



PROPOSED DISPOSAL OF 21.89% INTEREST IN MENTECH INVESTMENT LIMITED

1. INTRODUCTION

The Board of Directors (the **"Board"**) of Longcheer Holdings Limited (the **"Company"** and together with its subsidiaries, the **"Group"**) refer to the announcement released by the Company on 21 April 2016 in relation to the potential acquisition of an associated company within the Group by an **"interested person"** (as defined in Chapter 9 of the Listing Manual (**"Listing Manual"**) of the Singapore Exchange Securities Trading Limited (**"SGX-ST"**)).

The Board wishes to announce that Longcheer International Pte. Ltd., a wholly-owned subsidiary of the Company, (the **"Vendor"**) has on 20 June 2016, entered into a conditional sale and purchase agreement (the **"Agreement"**) with Longcheer Telecommunication (H.K.) Limited (the **"Purchaser"**) in relation to the disposal of its 21.89% interest in its associated company, Mentech Investment Limited (the **"Target Company"**), to the Purchaser (the **"Proposed Disposal"**), for an aggregate cash consideration of RMB88 million (**"Consideration"**). Further details of the principal terms of the Agreement are set out in this announcement.

As at the date of this announcement, the Vendor holds 200,000 ordinary shares in the Target Company representing 21.89% of the issued and paid up capital of the Target Company (the **"Sale Shares"**). The Consideration is RMB88 million, equivalent to approximately US\$13.37 million based on an exchange rate of US\$1:RMB6.5826, being the average of the USD:RMB exchange rates over the last five (5) market days prior to the date of the Agreement (**"Agreed Exchange Rate"**).

The Proposed Disposal is an interested person transaction under Chapter 9 of the Listing Manual which requires approval of the independent shareholders of the Company under Rule 906 of the Listing Manual. The Proposed Disposal is also considered a major transaction under Rule 1014 of the Listing Manual, which requires approval of the shareholders of the Company (**"Shareholders"**). Please refer to paragraph 7 below for further details on the computation of the relative figures under Rule 1006 of the Listing Manual.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Information on the Purchaser

Shareholders should note that information relating to the Purchaser in this paragraph and elsewhere in this Announcement was provided by the Purchaser. The Company and the Directors have not independently verified the accuracy and correctness of such information. The sole responsibility of the Directors and the Company has been to ensure that such information has been accurately and correctly extracted and/or reproduced in this Announcement in its proper form and context.

The Purchaser is a private limited company incorporated in Hong Kong on 21 April 2004, and is a wholly-owned subsidiary of Shanghai Longcheer Technology Co. Ltd. (上海龙旗科技股份有限公司) (“SLT”). The directors of the Purchaser are Dr. Du Junhong (“DJH”) and Mr. Xu Wenjun, an unrelated third party. SLT is a private limited company established in the People’s Republic of China.

DJH is the chairman, executive director and controlling shareholder of the Company. As DJH holds deemed interests of 46% in the Purchaser through various entities, the Purchaser is considered as an “interested person” for purpose of Chapter 9 of the Listing Manual. In addition, Mr. Deng Hua (“DH”), the chief executive officer, executive director and shareholder of the Company, holds deemed interests of 8.70% in the Purchaser through an entity. Accordingly the Agreement between the Company as the “entity at risk” and the Purchaser as an “interested person” would constitute an “interested person transaction” under Chapter 9 of the Listing Manual.

Details of the deemed interests of DJH and DH in the Purchaser are set out in Appendix B to this announcement.

2.2 Information on the Target Company

The Target Company is a private company limited by shares incorporated in Hong Kong on 28 August 2009 with an issued and paid-up share capital of HK\$175,854,600. The Target Company is an associated company of the Company.

The Target Company and its subsidiaries (collectively, the “**Target Group Companies**” and individually, “**Target Group Company**”) are principally engaged in the business of manufacturing and trading of electronic products. The Target Group Companies provide electronic manufacturing services for the mobile handset industry in the People’s Republic of China and specialise in the provision of manufacturing services for printed circuit board assembly using surface mount technology.

Based on the latest unaudited consolidated accounts of the Group for the nine months ended 31 March 2016, the book value of the Target Group Companies was RMB87.23 million.

