

PROPOSED DISPOSAL OF PROPERTY LOCATED AT 510 THOMSON ROAD, #08-00, SINGAPORE 298135
– GRANT OF OPTION TO PURCHASE

1. INTRODUCTION

The Board of Directors (the "**Board**") of Tiong Seng Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that Tiong Seng Contractors (Private) Limited ("**TSC**"), a wholly-owned subsidiary of the Company, has on 12 September 2023 granted an option to purchase (the "**Option**") to an unrelated third party purchaser (the "**Purchaser**") for the sale of its property located at 510 Thomson Road #08-00, SLF Building, Singapore 298135 (the "**Property**") for an aggregate consideration of S\$10,000,000 (the "**Purchase Consideration**") on the terms and subject to the conditions of the Option (the "**Proposed Disposal**").

As the relative figure computed under Rule 1006(c) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Listing Manual**") exceeds 20%, the Proposed Disposal constitutes a "major transaction" as defined in Rule 1014 of the Listing Manual and requires the approval of the shareholders of the Company ("**Shareholders**") at an extraordinary general meeting of the Company to be convened ("**EGM**").

2. DETAILS OF THE PROPERTY AND THE PURCHASER

The Property is located at 510 Thomson Road #08-00, SLF Building, Singapore 298135. The Property is a leasehold property held by TSC as registered proprietor with a leasehold tenure of 99 years commencing from 12 February 1979. It is an office unit located on the eighth storey of a 21-storey commercial building, and has a strata floor area of 878 square metres. The Property is currently leased out to an unrelated third party, and the duration of the tenancy is from June 2022 to June 2025 with an option to renew for a further two years. The Property is mortgaged in favour of DBS Bank Ltd. as security for credit facilities extended to the Group.

The Purchaser is incorporated in Singapore and is an investment holding company. The Purchaser is not related to the Group, the directors and controlling shareholders of the Company, and their respective associates.

3. SALIENT TERMS OF THE OPTION

3.1. Exercise Period

The Option may be exercised by the Purchaser up to 4.00 p.m. on 26 September 2023. Under the terms of the Option, in the event that the Option is not exercised by the Purchaser within the stated exercise period, the Option will be null and void and the Option Fee shall be forfeited to TSC.

3.2. Purchase Consideration

The Purchase Consideration for the Property is S\$10,000,000 and was arrived at on a willing buyer and willing seller basis, taking into account (i) the market value of the Property of

S\$9,000,000 as at 19 July 2023 as determined in a valuation report dated 24 July 2023 (the "**Valuation Report**") issued by Jones Lang LaSalle Property Consultants Pte Ltd (the "**Valuer**") and (ii) prevailing market conditions. Further details on the Valuation Report are set out in section 5 of this announcement.

Under the Option, the Purchase Consideration shall be payable by the Purchaser to TSC in cash as follows:

- (a) an option fee of S\$100,000 (the "**Option Fee**"), which is equivalent to 1% of the Purchase Consideration, shall be payable upon the grant of the Option;
- (b) a sum of S\$400,000, which is equivalent to 5% of the Purchase Consideration (the "**Deposit**") exclusive of the Option Fee, shall be payable upon the exercise of the Option by the Purchaser; and
- (c) the balance of the Purchase Consideration, which is equivalent to 95% of the Purchase Consideration, shall be payable upon completion of the Proposed Disposal ("**Completion**").

3.3. Marketing Fee

The Purchaser was introduced to the Group through ERA Realty Network Pte Ltd (the "**Agent**"), the property agent engaged by the Group for the Proposed Disposal. For the introductory services provided by the Agent, the Group will pay the Agent a marketing fee of 1.5% of the Purchase Consideration (the "**Marketing Fee**") together with goods and services tax thereon. The Company understands that the Marketing Fee is in line with the market rate for such commission fee payable to an agent for commercial properties which is typically 1% to 2% of the purchase price for the property which such agent has procured the sale of.

3.4. Other salient terms under the Option

- (a) The Proposed Disposal is subject to, *inter alia*:
 - (i) the approval of the Shareholders being obtained for the Proposed Disposal at the EGM within eight (8) weeks (or, if an extension is necessary, twelve (12) weeks) after the date of exercise of the Option, failing which TSC shall be entitled to rescind the Option and TSC shall, *inter alia*, forthwith refund to the Purchaser the Deposit paid by the Purchaser without any interest, compensation or deduction whatsoever, and neither party shall have any claim or demand against the other party for damages, costs, compensation or otherwise arising out of or in connection with the Option;
 - (ii) no acquisition or publication of notice of intended acquisition by the government or relevant competent authority affecting the Property in whole or in part; and
 - (iii) receipt of satisfactory replies to the usual legal requisitions sent by the Purchaser's solicitors to the various government and relevant competent authorities.
- (b) The Property will be sold subject to the existing tenancy.

