



**Boustead Singapore Limited**  
(Co. Reg. No. 197501036K)

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## **BOUSTEAD PURCHASES ADDITIONAL SHARES IN SALCON AND DISPOSES NON-CORE INVESTMENTS IN PHILIPPINES**

Singapore, 7 December 2005

### **1. Introduction**

- 1.1 The Board of Directors of Boustead Singapore Limited ("Boustead" or the "Company") wishes to announce that the Company has entered into a Share Sale Agreement dated 7 December 2005 (the "First Share Sale Agreement") with Mr Lim Chan Lok ("Lim"), Mdm Letty Tan Guat Neo ("Tan") and Clerk Holdings Sdn Bhd ("Clerk Holdings") to purchase an additional 19,642,660 ordinary shares in the paid-up capital of its subsidiary, Salcon Pte Ltd ("Salcon").
- 1.2 Salcon, together with its wholly-owned subsidiary, Salcon Holdings Philippines Inc ("SHP"), has entered into a Share Sale Agreement dated 7 December 2005 (the "Second Share Sale Agreement") with Lim for the sale of part of SHP's interest in the paid-up capital of Salcon Philippines Inc ("SPI"), and all of Salcon's interest in the paid-up capital of Salcon Properties and Development Corporation Inc ("SPDC"), Salcon International Inc ("SII") and Bohol Water Utilities Inc ("BWUI"), respectively (collectively, the "Sale Shares").
- 1.3 The transactions in the First Share Sale Agreement and the Second Share Sale Agreement shall be collectively referred to as the "Transactions" and individually as a "Transaction".

### **2. Information on First Share Sale Agreement**

- 2.1 Under the First Share Sale Agreement, the Company will purchase a total of 19,642,660 ordinary shares in Salcon (the "Salcon Shares"), representing 19.08% of the paid-up capital of Salcon, from the following parties:
  - a) 15,604,580 Salcon Shares from Lim;
  - b) 580,000 Salcon Shares from Tan; and
  - c) 3,458,080 Salcon Shares from Clerk Holdings.

Following the acquisition of the Salcon Shares, the Company's shareholding in Salcon will be increased to 98.58%.

- 2.2 Salcon's principal business activities are those relating to the supply of water and wastewater treatment plants and equipment, construction of palm oil factories

and acting as agents for the supply of pumps, steam turbines, gears and turbo generators, pipes, control valves and related equipment.

- 2.3 The purchase price to be paid to Lim by the Company for the Salcon Shares is S\$3,823,901. The consideration was arrived at after arm's length negotiations and is on a willing buyer-willing seller basis.
- 2.4 The acquisition of the Salcon Shares will be funded from internal resources and from proceeds of the sale of the non-core Philippine investments under the Second Share Sale Agreement.
- 2.5 The completion of the First Share Sale Agreement shall be conditional on the completion of the sale of the shares in SPI, SPDC, SII and BWUI to Lim as described in the Second Share Sale Agreement taking place contemporaneously with completion under the First Share Sale Agreement.
- 2.6 Based on the audited accounts of Salcon for the year ended 31 March 2005 ("FY2005"), the net book value and net loss attributable to the Salcon Shares are S\$4.7 million and S\$0.5 million, respectively.
- 2.7 For illustration purposes only, assuming (as per Rule 1010(8) of the Listing Manual) that the acquisition of the Salcon Shares had been effected as at 31 March 2005 and based on the FY2005 audited accounts of the Boustead Group (the "Group"), the acquisition of the Salcon Shares would have had no material impact on the net tangible asset per share of the Group of 39 cents.
- 2.8 For illustration purposes only, assuming (as per Rule 1010(9) of the Listing Manual) that the acquisition of the Salcon shares had been effected as at 1 April 2004 and based on the FY2005 audited accounts of the Group, the acquisition of the Salcon Shares would have had no material impact on the earnings per share of the Group of 8.6 cents.
- 2.9 The relative figures computed pursuant to Rule 1006 of the Listing Manual are as follows:
  - a) Net asset value test – not applicable as this is an acquisition of assets.
  - b) Net profit test – the unaudited net profit attributable to the Salcon Shares for the 6 months ended 30 September 2005 ("1H FY2006"), inclusive of negative goodwill, is approximately S\$0.2 million. This represents approximately 1.3% of the Group's net profit of S\$15.9 million for 1H FY2006.
  - c) Market capitalisation test – the consideration of S\$3,823,901 represents approximately 1.6% of the market capitalisation of S\$233.1 million as at 6 December 2005.
  - d) Securities issue test – not applicable as no securities were issued as consideration for the acquisition of the Salcon Shares.

