SINGASIA HOLDINGS LIMITED
星亞控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8293)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION PROPOSED ACQUISITION OF 49% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF NEW SHARES UNDER GENERAL MANDATE

Reference is made to the announcement of SingAsia Holdings Limited (the "**Company**") dated 10 December 2021 (the "**Announcement**") in relation to a discloseable transaction relating to the proposed acquisition of 49% of the issued share capital of the Target Company involving the issue of New Shares under General Mandate. Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated. This announcement is made to provide supplemental information in relation to the Acquisition.

* *For identification purposes only*

The Board wishes to provide further information in relation to the Acquisition as follows:

FURTHER INFORMATION ON THE VALUATION

As disclosed in the Announcement, the preliminary valuation of the 49% issued share capital of the Target Company was approximately HK$20,371,000 (the "**Valuation**") as assessed by an independent professional valuer (the "**Valuer**").

Key assumptions and inputs

Set out below are the principal assumptions used in the Valuation:

(i) the Valuation reflects the reasonable conditions existing as at 31 August 2021 (the "**Valuation Date**"). Subsequent events and uncertainties are beyond the control of the Company and the Valuer;

(ii) financial statements provided by the Company give true and fair view and are in accordance with the applicable accounting standards;

(iii) there will be no material change in the financial statements of the Target Company between 31 March 2021 and the Valuation Date;

(iv) there will be no material change in the interest rates and exchange rates in the regions which the Target Company has operations;

(v) there will be no material change in the political, legal, technological, economic or other conditions which would adversely affect the industry and the profitability of the Target Company;

(vi) the Valuer has not verified or confirmed the information provided to it and has assumed that all information is accurate and complete and is not subject to material error or omission; and

(vii) any deviation from the key assumptions may significantly vary the indicative valuation. The Valuation is largely based on information provided by the Company and the Company is solely responsible for their contents/accuracy.

The Comparable Companies

In determining the Valuation, the Valuer had identified and adopted 6 potential comparable companies of the Target Company (the "**Comparable Companies**") which represent a full and exhaustive list of Comparable Companies based on the following principal selection criteria:

(i) having similar business nature to that of the Target Company, so that the Comparable Companies would have similar growth drivers and risk factors;

(ii) the shares of the Comparable Companies are publicly traded so that their observed values reflect recent market assessments of their future prospects; and

(iii) information on the financial performance and operating history of the Comparable Companies are publicly available to enable relevant calculations.

The Valuer noticed that there is a disparity in the asset structure among the Target Company and some of the Comparable Companies to a certain extent. In analysing the relationship between the total asset value and price-to-sales ratio (the "**P/S ratio**") of the Comparable Companies which are engaged in the serviced apartment and hostel operation industry, the Valuer observed that (i) the P/S ratio of one of the Comparable Companies which does not own any properties it operates on was approximately 3.23 times as at the Valuation Date; and (ii) the P/S ratio of the remaining Comparable Companies with properties owned ranged from approximately 1.57 times to approximately 8.59 times, with an average P/S ratio of approximately 4.24 times as at the Valuation Date. Based on the results, the Valuer is of the view that there is no strong correlation between the P/S ratio and the total asset value of the Comparable Companies. Accordingly, the Valuer considers that whether a company owns the property it operates on or not would not be considered as a core factor in determining the fair value of a company in the serviced apartment and hostel operation industry.

The Valuer noted that notwithstanding the cost structures between the Target Company and the Comparable Companies may differ due to the fact that not all the companies own the properties they operate on, all of the said companies had incurred certain costs during their operation. Companies that do not own a property they operate on are subject to rental expenses. Whilst the companies with property owned are subject to depreciation of properties, property taxes, insurances and/or mortgage expenses. The Valuer also noted that all of the Comparable Companies were operating under a business model similar to the Target Company. In particular, these companies demonstrate great similarities to that of the Target Company in terms of the following aspects:

(i) scale (mainly operating budget hotels, guesthouse and/or serviced apartments with no more than two hotel projects);

(ii) product positioning (mainly targeting budget conscious customers);

(iii) income source (mainly generated from hotel and/or hostel operations);

(iv) promotion channels (mainly advertising via online and/or offline travel agencies); and

(v) risk factors.

Having taken into account all the factors stated above, the Valuer is of the view that despite there are certain variances between the Comparable Companies and the Target Company, they still exhibit great similarities in terms of principle businesses, size of operation, customer mix and risks factors. Accordingly, the Valuer considers the selection of the Comparable Companies are fair and reasonable.

FURTHER INFORMATION ON THE TARGET COMPANY

Based on the management account of the Target Company as at 30 September 2021, the Target Company's assets amounted to approximately HK$12.2 million, comprising of (i) cash and bank balance of approximately HK$5.5 million; (ii) loan to Vendor of approximately HK$2.6 million (the "**Loan**"); (iii) deposit and prepayment of approximately HK$2.0 million; (iv) leasehold improvement of approximately HK$1.1 million; and (v) office equipment and other receivables of approximately HK$0.9 million.

