

COGENT HOLDINGS LIMITED

(Co Reg No. 200710813D)

(Incorporated in the Republic of Singapore on 18 June 2007)

UPDATE ON 'COGENT 1.LOGISTICS HUB' PROJECT – SETTLEMENT AGREEMENT AND ASSIGNMENT OF RIGHTS

1. INTRODUCTION AND RELEVANT BACKGROUND

The board of directors (the "**Board**" or the "**Directors**") of Cogent Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the Company's circular to the shareholders of the Company (the "**Shareholders**") dated 11 June 2012 (the "**2012 Circular**") in connection with the extraordinary general meeting of the Company which was held on 27 June 2012 (the "**2012 EGM**") for the purposes of seeking Shareholders' approval for the award of a tender to SH Design & Build Pte. Ltd. ("**SHDB**"), an interested person of the Company for purposes of Chapter 9 of the Listing Manual, in connection with the Group's new integrated logistics complex at Tanjong Kling Road, to be known as 'Cogent 1.Logistics Hub' (the "**Project**").

Following the grant of approval by the Shareholders at the 2012 EGM, the tender for the design and construction of the Project was awarded by SH Cogent Logistics Pte. Ltd. ("**SHCL**"), a wholly-owned subsidiary of the Company, to SHDB. As described in the 2012 Circular, the Project comprises a ramp-up warehouse with roof-top container depot and an ancillary office block with carparks, which was to be completed in two phases. A gantry crane system was to be constructed as part of the roof-top container depot. SHCL had shortlisted and selected the third-party specialist crane contractor (the "**Crane Specialist**") and had exercised its right to nominate the Crane Specialist, to undertake the gantry crane system construction works (the "**Gantry Crane Works**"), and pursuant to such nomination, SHDB subsequently entered into an agreement with the Crane Specialist for this purpose (the "**Crane Sub-Contract**"). The Crane Specialist is not an interested person of the Company. All variations work undertaken by SHDB on the instruction of SHCL are functionally and operationally required to complement and better serve the commercial objectives of the Project and the valuation of each of these variation works was assessed in accordance with the main contract by SHCL's appointed independent third party consultant.

As stated in the Company's Annual Report 2014, the Project was completed and received a Temporary Occupancy Permit from the Building & Construction Authority in December 2014.

However, to date, the appointed Crane Specialist has failed to satisfactorily complete the Gantry Crane Works. SHCL has therefore sought the advice of its legal counsel on its options in this regard.

The Board wishes to update the Shareholders that SHCL has on 22 December 2015 entered into a settlement agreement (the "**Settlement Agreement**") with SHDB in connection with the Project.

A key aspect of the Settlement Agreement is the assignment of SHDB's rights and benefits (but not obligations) under the Crane Sub-Contract in favour of SHCL, which will now enable

SHCL to take legal action against the Crane Specialist directly under the Crane Sub-Contract for the latter's breaches.

The key salient terms of the Settlement Agreement are set out in section 2 of this announcement.

2. KEY SALIENT TERMS OF THE SETTLEMENT AGREEMENT

The key salient terms of the Settlement Agreement are summarised below:

(a) Assignment of Benefit of Crane Sub-Contract and Performance Bond

SHDB has entered into a deed of assignment to assign absolutely to SHCL all of SHDB's rights, claims and interest in and to, and all benefits accrued and to accrue to SHDB under the Crane Sub-Contract, as well the performance bond arranged by the Crane Specialist in favour of SHDB thereunder (the "**Assignment**"). SHDB has further acknowledged and agreed that SHCL shall have the sole right to make all decisions and determine the strategy and execution in respect of (i) the termination of the Crane Sub-Contract, and (ii) the pursuit of all actions, claims, demands and proceedings (future or existing) arising out of the Crane Sub-Contract and the said performance bond; and SHCL shall be the sole beneficiary of the Crane Sub-Contract and the said performance bond.

