

LEY CHOON GROUP HOLDINGS LIMITED

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

PROPOSED DISPOSAL OF 60% OF THE REGISTERED CAPITAL OF LEY CHOON (YANTAI) ECO-GREEN CONSTRUCTION MATERIALS LTD.

1. INTRODUCTION

1.1 The board of directors (the “**Board**” or the “**Directors**”) of Ley Choon Group Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that it had on 31 March 2020 entered into a share transfer agreement (the “**Share Transfer Agreement**”) with Yantai Chengtong Building Decoration Engineering Co., Ltd. (烟台晟通建筑装饰工程有限公司) (“**Purchaser A**”) and Yantai Licun Construction Materials Ltd (烟台立春建材有限公司) (“**Purchaser B**”) (each a “**Purchaser**” and collectively, the “**Purchasers**”) to dispose of 45% and 15% of the total registered capital (the “**Sale Shares**”) of Ley Choon (Yantai) Eco-Green Construction Materials Ltd. (立碯(烟台)环保建材科技有限公司) (“**LCYT**”) to Purchaser A and Purchaser B respectively for an aggregate consideration of RMB24,000,000 (equivalent to approximately S\$4.8 million based on the exchange rate of RMB1.00: S\$0.2016 as at 31 March 2020) (the “**Proposed Disposal**”).

1.2 Rule 704(17)(c) of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”)

As at the date of this announcement, LCYT is a wholly-owned subsidiary of the Company. Upon completion of the Proposed Disposal, the Company will hold 40% of the total registered capital of LCYT and LCYT will cease to be a subsidiary of the Company.

2. INFORMATION ON LCYT

LCYT is a company wholly established in Yantai Economic and Technological Development Zone on 15 September 2011 and having its registered address at No. 17 Hengyang Road, Yantai Economic & Technological Development Area, Shandong Province, People’s Republic of China (“**PRC**”). As at the date of this announcement, LCYT has a registered capital of US\$20,000,000 entirely held by the Company. LCYT is a wholly-owned subsidiary of the Company and is engaged in the business of recycling of construction waste and development of eco-green construction products, production and sale of concrete, concrete blocks, etc. As of the date of this announcement, the Sale Shares are charged under a charge over assets dated 7 September 2016 in favour of Madison Pacific Trust Limited.

3. INFORMATION ON THE PURCHASERS

Purchaser A is a company incorporated in the People’s Republic of China and having its registered office at 12-1 Haiqing Garden, No.166 Huanghe Road, Yantai Development Zone, Shandong Province, PRC. Purchaser A is principally engaged in the business of construction and installation engineering, interior and exterior decoration and design, landscape engineering, plumbing installation, sales of architectural decoration materials, and production and sales of concrete prefabricated components.

Purchaser B is a company incorporated in the People’s Republic of China and having its registered office at 1-5, 4th Floor, No.19, Changjiang Road, Yantai Development Zone, PRC. Purchaser B is principally engaged in the business of sales of cement, precast concrete, sand, stones and bricks.

4. RATIONALE FOR THE PROPOSED DISPOSAL

LCYT had faced challenging market conditions in the PRC construction industry and had recorded losses for more than 3 years. LCYT had not generated a significant amount of sales since 2011, resulting in negative cash flow to the Group. LCYT's business is non-core to the Group's operations and LCYT did not contribute any profit to the Group's overall business for the most recent financial year ended 31 March 2019 ("FY2019"). In view of the challenging operating environment in the PRC and the challenges faced by LCYT in achieving operational profitability in the long run, the Group does not wish to further stretch its resources and time on running LCYT. In order to conserve the Group's working capital to sustain core operations and to stem further losses, the Group has been actively looking for buyers. However, the economic conditions in the PRC have made it difficult for the Group to identify potential buyers. As the Group has now identified the Purchasers as interested buyers, the Proposed Disposal presents the Group with an opportunity to sell a substantial stake in an underperforming non-core asset of the Group and will enable the Group to streamline its existing businesses to focus more on its core operations in Singapore and to enhance shareholder value. As at the date of the Share Transfer Agreement and due to the prevailing market conditions in the PRC, the Purchasers are only willing to purchase 60% of the total registered capital of LCYT.

