

LHT HOLDINGS LIMITED
(Company Registration No.: 198003094E)
(Incorporated in the Republic of Singapore)

**PROPOSED SURRENDER OF LEASE AND LEASE-BACK OF THE PROPERTY AT 44 SUNGEI
KADUT STREET 1**

1. INTRODUCTION

The Board of Directors of LHT Holdings Limited (*the Company*) wishes to inform its shareholders that the Company has entered into a surrender and lease-back arrangement for the property at 44 Sungei Kadut Street 1, Singapore 729349 (the *Property*) in the following manner.

On 5 September 2017, the Company accepted an offer from JTC Corporation (*JTC*) of 29 August 2017 (*Surrender Offer*, and together with the acceptance letter from the Company, the *Surrender Agreement*) for the surrender of the Company's existing lease of the Property to JTC (the *Proposed Disposal*).

On 5 September 2017, the Company accepted a new short-term tenancy from JTC for the Property which shall commence on a back-to-back basis from the completion of the Proposed Disposal and end on 31 December 2020 (the *New Tenancy*). The New Tenancy is conditional upon the completion of the Surrender Agreement.

The Proposed Disposal constitutes a major transaction as defined in Chapter 10 of the Listing Manual and is accordingly subject to the approval of Shareholders.

2. INFORMATION ON THE PROPERTY

The Company currently occupies 2 pieces of JTC land at Sungei Kadut Street 1 under two JTC leases. The main building of the Company is located at 27 Sungei Kadut Street 1. Across the road at 44 Sungei Kadut Street 1 is the Property.

The Property covers a land area of approximately 35,281 square metres. As at the date hereof, the Company holds leasehold interest in the Property which expires on 31 March 2025 (*Existing Lease*).

The Company currently uses the Property for the manufacture of technical wood, technical wood flooring and door frames, and for pallet rental services.

The landlord of the Property is JTC. JTC is the lead agency responsible for the development of industrial infrastructure in Singapore.

The Company understands that JTC wishes to have the unexpired leasehold interest of the Company in the Property be reverted to JTC before the end of the tenure of the Existing Lease.

Pursuant to negotiations with JTC, the Company will surrender its Existing Lease to the JTC. JTC will then immediately lease the Property back to the Company under the New Tenancy for a period ending on 31 December 2020. Therefore, the Proposed Disposal will not result in any break in the Company's occupation of the Property.

3. RATIONALE FOR THE PROPOSED DISPOSAL

JTC wishes to have the Property for future development.

Further, JTC indicated to the Company that it would not extend the Existing Lease after it expires on 31 March 2025 even if the Company does not agree to surrender the Existing Lease to JTC. JTC has also indicated that the New Tenancy will not be renewed at the end of the term. In proceeding with the Proposed Disposal, the Company will have 3 more years to consider the options available to it when the use of the Property is no longer available to it.

Surrender Consideration of S\$11.6 million for the surrender of the lease of the Property was arrived at on a willing-buyer and willing-seller basis on 15 December 2016, taking into account recent market transactions of a similar nature. Based on the audited financial statements of the Company as at 31 December 2016, the book value of the Existing Lease is S\$9,208,000. The excess of the Surrender Consideration over the book value of the Existing Lease is S\$2,392,000.

Mindful of the time sensitivity of the Existing Lease which will not be extended, the open market value of the Existing Lease is expected to lower more and more as the expiration of the Existing Lease draws nearer. In this regard, please note that as commissioned by the Company, the Property was valued at S\$14 million by Savills Valuation and Professional Services (S) Pte Ltd in its report dated 2 August 2016. In a subsequent valuation report dated 3 January 2017 commissioned by the Company, Bernard Valuers & Real Estate Consultants Pte Ltd valued the open market value of the Property then at S\$11,500,000. Therefore, any consideration obtained at a later date for the Existing Lease is likely to be lower than the Surrender Consideration and less favourable to the Company.

For the reasons set out above, the Company considers the Proposed Disposal to be favourable and that the Proposed Disposal and the New Tenancy are in the interests of the Company.

