

ASIA-PACIFIC STRATEGIC INVESTMENTS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 200609901H)

THE PROPOSED DISPOSAL OF 100% OF THE ISSUED SHARES IN ZHEJIANG ZHONGFANG YASHE HOTEL MANAGEMENT CO., LTD AND THE HOTEL PROPERTY AND RELATED ASSETS OWNED BY ZHONGFANG LIANHE GRAND CANAL CULTURE TOURISM GROUP CO., LTD

1. INTRODUCTION

- 1.1. The board of directors (“**Board**” or the “**Directors**”) of Asia-Pacific Strategic Investments Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that Zhongfang Lianhe Grand Canal Culture Tourism Group Co., Ltd (中房联合大运河文化旅游集团有限公司, “**Grand Canal**”), a 78.5%-owned direct subsidiary of the Company, and Zhejiang Zhongfang Yashe Hotel Management Co., Ltd (浙江中房雅舍酒店管理有限公司, “**Yashe**”), a 100%-owned subsidiary of Grand Canal, had on 15 December 2022 entered into an equity and asset acquisition agreement (the “**Acquisition Agreement**”) with Huzhou Hongji Enterprise Management Co., Ltd. (湖州弘基企业管理有限公司, the “**Purchaser**”) pursuant to which Grand Canal will sell 100% of the issued shares in Yashe (the “**Sale Shares**”) and Anatole by Landison Hotel Huzhou (the “**Hotel**”) and related assets (together, the “**Hotel Assets**”) to the Purchaser for an aggregate consideration of RMB80 million on the terms and conditions of the Acquisition Agreement (the “**Proposed Disposal**”).
- 1.2. In connection with the Proposed Disposal, Grand Canal, Yashe and the Purchaser had on 15 December 2022 also entered into a debt assignment agreement (the “**Assignment**”) pursuant to which Grand Canal will transfer all its claims against Yashe, amounting to RMB5.995 million, to the Purchaser on the terms and conditions of the Assignment.
- 1.3. The Proposed Disposal constitutes a “major transaction” under Chapter 10 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Catalist Rules**”) and is subject to the approval of the shareholders of the Company (“**Shareholders**”). Please refer to Section 3 below for further details on the relative figures in respect of the Proposed Disposal computed on the bases set out in Rule 1006 of the Catalist Rules.
- 1.4. The Company intends to seek Shareholders’ approval for the Proposed Disposal at an extraordinary general meeting (“**EGM**”) to be convened.

2. THE PROPOSED DISPOSAL

2.1. Information on the Purchaser

The information on the Purchaser provided below was provided to the Company by the Purchaser. In respect of such information, the Board has not conducted an independent review or verification of the accuracy and correctness of the statements and information below. The Company’s responsibility is limited to the proper extraction and reproduction herein in the context that is being disclosed in this announcement.

The Purchaser is a limited liability company established and validly existing in Huzhou City, the People’s Republic of China (“**PRC**”) with a registered capital of RMB10 million.

The Purchaser is 90% owned by Deng Siyun (邓思贇) and 10% owned by Chang Haipeng (常海鹏). Deng Siyun and his family members control Beijing Jinyun Electric Installation Co., Ltd. (北京市金运电气安装股份有限公司), a power engineering installation service provider. Chang Haipeng and his family members control Zhejiang Zhongyi Construction Group Co., Ltd. (浙江中屹建设集团有限公司), a construction engineering company.

As at the date of this announcement, the Purchaser (i) does not have any existing interest (whether direct or deemed) in the shares of the Company (“**Shares**”) and (ii) is not related to any of the Directors and controlling shareholders of the Company.

2.2. **Information on the Sale Shares**

Yashe is a 100%-owned subsidiary of Grand Canal and is a limited liability company established and validly existing in Huzhou City, the PRC with a registered capital of RMB10 million. Yashe holds the necessary licenses and rights for the operation and management of the Hotel.

The Sale Shares are held by Grand Canal and represent 100% of the issued shares in Yashe.

2.3. **Information on the Hotel Assets**

Grand Canal is a 78.5%-owned direct subsidiary of the Company. The remaining equity interests in Grand Canal are held by China Real Estate Group Union Co., Ltd (中房联合置业集团有限公司). Grand Canal is a limited liability company established and validly existing in Huzhou City, the PRC with a registered capital of RMB150 million. The Hotel Assets, which comprise the land on which the Hotel is situated, hotel facilities and equipment and other related assets, are owned by Grand Canal.

