

General Announcement for PLC (v13)

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Stock Name	LCTH		
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CONTACT DETAIL			
Contact Person	Designation	Contact No	Email Address
RHB INVESTMENT BANK BERHAD		012-3103788	teh.yee.chin@rhbgroup.com
Ng Tian Meng	Others	03-92805198	ng.tian.meng@rhbgroup.com
Victor Ong U Guang	Others	03-92805178	victor.ong@rhbgroup.com

MAIN	
Type	Announcement
Subject	OTHERS
Description	LCTH CORPORATION BERHAD ("LCTH" OR THE "COMPANY") PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE OF LCTH PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 ("PROPOSED SCR")
Shareholder Approval	No

Announcement Details/Table Section
<i>The terms used herein shall have the same meaning as those defined in the announcements made on 7 December 2017 and 8 January 2018 unless otherwise stated.</i>

We refer to the announcements dated 7 December 2017, 14 December 2017, 4 January 2018, 5 January 2018 and 8 January 2018 in relation to the Proposed SCR.

On behalf of the Board, RHB Investment Bank Berhad wishes to announce that the Board, save for the Interested Directors, had, at a meeting held on 10 January 2018, deliberated on the contents of the SCR Offer Letter and had resolved to table the Proposed SCR to the shareholders of LCTH for their consideration and approval.

Please refer to the attachment for further details.

This announcement is dated 10 January 2018.

Attachment	No	File Name	Size
	1	Announcement - Deliberation Attachment 10 01 2018.pdf	318.1KB

LCTH CORPORATION BERHAD (“LCTH” OR “COMPANY”)

PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE OF LCTH PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 (“ACT”) (“PROPOSED SCR”)

1. INTRODUCTION

On 7 December 2017, the Company announced that the Board had on even date received an offer letter from Fu Yu Corporation Limited (“**Fu Yu**” or “**Ultimate Offeror**”), on behalf of Fu Yu Investment Pte Ltd (“**Fu Yu Investment**” or “**Non-Entitled Shareholder**”), requesting the Company to undertake the Proposed SCR (“**SCR Offer Letter**”).

On 4 January 2018, the Company has written to the Board of Directors of Fu Yu to request for an extension of the acceptance period set out in the SCR Offer Letter from 5 January 2018 to 19 January 2018.

On 5 January 2018, the Company announced that the Board had on even date received a confirmation from Fu Yu agreeing to the Board’s request for an extension of the acceptance period to 19 January 2018. Save for the extension of time granted to respond to Fu Yu, all other terms and conditions stated in the SCR Offer Letter remain unchanged.

On 8 January 2018, the Board, save for Hew Lien Lee, Tam Wai, Ho Nee Kit and Ching Heng Yang (collectively, “**Interested Directors**”), had appointed Mercury Securities Sdn Bhd as the Independent Adviser to provide comments, opinions, information and recommendations to the Board (save for the Interested Directors) and to the Entitled Shareholders (as defined herein) in respect of the Proposed SCR.

On behalf of the Board of Directors of LCTH (“**Board**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) wishes to announce that the Board, save for the Interested Directors, had, at a meeting held on 10 January 2018, deliberated on the contents of the SCR Offer Letter and had resolved to table the Proposed SCR to Entitled Shareholders of LCTH for their consideration and approval.

Further details pertaining to the Proposed SCR are set out below.

2. DETAILS OF THE 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 ordinary shares of LCTH (“**LCTH Shares**”) held by all the shareholders of LCTH, save for the Non-Entitled Shareholder, whose names appear in the Record of Depositors as at the close of business on an entitlement date to be determined and announced later by the Board (“**Entitlement Date**”) (“**Entitled Shareholders**”).

As at 8 January 2018, being the latest practicable date prior to this Announcement (“**LPD**”), LCTH has a share capital of RM169,911,235.90 comprising 360,000,000 LCTH Shares, out of which the Entitled Shareholders hold 105,704,357 LCTH Shares, representing approximately 29.36% of the total LCTH Shares in issue.

