

LEY CHOON GROUP HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198700318G)

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE

1. INTRODUCTION

1.1 **Rights Issue.** The Board of Directors (“**Directors**”) of Ley Choon Group Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company is proposing to undertake a renounceable non-underwritten rights issue (the “**Rights Issue**”) of up to 592,406,996 new ordinary shares in the capital of the Company (“**Rights Shares**”), at an issue price of S\$0.015, for each Rights Share (“**Issue Price**”), on the basis of one (1) Rights Share for every one (1) existing ordinary share in the issued and paid up capital of the Company (“**Shares**”) held by Entitled Shareholders (as defined below) as at the date and time to be determined by the Directors, at and on which the register of members and the transfer books of the Company will be closed to determine the provisional allotments of Rights Shares of the Entitled Shareholders (the “**Books Closure Date**”) under the Rights Issue, fractional entitlements to be disregarded. The Rights Issue is subject to, *inter alia*, the approvals set out in paragraph 5 below.

1.2 **Share Issue Mandate.** The issue of the Rights Shares is proposed to be made pursuant to the authority granted by the shareholders of the Company (“**Shareholders**”) under the share issue mandate (“**Share Issue Mandate**”) at the Extraordinary General Meeting of the Company held on 17 February 2017 (“**2017 EGM**”), pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of Section B: Rules of Catalist of the Listing Manual (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Share Issue Mandate authorised, *inter alia*, the Directors to allot and issue shares and convertible securities of not more than 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing Shareholders does not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company.

As at the date of approval for the Share Issue Mandate, the Company’s issued share capital comprised 592,406,996 Shares (excluding treasury shares). The number of Shares that may be issued on a *pro rata* basis to Shareholders pursuant to the Share Issue Mandate obtained at the 2017 EGM is therefore 592,406,996 Shares. As the maximum number of Rights Shares to be issued pursuant to the Rights Issue is 592,406,996 Rights Shares, and given that no Shares have been issued pursuant to the Share Issue Mandate since the 2017 EGM, the Company will not be seeking specific approval from the Shareholders for the Rights Issue as the basis of the Rights Issue falls within the limit of the Share Issue Mandate.

2. IRREVOCABLE UNDERTAKING

2.1 **Irrevocable Undertaking.** As at the date of this announcement, Zheng Choon Holding Pte. Ltd. (the “**Undertaking Shareholder**”) is the legal and beneficial owner of 296,379,500 Shares (“**Direct Shares**”), representing approximately 50.03% of the existing issued share capital of the Company of 592,406,996 Shares as at the date of this announcement (“**Existing Share Capital**”). In order to show its support for the Rights Issue and to demonstrate its commitment and confidence in the prospects of the Group, the Undertaking Shareholder had on 24 February 2017, pursuant to a deed of undertaking (the “**Undertaking**”), irrevocably and unconditionally undertaken to the Company to, *inter alia*, subscribe for and/or procure the subscription of its pro-rata entitlement of the Rights Shares under the Rights Issue which amounts to an aggregate of 296,379,500 Rights Shares. The aggregate payment for the subscription of its pro-rata entitlement of the Rights Shares under

the Rights Issue is to be satisfied partially by (i) the offsetting of the outstanding amounts owed to the Undertaking Shareholder by the Company of approximately S\$3.4 million (the “**ZC Outstanding Loan**”) pursuant to the loan agreement entered into between the same parties on 8 April 2015 and (ii) the balance of approximately S\$1.0 million by payment in cash.

- 2.2 The Undertaking by the Undertaking Shareholder as set out above are subject to and conditional upon the following:
- (a) receipt of the listing and quotation notice granted by the SGX-ST for the listing and quotation of the Rights Shares on the Catalist Board of the SGX-ST (“**Catalist**”); and
 - (b) the lodgment of the Offer Information Statement (as set out in detail below) together with all other accompanying documents by the Company with the SGX-ST acting as agent on behalf of the Authority.
- 2.3 For illustrative purpose only, based on the assumption that all the Entitled Shareholders (as defined herein) subscribe in full for their pro rata Rights Shares under the Rights Issue (“**Maximum Scenario**”), up to 592,406,996 Rights Shares will be issued under the Rights Issue.
- 2.4 For illustrative purpose only, based on the assumption that (i) none of the other Entitled Shareholders (as defined herein) subscribes for their pro rata Rights Shares under the Rights Issue and (ii) the Undertaking Shareholder is required to subscribe for up to an aggregate of 296,379,500 Rights Shares (“**Minimum Scenario**”), up to 296,379,500 Rights Shares will be issued under the Rights Issue.
- 2.5 Based on the terms of the Rights Issue and the Undertaking, the interest of the Undertaking Shareholder immediately after the close of the Rights Issue will be approximately:
- (a) under the Maximum Scenario, 50.03% of the Maximum Enlarged Share Capital (as defined below); and
 - (b) under the Minimum Scenario, 66.70% of the Minimum Enlarged Share Capital (as defined below).

