TRAVELITE HOLDINGS LTD.
(Incorporated in Singapore)
(Company Registration Number: 200511089K)

PROPOSED JOINT VENTURE

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1. INTRODUCTION

The Board of Directors (the "**Board**") of Travelite Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**"), wishes to announce that Demarco Pte Ltd ("**Demarco**"), a wholly-owned subsidiary of the Company, has on 13 February 2017 entered into a joint venture and shareholders' agreement (the "**JVA**") with Delsey Asia Limited ("**DAL**") and Delsey Singapore Pte. Ltd. (the "**JVC**") to jointly undertake the business of distribution, wholesale and retails of luggage and travel accessory products bearing the "Delsey" trademark, name or brand (the "**Products**") in Singapore, Malaysia and Indonesia (the "**Business**"), to be managed by the JVC (the "**Proposed Joint Venture**").

2. INFORMATION ON DAL AND THE JVC

DAL is a company incorporated in Hong Kong and is the authorised master distributor of "Delsey" products in Asia, and had granted Demarco the right to distribute the Products in Singapore, Malaysia and Cambodia pursuant to a distributorship agreement dated 14 May 2014 ("**Demarco Delsey Distributorship**").

The JVC was incorporated in Singapore on 6 October 2016 with an initial issued and paid up share capital of S$2 comprising 2 ordinary shares held by Cheung Kin Man, a director of the JVC, in trust for DAL. The JVC has not commenced business since its incorporation.

Pursuant to the JVA, DAL and Demarco have agreed to terminate the Demarco Delsey Distributorship, enter into a separate distributorship agreement for Cambodia on substantially the same terms as the Demarco Delsey Distributorship and appoint the JVC as the distributor of the Products in Singapore, Malaysia and Indonesia. The original expiry date of the Demarco Delsey Distributorship is 31 December 2018.

3. RATIONALE FOR THE PROPOSED JOINT VENTURE

Demarco has been the appointed distributor of the Products in Singapore and Malaysia since 2009 ("**Demarco Delsey Business**") and Cambodia since 2014. DAL, the authorised master distributor of "Delsey" products in Asia, aspires to grow via distribution-led acquisitions in the Asia Pacific region.

Recognising Demarco's contributions in building up the local distribution network as well as the Group's established network in Southeast Asia, DAL invited Demarco to participate in the Proposed Joint Venture and offered equity stake of 35% in the Proposed Joint Venture to Demarco in consideration of the premature termination of the Demarco Delsey Distributorship.

The Company is confident of the prospect of the Proposed Joint Venture given the profitable track record of Demarco Delsey Business. In addition, the Group had commissioned a valuation on the Proposed Joint Venture and the independent professional valuer had ascribed a valuation of S$2,439,000 to the Proposed Joint Venture as at 1 January 2017 (the "**Valuation**") based on a discounted cash flow approach. Taking into account the nominal subscription price of S$350 to be paid by Demarco for the subscription of 35% equity interest in the JVC as described in

paragraph 4.1 below, the Company is of the view that the entry into the Proposed Joint Venture is in its interest.

4. PRINCIPAL TERMS OF THE JVA

4.1 Capital Contribution towards the JVC

Subject to the fulfilment of the conditions precedent set out in paragraph 4.3 below, the JVC shall increase its issued and paid-up share capital from S$2 divided into 2 ordinary shares to S$1,000 divided into 1,000 ordinary shares, by way of an allotment and issue of 648 new ordinary shares to DAL and 350 new ordinary shares to Demarco at a subscription price of S$1 per new share. DAL and Demarco shall hold 65% and 35% of the resultant share capital of the JVC respectively.

The Group will finance the subscription of shares in the JVC, amounting to S$350, by internal sources.

4.2 Purchase of Assets and Inventory

Subject to Completion (as defined in paragraph 4.2(i) below) taking place, Demarco shall sell and the JVC shall purchase the following assets required for the Business with retrospective effect on and from the effective date, being 1 January 2017 (the "**Effective Date**"):

(a) In respect of all inventory of the Products in the Demarco Delsey Business that is in and under Demarco's ownership as at 31 December 2016, the purchase consideration shall be the total landed costs of such inventory determined and mutually agreed upon between DAL and Demarco following the completion of stock take of all inventory as certified by the appointed auditors of the JVC (the "**Inventory Purchase Price**") by no later than the Completion Date (as defined in paragraph 4.3 below). For indication purposes, the total landed costs of such inventory as at 31 December 2016 was approximately S$2,326,000; and

(b) In respect of all other assets used by Demarco in the Demarco Delsey Business, the purchase consideration shall be S$157,720.71, being the aggregate net book value of such assets as at 31 December 2016 (the "**Asset Purchase Price**"),

(collectively, the "**Delsey Assets**").