Fu Yu Investment, being the Non-Entitled Shareholder, holds 254,295,643 LCTH Shares as at the LPD, representing approximately 70.64% of the total LCTH Shares in issue.

Fu Yu Investment and persons acting in concert with it (“**PAC**”) collectively hold 258,662,287 LCTH Shares, representing approximately 71.84% of the total LCTH Shares in issue.

For the avoidance of doubt, assuming that the Proposed SCR is approved and will be implemented, the PACs will be considered Entitled Shareholders.

As at the LPD, the shareholdings of the Ultimate Offeror, the Non-Entitled Shareholder and the PACs in LCTH are as follows:

	Direct		Indirect	
	No. of LCTH Shares	%	No. of LCTH Shares	%
Ultimate Offeror				
Fu Yu	-	-	⁽¹⁾ 254,295,643	70.64
Non-Entitled Shareholder				
Fu Yu Investment	254,295,643	70.64	-	-
PACs				
Tam Wai	366,000	0.10	⁽²⁾ 254,295,643	70.64
Ho Nee Kit	369,120	0.10	⁽²⁾ 254,295,643	70.64
Ching Heng Yang	300,000	0.08	⁽²⁾ 254,295,643	70.64
Hew Lien Lee	3,031,524	0.84	-	-
Tan Yew Beng	300,000	0.08	-	-
Total shareholdings held by the PACs	4,366,644	1.20		
TOTAL	258,662,287	71.84		

Notes:

- (1) Deemed interested by virtue of direct shareholding in Fu Yu Investment.
(2) Deemed interested by virtue of indirect shareholding in Fu Yu Investment.

Under the Proposed SCR, the Entitled Shareholders will receive a total cash payment of RM61,308,527.06 which represents a cash amount of RM0.58 per LCTH Share (“**SCR Cash Amount**”) for each LCTH Share held by the Entitled Shareholders on the Entitlement Date. For the avoidance of doubt, the Non-Entitled Shareholder will not be entitled to the repayment of capital pursuant to the Proposed SCR.

Upon the completion of the Proposed SCR, 105,704,357 LCTH Shares held by the Entitled Shareholders will be cancelled. The Non-Entitled Shareholder will hold the remaining 254,295,643 LCTH Shares, which will not be cancelled pursuant to the Proposed SCR. Consequently, this would result in the Non-Entitled Shareholder holding 100% equity interest in LCTH.

2.1 Basis of arriving at the SCR Cash Amount under the Proposed SCR

The SCR Cash Amount was arrived at after taking into consideration, amongst others, the following:

(i) Historical LCTH Share price

	Market price	Premium over market price/ volume weighted average price (“VWAP”)	
	RM	RM	%
Closing share price as at 6 December 2017, being the last trading day prior to the service of the SCR Offer Letter on the Board (“LTD”)	0.4400	0.1400	31.82
5-day VWAP up to and including the LTD	0.4428	0.1372	30.98

	Market price	Premium over market price/ volume weighted average price ("VWAP")	
	RM	RM	%
1-month VWAP up to and including the LTD	0.4489	0.1311	29.20
3-month VWAP up to and including the LTD	0.4604	0.1196	25.98
6-month VWAP up to and including the LTD	0.4933	0.0867	17.58
1-year VWAP up to and including the LTD	0.5557	0.0243	4.37

(Source: SCR Offer Letter)

(ii) Net assets ("NA") 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 LTD

(iii) Earnings per 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 ("FYE") 31 December 2016	RM0.040 ⁽¹⁾	11.00 times ⁽²⁾	14.50 times
Unaudited consolidated net EPS for 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 LTD.

2.2 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 SCR Offer Letter up to the completion of the Proposed SCR, the SCR Cash Amount shall be reduced by an amount equivalent to the net Distribution made per LCTH Share.