3. RATIONALE AND USE OF PROCEEDS OF THE RIGHTS ISSUE

- 3.1 **Rationale of the Rights Issue.** On 23 September 2016, the Group and its lenders entered into a debt restructuring agreement encapsulating the key terms of restructuring the debt obligations of the Group (the “**Debt Restructuring Agreement**”). Pursuant to the Debt Restructuring Agreement, the Company had agreed with the lenders to undertake the proposed Rights Issue to raise capital. Further, the Rights Issue has been proposed to raise funds towards improving the Group’s working capital position, strengthening the Group’s financial position and thereby providing the Group with more flexibility and enhancing its ability to formulate, strategise and execute its business plans. A stronger financial position will also allow the Group to seize any opportunities for business growth and expansion into other business area in a timely manner as and when opportunities arise.
- 3.2 **Use of Proceeds.** The estimated net proceeds (the “**Net Proceeds**”) after deducting estimated expenses of S\$0.2 million are expected to be approximately S\$8.6 million under the Maximum Scenario and S\$4.2 million under the Minimum Scenario (before offsetting the ZC Outstanding Loan). The Company intends to use the entire Net Proceeds from the Rights Issue under both the Maximum Scenario and the Minimum Scenario in accordance to the proportions set out below:

Use of Proceeds			Maximum Scenario (S\$)		Minimum Scenario (S\$)	
Offsetting the	ZC		3,400,000	40%	3,400,000	81%
Outstanding Loan						

Funding new projects or investments when opportunities arise for business expansion	2,100,000	24%	300,000	7%
General working capital	3,100,000	36%	500,000	12%
Net proceeds arising from the Rights Issue	8,600,000		4,200,000	

3.3 Pending the deployment of the Net Proceeds, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purposes on a short-term basis as the Directors may deem appropriate in the interests of the Group. The Company will make periodic announcements on the utilisation of such proceeds from the Rights Issue as and when such proceeds are materially disbursed and provide a status report on the use of the proceeds in the Company's annual report. Where the proceeds have been used for working capital, the Company will also provide a breakdown with specific details on the use of proceeds for working capital in the announcements and status reports.

3.4 The Directors are of the reasonable opinion that, barring unforeseen circumstances and after taking into consideration:

- (i) the Group's internal resources, operating cash flow, present banking facilities, and the Debt Restructuring Agreement, the working capital available to the Group is sufficient to meet its present requirements; and
- (ii) the Group's internal resources, operating cash flow, present banking facilities, the Debt Restructuring Agreement and the net proceeds of the Rights Issue, the working capital available to the Group is sufficient to meet its present requirements.

4. PRINCIPAL TERMS OF THE RIGHTS ISSUE

4.1 **Terms.** The Company is proposing the Rights Issue to be offered on a renounceable non-underwritten basis to Entitled Shareholders (as defined below) on the basis of one (1) Rights Share for every one (1) existing Share held by Entitled Shareholders (as defined below) as at the Books Closure Date, fractional entitlements to be disregarded.

4.2 **Issue Price.** The Issue Price is proposed to be S\$0.015 per Rights Share. The Issue Price represents a discount of:

- (a) approximately 68.8% to the closing market price of S\$0.048 per Share for trades done on the SGX-ST on 23 February 2017, being the last trading day of the Shares on which the Shares were transacted on the SGX-ST prior to this announcement (no Shares were traded on 24 February 2017); and
- (b) approximately 53.1% to the theoretical ex-rights price of S\$0.032 per Share ("**Theoretical Ex-Rights Price**"). The Theoretical Ex-Rights Price per Share is calculated based on the closing market price of S\$0.048 per Share on the SGX-ST on 23 February 2017, being the last trading day of the Shares on the SGX-ST prior to this announcement.