The Hotel is a 113-room located at Hefu Town, Huzhou City, Zhejiang Province of PRC. It is situated on leasehold land evidenced by real estate certificate No. Zhejiang (2019) Huzhou (Nanxun) Real Estate No. 0090130, with a land area of about 10,638 square meters and a building area of 15,649.84 square meters. The leasehold land on which the Hotel is situated, and the Hotel building has a total carrying value of S\$15,538,000 (approximately RMB 74,797,000) as of the financial year ended 30 June 2022 (“**FY2022**”) have been pledged as collateral to secure the banking facilities of Grand Canal amounting to RMB28,800,000 (approximately S\$5,988,000) as at 30 June 2022. The lease term of the land will expire on 18 October 2056.

2.4. **Principal Terms of the Proposed Disposal**

2.4.1. The Proposed Disposal

Under the terms of Acquisition Agreement, Grand Canal shall sell to the Purchaser, and the Purchaser shall acquire from Grand Canal, the Sale Shares and the Hotel Assets based on the terms and conditions of the Acquisition Agreement.

Under the Assignment, Grand Canal will transfer all its claims against Yashe, amounting to RMB5.995 million (the “**Claims**”), to the Purchaser on the terms and conditions of the Assignment. As of the date of the Acquisition Agreement, Grand Canal had extended interest-free shareholder’s loans of RMB5.995 million to Yashe. On completion of the Proposed Disposal (being the completion of the transfer of the beneficial ownership of the Sale Shares and Hotel Assets to the Purchaser) and the Assignment, the Claims, namely the shareholders’ loans extended by Grand Canal to Yashe, shall be repayable by Yashe (which will be 100% owned by the Purchaser on completion of the Proposed Disposal) to the Purchaser instead of Grand Canal.

2.4.2. Consideration for the Proposed Disposal

The aggregate consideration for the Proposed Disposal is RMB80 million (approximately S\$15,552,000¹) (the “**Consideration**”), comprising RMB74.005 million ascribed to the Hotel Assets, nil value for the Sale Shares² and RMB5.995 million for the assignment of the Claims.

The Consideration is payable in cash by the Purchaser as follows:

- (a) RMB40 million within 7 days after the signing of the Acquisition Agreement (the “**First Payment**”), representing 50% of the Consideration; and
- (b) RMB40 million on completion of the Proposed Disposal (the “**Second Payment**”), representing the remaining 50% of the Consideration;

The Hotel is pledged as collateral to secure the banking facilities of Grand Canal amounting to RMB28,800,000 as at 30 June 2022. The First Payment, which was paid by the Purchaser in advance on 15 December 2022, is required to be used by Grand Canal to fully repay the said banking facilities so that the pledge over the Hotel can be released by the bank.

Within 7 working days after the Purchaser pays the First Payment, Grand Canal and Yashe are required to complete the relevant procedures and registrations required to transfer legal ownership of the Sale Shares and Hotel Assets to the Purchaser. By way of a side letter to the Acquisition Agreement dated 20 December 2022 (“**Side Letter**”) entered into between Grand Canal, Yashe and the Purchaser, the parties had agreed that, amongst others, notwithstanding that the transfer of the legal ownership of the Sale Shares and Hotel Assets to the Purchaser will take place prior to Shareholders’ Approval being obtained (as defined below), (i) the beneficial ownership of the Sale Shares and Hotel Assets remains with Grand Canal and will only be transferred to the Purchaser when Shareholders’ Approval is obtained, and the Second Payment, being the remaining Consideration, is paid by the Purchaser and (ii) the Sale Shares and Hotel Assets are being held on trust by the Purchaser on behalf of Grand Canal until the Second Payment, being the remaining Consideration, is paid and upon which the completion of the Proposed Disposal will take place. Please refer to Section 3.2.1 for further details on the Side Letter. For the avoidance of doubt, while the legal title to the Sale Shares and Hotel Assets is being transferred by Grand Canal to the Purchaser before Shareholders’ Approval has been obtained, this does not constitute a breach of Rule 1014 of the Catalist Rules for the reasons detailed in Section 3.2 below.

