

SUNNINGDALE TECH LTD.

Company Registration No.: 199508621R
(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF FACTORY IN ZHONGSHAN, CHINA

1. INTRODUCTION

The Board of Directors ("**Board**") of Sunningdale Tech Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") refers to its announcement dated 25 April 2018.

The Board wishes to announce that the Company's indirect wholly-owned subsidiary, Zhongshan Zhihe Electrical Equipment Co., Ltd. (中山志和家电制品有限公司) (the "**Subsidiary**"), has on 11 December 2018 entered into a sale and purchase agreement (the "**Agreement**") with Zhongshan Wanbaolongmen Wood Products Co., Ltd. (中山市万宝龙门木制品有限公司) (the "**Purchaser**") pursuant to which the Subsidiary has agreed to sell, and the Purchaser has agreed to purchase, for an aggregate cash consideration (inclusive of taxes) of RMB145,000,000 ("**Consideration**"), the following:

- (a) the right to a 66,666.80 square metres plot of land (the "**Land**") located at No. 8 Huo Ju Lu, Tanzhou, Zhongshan, Guangdong Province, the People's Republic of China (the "**PRC**") (中国广东省中山市坦洲镇火炬路 8 号); and
- (b) the buildings and ancillary facilities located on the Land with a total gross floor area of 31,530.87 square metres,

(collectively, the "**Property**" and such sale and purchase, the "**Proposed Disposal**").

The Purchaser is a company incorporated in the PRC and is based in Zhongshan. The Purchaser is in the business of, *inter alia*, the manufacture and sale of doors and furniture, and is not related to the Group or its controlling shareholders.

2. INFORMATION ON THE PROPERTY

The Property is located at No. 8 Huo Ju Lu, Tanzhou, Zhongshan, Guangdong Province, the PRC (中国广东省中山市坦洲镇火炬路 8 号). The real property ownership certificate of the Property (粤(2018)中山市不动产权第 0268845 号) have been granted, for industrial purposes, for a term until 9 March 2053 and the Group had used the Property as a factory. Following a restructuring around the second quarter of 2016, the Group no longer conducts business operations at the Property and currently holds the Property to earn rental income. There is no mortgage on the Property.

The Group had engaged Landscape Surveyors Ltd, an independent valuer, to conduct a valuation on the Property as at 31 December 2017. The report in respect of such valuation (the "**Valuation Report**") was prepared using the depreciated replacement cost approach, which takes into consideration the market value of the land in its existing use plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. Based on the Valuation Report, as at 31 December 2017, the market value of the Property was approximately RMB120,000,000.

3. CONSIDERATION, PAYMENT AND OTHER TERMS

3.1 Consideration

Pursuant to the Agreement, the total consideration for the Proposed Disposal (inclusive of taxes) is RMB145,000,000 (the "**Consideration**") and is payable by the Purchaser as follows:

- (a) the sum of RMB14,500,000, equivalent to 10 per cent. (10%) of the Consideration, which has already been paid by the Purchaser (as earnest money) into an escrow account (the "**Escrow Account**") jointly set up by the Purchaser and the Subsidiary with Zhongshan Rural Commercial Bank Co., Ltd. (中山农村商业银行股份有限公司) ("**Zhongshan Bank**") shall automatically form part of, and is applied towards payment of, the Consideration upon the entering into of the Agreement;
- (b) the sum of RMB116,000,000, equivalent to 80 per cent. (80%) of the Consideration, shall be paid by the Purchaser into the Escrow Account within 10 business days from the date of the Agreement (the "**Second Payment**"); and
- (c) the sum of RMB14,500,000, equivalent to the remaining 10 per cent. (10%) of the Consideration, shall be paid by the Purchaser into the Escrow Account within 10 business days from the date that both the Purchaser and the Subsidiary have submitted the necessary documents to effect change of ownership of the Property and its acceptance by the real estate transactions authority in the PRC (房地产交易部门).

The Consideration was arrived at on a willing buyer willing seller basis after taking into account, *inter alia*, the rationale for the Proposed Disposal and the Valuation Report.

3.2 Completion, Payment and Other Material Terms

- (a) Completion of the Proposed Disposal is subject to the approval of the real estate transactions authority in the PRC (房地产交易部门). Neither the Purchaser nor the Subsidiary shall be liable for any delay or termination of the Proposed Disposal which occurs due to any reason attributable to the government.
- (b) Once the necessary approval and documents to effect Completion are in place in accordance with the Agreement, both the Subsidiary and the Purchaser shall provide joint instructions in accordance with the Agreement and the escrow agreement with Zhongshan Bank (the form of which is set out as a schedule in the Agreement) for the release of all the sums in the Escrow Account (and any accompanying interest) to the designated bank account of the Subsidiary ("**Designated Account**") immediately.
- (c) Within 10 business days after the Subsidiary has confirmed receipt of the sums in the Designated Account as well as all accompanying interest, the Purchaser and the Subsidiary shall proceed with completion of the Proposed Disposal and effect the transfer of the Property from the Subsidiary to the Purchaser.

