

LCT HOLDINGS LIMITED
(Incorporated in Bermuda)
(Company Registration No. 35673)

**NON-BINDING TERM SHEET IN RELATION TO
THE PROPOSED ACQUISITION OF A NEW BUSINESS**

1. INTRODUCTION

The Board of Directors (the “**Board**”) of LCT Holdings Limited (the “**Company**” and collectively with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 6 September 2019 entered into a non-binding term sheet (the “**Term Sheet**”) in relation to the proposed acquisition by the Company of the entire equity interest (“**Target Shares**”) in PG Automotive Holdings Pte. Ltd. (the “**Target Company**”), together with its subsidiaries and associated companies (the “**Target Group**”) from Mr Park Ki Chool and his family members (collectively, the “**Vendors**” and together with the Company, the “**Parties**”) (hereinafter referred to as the “**Proposed Acquisition**”).

The Proposed Acquisition, if undertaken and completed, is expected to result in a reverse takeover of the Company under Rule 1015 of the Listing Manual (the “**Listing Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

The Term Sheet is subject to the Parties entering into a definitive documentation (the “**Definitive Documentation**”), which is targeted to be within three months from the date of signing of the Term Sheet. The Term Sheet is not intended to be legally binding between the Parties, except for provisions relating to costs, confidentiality, exclusivity and governing law.

2. INFORMATION RELATING TO THE VENDORS AND THE TARGET GROUP

2.1 The Vendors

As at the date of this announcement, the Vendors stated below are the legal and beneficial owners of the 100% equity interest in the issued and paid-up share capital of the Target Company, and their respective shareholdings in the Target Company are set out as below:

No.	Name	Proportion of shareholding in the Target Company (%)
1.	Park Ki Chool	91.92
2.	Song Jong Hee ⁽¹⁾	4.04
3.	Miriam Ji Ryung Park ⁽²⁾	2.02
4.	Park Veroni Se Hyun @ Park Se Hyun ⁽²⁾	2.02
	Total:	100.00

Notes:

(1) Song Jong Hee is the wife of Park Ki Chool.

(2) Miriam Ji Ryung Park and Park Veroni Se Hyun @ Park Se Hyun are the daughters of Park Ki Chool and Song Jong Hee.

As at the date of this announcement, the directors of the Target Company are Park Ki Chool, Song Jong Hee and Miriam Ji Ryung Park. As at the date of this announcement, none of the Vendors holds Shares in the Company.

2.2 The Target Group

Subject to completion of a group restructuring exercise to be undertaken by the Target Company (“**Restructuring**”), the Target Company will, prior to completion of the Proposed Acquisition (“**Completion**”), holds the legal and beneficial interest in its subsidiaries operating in Malaysia, Korea and Russia, and its associated companies in Vietnam. The Target Group is principally engaged in the business of design, manufacturing, assembly and supply of automotive seating system.

3. **RATIONALE FOR THE PROPOSED ACQUISITION**

The Board believes that the Proposed Acquisition will provide an opportunity for the Company to venture into a new business area that has potential for growth. Accordingly, the Proposed Acquisition would allow the Company to diversify from its existing businesses and the profitable Target Group with proven track record will enhance the long-term interests of the Company and its shareholders (“**Shareholders**”).

4. **PRINCIPAL TERMS OF THE PROPOSED ACQUISITION**

Based on the Term Sheet, the principal terms of the Proposed Acquisition are as follows:

4.1 Indicative Consideration, Consideration Shares and Issue Price

The indicative consideration for the Target Shares shall be S\$160 million (“**Consideration**”). The Consideration shall be satisfied as follows:

- (a) Part of the Consideration amounting to S\$20 million shall be satisfied by transfer of 2 shares representing 100% equity interest of LC International Pte. Ltd. which mainly indirectly own a commercial property in Xi'an of China and its net asset (excluding cash of S\$10 million to be retained in the Company pursuant to the Cash Requirement as defined below) is approximately S\$20 million, to the Vendors (or their nominees) on Completion.
- (b) The balance Consideration of S\$140 million shall be satisfied by the issuance and allotment of new ordinary shares in the share capital of the Company (“**Consideration Shares**”) to the Vendors (or their nominees) in proportion to the Vendors’ respective shareholding interest in the Target Company at an indicative issue price of S\$1.135 per share (“**Issue Price**”). Immediately prior to the Completion, the total number of Shares (including but not limited to Consideration Shares) shall be sub-divided to achieve issue price of at least S\$0.50 pursuant to Rule 241 of the Listing Rules.

The Issue Price is determined taking into consideration, *inter alia*, the net asset value of the Group as at Completion.

At Completion, the Company shall have cash balance of at least S\$10 million (“**Cash Balance**”) less the Company’s portion of Transactional Costs (as defined below) paid (“**Cash Requirement**”). For avoidance of doubt, the final Issue Price shall be adjusted based on the final Cash Balance.