If Shareholders’ Approval or other regulatory approvals are not obtained, the Acquisition Agreement will be terminated immediately, and the Purchaser shall cooperate with Grand Canal to return the legal ownership of the Sale Shares and Hotel Assets to Grand Canal within 14 working days. In such event, Grand Canal is required to compensate the Purchaser. Grand Canal is required to refund any of the Consideration which has been paid by the Purchaser, pay Purchaser RMB2 million in liquidated damages and bear all expenses incurred for the transaction (including any taxes and legal fees).

¹ Other than in the first paragraph of Section 2.4.2 and footnote 3 of Section 3 in relation to the Consideration, all references to RMB to S\$ exchange rate in this announcement are based on an exchange rate of RMB1 to S\$0.2079 as of 30 June 2022. All references to RMB to S\$ exchange rate in the first paragraph of Section 2.4.2 of this announcement and footnote 3 of Section 3 in relation to the Consideration is based on an exchange rate of RMB1 to S\$0.1944 as of the date of this announcement and extracted from Oanda.com.

² Nil value has been allocated to the Sale Shares as the net asset value of Yashe was negative as of the date of the Agreement. Under the terms of the Acquisition Agreement, Grand Canal is required to ensure that Yashe has no debts and liabilities within 30 days of completion of the Proposed Disposal. Any excess debts and liabilities will be borne by Grand Canal and the Purchaser is entitled to deduct it from the Second Payment (as defined above).

If the Purchaser fails to pay the Second Payment in full within 30 days of the completion of the Proposed Disposal, the Purchaser shall pay Grand Canal liquidated damages at an annual rate of 8% for the unpaid amount on a monthly basis until the Second Payment is paid in full. If the Second Payment is still not paid in full within 12 months of the completion of the Proposed Disposal, the Purchaser will return the legal ownership of the Sale Shares and Hotel Assets to Grand Canal, and Grand Canal will refund any Consideration paid by the Purchaser (after deducting the liquidated damages of RMB2 million³ and costs incurred by Grand Canal and Yashe arising from, amongst others, transfer of the hotel management rights from the Consideration).

The Consideration was arrived at on a willing-buyer willing-seller basis, taking into account, among others, the net book value of the Hotel Assets of RMB81.7 million as at 30 June 2022 and the indicative value of the Sale Shares and the Hotel Assets (on an aggregate basis) based on independent desktop valuation using the market and income approaches, ranges between RMB62 million to RMB81 million as at 30 September 2022.

2.4.3. Conditions Precedent to the Proposed Disposal

The completion of the Proposed Disposal is conditional on, amongst others:

- (a) the requisite consents or approvals of the relevant government departments and other third parties (if required) having been obtained in respect of the Proposed Disposal;
- (b) the requisite consents or approvals of the board of directors and/or shareholders of Grand Canal and Yashe having been obtained in respect of the Proposed Disposal;
- (c) the approval of the Shareholders of the Company and/or the SGX-ST or other regulatory agencies (if required) having been obtained in respect of the Proposed Disposal ("**Shareholders' Approval**");
- (d) Grand Canal and Yashe having fully, truthfully and completely disclosed to the Purchaser all assets in the Hotel, as well as Yashe's assets, liabilities, equity, external guarantees and related documents and information;
- (e) there having been no material adverse change in the operations or financial status of Yashe as evaluated by the Purchaser from the signing of the Acquisition Agreement to the completion of the Proposed Disposal;
- (f) no encumbrance having been created over the Hotel Assets or the Sale Shares;
- (g) Grand Canal and Yashe not being in breach of any provision of the Acquisition Agreement;
- (h) the Hotel Assets and the Sale Shares, including the bank account of Yashe, not having been seized, frozen or otherwise restricted by other parties and there is no dispute or potential dispute regarding the Hotel Assets and the Sale Shares;
- (i) the land transfer fee in respect of the Hotel and all related taxes and fees having been paid by Grand Canal and the Hotel is a legal building, which has been approved and accepted by all competent departments such as planning, housing construction, and fire protection, and there having been no illegal building, expansion or renovations in respect of the Hotel; and

³ For the avoidance of doubt, Grand Canal's entitlement to the liquidated damages of RMB2 million is in addition to the liquidated damages at an annual rate of 8% for the unpaid amount on a monthly basis that Grand Canal is entitled to.

- (j) in the event that there are unfulfilled payment arrears or other contract disputes in respect of the Hotel Assets, Grand Canal shall be responsible for solving and bearing the corresponding arrears.

(collectively, the “**Conditions**”).