In view of the above, the Company notes that the Proposed Disposal is beneficial to the Group's continued development and will enable focus on its core operations. By undertaking the Proposed Disposal, the Group will also be able to utilise the net proceeds to repay bank borrowings. For the above reasons, the Board is of the view that the Proposed Disposal is in the best interests of the Company and its shareholders (the "Shareholders").

5. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

5.1 Consideration

- 5.1.1 The total consideration payable by the Purchasers to the Company for the Proposed Disposal is RMB24,000,000 (the "**Consideration**"), of which RMB18,000,000 is payable by Purchaser A for 45% of the total registered capital of LCYT and RMB6,000,000 is payable by Purchaser B for 15% of the total registered capital of LCYT.
- 5.1.2 The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into consideration, *inter alia*, the net tangible assets ("**NTA**") of LCYT.
- 5.1.3 The Consideration shall be paid in three (3) instalments in cash by the Purchasers as below:
- (a) the first aggregate instalment of RMB5,000,000 to be paid on or before 30 April 2020;
 - (b) the second aggregate instalment of RMB5,000,000 to be paid on or before 1 October 2020; and
 - (c) the third aggregate instalment of RMB14,000,000 to be paid on or before 31 December 2020.
- 5.1.4 In the event LCYT borrows from Purchaser A in the course of normal business, subject to the prior approval of the Company, and if there is any outstanding amount owing to Purchaser A at the time of settlement of the Consideration pursuant to Section 5.1.3 above, Purchaser A will adjust the outstanding amount against the relevant Consideration and shall settle the balance amount to the Company.
- 5.1.5 In the event LCYT borrows from Purchaser B in the course of normal business, subject to the prior approval of the Company, and if there is any outstanding amount owing to Purchaser B at the time of settlement of the Consideration pursuant to Section 5.1.3 above, Purchaser B will adjust the outstanding amount against the relevant Consideration and shall settle the balance amount to the Company.

5.2 Completion

Subject to the satisfaction of the Conditions Precedent (as defined in Section 5.3 below), the completion of the Proposed Disposal (“**Completion**”) shall take place on the date falling 60 days from the date of receipt of the third and final instalment of the Consideration.

5.3 Conditions Precedent

Completion is conditional upon the following being satisfied:

- (a) all approvals of the board of directors of the Company having been obtained for the entry into and completion of, the transactions contemplated to be entered into the Share Transfer Agreement;
- (b) all approvals of the board of directors of Purchaser A and, if necessary, of the shareholders of Purchaser A having been obtained for the entry into and completion of, the transactions contemplated to be entered into the Share Transfer Agreement;
- (c) all approvals of the board of directors of Purchaser B and, if necessary, of the shareholders of Purchaser B having been obtained for the entry into and completion of, the transactions contemplated to be entered into the Share Transfer Agreement;
- (d) all approvals of the board of directors of LCYT having been obtained for the sale and transfer of the Sale Shares to the Purchasers;
- (e) an equity transfer agreement having been duly executed and duly submitted to the Market Supervision and Administration Bureau of Yan Tai Economic & Technological Development Area (烟台经济技术开发区市场监督管理局) (the equity transfer agreement is a summary of the main terms of the Share Transfer Agreement in Chinese to transfer the capital in LCYT, similar to the requirements of a share transfer form in Singapore);
- (f) the charge in favour of Madison Pacific Trust Limited over the Sale Shares having been discharged (such discharge shall be procured by the Company); and
- (g) all other necessary consents or approvals, if any, from third parties (including without limitation any banks or financial institutions) or governmental or regulatory bodies or competent authorities having jurisdiction over the transactions contemplated in the Share Transfer Agreement (including without limitation but only where required, by the SGX-ST, RHT Capital Pte. Ltd. (being the Sponsor of the Company) and the relevant licensing authorities) having been obtained and where any such consent or approval is subject to any conditions, such conditions being reasonably acceptable to the party on which they are imposed, and if such conditions are required to be fulfilled before completion, such conditions being fulfilled before completion, as the case may be, and such consents or approvals not being revoked or repealed on or before completion, as the case may be,

