Shares (excluding treasury shares) ('000)	108,480	108,480
EPS (cents)	0.60	20.92

Note:

(1) Profit refers to the loss or profit before income tax, non-controlling interests and extraordinary items.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

9. DIRECTORS' SERVICE CONTRACTS

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

10. EXTRAORDINARY GENERAL MEETING AND CIRCULAR

A circular containing further details on, *inter alia*, the Proposed Disposal and enclosing a notice of EGM in connection therewith will be despatched to the shareholders in due course.

11. DOCUMENTS FOR INSPECTION

A copy of the OTP and the Valuation Report are available for inspection during normal business hours at the Company's registered office for a period of three (3) months from the date of this announcement.

12. FURTHER ANNOUNCEMENTS

The Company will make further announcement(s) as appropriate when there are material developments to the Proposed Disposal.

13. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading their securities in the Company as the Proposed Disposal is 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 Disposal will be completed. In the event that shareholders and potential investors are in doubt when dealing in the shares of the Company, 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
23 March 2018

*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.

The contact person for the Sponsor is Ms. Lee Khai Yinn (Telephone: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.