

SOON LIAN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration Number: 200416295G)

PROPOSED PURCHASE OF PROPERTY

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of Soon Lian Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that Soon Lian Hardware (Pte) Ltd (the “**Purchaser**”), a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement dated 28 December 2017 (the “**Agreement**”) with Halliburton Far East Pte. Ltd. (the “**Vendor**”) for the purchase (the “**Proposed Purchase**”) of the property known as 6 Tuas Lane, Singapore 638615 comprised in the whole of land lot 1624T of Mukim 7 (the “**Property**”).

2. PROPOSED PURCHASE

2.1 Information on the Property

The Property is a single storey detached factory (with mezzanine level and rear extension), with an aggregate built-in area of approximately 4,800 square metres and a land area of approximately 9,800 square metres. The Property is leased from Jurong Town Corporation (“**JTC**”) for a term of 30 years commencing from 1 January 2008, subject to the terms and conditions of the JTC lease.

None of the Vendor nor directors and shareholders of the Vendor is related to the Directors or controlling shareholders of the Company and their respective associates.

2.2 Rationale for the Proposed Purchase

The Directors are of the view that the Proposed Purchase is in the best interests of the Group based on the following reasons:

- (a) as disclosed in the Company’s announcements dated 13 July 2017 and 14 August 2017, the Company is in the process of disposing of the Group’s existing premises at 9 Tuas Avenue 2, Singapore 639449 (the “**Existing Property**”). The Property is an appropriate replacement needed for the Group’s storage and fabrication of aluminium alloy materials as well as for office purposes; and
- (b) the Group does not require the entire space available in the Existing Property for its business. The built-in area of the Property, which is approximately 39% smaller than the Existing Property, is suitable and sufficient for the current operations of the Group.

2.3 Purchase Price

The purchase price of the Property is S\$7,800,000 (the “**Purchase Price**”), plus goods and services tax (“**GST**”) of S\$546,000.

The Purchase Price was determined based on arm’s length negotiations between the parties, and arrived at on a willing buyer, willing seller basis, after taking into account the prevailing market conditions and the current open market value of the Property based on an independent valuation report commissioned by the Purchaser (the “**Valuation Report**”).

According to the Valuation Report, the current open market value of the Property as at 30 November 2017, based on a direct comparison approach, whereby sales and listings of similar properties in the vicinity and elsewhere are used as guides to value after relevant valuation adjustments are made for differences in location, land area, floor area, building condition, land tenure, market conditions, amongst other factors, was S\$7,800,000.

Based on the Agreement, the Purchase Price shall be payable as follows:

- (a) a deposit of S\$834,600, equivalent to 10% of the Purchase Price and the GST thereon, paid by the Purchaser upon the signing of the Agreement; and
- (b) an amount of S\$7,511,400, being the balance of the Purchase Price and the GST thereon, shall be paid on completion of the Proposed Purchase ("**Completion**").

The Purchase Price is expected to be funded by internal resources (including but not limited to a portion of the proceeds from the sale of the Existing Property) and bank borrowings of the Group.

2.4 Salient terms of the Agreement

Salient terms of the Agreement include, *inter alia*, the following:

- (a) The Vendor shall sell, and the Purchaser shall purchase, the Property together with two cranes at the property, free from all encumbrances on Completion, upon the terms of and subject to the conditions of the Agreement.
- (b) The title to the Property shall be in order, properly deduced save that it shall be subject to such restrictions, covenants and conditions, party wall rights, easements, stipulations, exceptions and reservations (if any) affecting the same but otherwise free from encumbrances.
- (c) The Property is sold with vacant possession to be given on the Completion Date (as defined below). Save for the subletting by the Purchaser of part of the Property to the Vendor.
- (d) The Property is sold by the Vendor and purchased by the Purchaser in the state and condition and in all respects whatsoever (both presently and on Completion) on an "as is where is" basis and is sold subject to the use of the Property as currently approved by the relevant competent authorities and the Purchaser shall not be entitled to make or raise any objection or requisition whatsoever in respect thereof.

In addition, the Proposed Purchase is conditional, *inter alia*, upon:

- (a) the written in-principle approval from JTC for (i) the Vendor to sell and the Purchaser to purchase the Property; (ii) the subletting by the Purchaser of part of the Property to the Vendor for a period of one year with an option to renew for a further term of one year at the monthly rental of S\$2,500 (excluding GST); and (iii) the Purchaser's use of the Property as "storage and fabrication of aluminium alloy material" (the "**In-principle Approval**");
- (b) the final letter of approval from JTC confirming that all terms in the In-principle Approval are satisfied by the Vendor and the Purchaser unless waived by JTC in writing, and either (i) the environmental baseline study and/or risk based corrective assessment are acceptable to JTC and no decontamination works, reinstatement works and/or any other works are required to be carried out, or (ii) the decontamination works, reinstatement works and/or any other works have been properly carried out to the satisfaction of JTC; and

- (c) the approval of the shareholders of the Company (“**Shareholders**”) being obtained in a general meeting for the Proposed Purchase.