### **3. Information on Second Share Sale Agreement**

- 3.1 Under the Second Share Sale Agreement, Salcon and SHP shall sell the Sale Shares to Lim for a total sum of S\$3,141,487. The particulars of the Sale Shares are as follows:

- a) 4,800,000 SPI shares;
  - b) 2,479,998 SPDC shares;
  - c) 2,999,998 SII shares; and
  - d) 12,000,000 BWUI shares.
- 3.2 The principal business activities of the various entities that form part of the Sale Shares are as follows:
- a) SPI – investment holding;
  - b) SPDC – property ownership;
  - c) SII - investment holding; and
  - d) BWUI - supply and distribution of water.
- 3.3 The consideration of S\$3,141,487 to be paid by Lim for the Sale Shares was arrived at after arm's length negotiations and is on a willing buyer-willing seller basis.
- 3.4 The proceeds from the disposal of the Sale Shares will be utilised to finance part of the consideration for the acquisition of the Salcon Shares under the First Share Sale Agreement.
- 3.5 The material conditions attached to the Second Share Sale Agreement include, *inter-alia*, the following:
- a) The completion of the sale of 19,642,660 Salcon Shares taking place contemporaneously with completion as described in the Second Share Sale Agreement;
  - b) The consent of the shareholders of SPI, SPDC and SII and all other subsidiaries and affiliates of the said companies to change their names so as to omit the word "Salcon" or any confusingly similar word or name and having delivered to Salcon evidence that the change has been effected;
  - c) The repayment in the ordinary and usual course of business by SPDC, SII and BWUI of all indebtedness owed to Salcon, its subsidiaries and/or its associated companies as at the completion date;
  - d) The repayment in the ordinary and usual course of business by Salcon, its subsidiaries and/or its associated companies of all indebtedness owed to SPDC, SII and BWUI as at the completion date;
  - e) The assignment (without any charge) to Salcon of any trade or service marks, trade or service names, registered designs or logos which contain the name "Salcon" which are registered in the name of SPI, SPDC, SII and BWUI;
  - f) The delivery of an undertaking by SPI, SPDC, SII and BWUI that they shall cease in any manner whatsoever to use or display any trade or service marks, trade or service names, registered designs or logos used or held by Salcon or any confusingly similar mark, design, name or logo;

- g) The waiver of any pre-emption rights arising out of or in connection with the sale of the Sale Shares having been obtained. The Parties agree that they shall on a best efforts basis cooperate and work together to obtain such waiver of pre-emption rights; and
  - h) Execution of a shareholders agreement by the existing shareholders of SPI and Lim in the agreed form set out in the Second Share Sale Agreement.
- 3.6 Based on the audited accounts of SPI and the management accounts of SPDC, SII and BWUI for FY2005, the net book value and net profits attributable to the Sale Shares are S\$3.3 million and S\$0.1 million, respectively. The Group is expected to incur a loss of S\$0.1 million from the disposal of the Sale Shares.
- 3.7 For illustration purposes only, assuming (as per Rule 1010(8) of the Listing Manual) that the disposal of the Sale Shares had been effected as at 31 March 2005 and based on the FY2005 audited accounts of the Group, the disposal of the Sale Shares would have had no material impact on the net tangible asset per share of the Group of 39 cents.
- 3.8 For illustration purposes only, assuming (as per Rule 1010(9) of the Listing Manual) that the disposal of the Sale Shares had been effected as at 1 April 2004 and based on the FY2005 audited accounts of the Group, the disposal of the Sale Shares would have reduced earnings per share of the Group from 8.6 cents to 8.5 cents.
- 3.9 The relative figures computed pursuant to Rule 1006 of the Listing Manual are as follows:
  - a) Net asset value test – the unaudited net asset value of the Sale Shares as at 30 September 2005 is approximately S\$2.6 million. This represents approximately 2.4% of the Group's unaudited net asset value of S\$110.4 million as at 30 September 2005.
  - b) Net profit test – not material as the unaudited net profit attributable to the Sale Shares for 1H FY2006 is only approximately S\$6,000 compared to the Group's unaudited net profit of S\$15.9 million for 1H FY2006.
  - c) Market capitalisation test – the consideration of S\$3,141,487 represents approximately 1.3% of the market capitalisation of S\$233.1 million as at 6 December 2005.
  - d) Securities issue test – not applicable as this is a disposal of assets.

#### **4. Rationale for Transactions**

- 4.1 The acquisition of the Salcon Shares allows the Company to further consolidate its shareholding in Salcon while the disposal of the Sale Shares is in line with ongoing efforts to divest non-core assets in the Group.

#### **5. Interest of Directors and Shareholders in Transactions**

- 5.1 Save for Mr Wong Fong Fui and Mr Tong Weng Leong, who each hold one share in SPI as nominee for SHP, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Transactions.

**6. Inspection of Documents**

- 6.1 Copies of the First Share Sale Agreement and the Second Share Sale Agreement are available for inspection during normal business hours at the Company's registered address at 63 Ubi Avenue 1, #06-01, Boustead House, Singapore 408937, for three months from the date of this announcement.