The Board noted that one of the major assets held by the Target Company is the Loan. In assessing the recoverability of the Loan, the Company has assessed the financial position of the Vendor. The Company has (i) made relevant enquiries to obtain information on the financial status of the Vendor; and (ii) obtained and reviewed the land search record from the Land Registry which shows that the Vendor is the registered owner of a property in Hong Kong.

Besides, the Vendor has agreed to issue a post-dated cheque (the "**Cheque**") in the amount of approximately HK$2.6 million, representing the entire amount of the Loan, to the Company upon Completion. The Cheque will be dated six months from the Completion Date. Should any amount of the Loan remain outstanding after six months from the Completion Date, the Company is entitled to deposit the Cheque without giving any advance notice to the Vendor.

In the event the Cheque is dishonoured upon presentation by the Company, the Company would consider engaging independent legal adviser(s) to apply for summary judgment order against the Vendor, for which the Directors consider as an expeditious and cost-effective way to enforce the Company's rights to the Loan as compared to other general contractual claims. Alternatively, if the Loan is fully settled within six months from the Completion Date, the Company shall return the Cheque to the Vendor forthwith after six months from the Completion Date.

The Board considers that the arrangement set forth above is sufficient to safeguard the interests of the Group.

FURTHER REASONS FOR AND BENEFITS OF THE ACQUISITION

The investment rationale of the Acquisition is to enable to the Company to (i) strengthen and diversify its investment portfolio; (ii) explore potential business opportunities and cooperation in the Hong Kong market; and (iii) seize the opportunity to participate in the serviced apartment and hostel operation industry at a reasonable price. The Company did not intend to operate the Target Company as a subsidiary of the Group, and hence will manage the Acquisition as a strategic long-term investment of the Company.

In determining the percentage interest of the Target Company to be acquired, the Board has considered, among other factors, (i) the 49% interest of the Target Company to be acquired was determined after arm's length negotiations between the Company and the Vendor on normal commercial terms; (ii) considering the scale of operations of the Group and the Target Company, the Board is of the view that it is not commercially justifiable to devote excessive management attention to the operations of the Target Company. At the current stage, the management of the Group is more inclined to maintain a supervisory role, rather than participating in the daily operations of the Target Company. Hence, it is more desirable to acquire such shareholding interests in the Target Company as an associated company, rather than to the level of being a subsidiary of the Group; (iii) after the Target Company becomes an associated company of the Group, the Board would have more time to observe and assess the upcoming performance of the Target Company. Where appropriate, the Board would subsequently consider whether to exercise the option to acquire a majority stake in the Target Company such that it would become a subsidiary of the Group; and (iv) the investment decision, including the 49% interest of the Target Company to be acquired, aligns with the Company's investment strategy to maximize the benefit from the opportunity to invest in the serviced apartment and hostel operation industry at an attractive price arising from the present economic downturn.

The Company is positive about its ability to oversee the investment in the Target Company. As stated in the Annual Report 2021, the Group has gained sufficient knowledge in the hotel and resort industry through providing manpower outsourcing services for clients from the hotel and resort sector, which contributed approximately S$4.5 million, representing 78.3% of the revenue to the Group in 2021. Furthermore, the member of the Group's senior management team, have acquired sufficient experience in hotel management, and F&B operations which will support the Group to make informed decisions and monitor the investment in the Target Company effectively. Overall, the Board considered the decision of acquiring 49% interest of the Target Company aligns with the Company's investment rationale and is in the interests of the Company and the Shareholders as a whole.

In addition, as stated in the Shareholders' Agreement, during the period of 12 months from the Completion Date, the Vendor shall, before agreeing to dispose any of his Remaining Shares, make a written notice to the Company (the "**Transfer Notice**") indicating the intent to transfer his shares in the Target Company (the "**Target Sale Shares**") to a third party and to offer to transfer, as beneficial owner, such Target Sale Shares to the Company with a desired price (the "**Desired Price**"). If none of the Target Sale Shares are accepted by the Company within the specified period, then, subject to the Tag Along Option exercisable by the Company, the Vendor may transfer the Target Sale Shares to any person other than the Company at a price which is not less than the Desired Price, and on terms which are no more advantageous than those offered to the Company. In the event that none of the Target Sale Shares are accepted by the Company and the Target Sale Shares are to be sold to a third party, the Company may exercise the Tag Along Option, requiring the Vendor to ensure that the Company has the right to sell all or part of its shares in the Target Company to the third party making the offer to the Vendor on the same terms and conditions. Based on the arrangements set forth above, the Board is of the view that there are sufficient measures to protect the interest of the Company and the Shareholders as a whole in the investment in the Target Company.

By Order of the Board
SingAsia Holdings Limited
Sim Hak Chor
Chairman

Hong Kong, 26 January 2022

As at the date of this announcement, the executive Directors are Mr. Sim Hak Chor, Ms. Serene Tan and Mr. Tang Ho Lun Ronald; and the independent non-executive Directors are Mr. Lim Cheng Hock, Lawrence, Mr. Jong Voon Hoo and Mr. Lim Wee Pin.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least seven days from the day of its posting. This announcement will also be published on the Company's website at www.singasia.com.sg.