



THAKRAL CORPORATION LTD

(Incorporated in the Republic of Singapore on 7 October 1993)
(Company Registration No. 199306606E)

ANNOUNCEMENT

PROPOSED DISPOSAL OF PROPERTY THROUGH PUBLIC TENDER

Unless otherwise defined, all capitalised terms used herein shall bear the same meanings as in the Company's announcement dated 19 July 2017. Unless otherwise stated, an exchange rate of S\$1.00 : HK\$5.6703 has been applied to the figures included in this announcement.

1. INTRODUCTION

The board of directors (the **"Board"**) of Thakral Corporation Ltd (the **"Company"**, and together with its subsidiaries, the **"Group"**) refers to the announcement dated 19 July 2017.

The Board wishes to inform the shareholders of the Company (the **"Shareholders"**) that the public tender has closed at 12:00 noon (Hong Kong time) on 24 August 2017 (Thursday) and that pursuant to an evaluation of the bids received, the Group has identified the successful bidder for the Property as Good Hour International Limited (好时辰国际有限公司) (the **"Purchaser"**). The Purchaser has offered a consideration of HK\$420,000,000 (approximately S\$74,070,000) for the sale of the Property (the **"Consideration"**), and an acceptance of offer (the **"Acceptance Letter"**) was issued to the Purchaser on 24 August 2017.

As the Proposed Disposal is a major transaction pursuant to Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the **"Listing Manual"**), a circular setting out information relating to the rationale for, the tangible benefits and the financial effects of, the Proposed Disposal will be issued to the Shareholders in due course to seek Shareholders' approval for the same at an extraordinary general meeting (the **"EGM"**) to be convened at a later date.

2. INFORMATION ON THE PROPERTY

The Property comprises four (4) floors of Wah Tung Godown located at No. 4 Tung Yuen Street, Kowloon, Hong Kong:

- (a) 1st floor and 1st floor portion of the external wall (the **"First Property"**);
- (b) 4th floor (the **"Second Property"**);
- (c) 5th floor (comprising portions A, B, C, F and H, and units D, E and G) (the **"Third Property"**); and
- (d) 6th floor (the **"Fourth Property"**),

and is held under a government lease from the Government of the Hong Kong Special Administrative Region (the **"Government"**) for a term expiring on 30 June 2047 (the **"Government Lease"**).

The Property is believed to have a total gross floor area of 98,928 square feet, and is currently

being used for warehousing purposes by the Group and is subject to two tenancy agreements.

The registered owner of the First Property, the Third Property and the Fourth Property is Thakral Realty (H.K.) Limited and the registered owner of the Second Property is Crown Base Investment Limited. Both of Thakral Realty (H.K.) Limited and Crown Base Investment Limited (collectively, the “**Vendor**”) are indirect subsidiaries of the Company.

The term of the tenancy agreement in respect of the 1st floor (excluding the 1st floor portion of the external wall) and the Third Property will expire on 30 September 2017, and the tenant has not exercised its option to renew the lease for a further term of three (3) years. The term of the tenancy agreement in respect of Second Property will expire on 15 November 2018.

The Group currently occupies the Fourth Property which constitutes approximately 25% of the total gross floor area of the Property for warehousing purposes.

The Purchaser will take over the existing tenancy in respect of the Second Property and take vacant possession of the Third Property and the Fourth Property pursuant to the Proposed Disposal. Upon completion of the Proposed Disposal (“**Completion**”), and to fulfil the warehousing requirements of the Group, the Purchaser will also enter into a tenancy agreement in respect of the 1st floor (excluding the 1st floor portion of the external wall) with Thakral Corporation (HK) Limited, a wholly-owned subsidiary of the Company, for a period of one (1) year from Completion and at a monthly rental of HK\$247,320 (approximately S\$44,000) (inclusive of management fees, government rent and government rates). The tenancy agreement may be terminated upon the tenant giving three (3) months’ notice to the landlord. The Vendor shall not be required to deliver possession of the 1st floor portion of the external wall at Completion, and the Purchaser shall take possession of the same by himself on an ‘as-is’ and ‘where-is’ basis together with such fixtures, fittings and structures attached thereto.