The Conditions mentioned above may be waived by the Purchaser at any time at its sole discretion and without any conditions attached thereto.

In the event that the Shareholders’ Approval has not been obtained by 15 February 2023, the Purchaser shall have the right to terminate the Acquisition Agreement. In the event that any of the Conditions mentioned above under (a) to (j) (other than the condition to obtain Shareholders’ Approval) have not obtained by 15 December 2022, the Purchaser shall have the right to terminate the Acquisition Agreement. For the avoidance of doubt, all conditions mentioned above under (a) to (j) (other than the condition to obtain Shareholders’ Approval) have been satisfied as at 15 December 2022.

2.4.4. Other Terms

If Grand Canal and/or Yashe breach the provisions of the Acquisition Agreement and fail to remedy it within 15 working days, Grand Canal shall pay the Purchaser liquidated damages of RMB200,000 per time for each breach of contract within 14 days of the Purchaser providing written notice. If the foregoing liquidated damages are not sufficient to compensate the Purchaser’s loss, Grand Canal shall be responsible for the difference between the actual loss and the liquidated damages. In the event of late payment of the liquidated damages, interest at the rate of 0.05% is chargeable on a daily basis based on the unpaid amount until the liquidated damages have been fully paid by Grand Canal.

If the Sale Shares or the Hotel Assets cannot be transferred to the Purchaser or the Assignment cannot take place not due to the fault of the Purchaser, Grand Canal is required to refund any of the Consideration which has been paid by the Purchaser, pay Purchaser RMB2 million in liquidated damages and bear all expenses incurred for the transaction (including any taxes and legal fees).

2.4.5. Use of Proceeds from the Proposed Disposal

The estimated net proceeds from the Proposed Disposal, after deducting estimated taxes, related professional fees and other associated transaction costs, is approximately RMB70.4 million (S\$13.7 million). The Company intends to utilise 66% of the net proceeds to repay the term loans of the Company and Grand Canal and the remaining 34% towards settlement of existing trade and other creditors and for general working capital purposes.

Pending the deployment for the uses identified above, the net proceeds may be deposited with banks and/or financial institutions or invest in money market instruments and/or securities on a short-term basis, as the Directors may in their absolute discretion deem fit.

3. **RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES**

- 3.1. The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Catalist Rules are as follows:

| Rule 1006 | | 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. | 59.2% ⁽¹⁾ |

| Rule 1006 | | Relative Figures |
|-----------|--|-------------------------------|
| | | |
| (b) | The net profits/(losses) attributable to the assets to be disposed of, compared with the Group's net profits/(losses) | 77% ⁽²⁾ |
| (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 | 87.2% ⁽³⁾⁽⁴⁾ |
| (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 ⁽⁵⁾ |
| (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 and gas company, but not to an acquisition of such assets. | Not applicable ⁽⁶⁾ |

Notes:

- (1) The net asset value of the Sale Shares and Hotel Assets was S\$16,407,000. The net asset value of the Group as at 30 June 2022 was S\$27,723,000.
- (2) The net loss attributable to the Sale Shares and Hotel Assets was S\$13,625,000 as at 30 June 2022. The net loss attributable to the Group as at 30 June 2022 was S\$17,721,000.
- (3) Based on the Consideration of RMB80 million (approximately S\$15,552,000).
- (4) Based on the Company's market capitalisation of S\$17,825,747 as at 9 December 2022 (the "**Last Trading Day**"), being the last trading day prior to the signing of the Acquisition Agreement and Assignment. The market capitalisation of the Company is determined by multiplying the number of Shares in issue (being 17,825,747,028 Shares, excluding treasury shares) by the volume weighted average price of S\$0.001 of the Shares transacted on the Last Trading Day.
- (5) Not applicable as no equity securities are issued by the Company as consideration for the Proposed Disposal.
- (6) Not applicable as the Proposed Disposal is not a disposal of mineral, oil or gas assets and the Company is not a mineral, oil and gas company.

Pursuant to Rule 1007(1) of the Catalist Rules, if any of the relative figures computed pursuant to Rule 1006 of the Catalist Rules involves a negative figure, Chapter 10 of the Catalist Rules may still be applicable to the transaction in accordance with the applicable circumstances in Practice Note 10A of the Catalist Rules, or if not so provided, at the discretion of the SGX-ST, in which case, the Sponsor should consult the SGX-ST. Based on the relative figures computed above, the Proposed Disposal does not fall within any of the situations in paragraphs 4.3 and 4.4 of Practice Note 10A of the Catalist Rules and accordingly, Rule 1014 of the Catalist Rules applies to the Proposed Disposal.