The Inventory Purchase Price and Asset Purchase Price shall be subject to Goods and Services Tax ("**GST**") at prevailing rate, being such additional amount which shall be borne by the JVC pursuant to the relevant tax invoice(s) issued by Demarco in accordance with applicable law for the Inventory Purchase Price and Asset Purchase Price respectively.

The JVC shall pay to Demarco:

(i) the Asset Purchase Price in cash upon completion of the subscription by DAL and Demarco of new ordinary shares in the JVC as set out in paragraph 4.1 above (the "**Completion**"); and

(ii) the Inventory Purchase Price in 12 equal monthly cash instalments in the following manner:

(aa) the first instalment payment commencing on the date falling one (1) calendar month after the Completion Date, provided that the certification of the stock take of all inventory in accordance with paragraph 4.2(a) above shall have taken place by the Completion Date, failing which the first instalment payment shall commence one (1) calendar month after the date of the said certification; and

(bb) the subsequent payments shall be on the same day of the subsequent months, provided that the JVC shall be permitted at any time to make advance payment of any one, more or all of the outstanding instalments.

Interest on the Inventory Purchase Price at a rate of 1% per month calculated in arrears every month and based on a reducing balance method, for the period commencing from the Effective Date until the entire of the Inventory Purchase Price has been fully repaid, shall be payable together with the monthly instalment payments set out in paragraph 4.2(ii) above.

In the event of late payment, additional interest at a rate of 2% per month on the overdue amounts shall be payable by the JVC to Demarco.

The parties agree that, in consideration of Demarco agreeing to the payment of the Inventory Purchase Price in the manner as set out in paragraph 4.2(ii) above, the JVC shall provide and execute a deed of charge granting a floating charge over all its inventory of the Products, in favour of Demarco as security for the JVC's obligations to make payment of the Inventory Purchase Price (the "**Deed of Charge**").

4.3 Conditions Precedent

The JVA is conditional upon the following conditions precedent having been fulfilled and/or waived:

(a) all representations, warranties and undertakings of DAL and the JVC under the JVA being complied with, and being true, accurate and correct in all respects as at the Completion Date, as if repeated at Completion and at all times between the date of the JVA and Completion;

(b) the approval of the shareholders of the Company in an extraordinary general meeting (where necessary) having been obtained for the transaction contemplated in the JVA upon the terms and conditions set out therein, including, *inter alia*, the subscription of new ordinary shares in the JVC and the sale of the assets of the Demarco Delsey Business, as a major transaction and such other matters as are necessary in compliance with the relevant provisions of the listing manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**");

(c) the completion of the transfer of all shares in the JVC held by Cheung Kin Man to DAL;

(d) the JVC having executed the Deed of Charge;

(e) all representations, warranties and undertakings of Demarco under the JVA being complied with, and being true, accurate and correct in all respects as at the Completion Date, as if repeated at Completion and at all times between the date of the JVA and Completion;

(f) the approval of the executive board, supervisory board and shareholders of DAL's holding company having been obtained for the transaction contemplated in the JVA upon the terms and conditions set out therein, including, *inter alia*, the subscription of new ordinary shares in the JVC; and

(g) the JVC and Demarco having entered into a separate trading agreement in respect of the JVC's conduct of the Business, including but not limited to the logistical and warehousing services to be provided by Demarco to the JVC, on terms to be mutually agreed between the JVC and Demarco.

Completion shall take place within three (3) business days after the fulfillment or waiver of the conditions precedent set out above, or such other date to be mutually agreed in writing between the parties (the "**Completion Date**"). If any of the conditions set out above is not fulfilled or waived by the parties within three (3) months from the date of the JVA or such later date that the parties shall mutually agree, either of the parties may elect to rescind the JVA, and thereafter none of the parties shall have any claim against each other except for antecedent breaches of any term of the JVA.

4.4 Other Salient Terms

Other salient terms of the JV Agreement are, *inter alia*:

4.4.1 Conduct of Demarco Delsey Business from Effective Date to Completion Date

The parties agree that subject to Completion taking place, the Demarco Delsey Business shall be deemed to have been conducted by Demarco for and on behalf of the JVC with effect from the Effective Date to the Completion Date (both dates included).

Demarco shall pay to the JVC within 30 days following the Completion Date and for the period from the Effective Date to the Completion Date (both dates included), being the "**Relevant Period**", as reflected in the relevant accounting and other records of Demarco, the net sum of:

(i) all cash collected from the conduct of the Demarco Delsey Business and sales of the Products (including GST) during the Relevant Period; *less*

(ii) all expenses incurred by Demarco directly and solely on account of its conduct of the Demarco Delsey Business, but excluding cost of sales, during the Relevant Period.

