

LOW KENG HUAT (SINGAPORE) LIMITED
(Company Registration No. 196900209G)
(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF WHOLLY OWNED SUBSIDIARY

1. INTRODUCTION

- 1.1 The Board of Directors of Low Keng Huat (Singapore) Limited (the "**Company**") wishes to announce that the Company's wholly owned subsidiary, Dalton Investments Pte. Ltd. (the "**Assignor**"), has on 23 March 2016 entered into a capital assignment agreement ("**CAA**") to assign and transfer (the "**Proposed Disposal**") 100% of the undivided right, title and interests in and to the charter capital of Vinametric Limited (the "**Subsidiary Company**") (being the "**Assigned Capital**") to New Life Real Estate Business Company Limited (the "**Assignee**") for an aggregate consideration of approximately VND1.10 trillion (equivalent to approximately USD49.0 million). In connection with the Proposed Disposal, the Assignor and the Assignee had entered into a conditional non-binding memorandum of understanding on 11 January 2016 ("**MOU**") to outline and evidence the general discussions between them on the Proposed Disposal. In this announcement, the Company and its subsidiaries are collectively referred to as the "**Group**", and the Assignor, the Assignee and the Subsidiary Company are collectively referred to as the "**Parties**".
- 1.2 As the relative figures computed under Rule 1006(c) of the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") exceeds 5% but does not exceed 20%, the Proposed Disposal is considered a discloseable transaction under Chapter 10 of the Listing Manual. Please see paragraph 6 below for further details on the computation of the relative figures under Rule 1006 of the Listing Manual. Accordingly, the Proposed Disposal is not subject to the approval of the shareholders of the Company ("**Shareholders**") and only an announcement on the SGX-ST is required.
- 1.3 As the Proposed Disposal involves the disposal by the Company of its entire interest in the Subsidiary Company, the Subsidiary Company will cease to be a subsidiary of the Company following the completion of the Proposed Disposal. As such, this announcement is also made pursuant to Rule 704(18)(c) of the Listing Manual.

2. THE PROPOSED DISPOSAL

2.1 Information on the Subsidiary Company and the Assignee

The Company owns the Subsidiary Company through its wholly owned subsidiary, the Assignor.

The Subsidiary Company is a 100% foreign owned company organised and existing in Vietnam under Investment License No. 420/GP dated 25 September 1992 issued by the State Committee for Cooperation and Investment (now Ministry of Planning and Investment) (as amended). Its principal activities is as the owner and operator of

a hotel currently known as Duxton Hotel Saigon, located at No. 63 Nguyen Hue Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam (the "**Duxton Hotel Saigon**").

The Assignee is a company incorporated in Vietnam with its registered office at No. 3, Road #3/2, Ward 11, District 10, Ho Chi Minh City, Vietnam. Its principal activities are to engage in real estate business.

2.2 Rationale for the Proposed Disposal

The Proposed Disposal is consistent with the Group's commitment to optimise profitability and operations. The Proposed Disposal will enable the Group to unlock cash in its non-strategic assets for investment in higher yielding assets. The Directors after careful consideration are of the view that the Aggregate Consideration (as defined below) (net of Vietnamese-specific taxes) is fair and reasonable on the basis that the Aggregate Consideration was arrived at on a willing-buyer and willing-seller basis after arm's length negotiations taking into account the open market value of Duxton Hotel Saigon, which is the main asset of the Subsidiary Company. The Group had commissioned CBRE (Vietnam) Co. Ltd to undertake a valuation of Duxton Hotel Saigon and in their valuation report dated 1 April 2014 (the "**Valuation Report**"), the open market value of Duxton Hotel Saigon was valued at US\$40 million (exclusive of VAT), subject to the existing tenancies and occupational arrangements at such point in time. The Directors are accordingly of the view that the Proposed Disposal is in the best interests of the Group.

2.3 Consideration for the Proposed Disposal

The aggregate consideration for the Proposed Disposal (the "**Aggregate Consideration**") is approximately VND1.10 trillion (equivalent to approximately USD49.0 million), after taking into account (a) an initial assignment consideration of approximately VND858,887,000,000 (equivalent to USD38.3 million) (the "**Initial Assignment Consideration**"), as adjusted in accordance with the terms of the CAA to take into account the current assets and current liabilities of the Subsidiary Company based on projected management accounts of the Subsidiary Company for the financial period ending on the Closing Date (as defined below) (the "**Assignment Consideration**"), and (b) the repayment of the existing shareholder's loan of approximately VND236,938,000,000 (equivalent to USD10.6 million) by the Subsidiary Company (the "**Dalton Existing Loan**").

