

LEY CHOON GROUP HOLDINGS LIMITED

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

PROPOSED DISPOSAL OF 40% OF THE REGISTERED CAPITAL OF LEY CHOON (YANTAI) ECO-GREEN CONSTRUCTION MATERIALS LTD.

1. INTRODUCTION

- 1.1 The board of directors (“**Board**” or the “**Directors**”) of Ley Choon Group Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcements dated 31 March 2020, 3 April 2020 and 21 May 2021 (“**Previous Announcements**”) in relation to the disposal of 60% of the registered capital of Ley Choon (Yantai) Eco-Green Construction Materials Ltd (立塔(烟台)环保建材科技有限公司) (“**LCYT**”). The Board wishes to announce that it had on 5 August 2021 entered into an equity transfer agreement (the “**Equity 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 the remaining 15% and 25% of the total registered capital of LCYT (collectively, the “**Sale Shares**”) to Purchaser A and Purchaser B respectively for an aggregate consideration of RMB16,000,000 (equivalent to approximately S\$3.4 million based on the exchange rate of RMB1.00: S\$0.2098 as at 5 August 2021) (the “**Proposed Disposal**”). The Purchasers were the purchasers referred to in the Previous Announcements and as at the date of this announcement, collectively hold 60% of the total registered capital of LCYT.
- 1.2 As at the date of this announcement, the Company holds 40% of the registered capital of LCYT and LCYT remains as an associated company of the Company.

2. RATIONALE FOR THE PROPOSED DISPOSAL

- 2.1 The Company has earlier disposed of an aggregate of 60% shareholding in LCYT as part of its plans to refocus on its core business. As LCYT’s business is non-core to the Group’s operations and LCYT very marginally contributed to the Group’s overall business for the most recent financial year ended 31 March 2021 (“**FY2021**”), the Proposed Disposal represents an opportunity to divest its non-core business and allow the Company to refocus its resources on its core business. Following the completion of the disposal on 21 May 2021, the Purchasers have now expressed that they are desirous of purchasing the Company’s remaining equity interest in LCYT to further consolidate their interest in LCYT and the Company is willing to sell its remaining equity interest to the Purchasers pursuant to the Equity Transfer Agreement.
- 2.2 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**”).

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

3.1 Consideration

- 3.1.1 The total consideration payable by the Purchasers to the Company for the Proposed Disposal is RMB16,000,000 (the “**Consideration**”).

3.1.2 The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into consideration, *inter alia*, the value of the shares based on the consideration paid in respect of the disposal of the 60% of the registered capital of LCYT.

3.1.3 The Consideration shall be paid in three (3) instalments in cash by the Purchasers as below:

- (a) the first aggregate instalment of RMB4,000,000 to be paid on or before 30 September 2021;
- (b) the second aggregate instalment of RMB7,000,000 to be paid on or before 15 February 2022; and
- (c) the third aggregate instalment of RMB5,000,000 to be paid on or before 30 September 2022.

or such other dates as may be agreed by the parties.

3.2 Completion

Subject to the satisfaction of the Conditions Precedent (as defined in Section 3.3 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.

3.3 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 Equity 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 Equity 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 Equity 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) the 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);
- (f) the shares held for transfer and pledged to Madison Pacific Trust Company Limited have been released from the pledge; 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 Equity 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 withdrawn or invalidated on or before completion, as the case may be,

(collectively, the "**Conditions Precedent**").

3.4 Managing Director and Supervisor

Currently, Mr Toh Choo Huat and Mr Toh Kok Hean Brayden are the Managing Director and Supervisor of LCYT respectively. Following the Completion, Mr Toh Choo Huat and Mr Toh Kok Hean Brayden will cease to be the Managing Director and Supervisor of LCYT respectively.

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

4.1 Value of the Sale Shares

Based on the latest announced unaudited consolidated financial statements of the Group for the FY2021, the book value, (i.e. the investment in LCYT) attributable to the Sale Shares as at 31 March 2021 was approximately S\$3.4 million (representing 40% of the value of the investment in LCYT as at 31 March 2021).

4.2 Proceeds over Book Value of the Sale Shares

Based on the book value of the Sale Shares as set out in paragraph 4.1 above, the Consideration represents 40% of the book value of the Sale Shares. As such, there is no excess or deficit over the book value of the Sale Shares.

4.3 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\$0.1 million) for repayment of bank borrowings.

4.4 Profit or Loss 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 FY2021, the net profits attributable to the Sale Shares for FY2021 was approximately S\$0.03 million (representing 40% of the net profits of LCYT). As the Consideration represents 40% of the book value of the Sale Shares, there is no loss or gain on disposal.

5. **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 FY2021 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	16.7% ⁽¹⁾
(b)	The net profits ⁽²⁾ attributable to the assets disposed of, compared with the Group's net loss	3.2% ⁽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)	20.2% ⁽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 FY2021, the net asset value of the Group was approximately S\$19.7 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\$3.3 million (representing 16.7% 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 FY2021, the net gain of the Group was approximately S\$0.8 million (before tax) and the net profits attributable to the Sale Shares were S\$0.03 million.
- (4) The aggregate value of the Consideration of RMB16,000,000 is equivalent to approximately S\$3.4 million based on the exchange rate of RMB1.00: S\$0.2098 as at 5 August 2021 the day the Equity Transfer Agreement was signed. The Company's market capitalisation is approximately S\$16.6 million computed on the basis of 1,184,813,992 ordinary shares in issue (excluding treasury shares) and the weighted average price of S\$0.014 per share transacted on 4 August 2021, being the last market day preceding the date of the Equity Transfer Agreement.

As the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules are below 50%, 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.

6. FINANCIAL EFFECTS

6.1 Bases and Assumptions

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

- (i) the unaudited consolidated financial statements of the Group for FY2021;
- (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 2021; 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 2020.

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.

6.2 NTA per share

	Before the Proposed Disposal	After completion of the Proposed Disposal
NTA of the Group (S\$'000)	19,664	19,594
Number of shares	1,184,813,992	1,184,813,992
NTA per share (cents)	1.66	1.65

6.3 Earnings per Share (“EPS”)

	Before the Proposed Disposal	After completion of the Proposed Disposal
Net profit attributable to the Group (S\$'000)	841	771
Weighted average number of shares	1,184,813,992	1,184,813,992
Earnings per share (cents)	0.071	0.065

7. 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.

8. 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.

9. 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 Equity 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Equity 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
6 August 2021

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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