3.5. Completion

Under the Option, Completion will take place on the later of:

- (a) 12 weeks after the date of exercise of the Option by the Purchaser; or
- (b) eight (8) weeks after the date on which the approval of Shareholders for the Proposed Disposal is obtained at the EGM.

4. RATIONALE

The Board believes that the Proposed Disposal is in the best interests of the Group and the Shareholders, as it will enable the Group to realise net cash proceeds of approximately S\$9,700,000 (after deducting the Marketing Fee and the estimated professional fees and other related expenses), thereby improving the liquidity of the Group. This would also allow the Group to reallocate its resources to improve and optimise the utilisation of assets.

5. VALUE OF THE PROPERTY

The market value of the Property is S\$9,000,000 as at 19 July 2023, as determined in the Valuation Report, which utilised the direct comparison methodology and was commissioned by the Group to determine the market value of the Property for the purpose of the Proposed Disposal. In arriving at their valuation figure, the Valuer has taken into consideration the prevailing market conditions and has made due adjustments for differences between the Property and the comparables in terms of location, tenure size, shape, design and layout, age and condition of buildings, dates of transactions and other factors affecting its value.

Based on the audited net book value of the Property of S\$3,481,000 as at 31 December 2022, the Proposed Disposal is expected to result in a gain on disposal of approximately S\$6,519,000, before deducting the Marketing Fee, professional fees and other related expenses. Other than the annual gross rental income of S\$419,002.80 derived from the lease of the Property, there are no net profits attributable to the Property.

6. USE OF PROCEEDS

The Company expects to receive net cash proceeds of approximately S\$9.7 million (after deducting the Marketing Fee and the estimated professional fees and other related expenses) from the Proposed Disposal. The Company intends to use the net proceeds from the Proposed Disposal for working capital, project financing and repayment of bank borrowings.

Pending the deployment of the unutilised proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purpose on a short-term basis, as the Board may deem appropriate in the interests of the Group.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after Completion. The financial effects of the Proposed Disposal were calculated based on the audited consolidated financial statements of the Group for the financial year ended 31 December ("FY") 2022, and the expenses in connection with the Proposed Disposal (including the Marketing Fee, professional fees and other related expenses) have been disregarded.

7.1. Net Tangible Assets

The effect of the Proposed Disposal on the net tangible assets ("NTA") per share of the Group for FY2022, assuming that the Proposed Disposal had been effected at the end of FY2022 is as follows:

As at 31 December 2022	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	96,349	102,868
NTA per Share (cents)	21.84	23.32

7.2. Earnings per Share

The effect of the Proposed Disposal on the earnings per share of the Group for FY2022, assuming that the Proposed Disposal had been effected at the beginning of FY2022 is as follows:

FY2022	Before the Proposed Disposal	After the Proposed Disposal
Profit (Loss) after tax and non-controlling interests (S\$'000)	(85,044)	(78,525)
Earnings per Share (cents)	(19.27)	(17.79)

8. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual are set out below:

Rule	Basis	Relative Figure
1006(a)	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 ⁽¹⁾	4.6%
1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the group's net profits ⁽²⁾	(1.4%)
1006(c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalisation, based on the total number of issued shares excluding treasury shares ⁽³⁾	32.9%
1006(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable to the Proposed Disposal as it is not an acquisition.
1006(e)	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	Not applicable to the Proposed Disposal as it is not a disposal of mineral, oil or

	such assets. If the reserves are not directly comparable, the SGX-ST may permit valuations to be used instead of volume or amount.	gas assets by a mineral, oil and gas company.
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Notes:

- (1) Based on the net asset value of the Group of S\$74,916,000 and the net asset value of the Property of S\$3,481,000 as at 30 June 2023.
- (2) Based on the gross rental income of S\$209,501.40 derived from the lease of the Property and the net loss before tax of the Group of S\$15,218,999, for the six (6) months ended 30 June 2023. Other than the rental income derived from the lease of the Property, there are no net profits attributable to the Property.
- (3) Based on the Purchase Consideration of S\$10,000,000 and the Company's market capitalisation of S\$30,434,289 (being the Company's issued ordinary share capital of 441,076,649 shares (excluding treasury shares and subsidiary holdings) and the volume weighted average price of the Company's shares on the SGX-ST of S\$0.069 on 8 September 2023 (being the most recent day prior to the date of this announcement on which there was trading in the Company's shares on the SGX-ST).

As the relative figure computed under Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Disposal is classified as a "major transaction" as defined in Rule 1014 of the Listing Manual. Accordingly, the approval of the Shareholders at the EGM is required for the Proposed Disposal.

9. WAIVER FROM RULE 1019 OF THE LISTING MANUAL

9.1. Application to the SGX-ST

Pursuant to Rule 1019(1) of the Listing Manual, if an option to acquire or dispose of assets is not exercisable at the discretion of the issuer, shareholder approval must be obtained at the time of grant of the option.