Subject to the fulfilment of the conditions, the Proposed Purchase shall be completed on a date falling three weeks after the date of receipt by the Vendor and the Purchaser of the letter from JTC confirming that JTC has no objections to the transfer of the Property from the Vendor to the Purchaser (the “**Completion Date**”).

3. **RELATIVE FIGURES UNDER RULE 1006 OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED LISTING MANUAL SECTION B: RULES OF CATALIST (THE “CATALIST RULES”)**

The relative figures for the Proposed Purchase as computed on the bases set out in Rule 1006 of the Catalist Rules and the unaudited consolidated financial statements of the Group for the half year ended 30 June 2017 are as follows:

Rule 1006	Bases	Relative figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group’s net asset value. This basis is not applicable to an acquisition of assets	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits	Not applicable ⁽¹⁾
(c)	The aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	78.5% ⁽²⁾
(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	Not applicable ⁽³⁾
(e)	The aggregate volume or amount of proved and probable reserves to be dispose of, compared with the aggregate of the Group’s proved and probable reserves	Not applicable ⁽⁴⁾

Notes:

- (1) Rule 1006(b) of the Catalist Rules is not applicable as the Property is not a revenue-generating asset.
- (2) Based on the Purchase Price and the Company’s market capitalisation of approximately S\$9.94 million. The market capitalisation of the Company was computed based on 108,000,000 issued shares of the Company (“**Shares**”) and the volume weighted average price of the Shares of S\$0.092 per Share on 5 December 2017 (being the last day on which the Shares were traded prior to the date of the Agreement).
- (3) Rule 1006(d) of the Catalist Rules is not applicable as no equity securities will be issued by the Company as consideration for the Proposed Purchase.
- (4) 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 75% but is less than 100%, the Proposed Purchase constitutes a “major transaction” under Rule 1014 of the Catalist Rules and is subject to the approval of Shareholders in a general meeting.

4. **FINANCIAL EFFECTS OF THE PROPOSED PURCHASE**

The *pro forma* financial effects of the Proposed Purchase on the Group set out below are purely for illustrative purposes only and are therefore not indicative of the actual future financial position of the Company or the Group after Completion.

The *pro forma* financial effects of the Proposed Purchase have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 (“**FY2016**”), and on the following bases and assumptions:

- (a) the financial effect on the Group's consolidated net tangible assets ("NTA") per Share is computed based on the assumption that the Proposed Purchase and the sale of the Existing Property were completed on 31 December 2016;
- (b) the financial effect on the Group's consolidated loss per Share ("LPS") is computed based on the assumptions that (i) the Proposed Purchase and the sale of the Existing Property were completed on 1 January 2016; and (ii) property tax expenses of approximately S\$65,000 were incurred for the Property;
- (c) the financial effect on the Group's gearing is computed on the assumptions that:
- (i) the Proposed Purchase and the sale of the Existing Property were completed on 31 December 2016;
 - (ii) 70% of the Purchase Price is funded by bank borrowings of the Group, while the balance 30% of the Purchase Price is funded by internal resources of the Group (including but not limited to a portion of the proceeds from the sale of the Existing Property); and
 - (iii) the bank borrowings that was secured on the Existing Property have been fully repaid; and
- (d) the expenses in connection with the Proposed Purchase are disregarded for the purpose of calculating the financial effects.

The financial effect of the Proposed Purchase on the NTA per Share as at 31 December 2016 is as follows:

	Before the Proposed Purchase	After the Proposed Purchase
NTA (S\$'000)	27,522	28,974
Number of Shares ('000)	108,000	108,000
NTA per Share (cents)	25.48	26.83

The financial effect of the Proposed Purchase on the LPS for FY2016 is as follows:

	Before the Proposed Purchase	After the Proposed Purchase
Net loss attributable to Shareholders (S\$'000)	(2,433)	(884)
Weighted average number of Shares (excluding treasury shares) ('000)	108,000	108,000
LPS (cents)	(2.25)	(0.82)

The financial effect of the Proposed Purchase on the Group's gearing as at 31 December 2016 is as follows:

	Before the Proposed Purchase	After the Proposed Purchase
Net borrowings (S\$'000)	21,846	13,883
Total equity (S\$'000)	27,628	28,561
Gearing (times)	0.79	0.48

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

6. SERVICE CONTRACTS

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

7. EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting (the “**EGM**”) will be convened to seek approval from Shareholders for the Proposed Purchase. The notice of EGM, together with a circular in relation to the Proposed Purchase, will be despatched to Shareholders in due course.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement and the Valuation Report is available for inspection at the registered office of the Company at 9 Tuas Avenue 2, Singapore 639449 during normal business hours for three months from the date of this announcement.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Purchase, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

By Order of the Board

Tan Yee Chin
Chairman and CEO
28 December 2017

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the “**Sponsor**”) for compliance with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist. 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.

The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.