(b) Limited Indemnity

In connection with the Assignment, SHCL has granted SHDB a limited indemnity from claims, costs and expenses reasonably incurred by SHDB as a result of all claims, causes of action and/or proceedings brought by the Crane Specialist against SHDB, arising out of and/or in connection with the Crane Sub-Contract and the said performance bond. SHCL's liability under this indemnity is capped at a maximum aggregate amount of S\$150,000.

(c) Full and Final Settlement and Settlement Amount

SHCL shall also pay to SHDB a settlement amount of S\$4,000,000 (the "**Settlement Amount**"), in full and final settlement of all claims between SHCL and SHDB, including variation orders submitted by SHDB, liquidated damages claimed by SHCL, and the taking over of the Gantry Crane System by SHCL from SHDB. SHCL shall also release to SHDB the retention sum of S\$3,948,539.53 (currently retained by SHCL) upon the expiry of the relevant maintenance period, subject to final certification by SHCL's consultants. Subject to obligations under the Settlement Agreement, each party has therefore granted the other an unconditional and absolute discharge and release from all and any debts, claims, demands, liabilities, obligations, disputes, actions, proceedings, judgments or issues, both past and future.

3. RATIONALE AND BENEFIT

The Company is of the view that the Assignment of SHDB's rights and benefits (but not obligations) under the Crane Sub-Contract in favour of SHCL is beneficial to the Group as it enables SHCL to take legal action against the Crane Specialist for breaches under the Crane Sub-Contract directly, which is expected to give SHCL certain strategic advantages in the legal proceedings. The settlement with SHDB is also beneficial to the Group as it resolves all outstanding issues and claims in relation to the Project as between SHCL and SHDB in a balanced and equitable manner, and obviates the need for the Company to expend costly resources on the resolution of the same. The Settlement Agreement and Settlement Amount were negotiated between SHCL and SHDB at arms' length, through their respective legal counsel, having regard to, *inter alia*, the outstanding variation orders issued by SHDB to SHCL for additional works relating to the Project which were undertaken by SHDB at SHCL's request and which have been duly assessed by SHCL's appointed independent third party consultant, and the liquidated damages (builder's works) claims that SHCL has against SHDB.

4. STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee of the Company, having considered the terms of the Settlement Agreement, is of the view that the Settlement Agreement is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

5. INFORMATION FOR THE PURPOSES OF CHAPTER 9 OF THE LISTING MANUAL

As at the date of the Settlement Agreement, SHDB remains an interested person of the Company for purposes of Chapter 9 of the Listing Manual, as Mr Tan Yeow Khoo, the Executive Chairman and controlling Shareholder of the Company, has a shareholding interest of more than 30% in SHDB.

Under Rule 906 of the Listing Manual, the Company must obtain Shareholders' approval for any interested person transaction of a value which is (either independently or when aggregated with other transactions with the same interested person during the same financial year) equal to, or more than, 5% of the Group's latest audited net tangible assets ("**NTA**"), i.e. approximately S\$4.83 million. Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2014, the Group's NTA amounted to approximately S\$96.6 million.

As at the date of the Settlement Agreement, after taking into account the value at risk of the Settlement Agreement:

- (a) the total value of all interested person transactions between the Group and SHDB in the financial year ending 31 December 2015 ("**FY 2015**") to-date, which are required to be aggregated under Rule 906 of the Listing Manual, amounts to approximately S\$4.262 million; and
- (b) the total value of all interested person transactions entered into between the Group and Mr Tan Yeow Khoo and his associates (as defined in the Listing Manual) in FY 2015 to-date, which are required to be aggregated under Rule 906 of the Listing Manual, amounts to approximately S\$4.755 million.

6. FINANCIAL EFFECTS

The Settlement Agreement is not expected to have any material impact on the Group's earnings per share and NTA per share for FY 2015.

BY ORDER OF THE BOARD

Tan Min Cheow, Benson
Executive Director and Chief Executive Officer
22 December 2015