The particulars of the Target Group Companies are set out in Appendix A of this Announcement.

3. PRINCIPAL TERMS OF THE AGREEMENT

3.1 Consideration

3.1.1 The Consideration for the Sale Shares shall be an aggregate sum of RMB88 million which was arrived at after arm’s length negotiations between the Company and the Purchaser, on a willing buyer and willing seller basis, after taking into account the unaudited net asset value of the Target Group Companies as at 31 December 2015 adjusting for the dividends distributed and declared by the Target Company for the financial year of the Target Company ended 31 December 2015 and received by the Vendor up to the date of the Agreement.

3.1.2 The Consideration shall be satisfied in cash in United States Dollars, based on the Agreed Exchange Rate, as follows:

- (a) an amount equivalent to 5% of the Consideration ("**Deposit**") shall be paid on the date of the Agreement. As at the date of this announcement the Deposit has been paid; and
- (b) an amount equivalent to 95% of the Consideration ("**Completion Amount**") to be paid on the completion date ("**Completion Date**").

3.2 **Conditions precedent**

The obligation of the parties under the Agreement to complete the Proposed Disposal are conditional upon, *inter alia*, the following salient conditions being satisfied, fulfilled or waived, as the case may be, before Completion:

- 3.2.1 the requisite approval of the board of directors and shareholders (if required) of the Purchaser for the transaction contemplated in the Agreement having been obtained;
- 3.2.2 the payment of the Deposit by the Purchaser to the Company;
- 3.2.3 the Purchaser having obtained all approvals, waivers, filings, registrations and consents as may be necessary from any third party or governmental agency having jurisdiction over the transaction contemplated under this Agreement being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked;
- 3.2.4 all approvals, waivers and consents as may be necessary from any third party or governmental agency having jurisdiction over the transaction contemplated under this Agreement being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked, and if such consents or approvals are granted or obtained subject to any conditions, such conditions being acceptable to the Company, in particular:-
 - (a) the approval of Shareholders being obtained at a special general meeting ("**SGM**") to be convened before the Completion Date for the Proposed Disposal;
 - (b) the approval in-principle being obtained from the SGX-ST in respect of the circular to be issued by the Company to its Shareholders in connection with the Proposed Disposal ("**Circular**"); and
 - (c) the approval of the board of directors and shareholders of the Target in respect of the Proposed Disposal.

3.3 **Representations and warranties**

Pursuant to the terms of the Agreement, the parties have furnished to each other various representations and warranties customary for transactions of a similar nature such as the Proposed Disposal.

4. RATIONALE FOR PROPOSED DISPOSAL

- 4.1 Following the disposal of Mobell Technology Pte Ltd, its mobile telecommunications business, in 2014, the Group's businesses are mainly investment in properties and its equity interests in associated companies. The Proposed Disposal will allow the Company to immediately unlock value of its investment in its associated company, which is consistent with the Company's intent to increase shareholder value. Upon the completion of the Proposed Disposal, the Target Company will cease to be an associated company of the Company. The Company will be able to focus the Group's resources on its business of property investment, which the Company believes has good growth potential. The Company is also considering possible options to distribute part of the proceeds from the Proposed Disposal to Shareholders and will update Shareholders in due course.
- 4.2 Accordingly, the Board believes that the Proposed Disposal is in the best interest of the Company and the Shareholders, having regard to the terms of the Proposed Disposal, the trading performance of the shares of the Company on the Mainboard of the SGX-ST ("**Shares**"), and the intense competition in the challenging electronics industry.

5. USE OF PROCEEDS AND LOSS ON THE PROPOSED DISPOSAL

- 5.1 The net proceeds from the Proposed Disposal, after deducting all costs and expenses are estimated to be approximately RMB87 million. The net proceeds from the Proposed Disposal represent a deficit of approximately RMB0.23 million over the net book value of the Sale Shares as at 31 March 2016.
- 5.2 For illustrative purposes only, assuming the Proposed Disposal was completed on 31 March 2016, the loss on disposal for the Group would have been approximately RMB0.23 million.
- 5.3 The Company intends to use the net proceeds to strengthen the financial position of the Company and allow it to focus its resources on future business opportunities for the Company to achieve its aim to increase shareholder value. The Company is also considering possible options to distribute part of the proceeds from the Proposed Disposal to Shareholders and will update Shareholders in due course.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

6.1 General

The proforma financial effects of the Proposed Disposal on the net tangible assets ("**NTA**") per share and the earnings per share ("**EPS**") of the Group are set out below. The proforma financial effects have been prepared based on the audited consolidated financial results of the Group for the financial year ended 30 June 2015. The proforma financial effects are purely for illustration purposes only and are therefore not necessarily indicative of the actual financial position of the Group after Completion.

