TAT HONG HOLDINGS LTD

**Registration No: 199105392H**

## THE PROPOSED RENOUNCEABLE UNDERWRITTEN RIGHTS ISSUE

### 1. INTRODUCTION

1.1. **Proposed Rights Issue**. The board of directors ("**Directors**") (the "**Board**") of Tat Hong Holdings Ltd (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company is proposing a renounceable underwritten rights issue of up to 125,776,884 new ordinary shares in the issued and paid-up capital of the Company (the "**Rights Shares**") at an issue price of S$0.33 for each Rights Share (the "**Issue Price**"), on the basis of one (1) Rights Share for every five (5) existing ordinary shares in the issued share capital of the Company (the "**Shares**"), held by shareholders of the Company (the "**Shareholders**") as at a time and date to be determined by the Directors for the purpose of determining the Shareholders' entitlement under the proposed rights issue (the "**Books Closure Date**"), fractional entitlements to be disregarded (the "**Rights Issue**").

1.2. **General Mandate**. The issue of the Rights Shares is proposed to be made pursuant to the authority granted by the Shareholders under the share issue mandate (the "**Share Issue Mandate**") approved at the annual general meeting of the Company held on 28 July 2016, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Accordingly, 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.

1.3. **Irrevocable Undertakings**. As at the date of this announcement, Mr Ng San Tiong, Managing Director and Group Chief Executive Officer, and certain persons acting in concert with Mr Ng San Tiong (namely, Chwee Cheng & Sons Pte Ltd, TH Investments Pte. Ltd., Mr Ng Chwee Cheng, and Ng Chwee Cheng Corporation) (collectively, the "**Undertaking Shareholders**" and each an "**Undertaking Shareholder**") within the meaning of the Singapore Code on Takeovers and Mergers hold an aggregate of 347,855,401 Shares either directly or through nominee account(s), representing approximately 55.4% of the existing share capital of the Company. To show their support for the Rights Issue and to demonstrate their commitment to and confidence in the prospects of the Group, they have separately provided Irrevocable Undertakings (as defined below) to the Company and the Underwriter (as defined below) to subscribe and/or procure the subscription of up to an aggregate of 97,571,079 Rights Shares representing 77.6% of the total number of Rights Shares (of up to 125,776,884 Rights Shares) under the Rights Issue. The details of the Irrevocable Undertakings are set out in section 3 of this announcement.

1.4. **Underwriting**. The Company has appointed Phillip Securities Pte Ltd as the underwriter for the Rights Issue (the "**Underwriter**"), pursuant to the terms of an underwriting agreement entered into between the Company and the Underwriter on 14 November 2016 after trading hours (the "**Underwriting Agreement**"). Please refer to paragraph 4 of this Announcement for further details of the Underwriting Agreement.

### 2. PRINCIPAL TERMS OF THE RIGHTS ISSUE

2.1. **Basis of Provisional Allotment.** The Rights Issue is to be made on a renounceable basis to Entitled Shareholders (as described below) on the basis of one (1) Rights Share for every five (5) existing Shares held as at the Books Closure Date, fractional entitlements to be disregarded.

2.2. **Issue Price.** The Issue Price for each Rights Share is S$0.33, payable in full upon acceptance and application. The Issue Price represents a discount of approximately:

(i) 27.5% to the closing market price of S$0.455 for trades done on the Main Board of the SGX-ST on 14 November 2016 (being the last Market Day on which the Shares were transacted on the SGX-ST prior to the release of this announcement); and

(ii) 24.0% to the theoretical ex-rights price of S$0.434 per Share (calculated based on the closing market price of S$0.455 for trades on the Main Board of the SGX-ST on 14 November 2016).

The expenses incurred in the Rights Issue will not be specifically charged to subscribers or purchasers of the Rights Shares.

An administrative fee will be incurred for each successful electronic application made through the automated teller machine(s) of the respective participating banks of the Rights Issue, and such administrative fee will be borne by the subscribers or purchasers of the Rights Shares.

2.3. **Size of the Rights Issue.** As at the date of this announcement, the Company has:

(i) an existing issued and paid-up share capital comprising 627,606,423 Shares (excluding 3,986,400 treasury shares) (the "**Existing Share Capital**");

(ii) 1,278,000 outstanding share options (the "**Outstanding Share Options**") granted under the Tat Hong Employee Share Option Scheme 2006 (the "**ESOS 2006**") which are exercisable into 1,278,000 Shares; and

(iii) 77,500 outstanding performance share awards (the "**Outstanding Share Awards**") granted under the Tat Hong Performance Share Plan (the "**PSP**") to employees of the Group which will vest on 30 April 2017.