The Property is presently subject to Legal Charge Memorial No. 10100802180066, Rent Assignment Memorial No. 10100802180073, Legal Charge Memorial No. 10100802180080, Rent Assignment Memorial No. 10100802180097, Legal Charge Memorial No. 10100802180101, Rent Assignment Memorial No. 10100802180117, Legal Charge Memorial No. 10100802180121 and Rent Assignment Memorial No. 10100802180133 (collectively, the “**Mortgage**”) in favour of United Overseas Bank Limited (the “**Lender**”). Prior to or at Completion, the Vendor shall at its sole expense procure the release and/or discharge of the Property by the Lender from the Mortgage. The Proposed Disposal will not have a material impact on the financing requirements of the Group as the Company intends to use the Consideration to procure the release and/or discharge of the Property by the Lender from the Mortgage.

3. **CONSIDERATION**

The consideration to be paid by the Purchaser for the Property is HK\$420,000,000 (approximately S\$74,070,000). The Proposed Disposal, including the determination of the Purchaser and the Consideration, was conducted through a public tender process.

The Purchaser paid HK\$20,000,000 (approximately S\$3,527,150)¹ upon the deposit of the

¹ On 19 July 2017, the Company announced that the initial deposit payable is five per cent (5%) of the purchase price offered by each bidder. This was subsequently amended to HK\$5,000,000 for each of the First Property, the Second Property, the Third Property and/or the Fourth Property which the bidder intends to purchase in the final form of the Particulars and Conditions of Sale in order to provide bidders with greater flexibility regarding their final offer price and ability to prepare the bank draft in advance.

Form of Tender by way of a cashier order issued by a licensed bank in Hong Kong (the “**Initial Deposit**”). Upon acceptance of the tender by the Vendor on 24 August 2017, the solicitors acting for the Vendor (the “**Vendor’s Solicitors**”) presented the Initial Deposit for payment and the Initial Deposit was treated as part payment of the Consideration.

Within seven (7) days from (but not including) the date of the Acceptance Letter, the Purchaser shall pay to the Vendor’s Solicitors (by way of cashier order drawn on a licensed bank in Hong Kong) a further sum equivalent to ten per cent (10%) of the Consideration less the Initial Deposit which shall be treated as a further deposit and part payment of the Consideration (the “**Further Deposit**” and together with the Initial Deposit, the “**Deposit**”).

The balance of the Consideration shall be paid by way of cashier order drawn on a licensed bank in Hong Kong within seven (7) days after the date of written notification to the Purchaser or the solicitors acting for the Purchaser from the Vendor’s Solicitors that at the EGM, the approval of the Shareholders has been obtained for the Proposed Sale on the terms and conditions set out in particulars and conditions of sale by public tender issued in connection with the Proposed Disposal (the “**Particulars and Conditions of Sale**”) provided always that the date of Completion shall not be later than 22nd November 2017.

The Consideration for the Proposed Sale will be payable by the Purchaser to the Vendor in cash.

4. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

The principal terms of the Particulars and Conditions of Sale are set out below.

4.1. Title to the Property

The Vendor shall sell as beneficial owner and the Property is sold for the residue of the term of years for which the same is held from the Government under the Government Lease subject to the payment of the Government rent and premium (if any), and to the performance and observance of the covenants and conditions or the terms and stipulations reserved and contained in the Government Lease and subject to and with the benefit of all subsisting rights, rights of way, easements, privileges and appurtenances affecting the same. The Vendor does not warrant or represent that a legal estate of and in the Property will be delivered or given to the Purchaser on Completion and the Purchaser fully acknowledges and accepts that the Property is sold absolutely subject to the terms of the Government Lease in so far that only an equitable estate or interest in the Property will be delivered or given to the Purchaser on Completion.

4.2. Conditions Precedent

Completion shall be conditional upon the following conditions precedent having been fulfilled:

- (a) the approval of the Shareholders for the Proposed Disposal on the terms and conditions set out in the Particulars and Conditions of Sale pursuant to Chapter 9 (*Interested Person Transaction*) (where necessary) and Chapter 10 (*Acquisitions and Realisations*) of the Listing Manual having been obtained at the EGM; and
- (b) all other relevant approvals, authorisations, clearances, confirmations, consents and/or waivers, as may be required, in connection with the Proposed Disposal on the terms and conditions set out in the Particulars and Conditions of Sale having been

obtained and not withdrawn or revoked.