For the avoidance of doubt, the SCR Cash Amount shall not be reduced by the second interim single tier dividend of 0.5 sen per LCTH Share approved by the Board on 13 November 2017 which entitlement date was 28 November 2017 and payment date was 13 December 2017.

2.3 Funding

The Proposed SCR will be funded by the existing cash balance and internally generated funds of LCTH and its subsidiaries (“**LCTH Group**”).

2.4 Listing status of LCTH

The Ultimate Offeror has indicated that it does not intend to maintain the listing status of LCTH on the Main Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”). Accordingly, the Non-Entitled Shareholder will request LCTH to make an application to Bursa Securities pursuant to Paragraph 16.08 of the Main Market Listing Requirements of Bursa Securities to de-list LCTH and withdraw its listing status from the official list of Bursa Securities upon completion of the Proposed SCR.

3. RATIONALE FOR THE PROPOSED SCR

The Proposed SCR is undertaken pursuant to the SCR Offer Letter. The rationale for the Proposed SCR as set out in the SCR Offer Letter by the Ultimate Offeror is to provide an opportunity for the Entitled Shareholders to realise their investments in LCTH at a premium to prevailing market price of LCTH Shares after taking into consideration the following:

(i) Declining Financial Performance

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

(ii) Trading Liquidity

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 LTD. The average daily trading volume has decreased further to 665,855 LCTH Shares for the past 1 year, representing 0.66% of the free float of LCTH as at the LTD.

(iii) Listing Status

The listing status of LCTH brings minimal benefit to the Company and its shareholders. LCTH has not undertaken any fund raising activities since the initial public offering of LCTH in the year 2004. Further, LCTH is bearing additional costs for the listing status to comply with the regulatory requirements as a listed company on Bursa Securities.

The privatisation of LCTH by way of the Proposed SCR also provides greater flexibility to LCTH in managing and developing the existing business of LCTH whilst exploring opportunities without the attendant cost, regulatory restrictions and compliance issues associated with its listed status on Bursa Securities.

4 EFFECTS OF THE PROPOSED SCR

4.1 Share capital

The proforma effects of the Proposed SCR on the share capital of the Company are as follows:

	<u>No. of LCTH Shares</u>	<u>RM</u>
Share capital of LCTH as at the LPD	360,000,000	169,911,236 ⁽²⁾
Proposed SCR ⁽¹⁾	<u>(105,704,357)</u>	<u>(61,308,527)</u>
Resultant share capital of LCTH after the Proposed SCR	<u>254,295,643</u>	<u>108,602,709</u>

Notes:

- (1) *The Non-Entitled Shareholder will not be entitled to the repayment of capital pursuant to the Proposed SCR. Based on the 105,704,357 LCTH Shares held by the Entitled Shareholders as at the LPD, the total cash payment pursuant to the Proposed SCR is RM61,308,527.06 which represents a cash amount of RM0.58 per LCTH Share.*
- (2) *With the coming into effect of the Act on 31 January 2017, the credit standing in the share premium accounts of RM97,911,236 has been transferred to the share capital account. The Company may use the credit amounts being transferred from share premium for the purposes as set out in Section 618(3) of the Act within 24 months after the commencement of the Act.*

4.2 Substantial shareholders' shareholdings

The proforma effects of the Proposed SCR on the shareholding structure of the substantial shareholders of LCTH are illustrated below:

<u>Shareholders</u>	<u>As at the LPD</u>				<u>After the Proposed SCR</u>			
	<u>Direct</u>		<u>Indirect</u>		<u>Direct</u>		<u>Indirect</u>	
	<u>No. of Shares</u>	<u>(1)%</u>	<u>No. of Shares</u>	<u>(1)%</u>	<u>No. of Shares</u>	<u>(2)%</u>	<u>No. of Shares</u>	<u>(2)%</u>
Fu Yu Investment	254,295,643	70.64	-	-	254,295,643	100.00	-	-
Fu Yu	-	-	⁽³⁾ 254,295,643	70.64	-	-	⁽³⁾ 254,295,643	100.00
Tam Wai	366,000	0.10	⁽⁴⁾ 254,295,643	70.64	-	-	⁽⁴⁾ 254,295,643	100.00
Ho Nee Kit	369,120	0.10	⁽⁴⁾ 254,295,643	70.64	-	-	⁽⁴⁾ 254,295,643	100.00
Ching Heng Yang	300,000	0.08	⁽⁴⁾ 254,295,643	70.64	-	-	⁽⁴⁾ 254,295,643	100.00

Notes:

- (1) *Based on 360,000,000 LCTH Shares in issue.*
- (2) *Based on 254,295,643 LCTH Shares upon the completion of the Proposed SCR.*
- (3) *Deemed interested by virtue of direct shareholding in Fu Yu Investment.*
- (4) *Deemed interested by virtue of indirect shareholding in Fu Yu Investment.*

Upon the completion of the Proposed SCR, LCTH will be wholly-owned by the Non-Entitled Shareholder as a result of the cancellation of all LCTH Shares owned by the Entitled Shareholders.

4.3 NA per LCTH Share and gearing

For illustrative purposes, based on the latest audited consolidated statement of financial position of LCTH as at 31 December 2016, the proforma effects of the Proposed SCR on the audited consolidated NA per LCTH Share and gearing of LCTH Group are as follows:

	Audited FYE 31 December 2016	Adjustment for subsequent event⁽¹⁾	After the completion of the Proposed SCR
	RM'000	RM'000	RM'000
Share capital	72,000	169,911	108,603
Share premium	97,911	-	-
Retained profits	37,747	37,747	37,747
Shareholders' equity/NA	207,658	207,658	146,350
No. of LCTH Shares in issue ('000)	360,000	360,000	254,296
NA per LCTH Share (RM)	0.58	0.58	0.58
Borrowings	-	-	-
Gearing (times)	-	-	-

Note:

- (1) *With the coming into effect of the Act on 31 January 2017, the credit standing in the share premium accounts of RM97,911,236 has been transferred to the share capital account. The Company may use the credit amounts being transferred from share premium for the purposes as set out in Section 618(3) of the Act within 24 months after the commencement of the Act.*

4.4 Earnings and EPS

The Proposed SCR is not expected to have any material effect on the earnings of LCTH for FYE 31 December 2018. Nevertheless, the expenses for the Proposed SCR is estimated to be approximately RM1.7 million and it will be incurred in 2018 as the Proposed SCR is expected to be completed by mid-2018.

Upon the completion of the Proposed SCR, the consolidated EPS of LCTH Group will increase in proportion to the decrease in the number of LCTH Shares upon the cancellation of shares pursuant to the Proposed SCR.

4.5 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.

5. CONDITIONS OF THE PROPOSED SCR

The completion of the Proposed SCR is subject to and conditional upon the following being obtained:

- (i) the approval of the Entitled Shareholders who are entitled to vote for the Proposed SCR via a special resolution to be tabled at an extraordinary general meeting (“**EGM**”) of LCTH to be convened. The special resolution:
 - (a) must be approved by at least a majority in number of the Entitled Shareholders who are entitled to vote and 75% in value to the votes attached to LCTH Shares held by the Entitled Shareholders who are entitled to vote that are cast either in person or by proxy at the EGM; and
 - (b) must not be voted against by more than 10% of the votes attached to LCTH Shares held by the Entitled Shareholders who are entitled to vote;
- (ii) the grant of an order by the High Court confirming the Proposed SCR in accordance with Section 116 of the Act (“**High Court Order**”) followed by the lodgement of an office copy of the High Court Order with the Registrar of Companies;
- (iii) the approval, waiver or consent of any relevant government or regulatory authorities or parties, where applicable; and
- (iv) the approval and/or consent of the existing financiers and/or creditors of LCTH, where required.