(collectively, the “**Conditions Precedent**”).

5.4 Board of Directors, General Manager, Legal Representative and Supervisor

Following Completion, the board of directors of LCYT will comprise Mr Toh Choo Huat (the Executive Chairman and Chief Executive Officer of the Company), one director nominated by Purchaser A and one director nominated by Purchaser B, with Mr Toh Choo Huat assuming the position of managing director. The Purchasers will also nominate the general manager and legal representative of LCYT and collectively would have control over the business operations of LCYT. Mr Toh Kok Hean Brayden will be nominated by the Company to be the supervisor of LCYT.

6. VALUE OF THE SALE SHARES, GAIN FROM PROPOSED DISPOSAL AND USE OF PROCEEDS

6.1 Value of the Sale Shares

Based on the latest announced unaudited consolidated financial statements of the Group for the financial period ended 31 December 2019 (“3Q2020”), the book value and NTA attributable to the Sale Shares as at 31 December 2019 was approximately S\$5.4 million (representing 60% of the net asset value of LCYT).

6.2 Deficit of Proceeds over Book Value of the Sale Shares

Based on the book value of the Sale Shares as set out in paragraph 6.1 above, the Consideration represents a deficit of approximately S\$0.6 million over the book value of the Sale Shares.

6.3 Use of Proceeds

The Company intends to use 100% of the net cash proceeds from the Proposed Disposal (after deducting the estimated transaction cost of approximately S\$100,000) for repayment of bank borrowings.

6.4 Profits Attributable to the Sale Shares and Gain to the Group on Proposed Disposal

Based on the latest announced unaudited consolidated financial statements of the Group for 3Q2020, the net profits* attributable to the Sale Shares for 3Q2020 were approximately S\$0.3 million (representing 60% of the net profit of LCYT) and, notwithstanding that the Consideration represents a deficit of proceeds over book value of the Sale Shares as set out in Section 6.2 above, there will be an estimated net gain of S\$0.4 million to the Group on disposal.

* “net profits” means profit including discontinued operations that have not been disposed and before income tax and non-controlling minority interests.

7. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 AND APPLICABILITY OF CHAPTER 10 OF THE CATALIST RULES

The relative figures computed on the relevant bases set out in Rule 1006 of the Catalist Rules in respect of the Proposed Disposal and based on the latest announced consolidated financial statements of the Group for 3Q2020 are as follows:

Rule 1006	Base	Relative figure computed in accordance with the bases set out in Rule 1006
(a)	The net asset value of the assets to be disposed of, compared with the Group’s net asset value	24.90% ⁽¹⁾
(b)	The net profits ⁽²⁾ attributable to the assets disposed of, compared with the Group’s net loss	-66.98% ⁽³⁾
(c)	The aggregate value of the consideration received, compared with the Company’s market capitalisation based on the total number of issued shares (excluding treasury shares)	37.12% ⁽⁴⁾

(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue (excluding treasury shares)	Not applicable, as this is not an acquisition.
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the Group's proved and probable reserves	Not applicable, as the Company is not a mineral, oil and gas company.