As currently contemplated by the Company, the proceeds from the Proposed Disposal will be used to fund, in whole or in part, the expenditure that may be incurred to build or to secure a replacement site, and or for the general working capital purposes of the Group. However, this does not restrict the Group for using the proceeds from the Proposed Disposal for any other purposes that are for its benefit in addition to or in lieu of any or all of the uses currently contemplated.

4. KEY TERMS OF THE PROPOSED DISPOSAL

The key terms and conditions of the Surrender Agreement include the following:-

4.1. Condition Precedent

The Proposed Disposal is conditional upon the approval by the Company's shareholders of the Proposed Disposal on the terms and subject to the conditions set out in the Surrender Agreement.

4.2. Consideration

The consideration for the surrender of the lease of the Property is S\$11,600,000 (**Surrender Consideration**).

In addition to the Surrender Consideration, JTC will pay the Company the sum of S\$2,876,889.40 as an ex-gratia sum to defray the Company's relocation costs (**Relocation Allowance**).

On completion of the Surrender Agreement, JTC will pay to the Company:-

- (a) the balance of the Surrender Consideration, after deducting the following amounts owing to -

- (i) JTC (including, without limitation, all outstanding rents, subletting and other fees, and other amounts relating to the Property); and
 - (ii) the Inland Revenue Authority of Singapore for the property tax relating to the Property under the Existing Lease,
- (b) the Relocation Allowance, or the balance thereof after deducting such amounts (if any) payable to JTC, and
- (c) the GST payable.

4.3. Completion

The Surrender Agreement provides for the scheduled completion date to be 6 November 2017 (the ***Scheduled Completion Date***).

On completion of the Surrender Agreement, the Company will surrender its title to the Property and deliver the Property to JTC free from all encumbrances.

As the New Tenancy Agreement commences on the date immediately after the date of completion of the Surrender Agreement, the Company will not be required to surrender and deliver vacant possession of the Property to JTC and its operations will not be affected.

4.4. Property Tax, Outgoings, Reinstatement & Other Obligations

Prior to completion of the Proposed Disposal, the Company is required to:-

- (a) continue to comply with all obligations under the Existing Lease for the Property, including without limitation, to pay all rent, interest, outgoings and all other sums owing to JTC under the Existing Lease. The Company is required to pay the rent under the Existing Lease until (and including) the Scheduled Completion Date, and thereafter, the late completion rent until (and including) the actual date of completion for the Proposed Disposal.
- (b) complete reinstatement works on the terms and subject to the conditions set out in the Surrender Agreement.

If the Company does not comply with the above, JTC shall be entitled to deduct costs and expenses from the Surrender Consideration, or if the Surrender Consideration is insufficient for such deduction, require the Company to pay the difference upon JTC's written notice.

From the period up to and including the Scheduled Completion Date, the Company is:-

- (a) responsible for, and shall pay directly to the Inland Revenue Authority of Singapore all property tax including (without limitation) all surcharge, whether such tax is levied or (as the case may be) increased before, on or retrospectively after completion of the Proposed Disposal; and
- (b) responsible for, and shall pay directly to all other relevant authorities or third parties all other taxes, rates, fees, charges, assessments, duties and outgoings in relation to the Property and all costs, charges and other operating expenses associated with the operation of the Property, which remain outstanding,

4.5. Late Completion

In the event the Company fails to complete the Proposed Disposal by the Scheduled Completion Date, without prejudice to JTC's other rights or remedies, the Company shall pay JTC market rent and GST for land and building as determined by JTC for the Property from (and including the day immediately following the Scheduled Completion Date, until (and including) the actual date of completion.

Additionally, JTC is entitled to give the Company 21 days' written notice to complete the Proposed Disposal if the Company fails to complete the Proposed Disposal by the Scheduled Completion Date. If the Company still fails to complete the Proposed Disposal within such notice period, JTC shall either enforce against the Company any rights or remedies which JTC may have in law or equity without further notice to the Company, or terminate the Surrender Agreement without prejudice to any other rights or remedies available to JTC.