For illustrative purposes* only:

(i) based on the Existing Share Capital and assuming that none of the Outstanding Share Options are exercised on or prior to the Books Closure Date, the Company will issue 125,521,284 Rights Shares under the Rights Issue (the "**Minimum Subscription Scenario**"); and

(ii) based on the Existing Share Capital and assuming that all of the Outstanding Share Options are exercised on or prior to the Books Closure Date, the Company will issue 125,776,884 Rights Shares under the Rights Issue (the "**Maximum Subscription Scenario**").

***Note:***

* *Based on the vesting date of the Outstanding Share Awards, the Company expects that it is unlikely that the Outstanding Share Awards will vest in full on or prior to the Books Closure Date.*

2.4. **Eligibility of Shareholders to participate in the Rights Issue.** The Company proposes to provisionally allot Rights Shares to all the Entitled Shareholders, comprising Entitled Depositors and Entitled Scripholders (both as defined herein).

2.5. **Entitled Depositors.** Shareholders whose Shares are registered in the name of the Central Depository (Pte) Limited (the "**CDP**") and whose securities accounts with the CDP are credited

with Shares as at the Books Closure Date (the "**Depositors**") will be provisionally allotted their entitlements on the basis of the number of Shares standing to the credit of their securities account with the CDP as at the Books Closure Date. To be "**Entitled Depositors**", Depositors must have registered addresses with the CDP in Singapore as at the Books Closure Date or must have, at least three (3) Market Days (being days on which the SGX-ST is open for trading in securities) prior to the Books Closure Date, provided the CDP with addresses in Singapore for the service of notices and documents.

2.6. **Entitled Scripholders.** Duly completed and stamped transfers (in respect of Shares not registered in the name of the CDP) together with all relevant documents of title received up to the Books Closure Date by M&C Services Pte Ltd (the "**Share Registrar**"), will be registered to determine the provisional entitlements of the transferee (the "**Scripholder**"), which term shall include a person who is registered as a holder of Shares and whose share certificates are not deposited with the CDP) under the Rights Issue. To be "**Entitled Scripholders**", Scripholders must have registered addresses in Singapore as at the Books Closure Date or must have, at least three (3) Market Days prior to the Books Closure Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents.

2.7. **Foreign Shareholders.** For practical reasons and in order to avoid violation of relevant legislation applicable in countries other than Singapore, the Rights Issue is only made in Singapore and the Rights Shares will not be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not at least three (3) Market Days prior to the Books Closure Date, provided to the Company, the CDP, or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents (the "**Foreign Shareholders**"). The offer information statement to be issued for the Rights Issue (the "**Offer Information Statement**") and its accompanying documents will not be mailed outside Singapore. Accordingly, no provisional allotments of the Rights Shares will be made to Foreign Shareholders and no purported acceptance thereof or application will be valid. Entitlements to Rights Shares which would otherwise accrue to Foreign Shareholders will, if practicable, be sold "nil-paid" on the SGX-ST 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 pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings as at the Books Closure Date and sent to them at their own risk by ordinary post, where the amount of net proceeds to be distributed to any single Foreign Shareholder is not less than S$10.00. In the event the amount is less than S$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Directors, the Underwriter, the Share Registrar, the Central Provident Fund Board, or the CDP and their respective officers in connection therewith. Where such provisional allotments of Rights Shares are sold "nil-paid" on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Directors, the Underwriter, the Share Registrar, the Central Provident Fund Board, or the CDP and their respective officers in respect of such sales or the proceeds thereof, the provisional allotments of Rights Shares or the Rights Shares represented by such provisional allotments.

2.8. **Ranking.** The Rights Shares will be payable in full upon acceptance and/or application and, upon allotment and issue, will rank *pari passu* in all respects with the Shares then in issue, save

for any dividends, rights, allotments or other distributions, the Record Date (as defined herein) for which falls before the date of issue of the Rights Shares.

For the purpose herein, "**Record Date**" means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which the Shareholders must be registered with the Company or the CDP, as the case may be, in order to participate in such dividends, rights, allotments or other distributions.

2.9. **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.