The Proposed SCR will become effective upon the lodgement of an office copy of the High Court Order with the Registrar of Companies pursuant to Section 116(6) of the Act.

The Proposed SCR is not conditional upon any other corporate exercise of LCTH.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save as disclosed below, there are no other directors of LCTH, major shareholders of LCTH and/or persons connected to them who have any interest, direct or indirect, in the Proposed SCR:

- (i) Tam Wai, being an Executive Director of LCTH is also an Executive Director of Fu Yu. He is a major shareholder of LCTH through his direct interest in LCTH and deemed interest in LCTH through Fu Yu Investment (as he is also a shareholder of Fu Yu);
- (ii) Ho Nee Kit, being the Vice Chairman/an Executive Director of LCTH is also an Executive Director of Fu Yu. He is a major shareholder of LCTH through his direct interest in LCTH and deemed interest in LCTH through Fu Yu Investment (as he is also a shareholder of Fu Yu);
- (iii) Ching Heng Yang, being an Executive Director of LCTH is also an Executive Director of Fu Yu. He is a major shareholder of LCTH through his direct interest in LCTH and deemed interest in LCTH through Fu Yu Investment (as he is also a shareholder of Fu Yu); and
- (iv) Hew Lien Lee, being the Managing Director of LCTH is also an Executive Director/Chief Executive Office and Chief Operating Officer of Fu Yu. He is a shareholder of LCTH through his direct interest in LCTH and also a shareholder of Fu Yu.

The Interested Directors have abstained and will continue to abstain from all deliberations and voting on the Proposed SCR at the relevant board meetings of LCTH and will also abstain from voting in respect of their direct and/or indirect shareholdings in LCTH, on the resolution pertaining to the Proposed SCR to be tabled at the forthcoming EGM.

Tan Yew Beng, being a shareholder of LCTH through his direct interest in LCTH, is a PAC by virtue of him being an Independent Non-Executive Director of Fu Yu. He is also a shareholder of Fu Yu. He is deemed interested in the Proposed SCR. As such, Tan Yew Beng will abstain from voting in respect of his direct and/or indirect shareholdings in LCTH, on the resolution pertaining to the Proposed SCR to be tabled at the Company's forthcoming EGM.

Fu Yu Investment, a major shareholder of LCTH, holds in total 254,295,643 Shares, representing approximately 70.64% of the total LCTH Shares in issue as at the LPD and is deemed interested in the Proposed SCR. As such, Fu Yu Investment will abstain from voting in respect of its direct and/or indirect shareholdings in LCTH, on the resolution pertaining to the Proposed SCR to be tabled at the Company's forthcoming EGM.

Fu Yu, a major shareholder of LCTH, has an indirect interest of 254,295,643 Shares, representing approximately 70.64% of the total LCTH Shares in issue as at the LPD and is deemed interested in the Proposed SCR. As such, Fu Yu will abstain from voting in respect of its direct and/or indirect shareholdings in LCTH, on the resolution pertaining to the Proposed SCR to be tabled at the Company's forthcoming EGM.

The Interested Directors, Tan Yew Beng, Fu Yu Investment and Fu Yu have undertaken that they will ensure that persons connected with them, will abstain from voting, in respect of their direct and/or indirect shareholdings in LCTH, on the resolution pertaining to the Proposed SCR to be tabled at the Company's forthcoming EGM.

7. DIRECTORS' STATEMENT

The Board, save for the Interested Directors, has deliberated on the SCR Offer Letter and has resolved to table the Proposed SCR to the Entitled Shareholders for their consideration at the forthcoming EGM.

8. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to LCTH obtaining the necessary approvals and/or consents from the relevant authorities/parties as disclosed in Section 5 of this announcement, the Proposed SCR is expected to be completed in the second quarter of 2018.

This announcement is dated **10 January 2018**