The Aggregate Consideration is a net amount to be paid by the Assignee to the Assignor. The Assignee shall at its own costs pay all Vietnamese-specific taxes to the Vietnamese tax authorities in respect of the Proposed Disposal.

2.4 Payment of the Assignment Consideration

The Assignment Consideration shall be payable in the following manner (or in such other manner as the Parties may agree in writing):

- (a) on the date of the MOU, a deposit of VND46,000,000,000 (equivalent to USD2.05 million) (the "**Deposit**") (exclusive of Vietnamese-specific taxes thereon) had been paid into a deposit escrow account ("**Deposit Escrow Account**") in accordance with the terms of a deposit escrow agreement ("**Deposit Escrow Agreement**");

- (b) within 5 business days after the date of the CAA:
- (i) the balance of the Initial Assignment Consideration (after deduction of the Deposit) (the "**Balance Assignment Consideration**") shall be payable by way of depositing the Balance Assignment Consideration into the Subsidiary Company's VND current account ("**VND Account**") opened with Saigon Commercial Bank (the "**Escrow Agent**");
 - (ii) the Deposit shall automatically go towards and form part of the Initial Assignment Consideration due to the Assignor, and shall be transferred from the Deposit Escrow Account into the VND Account in accordance with the terms of the Deposit Escrow Agreement;

thereafter, the Balance Assignment Consideration and the Deposit shall collectively be converted into the USD equivalent of such amount in VND based on the prevailing USD selling rate published by the Escrow Agent as at the date of the CAA, and transferred into the Subsidiary Company's direct investment capital account (the "**USD Capital Account**") opened with the Escrow Agent in accordance with the terms of escrow and payment agreement 1 (the "**Escrow and Payment Agreement 1**"); and

- (c) on the date being 3 business days after all conditions precedent have been satisfied or waived by the relevant Party or such other date as agreed by the Parties (the "**Closing Date**"), the Assignment Consideration shall be paid to the Assignor in accordance with the terms of the CAA, which shall involve the transfer of such part of the Assignment Consideration by the Escrow Agent from the USD Capital Account into the Assignor's USD current account (the "**Singapore Account**") opened with United Overseas Bank Limited (UOB), Main Branch in accordance with the terms of the Escrow and Payment Agreement 1.

2.5 Repayment of existing shareholder's loans

On the date of the CAA, the Assignee and the Subsidiary Company separately entered into the loan agreement pursuant to which the Assignee shall advance funds to the Subsidiary Company (the "**New Life Loan**") for the purposes of funding the repayment by the Subsidiary Company to the Assignor of the Dalton Existing Loan in accordance with the terms of the CAA and other related agreements.

The Assignee shall at its own costs pay all Vietnamese-specific taxes to the Vietnamese tax authorities in respect of the repayment of the Dalton Existing Loan.

2.6 Closing Date

The targeted Closing Date is 1 June 2016 or such other date as the Assignor and the Assignee may agree in writing and the long stop date is 6 months from the date of the CAA.

3. CONDITIONS

The Proposed Disposal is conditional upon the fulfilment of, *inter alia*, the following conditions (any of which may be waived in writing, in whole or in part):

- 3.1 evidence of all necessary consents and approvals from governmental authorities and other persons having been obtained by the Company and the Assignor as may be required to carry out and undertake the obligations under the CAA under Singapore law;
- 3.2 evidence that the Assignor and the Subsidiary Company have adopted the new charter of the Subsidiary Company substantially in the form set out in the annex to the CAA to replace the current charter of the Subsidiary Company effective as at the date of the enterprise registration certificate issued to the Subsidiary Company in accordance with paragraph 3.3 below;
- 3.3 evidence that the Subsidiary Company has obtained an enterprise registration certificate pursuant to the Law on Enterprises dated 26 November 2014 to record the Assignee as the holder of the 100% interest in the Company (but there shall be no change to the General Director and Legal Representative of the Company until the Closing Date);
- 3.4 evidence that the Subsidiary Company has obtained an investment registration certificate pursuant to Law on Investment dated 26 November 2014 to record the Assignee as the investor of the 100% interest of the registered investment project; and
- 3.5 evidence that the foreign loan registration confirmation of the Subsidiary Company has been amended by the State Bank of Vietnam – Ho Chi Minh Branch to allow for repayment of the Dalton Existing Loan prior to the current registered maturity date.

