

FU YU CORPORATION LIMITED
(Company Registration Number: 198004601C)
(Incorporated in the Republic of Singapore)

**PRIVATISATION OF LCTH CORPORATION BERHAD
BY WAY OF SELECTIVE CAPITAL REDUCTION**

1. **INTRODUCTION**

The Board of Directors of Fu Yu Corporation Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company has, by way of a letter dated 7 December 2017 (the "**Letter**") to LCTH Corporation Berhad ("**LCTH**"), a subsidiary of the Company, notified LCTH of its intention to privatise LCTH by way of a selective capital reduction and repayment exercise (the "**Proposed SCR**") pursuant to Section 116 of the Companies Act, 2016 of Malaysia (the "**Act**"). LCTH is listed on Bursa Malaysia Securities Berhad ("**Bursa Securities**") and as at the date of this Announcement, the Company (through Fu Yu Investment Pte Ltd ("**Fu Yu Investment**"), a wholly-owned subsidiary of the Company) and persons acting in concert with Fu Yu Investment ("**PAC**") collectively hold 258,662,287 ordinary shares of LCTH ("**LCTH Shares**") representing approximately 71.84% of the share capital of LCTH. The shareholdings of Fu Yu Investment and the PAC in LCTH at the date of this Announcement are set out in the Appendix to this Announcement.

2. **DETAILS OF THE PROPOSED SCR**

2.1 **Proposed SCR.** The Proposed SCR involves LCTH undertaking a selective capital reduction and a corresponding capital repayment pursuant to Section 116 of the Act in respect of the LCTH Shares held by all the shareholders of LCTH (the "**LCTH Shareholders**") (other than Fu Yu Investment, but including the PAC), whose names appear in the Record of Depositors of LCTH as at the close of business on an entitlement date to be determined and announced later ("**Entitlement Date**") by the board of directors of LCTH ("**Entitled Shareholders**").

2.2 **Proposed Cash Amount.** The Proposed SCR shall entail the following:

- (a) as at the date of this Announcement, LCTH has a share capital of RM169,911,236 comprising 360,000,000 LCTH Shares, of which the Entitled Shareholders hold 105,704,357 LCTH Shares, representing approximately 29.36% of the share capital of LCTH;
- (b) pursuant to the Proposed SCR, the Entitled Shareholders will receive a total capital repayment of RM61.31 million, which represents a cash repayment of RM0.58 ("**SCR Cash Amount**") for each LCTH Share held by the Entitled Shareholders on the Entitlement Date. For the avoidance of doubt, Fu Yu Investment will not be entitled to the repayment of capital pursuant to the Proposed SCR;

- (c) upon successful completion of the Proposed SCR ("**Completion**"), all 105,704,357 LCTH Shares held by the Entitled Shareholders will be cancelled;
- (d) Fu Yu Investment will hold the remaining 254,295,643 LCTH Shares which are not cancelled pursuant to the Proposed SCR and accordingly, Fu Yu Investment will own the entire issued share capital of LCTH upon Completion; and
- (e) the SCR Cash Amount was arrived at after taking into consideration, amongst others, the factors below:
- (i) the following closing price and volume weighted average market price ("**VWAP**") of LCTH Shares up to and including 6 December 2017 (the "**LPD**") (being the last full trading day prior to the service of the Letter):

	Market price	Premium over market price/VWAP	
	<u>RM</u>	<u>RM</u>	<u>%</u>
Closing share price as at the LPD	0.4400	0.1400	31.82%
5-day VWAP up to and including the LPD	0.4428	0.1372	30.98%
1-month VWAP up to and including the LPD	0.4489	0.1311	29.20%
3-months VWAP up to and including the LPD	0.4604	0.1196	25.98%
6-months VWAP up to and including the LPD	0.4933	0.0867	17.58%
1-year VWAP up to and including the LPD	0.5557	0.0243	4.37%

- (ii) net assets ("**NA**") per LCTH Share and price-to-book ratio ("**PBR**")

	NA per LCTH Share	PBR based on market price	PBR based on SCR Cash Amount
Unaudited consolidated NA per LCTH Share as at 30 September 2017	RM0.5768 ⁽¹⁾	0.76 times ⁽²⁾	1.01 times

Notes:

(1) Rounded to the nearest 4 decimal places.

(2) Based on LCTH's closing share price of RM0.4400 on the LPD.