4.4.2 Put Option

DAL irrevocably grants to Demarco a put option to buy all ordinary shares in the JVC held by Demarco (the "**Transferred Shares**) from Demarco (the "**Put Option**").

The price of the Transferred Shares where the Put Option is exercised shall be determined accordingly based on the period within which the Put Option is so exercised as follows:

	Period Within Which Put Option Exercised	**Type of Price**	**Formula for Calculation of Price**
(i)	From Completion Date to 31 May 2021 (both dates included)	Deadlock Put Option Price	90% of S$2,600,000
(ii)	From (and including) 1 June 2021 onwards	Exit Price	$\left[SP \times \frac{\text{(3-year EBITDA)}}{3} \times 4 \right]$

Where in the above table:

Deadlock means the withholding of the requisite approval for reserved matters by a director appointed by Demarco for a period of at least 90 days following the request for such approval;

EBITDA means in relation to each completed financial year of the JVC, the earnings before interest, taxes, depreciation and amortisation of the JVC determined based on the following items extracted from its audited accounts duly approved by its shareholders and as certified by the JVC's auditor applying the IFRS:

- Net profit or loss after tax; *plus*
- Income tax expense; *plus*
- Interest charge in relation to financial borrowings and assimilated, factored trade receivables, interests expense from any asset financing leases, and discounted bills; *plus*
- Customer invoice settlement discounts given to customers, *less*
- Interest income; *plus*
- Depreciation*; plus*
- Amortisation and impairment of intangibles and goodwill; *plus*
- The non-recurring items and/or exceptional expenses, *less*
- The non-recurring items and/or exceptional income.

SP means the shareholding percentage of Demarco, being the number of Transferred Shares divided by the total number of ordinary shares issued in the share capital of the JVC at the relevant time.

3-year EBITDA means the aggregate of the JVC's EBITDA for the last three (3) financial years immediately preceding the exercise of the Put Option.

For the avoidance of doubt, if the price calculated based on the above formula is a negative number, then the price shall then equal to zero.

The Put Option may be exercised during any of the following periods:

(i) the 4-week period immediately following the occurrence of a Deadlock; or

(ii) in June of every year from and including June 2021 for so long as Demarco holds any ordinary shares in the JVC.

4.4.3 Call Option

Demarco irrevocably grants to DAL a call option to sell the Transferred Shares to DAL (the "**Call Option**").

The price of the Transferred Shares where the Call Option is exercised shall be determined accordingly based on the period within which the Call Option is so exercised as follows:

	Period Within Which Call Option Exercised	**Type of Price**	**Formula for Calculation of Price**
(i)	From Completion Date to 31 May 2021 (both dates included)	Deadlock Call Option Price	110% of the higher of: (1) S$2,600,000; or (2) $\left[SP \times \frac{\text{(n-year EBITDA)}}{n} \times 4 \right]$
(ii)	From (and including) 1 June 2021 onwards	Exit Price	$\left[SP \times \frac{\text{(3-year EBITDA)}}{3} \times 4 \right]$

Where in the above table:

Deadlock means the withholding of the requisite approval for reserved matters by a director appointed by Demarco for a period of at least 90 days following the request for such approval;

EBITDA means in relation to each completed financial year of the JVC, the earnings before interest, taxes, depreciation and amortisation of the JVC determined based on the following items extracted from its audited accounts duly approved by its shareholders and as certified by the JVC's auditor applying the IFRS:

- Net profit or loss after tax; plus
- Income tax expense; plus
- Interest charge in relation to financial borrowings and assimilated, factored trade receivables, interests expense from any asset financing leases, and discounted bills; *plus*
- Customer invoice settlement discounts given to customers, less
- Interest income; plus
- Depreciation; plus
- Amortisation and impairment of intangibles and goodwill; plus
- The non-recurring items and/or exceptional expenses, less
- The non-recurring items and/or exceptional income.

SP means the shareholding percentage of Demarco, being the number of Transferred Shares divided by the total number of ordinary shares issued in the share capital of the JVC at the relevant time.

3-year EBITDA means the aggregate of the JVC's EBITDA for the last three (3) financial years immediately preceding the exercise of the Call Option.

n-year EBITDA means the aggregate of the JVC's EBITDA for the "n" number of completed financial years immediately preceding the exercise of the Call Option, where "n" shall be a number no greater than three (3). For clarity, if "n" number is greater than three (3), then "n" shall be three (3).

n means the number of financial years following the Completion Date which have been completed as at the time of exercise of the Call Option.