4.3 **Size.** Based on the Existing Share Capital of the Company of 592,406,996 Shares, as at the date of this announcement, and taking into account the Undertaking, the changes in the Existing Share Capital of the Company are as follows:

- (a) up to 592,406,996 Rights Shares will be issued under the Rights Issue under the Maximum Scenario and upon completion of the Rights Issue, the share capital of the Company will be increased from 592,406,996 Shares to 1,184,813,992 Shares ("**Maximum Enlarged Share Capital**"); and

- (b) up to 296,379,500 Rights Shares will be issued under the Rights Issue under the Minimum Scenario, and upon completion of the Rights Issue, the share capital of the Company will be increased from 592,406,996 Shares to 888,786,496 Shares (“**Minimum Enlarged Share Capital**”).

- 4.4 **Eligibility of Shareholders to Participate in the Rights Issue.** The Company proposes to provisionally allot Rights Shares to all Shareholders who are eligible to participate in the Rights Issue (“**Entitled Shareholders**”), comprising Entitled Depositors and Entitled Scripholders (both as defined below).

Entitled Shareholders will be entitled to participate in the Rights Issue and receive the offer information statement to be issued for the Rights Issue (the “**Offer Information Statement**”) together with the appropriate application forms and accompanying documents at their respective Singapore addresses as maintained with the records of the Central Depository (Pte) Limited (“**CDP**”) or the Share Registrar (as defined below), as the case may be.

- 4.5 **Entitled Depositors.** Entitled Depositors are Shareholders with Shares standing to the credit of their securities accounts and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have registered addresses outside Singapore and provided CDP with addresses in Singapore for the service of notices and documents not later than 5.00 p.m. (Singapore time) on the date falling three (3) market days prior to the Books Closure Date (“**Entitled Depositors**”).

Entitled Depositors will be provisionally allotted the Rights Shares on the basis of the number of Shares standing to the credit of their securities accounts with CDP as at 5.00 p.m. (Singapore time) on the Books Closure Date.

- 4.6 **Entitled Scripholders.** Entitled Scripholders are Shareholders whose (i) share certificates are not deposited with CDP, (ii) Shares are registered in their own names, and (iii) registered addresses with the Company's share registrar, M & C Services Private Limited (the “**Share Registrar**”), are in Singapore as at the Books Closure Date or who have registered addresses outside Singapore and provided the Share Registrar with addresses in Singapore for the service of notices and documents not later than 5.00 p.m. (Singapore time) on the date falling three (3) market days prior to the Books Closure Date and persons who have tendered to the Share Registrar valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date (“**Entitled Scripholders**”).

Entitled Scripholders will have to submit duly completed and stamped transfers in respect of Shares not registered in the name of CDP, together with all relevant documents of title, so as to be received up to 5.00 p.m. (Singapore time) on the Books Closure Date by the Share Registrar, in order to be registered to determine the transferee's provisional allotments of Rights Shares entitlements.

- 4.7 **Foreign Shareholders.** For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Rights Shares will **NOT** be offered to Shareholders with registered addresses outside Singapore and who have not, at least three (3) market days prior to the Books Closure Date, provided CDP or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents (“**Foreign Shareholders**”). The Offer Information Statement to be issued for the Rights Issue and accompanying documents will not be mailed outside Singapore. Accordingly, Foreign Shareholders will not be entitled to participate in the Rights Issue. No provisional allotment of Rights Shares will be made to Foreign Shareholders and no purported acceptance thereof or application for any excess Rights Shares therefore by any Foreign Shareholder will be valid.

Entitlements to Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders will, if practicable to do so and at the discretion of the Company, be sold “nil-paid” on the SGX-ST, as soon as practicable, after dealings in the provisional allotments of Rights Shares commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such

sales, after taking into account expenses to be incurred in relation thereto. The net proceeds from all such sales, after deduction of all expenses therefrom, will be dealt with in accordance with the terms set out in the Offer Information Statement.