In the event that the approval of the Shareholders for the Proposed Disposal on the terms and conditions set out in the Particulars and Conditions of Sale pursuant to Chapter 9 (*Interested Person Transaction*) (where necessary) and Chapter 10 (*Acquisitions and Realisations*) of the Listing Manual is not obtained at the EGM, the Vendor shall be entitled to terminate the Proposed Disposal by notice in writing to the Purchaser in which event, the Deposit shall be returned to the Purchaser within five (5) Business Days following such termination without interest, costs or compensation and neither the Vendor nor the Purchaser shall have any claim against each other with regards to the Proposed Disposal.

4.3. Warranties

The Property is and will be sold on an "as is" basis and no warranty is given by the Vendor on any of the following matters, namely:

- (a) the physical state and condition of the Property, its composition or manner of construction;
- (b) the physical state and condition, quality or fitness of the fittings and finishes or the installations and appliances (if any) incorporated in the Property;
- (c) whether any illegal structure or alteration is being erected or made on the Property;
- (d) whether or not the Property conforms to the approved building plans thereof;
- (e) the permitted user of the Property;
- (f) the re-development potential or value of the Property; and
- (g) the area of the Property.

5. VALUE OF THE PROPERTY

As at the date of this announcement, the book value, net tangible asset value and latest available open market value of the Property is HK\$214,934,000 (approximately S\$37,905,000), HK\$214,934,000 (approximately S\$37,905,000) and HK\$262,400,000 (approximately S\$46,276,000) respectively. The excess of the Consideration over the net book value of the Property is HK\$205,066,000 (approximately S\$36,165,000).

Jones Lang LaSalle Limited was appointed by Thakral Realty (H.K.) Limited on 17 May 2017 to perform a valuation of the Property whereby the Property was valued at HK\$380,000,000 (approximately S\$67,016,000). The valuation was performed based on the existing state of the Property as at the date of the valuation, assuming sale with vacant possession in respect of the owner-occupied portion and sale subject to existing tenancies in respect of the tenanted portion.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

6.1. Bases and Assumptions

The following are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company after Completion. The financial effects of the

Proposed Disposal on the Company as set out below are based on the Group's audited financial statements for the year ended 31 December 2016 and the following assumptions:

- (a) the financial effects on the Group's NTA attributable to the Shareholders and the NTA per Share have been computed assuming that Completion took place on 31 December 2016; and
- (b) the financial effects on the Group's earnings attributable to the Shareholders and the EPS have been computed assuming that Completion took place on 1 January 2016.

6.2. Share Capital

As no new ordinary shares in the capital of the Company ("Shares") will be issued by the Company in connection with the Proposed Disposal, the Proposed Disposal will have no impact on the Company's issued share capital.

6.3. NTA per Share

	Before the Proposed Disposal	After Completion
NTA ⁽¹⁾ attributable to the Shareholders (S\$'000) ⁽¹⁾	97,614	133,477
Number of Shares ('000)	130,860,616	130,860,616
NTA per Share (cents) ⁽¹⁾	74.59	102.00

Notes:-

- (1) NTA means total assets less the sum of total liabilities, non-controlling interest and intangible assets (net of non-controlling interest).
- (2) For the purposes of this Section 6.3, an exchange rate of S\$1.00 : HK\$5.3547 (being the relevant exchange rate as at 31 December 2016) has been applied.

6.4. EPS

	Before the Proposed Disposal	After Completion
Profit after taxation and non-controlling interests (S\$'000) ⁽¹⁾	423	34,076
Weighted average number of Shares ('000)	130,860,616	130,860,616
EPS (cents) ⁽¹⁾	0.32	26.04

Note:-

- (1) For the purposes of this Section 6.4, an exchange rate of S\$1.00 : HK\$5.6029 (being the average exchange rate for 2016) has been applied.

6.5. Gearing

	Before the Proposed Disposal	After Completion ⁽²⁾
Net borrowings / (cash) ⁽¹⁾ as at 31 December 2016 (S\$'000) ⁽³⁾	60,407	(15,595)
Shareholders' equity (S\$'000) ⁽³⁾	96,471	132,334
Gearing (times)	0.63	N/A

Notes:-

- (1) Net borrowings means total borrowings less cash and bank balances. Net cash means cash and bank balances are more than total borrowings.
- (2) Borrowings exclude the amount from the Net Sale Proceeds used to procure the release and/or discharge of the Property by the Lender from the Mortgage.
- (3) For the purposes of this Section 6.5, an exchange rate of S\$1.00 : HK\$5.3547 (being the relevant exchange rate as at 31 December 2016) has been applied.

7. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures of the Proposed Sale computed on the bases as set out in Rule 1006 of the Listing Manual and based on the latest unaudited financial statements of the Group for the financial period which commenced on 1 January 2017 and ended on 30 June 2017 ("1H2017") are set out as follows:

	Bases Under Rule 1006	Relative Figure
(a)	The NAV of the assets to be disposed of, compared with the Group's NAV. This basis is not applicable to an acquisition of assets.	38.6%
(b)	The net profits / (loss) ⁽¹⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits.	8.7% ⁽²⁾
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares.	125.8% ⁽³⁾
(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.	N.A.
(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. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil & gas company, but not to an acquisition of such assets.	N.A.

Notes:-

- (1) Net profits / loss means profit or loss before income tax, minority interest and extraordinary items.
- (2) Based on the net profits / (loss) attributable to the Property of HK\$1,826,000 (approximately S\$329,205) and the net profits / (loss) attributable to the Group for 1H2017 of HK\$21,061,000 (approximately S\$3,797,032). For the purposes of this Note (2), an exchange rate of S\$1.00 : HK\$5.5467 (being the average exchange rate for 1H2017) has been applied
- (3) Based on the Consideration of HK\$420,000,000 (approximately S\$74,070,000) and the market capitalisation of the Company being S\$58,874,000, which is calculated based on the weighted average price of S\$0.45 per Share on 23 August 2017 (being the market day preceding the date of the Acceptance Letter) and 130,860,616 Shares in issue as at 24 August 2017 (being the date of the Acceptance Letter).

Accordingly, the Proposed Sale is a major transaction pursuant to Chapter 10 of the Listing Manual.

8. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF NET SALE PROCEEDS

The Group's holding of the Property is currently mainly for investment and rental / self-use purposes. As property prices in Hong Kong are at a high in view of interest from mainland Chinese and local property developers, the Directors believe that this is an opportune time to realise the Group's investment in the Property.

As the Proposed Disposal would allow the Group to sell and dispose of the Property at a price which is at a premium to the book value of the Property and enable the Group to recognise a profit of approximately HK\$192,036,000 (approximately S\$33,867,000) (based on the latest book value as at 30 June 2017), the Directors believe that the Proposed Disposal is an opportunity for the Group to realise its investment in the Property.

Further, pursuant to a strategic review of the Group's financial position and long-term operational needs, the Directors concluded that the Proposed Disposal would free up financial resources for better liquidity and fund the Group's working capital requirements to carry out the core businesses of the Group, which include investments in Japan, Australia and other territories as the Directors may deem fit. The Proposed Disposal will also strengthen the financial position of the Group as a whole. Given the aforesaid reasons, the Directors are of the view that the Proposed Disposal will be in the best interests of the Company.

The net sale proceeds from the Proposed Disposal will be approximately HK\$406,970,000 (approximately S\$71,772,000) (after deducting expenses of approximately HK\$13,030,000 (approximately S\$2,298,000) incurred in connection with the Proposed Disposal) (the "**Net Sale Proceeds**"). The intended use of the Net Sale Proceeds is as follows:

- (a) approximately HK\$99,375,000 (approximately S\$17,525,000) will be used to procure the release and/or discharge of the Property by the Lender from the Mortgage; and
- (b) the remainder of approximately HK\$307,595,000 (approximately S\$54,247,000) will be used to fund the Group's working capital requirements to carry out the core businesses of the Group which include investments, and/or such other purposes as the Directors may deem fit. Pending the deployment of the Net Sale Proceeds for such purpose, the Net Sale Proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purpose on a short-term basis as the Directors may in their absolute discretion, deem fit.

9. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the directors or substantial shareholders or their respective associates, has any interest, direct or indirect, in the Proposed Disposal.

10. SERVICE CONTRACTS

There are no directors who are proposed to be appointed to the Board in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours, on any weekday (public holidays excepted), at the registered office of the Company at 20 Upper Circular Road, #03-06 The Riverwalk, Singapore 058416 for three (3) months from the date of this announcement:

- (a) the Constitution of the Company;
- (b) the annual report of the Company for the financial year ended 31 December 2016;
and
- (c) the Particulars and Conditions of Sale.

On behalf of the Board

Natarajan Subramaniam
Independent Non-Executive Chairman

Singapore, 24 August 2017