Notes:

- (1) Based on the latest announced consolidated financial statements of the Group for 3Q2020, the net asset value of the Group was approximately S\$21.9 million. Based on the NTA of the Sale Shares as set out in paragraph 6.1 of this announcement, the net asset value attributable to the Sale Shares is approximately S\$5.4 million (representing 60% of the net asset value of LCYT).
- (2) "**Net profits**" means profit including discontinued operations that have not been disposed and before income tax and non-controlling minority interests.
- (3) Based on the latest announced consolidated financial statements of the Group for 3Q2020, the net loss of the Group was approximately S\$0.5 million (before tax) and the net profits attributable to the Sale Shares were approximately S\$0.3 million. The net profits attributable to the Sale Shares were due to unrealised foreign exchange gain (due to revaluation of accounts payable and accounts receivable as required by the relevant financial reporting standards) and recognition of government grant as one-off deferred income in the financial statements of LCYT.
- (4) The aggregate value of the Consideration of RMB24,000,000 is equivalent to approximately S\$4.8 million based on the exchange rate of RMB1.00: S\$0.2016 as at 31 March 2020, the day the Share Transfer Agreement was signed. The Company's market capitalisation is approximately S\$13.03 million, computed on the basis of 1,184,813,992 ordinary shares in issue (excluding treasury shares) and the weighted average price of S\$0.0107 per share transacted on 30 March 2020, being the last market day preceding the date of the Share Transfer Agreement.

As the relative figure computed on the base set out in Rule 1006(b) of the Catalist Rules is a negative figure, the Company shall, through its Sponsor, consult with the SGX-ST pursuant to Rule 1007(1) of the Catalist Rules and seek its confirmation that the Proposed Disposal would constitute a "**discloseable transaction**" under Chapter 10 of the Catalist Rules and would not be subject to the approval of Shareholders. The Company will update Shareholders on the outcome of such consultation in due course.

8. FINANCIAL EFFECTS

8.1 Bases and Assumptions

The *pro forma* financial effects of the Proposed Disposal are based on, *inter alia*, the following bases and assumptions:

- (i) the audited consolidated financial statements of the Group for FY2019;
- (ii) the *pro forma* financial effects of the Proposed Disposal on the consolidated NTA per share of the Group are computed based on the assumption that the Proposed Disposal was completed on 31 March 2019; and
- (iii) the *pro forma* financial effects of the Proposed Disposal on the EPS of the Group are computed based on the assumption that the Proposed Disposal was completed on 1 April 2018.

The *pro forma* financial effects are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company or the Group following the completion of the Proposed Disposal.

8.2 NTA per share

	Before the Proposed Disposal	After completion of the Proposed Disposal
NTA of the Group (S\$'000)	23,200	22,894
Number of shares	1,184,813,992	1,184,813,992
NTA per share (cents)	1.96	1.93

8.3 Earnings per Share ("EPS")

	Before the Proposed Disposal	After completion of the Proposed Disposal
Net (loss) attributable to the Group (S\$)	(9,130,857)	(8,635,002)
Weighted average number of shares	1,184,813,992	1,184,813,992
(Loss) per share (cents)	(0.77)	(0.73)

9. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Company's Directors or controlling Shareholders or their associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings (if any) in the Company.

10. **DIRECTORS' SERVICE CONTRACTS**

As at the date of this announcement, no person is proposed to be appointed as a Director of the Company in connection with the Proposed Disposal. Accordingly, as at the date of this announcement, no service contract is proposed to be entered into between the Company and any such person in connection with the Proposed Disposal.

11. **CAUTIONARY STATEMENT**

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will proceed to completion, as the completion is subject to, *inter alia*, fulfillment of all the conditions precedent in the Share Transfer Agreement. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the action they should take.

12. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Share Transfer Agreement will be available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Toh Choo Huat
Executive Chairman and Chief Executive Officer

31 March 2020

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.

The details of the contact person for the Sponsor is:

*Name: Mr. Nathaniel C.V. (Registered Professional, RHT Capital Pte. Ltd.)
Address: 9 Raffles Place #29-01, Republic Plaza Tower 1 Singapore 048619
Tel: 6381 6966*