The Consideration is indicatively determined based on the estimated net profit of the Target Group for its financial year ended 31 December 2019 of approximately S\$15 million and cross reference check against the average price earnings ratio of its global peers. The final Consideration shall be determined based on the relevant adjustment set out in paragraph 4.2 below.

4.2 Independent Valuation of Target Group

Pursuant to Rule 1015(3) of the Listing Rules, the Target Group’s business will be subject to independent valuation by a competent independent professional valuer appointed by the Company (“**Independent Valuation**”). Relevant adjustments shall be made to the Consideration based on

the Independent Valuation. The final number of Consideration Shares to be allotted and issued at the Issue Price shall be based on the final Consideration to be determined by the Independent Valuation, subject to a range of between S\$135 million and S\$190 million.

4.3 Conditions Precedent to Completion

Completion of the Proposed Acquisition shall be condition upon the satisfaction or waiver (in accordance with the Definitive Documentation) of conditions precedents customary for transactions of this nature ("**Conditions Precedent**"), including the following key Conditions Precedent:

- (a) the Company being satisfied with its due diligence investigations into the Target Group;
- (b) the Company remaining listed on the Mainboard of the SGX-ST upon Completion;
- (c) a legal opinion from a law firm acceptable to the Company to opine, amongst other things, that the Restructuring, its implementation and the resulting Target Group are in compliance with the applicable laws;
- (d) the Vendors being satisfied with its due diligence investigations into the Group;
- (e) the business valuation of the Target Group for the purposes of the Proposed Acquisition (as required under the Listing Rules) is not less than S\$135 million;
- (f) the Cash Requirement is duly met; and
- (g) receipt of all necessary governmental, regulatory and third party approvals or consents (if any) including the approvals from the SGX-ST and the Shareholders, and such approvals or consents not having been withdrawn, suspended or revoked and where such approvals or consents are subject to conditions, such conditions being acceptable to the Company.

4.4 Long-Stop Date

Completion of the Proposed Acquisition shall be no later 12 months from the date the Definitive Documentation relating to the Proposed Acquisition is entered into between the Parties, or as otherwise agreed between the Parties in writing.

4.5 Costs

Each party shall bear its own transactional costs relating to the preparation, review, negotiation and execution of the Term Sheet and the Definitive Documentation. The transactional costs (the "**Transactional Costs**") associated with the Proposed Acquisition shall be equally paid by the Parties and the Company's portion shall be paid from the Cash Balance, on an on-going basis.

4.6 Exclusivity

The Parties agree that, save in respect of the Proposed Acquisition or as otherwise contemplated in the Term Sheet, during the three (3) month period commencing from the execution of the Term Sheet ("**Exclusivity Period**"), it shall not, and will cause its agents and representatives not to, whether directly or indirectly, entertain, solicit, encourage, initiate, engage or facilitate any inquiries or the making of any proposal or offer, or enter into any discussions or negotiations, with respect to, or provide any information in connection with any proposal or inquiry relating to:

- (a) any offer or proposal of acquisition or disposal of any equity interest in or assets of the Target Group;
- (b) reverse takeover or initial public offering or otherwise of the Target Group;
- (c) any transaction or arrangement relating to the transactions or arrangements which are similar in nature to the transactions or arrangements contemplated in the Term Sheet; or

- (d) any transaction (other than a transaction contemplated in the Term Sheet) that could reasonably be expected to be inconsistent with the consummation of the Proposed Acquisition,

(the “**Exclusivity Obligations**”).

The Vendors shall procure the Target Group to comply with the above Exclusivity Obligations, as if all references to “Vendors” shall also be mutatis mutandis, references to the Target Group.

4.7 Governing Law

The Term Sheet shall be governed by and construed in accordance with the laws of Singapore. The Parties hereby submit to the exclusive jurisdiction of the courts of the Republic of Singapore in respect of any matter arising out of or in connection with the Term Sheet.

5. FINANCIAL ADVISER

The Company has appointed CEL Impetus Corporate Finance Pte. Ltd. as financial adviser to the Company in respect of the Proposed Acquisition.

6. INTEREST OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors, other than in their respective capacity as Directors and Shareholders of the Company, and controlling Shareholders of the Company, has any interest, direct or indirect, in the Proposed Acquisition.

7. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with requirements of Chapter 10 of the Listing Rules, upon the execution of the Definitive Documentation and/or when there are material developments in respect of the Proposed Acquisition.

8. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading the shares in the Company as there is no certainty or assurance as at the date of this announcement the Definitive Documentation will be entered into, the terms and conditions of the Proposed Acquisition will not differ from that set out in the Term Sheet, or the Proposed Acquisition will be undertaken at all.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

BY ORDER OF THE BOARD

Du Junqi
Executive Chairman
6 September 2019