4. PROCEEDS FROM THE PROPOSED DISPOSAL

The estimated net proceeds from the Proposed Disposal, including Dalton Existing Loan and after deducting professional fees and expenses relating to the Proposed Disposal of approximately S\$980,000 is approximately S\$67,600,000. The book value of the Subsidiary Company as at 31 October 2015 is approximately S\$2,600,000. Accordingly, the estimated net proceeds over the net book value attributable to the Subsidiary Company is approximately S\$65,000,000.

The Company intends that the net proceeds raised shall be used for general working capital and investment purposes, and pending deployment thereof, the net proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, as the Directors may deem appropriate in the interests of the Company.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

- 5.1 Based on the Group's latest announced unaudited consolidated financial statements for the financial period ended 31 October 2015, the net tangible asset value of the Subsidiary Company is approximately S\$2,600,000.
- 5.2 For illustration purposes only, the table below sets out the financial effects of the Proposed Disposal on the net tangible assets ("NTA") and earnings per share ("EPS") of the Group.

The estimated financial effects of the Proposed Disposal on the Group have been prepared based on the Group's audited consolidated financial statements for the

financial period ended 31 January 2015. These estimated financial effects are purely for illustrative purposes only and do not reflect the actual financial position and results of the Group after the completion of the Proposed Disposal.

The estimated financial effects of the Proposed Disposal on the Group's audited consolidated NTA per Share as at 31 January 2015, assuming the Proposed Disposal had been completed on 31 January 2015 are as follows:-

Effect on NTA	Before the Proposed Disposal	After the Proposed Disposal
Consolidated NTA (S\$'000)	659,479	659,479
Number of shares ('000)	738,816	738,816
Consolidated NTA per share (Cents)	0.89	0.89

The estimated financial effects of the Proposed Disposal on the Group's audited consolidated EPS as at 31 January 2015, assuming the Proposed Disposal had been completed on 1 February 2014 are as follows:-

Effect on EPS	Before the Proposed Disposal	After the Proposed Disposal
Profit after tax (S\$'000)	161,349	211,062
Number of shares ('000)	738,816	738,816
EPS (Cents)	21.84	28.57

6. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL

The relative figures computed on the bases pursuant to Rule 1006(a) to (e) of the Listing Manual based on the Company's latest announced unaudited consolidated financial statements for the period ended 31 October 2015 which were announced on 11 December 2015 are as follows:

Rule 1006	Bases	
(a) ⁽¹⁾	Net asset value of the assets to be disposed of	2,571,848
	Net asset value of the Group	648,085,327
	Size of relative figure	0.4%
(b) ⁽²⁾	Net profits (loss) attributable to the assets disposed of	(381,465)

	Net profits of the Group	31,795,796
	Size of relative figure	(1.2)%
(c)	The aggregate value of the consideration received	68,600,000
	The Company's market capitalisation ⁽³⁾ based on the total number of issued Shares, excluding treasury shares, as at 22 March 2016	446,983,680
	Size of relative figure	15.3%
(d)	The number of equity securities issued by the Company as consideration for an acquisition	Not applicable
	The number of equity securities previously in issue	Not applicable
	Size of relative figure	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of	Not applicable
	The aggregate of the Group's proved and probable reserves	Not applicable
	Size of relative figure	Not applicable

Notes:

- (1) Pursuant to Rule 1002(3)(a) of the Listing Manual, "net assets" means total assets less total liabilities.
- (2) Pursuant to Rule 1002(3)(b) of the Listing Manual, "net profits" means profits or loss before income tax, minority interests and extraordinary items.
- (3) Pursuant to Rule 1002(5) of the Listing Manual, "market capitalisation" of the Company is determined by multiplying the number of Shares in issue by the weighted average price of such Shares transacted on the market day preceding the date of the CAA, such market day being 22 March 2016.

As the relative figure calculated under Rule 1006(c) of the Listing Manual exceeds 5% but does not exceed 20%, the Proposed Disposal is considered a discloseable transaction under Chapter 10 of the Listing Manual, and is therefore not subject to Shareholders' approval.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial Shareholders of the Company have, to the best of their knowledge, any interests, direct or indirect, in the Proposed Disposal.

8. DIRECTORS' SERVICE CONTRACTS

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.

9. INSPECTION OF DOCUMENTS

Copies of the CAA and the Valuation Report are available for inspection during normal business hours at the Company's registered office at 80 Marine Parade Road, #18-05/09 Parkway Parade, Singapore 449269, for three (3) months from the date of this announcement.

By Order of the Board

Chin Yeok Yuen
Company Secretary
Singapore
24 March 2016