The Company had on 31 August 2023 submitted an application to the SGX-ST for a waiver from strict compliance with Rule 1019(1) of the Listing Manual to allow TSC to grant the Option to the Purchaser without the prior approval of the Shareholders (the "**Waiver**"), and to seek Shareholders' approval for the Proposed Disposal after the Option has been exercised by the Purchaser and before Completion.

The SGX-ST had, on 12 September 2023, informed the Company that it had no objection to the Waiver, subject to the following conditions:

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Listing Manual and if the Waiver conditions have been satisfied. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;
- (b) submission of a written confirmation from the Company that it is not aware of any information that will have a material bearing on investors' decision which has yet to be announced by the Company; and
- (c) the Company obtaining Shareholders' approval prior to completion of the Proposed Disposal pursuant to Rule 1014 of the Listing Manual.

As at the date of this announcement, save for item (c) above, all of the conditions to the Waiver have been met.

9.2. Grounds for Waiver

The grounds for the application of the Waiver are as follows:

(a) No significant adverse impact to Shareholders

The Option is a customary document in the context of commercial property sale and purchase transactions, which is provided to a prospective purchaser prior to consummation of the actual transaction. This ensures that the seller's interests in proceeding with the sale of the property will be safeguarded by way of receipt of an option fee or deposit from the purchaser.

In the event the Purchaser exercises the Option, the Company will nonetheless be required to obtain the approval of its Shareholders in respect of the Proposed Disposal in due course pursuant to Rule 1014 of the Listing Manual, as the Proposed Disposal is classified as a "major transaction" as defined in Rule 1014 of the Listing Manual. The Option has specifically provided that if the approval of the Shareholders for the Proposed Disposal is not obtained at the EGM within the prescribed timeline, the Group shall be entitled to rescind the Option and the Group shall, *inter alia*, forthwith refund to the Purchaser the Deposit paid by the Purchaser without any interest, compensation or deduction whatsoever, and neither party shall have any claim or demand against the other party for damages, costs, compensation or otherwise arising out of or in connection with the Option.

On the above basis, the Waiver will not be materially prejudicial to the interests of Shareholders, taking into account that Shareholders will still be provided with an opportunity to vote on the Proposed Disposal prior to Completion.

(b) Terms of the Option are favourable

In comparison to the book value of the Property, the Purchase Consideration under the Option represents a significant gain on disposal.

Upon the grant of the Option by the Group, the Purchaser will have to make payment of the Option Fee to the Group. In the event that the Option is not subsequently exercised by the Purchaser within the stated exercise period, the Option Fee will be forfeited to the Group.

Accordingly, the Company is of the view that the salient terms of the Option are favourable, and it is in the interests of the Company to grant the Option to the Purchaser.

(c) Time is of the essence

Having to first convene an EGM to obtain the approval of the Shareholders at the time of grant of the Option would likely result in considerable delay to the grant of the Option, and potentially jeopardise the Proposed Disposal.

In view that the terms of the Option are favourable and the offer made by the Purchaser represents the most favourable terms which the Group has received to date

in respect of the Property, it is in the interests of the Company to grant the Option as expeditiously as possible to secure the Purchaser's commitment to purchase the Property and to safeguard the Company's interests in proceeding with the Proposed Disposal.

As both the Group and the Purchaser are keen to pursue the Proposed Disposal without delay, the Waiver sought will help to expedite both parties' commercial intentions.

(d) The Proposed Disposal benefits the Group by improving its liquidity

As at 31 December 2022, the Group had classified the Property as investment property held for sale. The Proposed Disposal will realise net cash proceeds of approximately S\$9.7 million (after deducting the Marketing Fee and the estimated professional fees and other related expenses), thereby improving the liquidity of the Group. This would also allow the Group to reallocate its resources to improve and optimise the utilisation of assets.

(e) The Proposed Disposal does not result in a material change in the business activities and operations of the Group

The Property is a non-core asset which is not critical to the principal business activities of the Group and is currently leased out to an unrelated third party tenant. Accordingly, while the Proposed Disposal is classified as a "major transaction" as defined in Rule 1014 of the Listing Manual, the Proposed Disposal will not affect nor result in a material change in the business activities or operations of the Group.

10. SERVICE CONTRACT

No person will be appointed to the Board, and no service contract will be entered into by the Group, in connection with the Proposed Disposal.

11. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

12. CIRCULAR AND DOCUMENTS FOR INSPECTION

The circular to Shareholders containing, *inter alia*, further information on the Proposed Disposal and enclosing the notice of EGM will be despatched by the Company to its Shareholders in due course.

A copy of the Option and the Valuation Report are available for inspection at the registered office of the Company at 21 Fan Yoong Rd, Singapore 629796 during normal business hours for three months from the date of this announcement.

BY ORDER OF THE BOARD

Pay Sim Tee
Executive Director and CEO
13 September 2023