4. RATIONALE FOR THE PROPOSED DISPOSAL AND INTENDED USE OF THE PROCEEDS FROM THE PROPOSED DISPOSAL

The Board is of the view that the Proposed Disposal is a good opportunity to dispose of a non-core and excess asset, and that the financial gains from the Proposed Disposal will provide the Group with additional working capital to fund its business operations and improve the cashflow of the Group.

The net book value of the Property as at 30 September 2018 was RMB42,245,975 (approximately S\$8.4 million¹) and the Consideration represents an excess of approximately RMB95.8 million (approximately S\$19.1 million) over the net book value of the Property. The amount of gain from the Proposed Disposal is estimated to be approximately RMB67.3 million (approximately S\$13.4 million), after taking into account estimated taxes², relevant agent and professional fees and other associated transaction costs (collectively, "**Transaction Costs**").

The Group intends to use the net proceeds from the Proposed Disposal for general working capital purposes.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

5.1 Net Tangible Assets ("NTA") per share of the Company ("Share")

For illustration purposes, assuming that (as per Rule 1010(8) of the listing manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**")) the Proposed Disposal had taken place on 31 December 2017, and based on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2017, the Proposed Disposal would have had the following effect on the NTA per Share as presented in the table below:

As at 31 December 2017	Before Proposed Disposal	After Proposed Disposal
NTA (S\$'000)	350,541	362,254 [#]
NTA per Share* (in S\$)	1.85	1.91

Notes:

This figure takes into account the sale proceeds from the Proposed Disposal of the Property after netting off the estimated expenses to be incurred in connection with the Proposed Disposal, such as Transaction Costs.

* Based on 189,205,336 issued Shares as at 31 December 2017.

5.2 Earnings per Share ("EPS")

For illustration purposes, assuming (as per Rule 1010(9) of the Listing Manual) that the Proposed Disposal had taken place on 1 January 2017 and based on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2017, the Proposed Disposal would have had the following effect on the EPS as presented in the table below:

¹ Unless otherwise stated, the approximate S\$ equivalent of the RMB amount is based on an exchange rate of RMB1.00: S\$0.1992.

² The Group has not finalised the PRC tax calculations and payments with the local tax authority for the Subsidiary. The current provision in respect of PRC taxes is based on management's current best estimate.

	Before Proposed Disposal	After Proposed Disposal
Profit after tax (S\$'000)	31,360	43,073 [#]
Weighted average number of Shares ('000)	188,096,295	188,096,295
EPS (cents):		
Basic	16.67	22.90
Fully diluted	16.32	22.42

Note:

This figure takes into account the sale proceeds from the Proposed Disposal of the Property after netting off the estimated expenses to be incurred in connection with the Proposed Disposal, such as Transaction Costs.

6. RELATIVE FIGURES OF THE PROPOSED DISPOSAL UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule	Basis	Relative Figures
Rule 1006(a)	Net asset value of the Property of RMB42,245,975 (approximately S\$8,418,155) compared with the Group's net asset value as at 30 September 2018 of S\$371,943,000	2.26%
Rule 1006(b)	Net profits attributable to the Property of RMB749,778 (approximately S\$149,405) compared with the Group's net profits before tax for the nine months ended 30 September 2018 of S\$25,024,000	0.6%
Rule 1006(c)	Consideration of RMB145,000,000 (approximately S\$28,884,000), compared with the Company's market capitalisation as at 10 December 2018 (being the market day preceding the date of the Agreement) of S\$264,887,470	10.9%
Rule 1006(d)	<i>This is not applicable to a disposal of assets.</i>	N.A.
Rule 1006(e)	<i>The Proposed Disposal is not disposal of mineral, oil or gas assets by a mineral, oil and gas company.</i>	N.A.

Based on the relative figures computed above, the Proposed Disposal constitutes a discloseable transaction under Chapter 10 of the Listing Manual and does not require the approval of shareholders.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save in respect of their shareholding interests (if any) in the Company, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal. There are no directors proposed to be appointed to the Company in connection with the Proposed Disposal.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the Agreement and the Valuation Report will be available for inspection during normal business hours at the registered office of the Company at 51 Joo Koon Circle Singapore 629069 for a period of three (3) months from the date of this Announcement.

By Order of the Board

KHOO BOO HOR
Executive Director & Chief Executive Officer

Dated: 11 December 2018