SHAREHOLDERS WITH REGISTERED ADDRESSES OUTSIDE SINGAPORE WHO WISH TO PARTICIPATE IN THE RIGHTS ISSUE SHOULD PROVIDE CDP OR THE SHARE REGISTRAR, AS THE CASE MAY BE, WITH ADDRESSES IN SINGAPORE FOR THE SERVICE OF NOTICES AND DOCUMENTS, AT LEAST THREE (3) MARKET DAYS PRIOR TO THE BOOKS CLOSURE DATE.

- 4.8 **Provisional Allotments and Excess Applications.** Entitled Shareholders will be at liberty to accept, decline, renounce or trade their provisional allotments of the Rights Shares and will be eligible to apply for Rights Shares in excess of their provisional allotments under the Rights Issue. Entitlements which are not allotted or taken up for any reason (including any fractions of a Rights Share) will be aggregated and issued to satisfy applications, if any, for excess Rights Shares or otherwise disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company. In the allotment of excess Rights Shares, preference will be given to Shareholders for rounding of odd lots. Directors and substantial shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board of the Company will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares. The Company will also not make any allotment or issuance of any excess Rights Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by the Shareholders at a general meeting.

Fractional entitlements to the Rights Shares will be disregarded in arriving at the Entitled Shareholders' entitlements and will, together with the provisional allotments which are not taken up for any reason, be aggregated and used to satisfy excess applications (if any), or otherwise dealt with in such manner as the Directors may in their absolute discretion, deem fit for the benefit of the Company.

- 4.9 **Offer Information Statement.** The terms and conditions of the Rights Issue may be subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be lodged with the SGX-ST, acting as an agent on behalf of the Authority, and despatched by the Company to Entitled Shareholders in due course, subject to paragraph 6 below.
- 4.10 **Ranking.** The Rights Shares are payable in full upon acceptance and/or application and will, upon allotment and issue, rank *pari passu* in all respects with the then existing issued Shares, except that they will not rank for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares.
- 4.11 **Non-Underwritten Rights Issue.** In view of the Undertaking, and the savings in costs enjoyed by the Company as a result of not having to bear any underwriting fees, the Company has decided to proceed with the Rights Issue without having the Rights Issue being underwritten by any financial institution.
- 4.12 **Odd Lots.** Shareholders who hold odd lots of the Rights Shares, and who wish to trade in odd lots on the Catalist should note that they will be able to do so on the Unit Share Market.
- 4.13 **Option to Scale Down Subscription.** Depending on the level of subscription for the Rights Shares, the Company will, if necessary, scale down the subscription and/or excess applications for the Rights Shares by any of the Shareholders (if such Shareholder chooses to subscribe for his/her/its pro-rata Rights Shares entitlement and/or apply for excess Rights Shares) to avoid placing the relevant Shareholder and parties acting in concert with him/her/it (as defined in the Singapore Code of Takeovers and Mergers (the "Code")) in the position of incurring a mandatory general offer obligation under the Code, as a result of other Shareholders not taking up their Rights Shares entitlements fully.

5. APPROVALS

The Rights Issue is subject to, *inter alia*, the following:

- (a) the receipt of the listing and quotation notice from the SGX-ST for the listing and quotation of the Rights Shares on the Catalist; and
- (b) the lodgement of the Offer Information Statement together with all other accompanying documents (if applicable) with the SGX-ST, acting as an agent on behalf of the Authority.

An application will be made by the Company to obtain the SGX-ST's approval for the listing of and quotation for the Rights Shares. An appropriate announcement on the outcome of the application will be made in due course.

6. GENERAL

The terms and conditions of the Rights Issue are subject to such changes as the Directors may deem appropriate. Subject to Section 5 above, an Offer Information Statement containing further details on the Rights Issue will be lodged with the SGX-ST, acting as an agent on behalf of the Authority and despatched to Entitled Shareholders in due course.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save for (i) the Undertaking Shareholder, (ii) Mr Toh Choo Huat, Mr Toh Swee Kim and Mr Toh Chew Leong who are directors and shareholders of the Undertaking Shareholder and (iii) Mr Toh Chew Chai who is a shareholder of the Undertaking Shareholder, none of the Directors and substantial Shareholders of the Company has any interest, direct or indirect, in the Rights Issue (other than through their respective shareholdings in the Company).

8. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Rights Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD

Toh Choo Huat
Executive Chairman and Chief Executive Officer
24 February 2017

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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