6.2 NTA

For illustrative purposes only, the proforma financial effects of the Proposed Disposal on the Group's NTA per share, assuming that the Proposed Disposal had been completed on 30 June 2015, being the end of the most recently completed financial year, are set out below:

	Before Proposed Disposal	After Proposed Disposal
NTA (RMB'000)	235,079	238,282 ⁽²⁾
Number of Shares ⁽¹⁾	35,244,520	35,244,520
NTA per Share (RMB)	6.67	6.76

Notes:

- (1) Based on the number of issued Shares (excluding treasury shares) as at 31 March 2016.
- (2) The NTA has been determined after taking into account the net proceeds to be received, after deducting the estimated transaction expenses.

6.3 EPS

For illustrative purposes only, the proforma financial effects of the Proposed Disposal on the consolidated earnings of the Group, assuming that the Proposed Disposal had been completed on 1 July 2014, being the beginning of the most recently completed financial year, are set out below:

	Before Proposed Disposal	After Proposed Disposal
Profits attributable to the owners of the Company (RMB'000)	31,325	18,963 ⁽²⁾
Number of Shares ⁽¹⁾	35,244,520	35,244,520
EPS (RMB)	0.89	0.54

Notes:

- (1) Based on the number of issued Shares (excluding treasury shares) as at 31 March 2016.
- (2) The profits attributable to the owners of the Company has been determined after deducting the estimated transaction expenses.

7. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL

- 7.1 The relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figures
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value ⁽¹⁾	35.6%
(b)	Net profits attributable to the assets to be disposed of, compared with the Group's net profits ⁽²⁾	177.3%
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽³⁾	60.9%
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number	Not applicable to disposal of assets

	of equity securities previously in issue	
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Notes:

- (1) Based on the net asset value of the Sale Shares and the net asset value of the Group for the nine-month period ended 31 March 2016 being RMB 87,226,000 and RMB 245,144,000 respectively.
- (2) Net Profits is defined as profit before income tax, minority interests and extraordinary items. Based on the net profits of the Sale Shares and the net profits of the Group for the nine-month period ended 31 March 2016 being RMB8,099,000 and RMB4,569,000 respectively.
- (3) Based on the Consideration and market capitalisation of the Company of RMB144,575,715, which is determined by multiplying the issued share capital of the Company of 35,244,520 Shares in issue with the weighted average price of S\$0.8404 transacted on the Mainboard of SGX-ST on 17 June 2016 (being the last market day for which the Shares were traded prior to the day the Agreement was entered into) and based on an exchange rate of S\$1:RMB4.8811.

- 7.2 As the relative figures under Rules 1006(a), (b) and (c) of the Listing Manual exceed 20%, the Proposed Disposal constitutes a “major transaction” as defined in Chapter 10 of the Listing Manual and is subject to the approval of Shareholders at a special general meeting to be convened (“SGM”).

8. PROPOSED DISPOSAL AS AN INTERESTED PERSON TRANSACTION

- 8.1 As explained in paragraph 2.1 above, the Purchaser is considered as an “interested person” for the purpose of Chapter 9 of the Listing Manual. Accordingly, the Proposed Disposal constitutes an interested person transaction.
- 8.2 The Consideration represents 37.4% of the latest audited consolidated NTA of the Group as at 30 June 2015. In accordance with Chapter 9 of the Listing Manual, the Proposed Disposal is an interested person transaction, the value of which is more than 5% of the latest audited NTA of the Group and is thus subject to the approval of Shareholders at the SGM pursuant to Rule 906 of the Listing Manual.
- 8.3 DJH and DH and their respective “associates” (as defined in the Listing Manual) shall abstain from voting on Proposed Disposal in respect of their respective shareholdings in the Company.
- 8.4 Save for the Proposed Disposal, there are no interested person transactions entered into by the Group, or between the Group and the Purchaser, DJH or DH during the current financial year which are required to be disclosed under Chapter 9 of the Listing Manual.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in paragraph 2.1 of this Announcement, none of the directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the Proposed Disposal.

10. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. FINANCIAL ADVISER AND INDEPENDENT FINANCIAL ADVISER

- 11.1 The Company has appointed CIMB Bank Berhad, Singapore Branch, as the financial adviser to the Company in respect of the Proposed Disposal.
- 11.2 The Company will be appointing an independent financial adviser (“**IFA**”) to advise the independent Directors of the Company (“**Non-Interested Directors**”) in connection with the Proposed Disposal.

12. STATEMENT OF THE AUDIT COMMITTEE

The audit committee of the Company (“**Audit Committee**”) will obtain an opinion from the IFA before forming its view as to whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. The views of the Audit Committee will be included in the Circular.

13. SGM AND CIRCULAR TO SHAREHOLDERS

The Company will convene an SGM to seek the approval of Shareholders for the Proposed Disposal. The Circular containing, *inter alia*, details thereof, together with the opinions and recommendations of the Non-Interested Directors and the letter from the IFA in relation thereto, and enclosing the notice of SGM in connection therewith, will be despatched to Shareholders in due course.

14. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement will be available for inspection during normal business hours at HEP Corporate Services Pte. Ltd., SGX Centre 2, #17-01, 4 Shenton Way Singapore 068807 during normal business hours for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD
LONGCHEER HOLDINGS LIMITED

See Yen Tarn
Audit Committee Chairman
20 June 2016

APPENDIX A

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
<u>Target Group Companies</u>					
Mentech Investment Limited	Hong Kong	913,500 shares of HKD1 each	-	21.89%	Investment holding
DBG Investment Holdings Limited	Hong Kong	247,420,237 share of HKD1 each	-	21.89%	Investment holding
DBG Technology Co., Ltd.	China	Registered capital of RMB266,000,000	-	17.89%	Manufacturing and trading of electronic products
DBG Technology Electronics (Hong Kong) Limited.	Hong Kong	1,000,000 shares of USD1 each	-	17.89%	Investment holding
DBG Holdings Limited	Hong Kong	49,934,050 shares of HKD1 each	-	17.89%	Trading and investment
Shenzhen Ming Hong Electronic Technology Co., Ltd	China	Registered capital of RMB2,500,000	-	17.89%	Research and development of electronic products
Jia Xing Guang Hong Industrial Co., Ltd.	China	Registered capital of RMB50,000,000	-	17.89%	Manufacturing and trading of electronic products
Jia Xing Guang Hong Technology Electronics Co., Ltd.	China	Registered capital of RMB20,000,000	-	12.52%	Manufacturing and trading of electronic products

APPENDIX B

The Purchaser is a wholly-owned subsidiary of SLT, the majority interests of which are held by entities in which DJH and DH have deemed interests in, as described below:-

	<u>Number of shares</u>	<u>Shareholding percentage in SLT</u>
Kunshan Longcheer Investment Management Centre (Limited Partnership) ⁽¹⁾	120,960,000	33.60%
Kunshan Longfei Investment Management Centre (Limited Partnership) ⁽²⁾	44,640,000	12.40%
Kunshan Qiyun Investment Management Centre (Limited Partnership) ⁽³⁾	15,552,000	4.32%
Kunshan Yunrui Investment Management Centre (Limited Partnership) ⁽⁴⁾	31,320,000	8.70%
Sub-total	212,472,000	59.02%
Unrelated third parties	147,528,000	40.98%
	360,000,000	100.00%

Notes:

- (1) DJH holds direct interests of 51.21% in Kunshan Longcheer Investment Management Centre (Limited Partnership).
- (2) DJH holds direct interests of 99% in Kunshan Longfei Investment Management Centre (Limited Partnership).
- (3) DJH holds direct interests of 26.17% in Kunshan Qiyun Investment Management Centre (Limited Partnership).
- (4) DH holds direct interests of 99% in Kunshan Yunrui Investment Management Centre (Limited Partnership).