Provisional allotments of Rights Shares which are not taken up for any reason shall be used to satisfy excess applications for Rights Shares (if any) or otherwise dealt with in such manner as the Board may in its absolute discretion deem fit in the interests of the Company. In the allotment of excess Rights Shares, preference will be given to Entitled Shareholders in satisfaction of their application for excess Rights Shares, if any, provided that where there are insufficient excess Rights Shares to allot to each application, the Company shall allot the excess Rights Shares to Entitled Shareholders such that preference will be given to the rounding of odd lots, and Directors, substantial Shareholders, and controlling 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, the Undertaking Shareholders, and the Underwriter will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares.

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.

## 3. IRREVOCABLE UNDERTAKINGS

3.1. As at the date of this announcement, the interests of each of the Undertaking Shareholders are as follows:

| Undertaking Shareholder | Total Number of Shares in which the Undertaking Shareholder has a direct interest and/or holds through its / his nominee account(s) | Percentage (%) of the Existing Share Capital |
|---|---|---|
| Chwee Cheng & Sons Pte Ltd | 253,511,160 | 40.4 |
| TH Investments Pte. Ltd. | 3,228,000 | 0.5 |
| Ng Chwee Cheng Corporation | 55,048,578 | 8.8 |
| Mr Ng Chwee Cheng | 26,571,568 | 4.2 |
| Mr Ng San Tiong | 9,496,095 | 1.5 |
| **TOTAL** | **347,855,401** | **55.4%** |

3.2. On 14 November 2016, the Undertaking Shareholders had each provided an irrevocable undertaking to the Company (the "**Irrevocable Undertakings**" and each an "**Irrevocable Undertaking**"). Pursuant to the Irrevocable Undertakings, the Undertaking Shareholders had

thereby unconditionally and irrevocably represented, warranted and undertaken to the Company and the Underwriter that, *inter alia*,:

(i) it/he would fully subscribe and/or procure subscription for its/his *pro rata* Rights Shares entitlement, based on its/his respective shareholdings under the Rights Issue and make full payment for such undertaken *pro rata* Rights Shares;

(ii) as at the Books Closure Date, it/he would have a registered address in Singapore (as set out in the records of the Company's share register or in the records of the CDP) or will provide to the Company or to the CDP, as the case may be, an address in Singapore for the service of notices and documents in connection with the Rights Issue at least three (3) Market Days prior to the Books Closure Date, and will take such further action as is necessary to ensure that such undertaken *pro rata* Rights Shares can be validly and legally provisionally allotted;

(iii) it/he would pay for such undertaken *pro rata* Rights Shares in accordance with the terms and conditions of the Rights Issue as contained in the Offer Information Statement, the provisional allotment letter, the application forms for the Rights Shares, and all other accompanying documents in connection with the Rights Issue, to be lodged by the Company with the Monetary Authority of Singapore ("**MAS**"); and

(iv) it/he would have sufficient available funds (whether by way of credit facilities available to it/him or otherwise) to subscribe for such undertaken *pro rata* Rights Shares and shall procure a confirmation, in a manner acceptable to the Company and the Underwriter, from the relevant financial institution on the same.

3.3. In addition to the undertakings mentioned in paragraph 3.2, Mr Ng Chwee Cheng had also unconditionally and irrevocably represented, warranted, and undertaken to apply and/or procure application for up to 28,000,000 excess Rights Shares which are not subscribed or otherwise taken up and/or applied for by the other Shareholders on the basis that he will rank last in priority in the allotment of excess Rights Shares which are not taken up by the other Shareholders.

3.4. Accordingly, the total number of Rights Shares pursuant to the Irrevocable Undertakings amounts to an aggregate of 97,571,079 Rights Shares and represents approximately 77.6% of the total number of Rights Shares (of up to 125,776,884 Rights Shares) under the Rights Issue (the "**Undertaken Shares**").

3.5. The obligations of the Undertaking Shareholders are subject to and conditional upon:

(i) approval in-principle having been granted by the SGX-ST (and such approval not having been withdrawn or revoked on or prior to the closing date of the Rights Issue) for the listing of and quotation for the Rights Shares on the SGX-ST and, if such approval is granted subject to conditions, such conditions being acceptable to the Company; and

(ii) the lodgement of the Offer Information Statement in connection with the Rights Issue together with all other accompanying documents by the Company with the MAS.

## 4. UNDERWRITING

4.1. **Underwritten Shares.** The Rights Shares other than the Undertaken Shares (the "**Underwritten Shares**") have been underwritten by the Underwriter at the Issue Price on the terms and subject to the conditions of the Underwriting Agreement.