In any event, as the relative figures computed above on the bases set out in Rules 1006 of the Catalist Rules exceed 50%, the Proposed Disposal constitutes a "major transaction" as defined under Rule 1014 of the Catalist Rules and the Company will be seeking shareholders' approval for the Proposed Disposal at the EGM which will be convened in due course.

3.2. Compliance with Rule 1014 of the Catalyst Rules

As mentioned in Section 2.4.2 above, under the terms of the Acquisition Agreement, within 7 working days after the Purchaser pays the First Payment, Grand Canal and Yashe are required to complete the relevant procedures and registrations required to transfer legal title of the Sale Shares and Hotel Assets to the Purchaser. The Company has obtained a legal memorandum from Morgan Lewis Stamford LLC (“MLS”), its legal counsel in respect of the Singapore Law (including the preparation of this announcement), stating that while the legal title to the Sale Shares and Hotel Assets is being transferred by Grand Canal to the Purchaser before Shareholders’ Approval has been obtained, this does not constitute a breach of Rule 1014 of the Catalyst Rules for the reasons detailed below in Sections 3.2.1 to 3.2.5 below.

3.2.1. Grand Canal retains beneficial title to the Sale Shares and Hotel Assets until Shareholders’ Approval has been obtained and the Purchaser has paid the Second Payment, being the remaining Consideration. Legal ownership of property is separate from beneficial ownership of the property and the legal owner will not necessarily be the same as the beneficial owner. The legal owner of a property is a person who holds the legal title under its name, while the beneficial owner of the same property enjoys the benefits of ownership even though the legal title is in the legal owner’s name. Clause 1.1.3 of the Acquisition Agreement expressly provides that the Proposed Disposal is subject to Shareholders’ Approval. Completion of the Proposed Disposal will only take place when Shareholders’ Approval has been obtained and the Purchaser has paid the Second Payment, being the remaining Consideration, at which time the beneficial title to the Sale Share and Hotel Assets will be transferred to the Purchaser. In this regard, the parties had entered into the Side Letter pursuant to which the parties agreed that notwithstanding that legal title to the Sale Shares and Hotel Assets will be transferred to the Purchaser before Shareholders’ Approval has been obtained:

- (i) the beneficial ownership of the Sale Shares and Hotel Assets remains with Grand Canal and will only be transferred to the Purchaser when Shareholders’ Approval is obtained, and the Second Payment, being the remaining Consideration, is paid by the Purchaser;
- (ii) completion of the Proposed Disposal is only deemed to take place when Shareholders’ Approval has been obtained and the Second Payment, being the remaining Consideration, is paid by the Purchaser and the beneficial ownership of the Sale Shares and Hotel Assets will only be transferred to the Purchaser at such time;
- (iii) the Sale Shares and Hotel Assets are being held on trust by the Purchaser on behalf of Grand Canal until the Second Payment, being the remaining Consideration is paid, and upon which the completion of the Proposed Disposal will take place; and
- (iv) the transfer of the legal title to the Sale Shares and Hotel Assets is solely to fulfil the Purchaser’s request and is subject to the Purchaser accepting the conditions set out in sub-paragraphs (i) to (iii) above.

3.2.2. The terms of the Acquisition Agreement also provide for the unwinding of the transfer of legal title in the event that Shareholders’ Approval is not obtained. If Shareholders’ Approval or other regulatory approvals are not obtained, the Acquisition Agreement will be terminated immediately, and the Purchaser shall cooperate with Grand Canal to return the legal title of the Sale Shares and Hotel Assets to Grand Canal within 14 working days. Grand Canal will be required to refund any of the Consideration which has been paid by the Purchaser, pay the Purchaser RMB2 million in liquidated damages and bear all expenses incurred for the transaction (including any taxes and legal fees). For completeness, beneficial interest can still vest with Grand Canal notwithstanding that the economic benefit accrues to Purchaser from date the legal title moves to the Purchaser. Transfer of economic benefit in respect of the operation of the Hotel to Purchaser is a commercial decision between parties which denotes the

start date for such accrual of economic benefit. It does not change the contractual arrangement between parties that completion of the transfer of beneficial interest to the Sale Shares and Hotel Assets happens only after Shareholders' Approval and payment of the remaining Consideration by the Purchaser.

