



LIAN BENG GROUP LTD
Registration No. 199802527Z

PROPOSED DISPOSAL OF SHARES IN UNITED E & P PTE. LTD. (“UEP”)

1. SALE AND PURCHASE AGREEMENT

- 1.1 The Board of Directors (the “**Board**”) of Lian Beng Group Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has today executed a sale and purchase agreement (“**SPA**”) with an unrelated third party, KKC Investment Holding Pte. Ltd. (the “**Purchaser**”), for the disposal of 5,720,000 ordinary shares in the capital of UEP (the “**Sale Shares**”), representing all the Company’s shareholding interest in UEP and amounting to 40% of the total issued shares of UEP, for an aggregate sale consideration (“**Sale Consideration**”) of S\$9,438,000 (the “**Proposed Disposal**”).
- 1.2 The Sale Consideration will be paid in the following manner:
- (i) refundable deposit of S\$1,000,000 within three business days from the date of the SPA; and
 - (ii) the balance upon completion of the Proposed Disposal in the manner provided in paragraph 4.2 of this announcement.
- 1.3 The Sale Consideration was arrived on a willing-buyer willing-seller basis, and has taken into account unaudited financials of the Sale Shares as at 30 November 2019.

2. INFORMATION ON UEP AND THE PURCHASER

UEP is principally engaged in the manufacturing of asphalt premix and has a total issued and paid up capital of S\$14,300,000 divided into 14,300,000 ordinary shares. Over the years, the Company has built its track record by providing pavement solutions for infrastructure-related road works. The Purchaser is beneficially owned by the existing management of UEP and is not related to any director or controlling shareholder and their associates of the Company.

3. RATIONALE FOR THE PROPOSED DISPOSAL

Following a thorough review of its business plan, the Company has determined that the ownership of UEP is not strategic to the Company, given UEP’s business activities and the Company’s minority stake in it. In addition, the Company is of the view that the Proposed Disposal will free up capital for deployment to other opportunities that can potentially generate better returns for the Group. The Company intends to use the net proceeds of approximately S\$9.4 million from the Proposed Disposal to strengthen its existing businesses, while keeping a look out for business opportunities that can generate higher value to the shareholders of the Company.

4. MATERIAL TERMS OF SPA

- 4.1 Completion is conditional upon, *inter alia*, the following conditions being fulfilled or waived within ninety days from the date of the SPA:
- (i) the receipt of all consent, approvals and authorisations of bankers, financial institutions, relevant third parties, government or regulatory authorities in connection with the transfer of the Sale Shares from the Company to the Purchaser;
 - (ii) there has been no change in the shareholding or capital structure of UEP after the date of SPA occurring on or before completion;
 - (iii) the substitution by the Purchaser of all corporate guarantees and indemnities provided by the Company to secure the obligations of UEP, such that all the Company's obligations thereunder are fully discharged; and
 - (iv) the execution of the deed of counter-indemnity by the founder of UEP and the Purchaser respectively in favour of the Company.
- 4.2 Completion will occur within three business days after the fulfilment or waiver (as the case may be) of the conditions precedent set out in paragraph 4.1 of this announcement. Upon completion of the Proposed Disposal, UEP will cease to be an associated company of the Group.
- 4.3 In relation to certain guarantees and indemnities given by the Company to secure UEP's project obligations in the ordinary course of business, the Purchaser has undertaken, *inter alia*, to procure that the Purchaser and the founder of UEP will execute deeds of counter-indemnity in favour of the Company, should the Purchaser be unable to obtain the consent of the relevant third parties to the substitution and/or discharge of such guarantees and indemnities.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The unaudited net asset value and unaudited net loss before tax of the Sale Shares as at 30 November 2019 was S\$9,827,000 and S\$2,579,000 respectively. The discount of the Sale Consideration over the book value of the Sale Shares is approximately S\$389,000. No valuation was commissioned in respect of the Sale Shares.

The financial effects of the Proposed Disposal set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after completion.

5.1 Net Tangible Assets ("NTA") per share

The effect of the Proposed Disposal on the NTA per share of the Group for the financial year ended 31 May 2019 ("FY2019"), assuming that the Proposed Disposal had been effected at the end of FY2019 is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000) ⁽¹⁾	694,060	691,092
Number of shares ⁽²⁾	499,689,200	499,689,200
NTA per share (S\$)	S\$1.39	S\$1.38

Notes:

- (1) Based on the audited NTA of the Group as at 31 May 2019. NTA is total assets less total liabilities, excluding non-controlling interests.
- (2) Based on 499,689,200 total issued shares of the Company as at the date of this announcement, excluding 30,070,800 treasury shares.

5.2 Earnings Per Share (“EPS”)

The effect of the Proposed Disposal on the EPS of the Group for FY2019, assuming that the Proposed Disposal had been effected at the beginning of FY2019 is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net profit attributable to ordinary shareholders of the Company (S\$'000) ⁽¹⁾	32,863	29,895
Number of shares ⁽²⁾	499,689,200	499,689,200
Basic EPS share (cents)	6.58 cents	5.98 cents

Notes:

(1) Based on the audited net profits attributable to owners of the Company for FY2019.

(2) Based on 499,689,200 total issued shares of the Company as at the date of this announcement, excluding 30,070,800 treasury shares.

6. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST Listing Manual**”) are set out below:

Rule 1006 (a)	The net asset value of the assets to be disposed of, compared with the Group’s net asset value as at 30 November 2019 ⁽¹⁾	1.2%
Rule 1006 (b)	The net profit attributable to the assets acquired or disposed of, compared with the Group’s net profits for the half year ended 30 November 2019 (“ 1H2020 ”) ⁽²⁾	-9.4%
Rule 1006 (c)	The aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares ⁽³⁾	3.5%
Rule 1006 (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	Not applicable
Rule 1006 (e)	The aggregate volume or amount of proven and probable reserves to be disposed of compared with the aggregate of the group’s proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable

Notes:

(1) Based on the unaudited net asset value of the Sale Shares of \$9,827,000, and the Group’s unaudited net asset value of S\$826,883,000 as at 30 November 2019. Net asset value is total assets less total liabilities.

(2) Based on the unaudited net loss before tax attributable to the Sale Shares of S\$2,579,000 and the Group’s unaudited net profits of \$27,491,000 for 1H2020.

- (3) Based on the Sale Consideration of S\$9,438,000 and the Company's market capitalisation of S\$267 million on 22 January 2020 (being the market day preceding the date of the SPA).

On the basis of Rule 1006 above, the Proposed Disposal is a "discloseable transaction" as defined in Rule 1010 of the SGX-ST Listing Manual.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal, save through their shareholdings (if any) in the Company.

8. SERVICE AGREEMENT

No Director is proposed to be appointed in connection with the Proposed Disposal.

9. DOCUMENT FOR INSPECTION

A copy of the SPA is available at the Company's registered office at 29 Harrison Road, Lian Beng Building, Singapore 369648 for three months from the date of this announcement.

BY ORDER OF THE BOARD

Ong Pang Aik
Chairman and Managing Director
23 January 2020