(iii) earnings per LCTH Share ("**EPS**") and price-to earnings ratio ("**PER**")

	EPS	PER based on market price	PER based on SCR Cash Amount
Audited consolidated net EPS for the financial year ended 31 December 2016	RM0.040 ⁽¹⁾	11.00 times ⁽²⁾	14.50 times
Unaudited consolidated net EPS for the last 12 months to 30 September 2017	RM0.034 ⁽¹⁾	12.94 times ⁽²⁾	17.06 times

Notes:

(1) Rounded to the nearest 3 decimal places.

(2) Based on LCTH's closing share price of RM0.4400 on the LPD.

2.3 **Conditions Precedent.** Completion shall be subject to the fulfilment of all requisite conditions precedent including, but not limited to the following:

- (a) the notification by the Securities Commission Malaysia that it has no further comments to the circular to the shareholders of LCTH, the explanatory statement from Fu Yu Investment and the independent advice letter to the shareholders of LCTH pursuant to the Proposed SCR (collectively, the "**SCR Documents**") and clearance by Bursa Securities on the SCR Documents (if required);
- (b) the approval of the Entitled Shareholders (other than the PAC) for the Proposed SCR via a special resolution to be tabled at the forthcoming extraordinary general meeting ("**EGM**") of LCTH for the Proposed SCR ("**Special Resolution**"):
 - (i) the Special Resolution is required to be approved by at least a majority in number of the Entitled Shareholders (other than the PAC) and 75% in value of the votes attached to the LCTH Shares held by the Entitled Shareholders (other than the PAC) that are cast either in person or by proxy at the EGM; and
 - (ii) the value of the votes cast against the Special Resolution at the EGM must not be more than 10% of the votes attached to the LCTH Shares held by the Entitled Shareholders (other than the PAC);
- (c) the grant of an order of the High Court of Malaya ("**Order**") confirming the reduction of the issued share capital of LCTH pursuant to Section 116 of the Act;
- (d) the approval and/or consent of the existing financiers and/or creditors of LCTH, where required; and
- (e) the approval or consent of any other relevant governmental or regulatory authority or parties, where required.

- 2.4 **Sources of funds.** The Proposed SCR will be funded via the existing cash balance and internally generated funds of LCTH and its subsidiaries ("**LCTH Group**").
- 2.5 **Distribution.** If LCTH declares, makes and/or pays any dividend or undertakes a distribution of any other nature whatsoever (collectively, "**Distribution**") during the period commencing from the date of the Letter up to Completion, the SCR Cash Amount shall be reduced by an amount equivalent to the net Distribution made per LCTH Share.
- 2.6 **Lodgement.** The Proposed SCR will become effective upon filing of an office copy of the Order with the Registrar of Companies, Malaysia pursuant to Section 116 of the Act ("**Lodgement**"). It is contemplated that the payment of the SCR Cash Amount to the Entitled Shareholders will be made as soon as practicable following the Lodgement.
- 2.7 **Listing Status of LCTH.** The Company does not intend to maintain the listing status of LCTH on Bursa Securities and it will request that LCTH make an application to Bursa Securities to delist LCTH and withdraw its listing status from the official list of Bursa Securities upon Completion.

3. **RATIONALE**

In view of the ongoing uncertainties in the global economic situation and geographical events, including volatility in crude oil prices and foreign exchange rates, the LCTH Group is operating in a challenging environment. The intense competitive landscape as well as increased operating costs have resulted in declining financial performance.

The listing status of LCTH brings minimal benefit to LCTH and by extension, the Company. LCTH has not undertaken any fund raising activities since its initial public offering in 2004. As such, the Company no longer sees a need to maintain LCTH's listed status. Further, LCTH is bearing additional costs to comply with the regulatory requirements as a listed company on Bursa Securities.

The privatisation of LCTH by way of the Proposed SCR is expected to provide LCTH and the Company, as shareholder of LCTH, with greater flexibility in managing and developing the existing businesses of LCTH while exploring new opportunities without the attendant cost, regulatory restrictions and compliance issues associated with its listed status on Bursa Securities.

The trading liquidity of LCTH Shares has also been low, with an average daily trading volume of approximately 1,933,859 LCTH Shares for the past 3 years up to the LPD. The average daily trading volume had decreased further to 665,855 LCTH Shares in the past 1 year up to the LPD, representing 0.66% of the free float of LCTH as at the LPD. Given the low trading liquidity of LCTH Shares, the Proposed SCR offers the Entitled Shareholders an opportunity to realise their investments in LCTH at a premium to the prevailing market price of LCTH Shares.