- 3.2.3. The current arrangement of transferring the legal title to Sale Shares and Hotel Assets upon payment of the First Payment was requested by the Purchaser and the Company was of the view that it was commercially necessary to accept these terms from the Purchaser and it was more than likely that the deal would fall through if the Company did not agree to this arrangement. The Company was also of the view that it is very difficult under current business environment to operate a hospitality business or to sell property in China. The Company had been trying to sell the Hotel and most of the enquires and offers did not materialise. The offer from the Purchaser for the Sale Shares and Hotel Assets was the only acceptable offer that the Company had received. On the other hand, the Purchaser has many competing opportunities in the PRC and will not wait for the Company to convene an EGM and obtain Shareholders' Approval before transfer of the legal title to the Sale Shares and Hotel Assets.
- 3.2.4. The Board is of the view that the Proposed Disposal is in the interests of the Company and its Shareholders. The Hotel has been loss making since the commencement of operations in October 2019 as the COVID-19 outbreak occurred in Wuhan two months later in December 2019. The Board does not foresee that the operations of the Hotel will be improved in the near future. The Hotel has shown signs of wear and tear and it is expected that a major refurbishment will need to be carried out soon. The tenure of the Hotel land use rights reduces every year which will affect the value of the property. In addition, the proceeds from the Proposed Disposal will also improve the cash flow of the Group. The Board is therefore of the view that instead of continuing to fund the loss-making business and incurring huge capital expenditure for refurbishment, accepting the commercial terms of the Proposed Disposal is not prejudicial to the interest of the Company and its Shareholders.
- 3.2.5. Moreover, the Proposed Disposal is supported by the major shareholders of the Company. The Company has obtained written voting undertakings from shareholders collectively holding 50.7% of the shares of the Company that they will vote in favor of the resolution approving the Proposed Disposal at the EGM to be convened (the **"Voting Undertakings"**). In view of the Voting Undertakings, there is no risk that the Proposed Disposal will not be approved at the EGM. Shareholders will however have the opportunity to raise queries at the EGM in respect of the Proposed Disposal.

Based on the transaction structure and terms of the Proposed Disposal and taking into account the reasons set out in Sections 3.2.1 to 3.2.5 above, MLS has advised the Board that the Proposed Disposal does not constitute a breach of Rule 1014 of the Catalist Rules. The Company will proceed with convening an EGM to seek Shareholders' Approval of the Proposed Disposal in due course. For the avoidance of doubt, such EGM will not constitute a ratification of the Proposed Disposal or a ratification EGM as completion of the Proposed Disposal has not taken place prior to the EGM for the reasons set out in Sections 3.2.1 to 3.2.5 above.

4. FINANCIAL INFORMATION RELATING TO THE SALE SHARES AND HOTEL ASSETS

4.1.1. Book Value

Based on the latest audited financial statements of the Group for FY2022, the book value of the Sale Shares and Hotel Assets was S\$16,407,000 and the deficit of the Consideration over the book value of the Sale Shares and Hotel Assets is approximately S\$855,000.

4.1.2. Net Tangible Assets ("NTA")

Based on the latest audited financial statements of the Group for FY2022, the NTA of the Sale Shares and Hotel Assets was S\$16,407,000.

The Sale Shares are not listed and do not have an open market value. The open market value of the Hotel Assets will be disclosed in the Circular (as defined below) when the Valuation (as defined below) has been conducted.

4.1.3. Loss on Disposal

The loss on the Proposed Disposal is approximately S\$2.7 million, taking into account the estimated expenses and taxes incurred in relation to the Proposed Disposal.

4.1.4. Valuation

As the relative figure computed on the base set out above in Rule 1006 of the Catalist Rules in respect of the Proposed Disposal exceed 75%, the Company intends to appoint an independent valuer to value the Sale Shares and Hotel Assets and the valuation will be made available to shareholders in the Circular (the “**Valuation**”).

For avoidance of doubt, the outcome of the Valuation will also not result in any adjustments to the Consideration. This is in line with the agreed terms under the Acquisition Agreement.