4.2. **Underwriting Fee.** Pursuant to the Underwriting Agreement, the Company will pay the Underwriter an underwriting fee of 1.75% of the gross proceeds received from the Underwritten Shares computed based on the Issue Price.

## 5. RATIONALE OF THE RIGHTS ISSUE AND USE OF PROCEEDS

5.1. **Rationale of the Rights Issue.** The Rights Issue has been proposed by the Company as part of its ongoing and prudent balance sheet management to strengthen its financial position, enlarge its capital base and further enhance the financial flexibility of the Group. In particular, the Net Proceeds (as defined below) of the Rights Issue will be used for (a) debt repayment; and (b) working capital and general corporate purposes including but not limited to (i) compliance and operating costs; and (ii) payment of trade and other payables, if necessary ("**Working Capital**") so as to provide the Group with more flexibility and enhance its ability to formulate, strategise and execute its business plans.

5.2. **Use of Proceeds.** The estimated net proceeds (the "**Net Proceeds**") arising from the Rights Issue, after deducting estimated costs and expenses, are expected to be approximately S$41.0 million under the Minimum Subscription Scenario and S$41.1 million under the Maximum Subscription Scenario. The intended use of such Net Proceeds are set out below:

| **Use of Net Proceeds** | **Minimum Subscription Scenario (S$'million)** | **Maximum Subscription Scenario (S$'million)** |
|---|---|---|
| Debt repayment | 16.4 – 20.5 | 16.4 – 20.6 |
| Working Capital | 20.5 – 24.6 | 20.5 – 24.7 |
| **Net proceeds arising from the Rights Issue** | 41.0 | 41.1 |

5.3. Pending the deployment of the Net Proceeds for the uses identified above, 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 the funds from the Rights Issue are materially disbursed and provide a status report on the use of the proceeds in the Company's annual report(s). 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.

5.4. The Directors are of the reasonable opinion that after taking into consideration the Group's present bank facilities (including any refinancing for which the Group is currently in negotiations in line with general business practice as at the date of this announcement), the working capital available to the Group is sufficient to meet its present requirements. Nevertheless, the Company is undertaking the Rights Issue to strengthen its financial position.

## 6. APPROVALS FOR THE RIGHTS ISSUE

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

(i) the in-principle approval of the SGX-ST (and such approval not having been withdrawn or revoked on or prior to the closing date of the Rights Issue) for the listing of and quotation for the Rights Shares on the SGX-ST, and if such approval is granted subject to conditions, such conditions being acceptable to the Company; and

(ii) the lodgement of the Offer Information Statement together with all other accompanying documents by the Company with the MAS.

6.2. The Company will make an application to the SGX-ST for the listing of and quotation for the Rights Shares on the Mainboard of the SGX-ST. An appropriate announcement will be made in due course to notify Shareholders when the listing and quotation notice is obtained.

## 7. OFFER INFORMATION STATEMENT

The terms and conditions of the Rights Issue are subject to such changes as the Directors, after consultation with the Underwriter, may deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be issued by the Company in due course. All Entitled Shareholders will receive the appropriate application forms and accompanying documents at their Singapore addresses.

## 8. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS, AND CONTROLLING SHAREHOLDERS

Mr Ng San Tiong and Mr Ng Sang Kuey are the sons of Mr Ng Chwee Cheng, the Undertaking Shareholder who had unconditionally and irrevocably represented, warranted, and undertaken to apply and/or procure application for up to 28,000,000 excess Rights Shares which are not subscribed or otherwise taken up and/or applied for by the other Shareholders on the basis that he will rank last in priority in the allotment of excess Rights Shares which are not taken up by the other Shareholders.

Saved as disclosed in this announcement, none of the other Directors, Substantial Shareholders, and Controlling Shareholders of the Company has any interest, direct or indirect, in the Rights Issue (other than through their respective shareholdings in the Company).

## 9. 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.

## 10. ADJUSTMENTS TO SHARE OPTIONS AND SHARE AWARDS

As a result of the Rights Issue, adjustments may be made with respect to the share options granted under the ESOS 2006 and the share awards made under the PSP. The Company will review and consider if it is appropriate to make such adjustments. Details of such adjustments (if any) will be communicated separately to such participants.

By Order of the Board
**Tat Hong Holdings Ltd**

Jennie Hong Chok Hane
Group Chief Financial Officer / Company Secretary

14 November 2016