4. INFORMATION ON LCTH

4.1 LCTH. LCTH was incorporated on 10 November 2003 in Malaysia and has been listed on Bursa Securities since 2004. The principal activities of LCTH are investment holding and provision of management services to its subsidiaries. The principal activities of LCTH's subsidiaries are the manufacture and sub-assembly of precision plastic parts and components, and fabrication of precision moulds and dies.

4.2 Asset Value. Based on the unaudited consolidated financial statements of LCTH for the financial period ended 30 September 2017, the net tangible asset value of LCTH as at 30 September 2017 was approximately S\$68,724,415¹ and the volume weighted average price of the LCTH Shares on the LPD was S\$0.1444¹.

4.3 Net Profit. Based on the unaudited consolidated financial statements of LCTH for the financial period ended 30 September 2017, the net profit² of LCTH was approximately S\$2,863,710¹.

5. DISCLOSEABLE TRANSACTION

The relative figures in relation to the Proposed SCR computed on the applicable bases set out in Rule 1006 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") 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	Not applicable
(b)	Net profits ² attributable to the assets to be acquired, compared with the net profits ² of the Group	11.9%
(c)	Aggregate value of the consideration to be given compared with the Company's market capitalisation ³ based on the total number of issued shares excluding treasury shares	14.2%
(d)	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
(e)	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

As the relative figure under Rule 1006(c) exceeds 5 per cent. but does not exceed 20 per cent, the Proposed SCR constitutes a discloseable transaction as defined in Chapter 10 of the Listing Manual.

¹ Based on an exchange rate of RM1 = S\$0.33095.

² Net profits means profit or loss before income tax, minority interests and extraordinary items for the financial period ended 30 September 2017.

³ The market capitalisation of the Company is calculated based on the weighted average price of the shares of the Company (the "**Company Shares**") transacted on the LPD (being the last date the Company Shares were traded on the SGX-ST before the date of this Announcement) multiplied by the number of Company Shares in issue.

6. FINANCIAL EFFECTS

- 6.1 **Net Tangible Assets ("NTA").** For illustrative purposes only and assuming that the Proposed SCR had been completed on 31 December 2016 and based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2016, the proforma financial effects on the consolidated NTA of the Group are as follows:

	Before the Proposed SCR	After the Proposed SCR
NTA per share (Singapore cents)	23.05	22.89

- 6.2 **Earnings.** For illustrative purposes only and assuming that the Proposed SCR had been completed on 1 January 2016, and based on the latest audited consolidated financial statements of the Group for financial year ended 31 December 2016, the proforma financial effects on the earnings per share of the Group are as follows:

	Before the Proposed SCR	After the Proposed SCR
Earnings per share (Singapore cents)	1.40	1.58

7. FURTHER INFORMATION

- 7.1 **Abstention.** All of the directors of the Company have deliberated on and approved the Proposed SCR.

In addition to being directors of the Company, Hew Lien Lee, Tam Wai, Ho Nee Kit and Ching Heng Yang are also directors of LCTH (the "**Common Directors**") and are deemed interested in the Proposed SCR. The Common Directors have abstained, and will continue to abstain, from deliberating on the Proposed SCR at LCTH board meetings.

Tan Yew Beng, being a shareholder of LCTH, is also a PAC by virtue of him being an Independent Non-Executive Director of the Company, and is deemed interested in the Proposed SCR.

The Company, Fu Yu Investment and the PAC will abstain, and will ensure that persons connected to them shall abstain, from voting on the Special Resolution in respect of their direct and/or indirect shareholdings in LCTH.

- 7.2 **Interest of Directors and Controlling Shareholders of the Company.** Save as disclosed in this Announcement, none of the Directors or controlling shareholders of the Company have any interest (direct or indirect) in the Proposed SCR.
- 7.3 **LCTH Announcement.** The announcement issued by LCTH on Bursa Securities in connection with the Proposed SCR is uploaded to SGXNet together with this Announcement.

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

BY ORDER OF THE BOARD
FU YU CORPORATION LIMITED

Teo Meng Keong
Company Secretary
Singapore, 7 December 2017

Appendix

Shareholdings of Fu Yu Investment and the PAC in LCTH

	Direct	
	Number of LCTH Shares	%
Fu Yu Investment	254,295,643	70.64
<u>PAC</u>		
Tam Wai	366,000	0.10
Ho Nee Kit	369,120	0.10
Ching Heng Yang	300,000	0.08
Hew Lien Lee	3,031,524	0.84
Tan Yew Beng	300,000	0.08
Total shareholdings of the PAC	4,366,644	1.20
Total shareholdings of Fu Yu Investment and the PAC	258,662,287	71.84