4.6. Short-Term Tenancy of Property

As part of the Proposed Disposal, JTC had also on 29 August 2017, together with the Surrender Offer, offered the Company a short term tenancy (the New Tenancy) of the Property which shall commence on a back-to-back basis from the completion of the Proposed Disposal and end on 31 December 2020, for a monthly rent of S\$54,509.15 (excluding GST) (**New Tenancy Offer**).

The Company has, on 5 September 2017, also accepted the New Tenancy Offer (the **New Tenancy Acceptance**, and together with the New Tenancy Offer, the **New Tenancy Agreement**). The New Tenancy is subject to completion of the Proposed Disposal in accordance with the terms of the Surrender Agreement.

5. FINANCIAL EFFECTS

The pro forma financial effects of the Proposed Disposal on the Company are set out below and are prepared for illustrative purposes only and do not reflect the actual future financial position and results of the Company after completion of the Proposed Disposal. These financial effects have been computed based on the announced audited financial statements of the Company for the financial year ended 31 December 2016.

5.1. Net Tangible Assets ("NTA") per Share

Assuming that the Proposed Disposal was completed on 31 December 2016, the pro forma financial effects of the Proposed Disposal on the consolidated NTA of the Company are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA of the Company as at 31 December 2016 (S\$'000)	43,079	47,859
Number of issued and paid-up shares ('000)	53,245	53,245
NTA per Share (cents)	80.91	89.88

5.2. Earnings per Share (“EPA”)

Assuming that the Proposed Disposal had been completed on 1 January 2016, the impact of the Proposed Disposal on the EPS of the Company would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Gain after income tax and minority interests for FY2016 (S\$'000)	2,099	6,879
Weighted average number of issued and paid-up shares ('000)	53,245	53,245
EPS for FY2016 (cents)	3.94	12.92

6. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

For the purposes of Chapter 10 of the Listing Manual of the SGX-ST, the relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 and based on the latest announced audited financial results of the Group as at 31 December 2016 are as follows:

Rule	Bases	Relative Figure (%)
1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	19.9
1006(b)	The net profits attributable to the assets acquired, compared with the Group's net profits.	35.4 ¹
1006(c)	The aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	43.2 ²
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
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. 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

Note 1: This is computed based on the Group's profit before tax of S\$4.777 million as against the profit of S\$1.690 million attributable to the Property.

Note 2: Based on the 53,244,997 Shares in issue multiplied by S\$0.63, being the closing price of such Shares transacted on the market day preceding the date of the Surrender Agreement, the market capitalisation of the Company is approximately S\$33,544,000.

The relative figures under Rule 1006(c) exceed 20%. Accordingly, the Proposed Disposal is subject to the approval of the Company's shareholders in a general meeting pursuant to Rule 1014 of the Listing Manual. A circular containing further details of the Proposed Disposal and enclosing a notice of the Extraordinary General Meeting in connection therewith will be despatched to the shareholders in due course.

7. INTERESTED PERSON TRANSACTION

None of the directors and, to the best of the directors' knowledge, none of the controlling shareholders of the Company (other than in their capacity as directors or shareholders of the Company) have any interests (direct or indirect) in the Proposed Disposal.

8. SERVICE AGREEMENTS

No person will be appointed to the Board in connection with the Proposed Disposal and no service contracts in relation thereto will be entered into by the Company.

9. RESPONSIBILITY STATEMENT

The Directors of the Company 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 of the Proposed Disposal, the Company, 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 the announcement in its proper form and context.

10. DOCUMENTS FOR INSPECTION

A copy of each of the following documents is available for inspection at the registered office of the Company at 27 Sungei Kadut Street 1, Singapore 729335 during the Company's normal business hours for three (3) months from the date of this announcement:

- (a) the Surrender Offer;
- (b) the Surrender Acceptance;
- (c) the New Tenancy Offer;
- (d) the New Tenancy Acceptance; and
- (e) Valuation Report issued by Bernard Valuers & Real Estate Consultants Pte Ltd.

11. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in trading their shares. The Proposed Disposal is subject to the approval from the Company's shareholders in respect of the Proposed Disposal being obtained. 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

LHT Holdings Limited

Yap Mui Kee
Managing Director

5 September 2017