For the avoidance of doubt, if the price calculated based on the above formula is a negative number, then the price shall then equal zero.

The Call Option may be exercised during any of the following periods:

(i) the 4-week period immediately following the occurrence of a Deadlock; or

(ii) in June of every year from and including June 2021 for so long as Demarco holds any ordinary shares in the JVC.

5. VALUE OF THE ASSETS TO BE DISPOSED OF AND USE OF PROCEEDS

Forming part of the sale consideration is 35% equity interest in the JVC offered by DAL in exchange for the premature termination of Demarco Delsey Distributorship. The equity interest is to be acquired by Demarco for a nominal value of S$350 and valued by an independent professional valuer to be worth approximately S$854,000 (being 35% of S$2,439,000). Out of this amount, approximately S$798,000 being the cost of investment in associate less GST output tax, is regarded as sale consideration in-kind received by Demarco. The aggregate sale consideration including Inventory Purchase Price and Asset Purchase Price is therefore approximately S$3,282,000.

Based on the audited financial statements of the Group for the financial year ended 31 March 2016 ("**FY2016**"), the book value of the Delsey Assets was approximately S$2,393,000 as at 31 March 2016. The gain on the sale of the Delsey Assets is approximately S$889,000.

The Company expects to receive net proceeds of approximately S$2.4 million from the sale of the Delsey Assets. The excess of the net proceeds over the book value of the Delsey Assets as at 31 March 2016 is approximately S$7,000.

The Company intends to utilise the net proceeds to fund its working capital.

Pending the deployment of the unutilised proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may deem appropriate in the interests of the Group.

6. FINANCIAL EFFECTS OF THE PROPOSED JOINT VENTURE

The financial effects of the Proposed Joint Venture 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.

6.1 Net Tangible Assets

The effect of the Proposed Joint Venture on the net tangible assets ("**NTA**") per share of the Group for FY2016, assuming that the Proposed Joint Venture had been effected at the end of FY2016 is as follows:

As at 31 March 2016	Before the Proposed Joint Venture	After the Proposed Joint Venture
NTA (S$'000)	28,564	29,500
NTA per share (Cents)	45.27	46.75

6.2 Earnings Per Share

The effect of the Proposed Joint Venture on the earnings per share of the Group for FY2016, assuming that the Proposed Joint Venture had been effected at the beginning of FY2016 is as follows:

FY2016	Before the Proposed Joint Venture	After the Proposed Joint Venture
Profits after tax and non-controlling interests (S$'000)	407	2,078
Earnings per share (Cents)	0.66	3.37

7. 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 SGX-ST 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	8.4% (1)
Rule 1006 (b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	(29.9)% (2)
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	26.2% (3)
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 proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves	Not applicable

Notes:

(1) Based on the net asset value of the assets to be disposed of approximately S$2,346,000 and the Group's net asset value of approximately S$28,047,000 as at 30 September 2016.

(2) Based on the net profit before tax attributable to the assets to be disposed of approximately S$241,000 and the Group's net loss before tax of approximately S$805,000 for the half year ended 30 September 2016.

(3) Based on the aggregate sale consideration of approximately S$3.3 million and the Company's market capitalisation of S$12.6 million (being the Company's issued ordinary share capital of 63,098,409 shares (excluding treasury shares) and the volume weighted average price of the Company's shares on the SGX-ST of S$0.20 on 9 January 2017 (being the market day preceding the date of the JVA where the Company's shares were last traded)).

On the bases of Rule 1006 (b) and (c) above, the Proposed Joint Venture is a "major transaction" as defined in Rule 1014 of the listing manual of the SGX-ST. Accordingly, the approval of the shareholders of the Company at an extraordinary general meeting is required for the Proposed Joint Venture.

8. SERVICE CONTRACT

No person will be appointed to the Board, and no service contract will be entered into by the Company, in connection with the Proposed Joint Venture.

9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

DAL is not related to any of the Directors or controlling shareholders of the Company and their respective associates.

None of the Directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Joint Venture, other than through their respective shareholdings (if any) in the Company.

10. CIRCULAR AND DOCUMENTS FOR INSPECTION

The circular to the Shareholders containing, *inter alia*, further information on the Proposed Joint Venture and enclosing the notice of the extraordinary general meeting of the Company will be despatched by the Company to its shareholders in due course.

A copy of the JVA, Deed of Charge and the valuation report on the Proposed Joint Venture is available for inspection at the registered office of the Company at 205A Kallang Bahru Singapore 339342 during normal business hours for three months from the date of this announcement.

By Order of the Board

Hoe Kee Kok
Executive Director
13 February 2017