5. **RATIONALE FOR THE PROPOSED DISPOSAL**

Due to the COVID-19 pandemic, the operations of the Hotel was suspended for 2 months in March 2022 and April 2022 and was used as a quarantine hotel. In addition, the sporadic spike of new infections in neighbouring cities of Huzhou put severe strain on the operations of the Hotel and disrupted its business operations. This has adversely affected the operations of the Hotel and negatively impacted the Group's revenue. The Hotel operations incurred losses since the commencement of operations in October 2019.

The outlook for the hospitality business remains challenging. While there had been recent indications about the easing of border rules and safety restrictions, such plans are still subject to change. International travel restrictions continue to be in place and the domestic travelling of residents within the PRC is expected to decline. The operations of the Hotel are therefore expected to be negatively affected for a prolonged period and the sustainability of the business remains uncertain.

Due to the above challenges, the Board is of the view that, for the reasons set out in this announcement, the terms of the Proposed Disposal is in the best interests of the Company and its Shareholders as it provides a good opportunity to the Group to unlock the value of the Sale Shares and the Hotel Assets and to focus on its remaining real estate businesses any other new opportunities.

The Board is of the view that the terms of the Proposed Disposal, including the transfer of the legal title to Sale Shares and Hotel Assets prior to Shareholders' Approval being obtained and the Second Payment being made, are not prejudicial to the Company and the Shareholders for the reasons set out in Sections 3.2.3 and 3.2.4 above. The commercial rationale for the terms of the Proposed Disposal is also detailed in Section 3.2 above.

6. **FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

6.1. **Assumptions**

The pro forma financial effects of the Proposed Disposal are based on the audited financial statements of the Group for FY2022 and the following assumptions:

- (a) the financial effects set out below are purely for illustrative purposes only and do not reflect the actual financial performance or position of the Company and the Group after the Proposed Disposal; and
- (b) the total expenses in relation to the Proposed Disposal have not been taken into consideration.

6.2. NTA

Assuming that the Proposed Disposal had been completed on 30 June 2022, being the end of the most recently completed financial year of the Group, the effect on the NTA per Share is as follows:

| | Before the Proposed Disposal | After the Proposed Disposal |
|--|------------------------------|-----------------------------|
| NTA (S\$'000) | 27,723 | 25,157 |
| Number of ordinary shares in issue (exclude treasury shares) | 17,825,747,028 | 17,825,747,028 |
| NTA per Share (S\$ cents) | 0.16 | 0.14 |

6.3. Earnings per Share ("EPS")

Assuming that the Proposed Disposal had been completed on 1 July 2021, being the beginning of the most recently completed financial year of the Group, the effect on the EPS is as follows:

| | Before the Proposed Disposal | After the Proposed Disposal |
|---|------------------------------|-----------------------------|
| (Loss) attributable to shareholders of the Company (S\$'000) | (13,945) | (3,289) |
| Weighted average number of shares (excluding treasury shares) | 17,825,747,028 | 17,825,747,028 |
| EPS (S\$ cents) | (0.08) | (0.02) |

6.4. Share Capital

The Proposed Disposal will not have any impact on the issued and paid-up share capital of the Company.

7. SERVICE CONTRACTS

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

8. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and their respective associates, and to the best of knowledge of the Directors, none of the controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective directorships and/or shareholding interests, if any, in the Company.

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 Disposal, 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 this announcement in its proper form and context.

10. EGM AND CIRCULAR

A circular to the shareholders ("**Circular**") containing further details on the Proposed Disposal and enclosing a notice of EGM in connection therewith will be dispatched to shareholders in due course.

11. DOCUMENTS FOR INSPECTION

The following documents are available for inspection during normal business hours at the registered office of the Company at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, subject to prior appointment and prevailing COVID-19 restrictions in Singapore (if any), for a period of 3 months from the date of this announcement:

- (a) the Acquisition Agreement;
- (b) the Assignment; and
- (c) the Side Letter.

A copy of the Valuation report will be similarly made available for inspection from the date of issuance of the circular up to the EGM.

12. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbroker, bank managers, solicitor or other professional advisers if they have any doubt about the actions that they should take. Completion of the Proposed Disposal is subject to, amongst others, the fulfilment of the Conditions and, as at the date of this announcement, there is no certainty or assurance that the Proposed Disposal will proceed to completion.

By Order of the Board

Dato' Dr. Choo Yeow Ming
Chairman and Chief Executive Officer

4 January 2023

*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

The contact person for the Sponsor is Ms. Lim Hui Ling, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.