LASSETERS INTERNATIONAL HOLDINGS LIMITED
Company No: 200402223M

REDUCTION IN INTEREST IN A SUBSIDIARY, LASSETERS PROPERTIES SDN. BHD. (“LPSB”) TO FOCUS MAXWELL SDN. BHD. (“FMSB”) AND ISSUANCE OF REDEEMABLE NON-CONVERTIBLE PREFERENCE SHARES (“RNCPS”) BY LPSB TO FMSB

Reference is made to the announcements released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 25 August 2016 and 20 September 2016 in relation to the joint venture between Lasseters International Holdings Limited (the “**Company**” or the “**Group**”) and Paramount Corporation Berhad to develop and/or acquire, own and operate a hotel in Glenmarie, Shah Alam, Malaysia (the “**Previous Announcements**”). The Board of Directors (the “**Board**”) of the Company wishes to announce that the Company has on 26 February 2020 entered into a shareholders’ agreement with FMSB to jointly participate in the equity of LPSB (“**SHA**”) and LPSB has on the same date entered into a subscription agreement with FMSB for the subscription of ordinary shares and RNCPS in LPSB by FMSB (the “**Subscription Agreement**” and, together with the SHA, the “**Agreements**”).

Rule 805 of the SGX-ST Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) does not apply as the Company has determined that LPSB is not a principal subsidiary.

FMSB is a wholly-owned subsidiary of ES Ceramics Technology Berhad (“**ESC**”), a public company listed on the ACE Market of Bursa Malaysia Securities Berhad.

Under the SHA, the Company will be entitled to nominate four (4) directors, while FMSB will be entitled to nominate (1) director to the board of LPSB.

Pursuant to the Agreements, LPSB will within five (5) business days from the date of the Subscription Agreement (i) issue and allot 98 new ordinary shares, whereby the Company and FMSB shall each subscribe for 78 new ordinary shares for the sum of RM78 in cash and 20 new ordinary shares for the sum of RM20 in cash respectively and (ii) FMSB shall subscribe 1,300,000 RNCPS for RM1 each in cash in LPSB (“**First Tranche of RNCPS**”) together with its subscription of new ordinary shares. Upon the allotment and issuance of the new ordinary shares, the Company’s interest in LPSB will be reduced from 100% to 80%. The consideration for the issuance of new ordinary shares is arrived on a willing-buyer, willing-seller basis, taking into account the value of LPSB’s investment in Super Ace Resources Sdn. Bhd. (“**SAR**”) of approximately RM6.2 million, the advances owing from LPSB to the Company of approximately RM6.5 million which must be repaid before equity, and the net asset value of LPSB as at 31 December 2019 of approximately negative RM280 thousand.

In addition, FMSB shall further subscribe up to 11,000,000 RNCPS for RM1 each in cash in multiple tranches on any date to be mutually agreed between the shareholders of LPSB, namely the Company and FMSB (together the “**Parties**”), subject to shareholder’s approval by ESC having been obtained (“**Second Tranche of RNCPS**”). The Second Tranche of RNCPS shall be subscribed by FMSB within 12 months from the date of first subscription of the Second Tranche of RNCPS.

The holders of RNCPS shall have no voting rights except on a proposal that affects rights attached to the RNCPS and on a proposal to wind up LPSB. The RNCPS shall be redeemed by LPSB at a redemption price of RM1.1614 per RNCPS within two (2) years from the date of the first issuance of the Second Tranche of RNCPS unless mutually extended by the Parties. If the Second Tranche of RNCPS is not approved by the shareholders of ESC, the First Tranche of RNCPS issued shall be redeemed in full and in lump sum at the redemption price of RM1.2369 per RNCPS at the end of the 24th month from the date of issuance of First Tranche of RNCPS. The Company has provided an undertaking to FMSB on the redemption of RNCPS by LPSB ("**Undertaking**"). The aggregate value of the Undertaking is RM14,285,220, taking into consideration the issue price of RM1 and the redemption price of RM1.1614 per RNCPS.

In the event that an event of default occurs under the Subscription Agreement that is incapable of remedy or if capable of remedy, fail to remedy within thirty (30) days, FMSB may declare the RNCPS and all the accrued dividend (if any declared) is due, payable and shall be redeemed by LPSB or the Company (as the case may be) as provided under the Subscription Agreement.

Please refer **Appendix A** of this announcement for other material terms of the RNCPS and material events of default under the Subscription Agreement.

The principal activities of LPSB is properties and investments holding. As announced in the Previous Announcements, LPSB has a 54% equity investment in SAR. The other shareholders of SAR are Lasseters Management (M) Sdn. Bhd. and Paramount Corporation Berhad holding 1% and 45% equity interest respectively. The principal activities of SAR are property development, properties and investments holding and SAR is currently developing a 229-keys 4-star Mercure hotel in Glenmarie, Shah Alam, Malaysia ("**Development**"). The Development is funded by a combination of bank borrowings and contribution from the three shareholders of SAR in proportion to their equity interest. The planned soft opening of the hotel is around mid-2020.

If Chapter 10 of the Catalist Rules are applicable to the Group's reduction in interest in LPSB, the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules are as follows:

Rule 1006	Bases	The reduction A$'000	Group A$'000	Relative figures
(a)	Net asset value(1) of the reduction compared with the Group's net asset value	(20)	45,861	-0.04%
(b)	Pre-tax profits(2) attributable to the reduction compared with the Group's net profit	(6)	(1,040)	0.57%
(c)	Consideration(3) received for the reduction compared with the Group's market capitalisation(4)	0.01	18,316	0.00004%
(d)	Number of equity securities issued as consideration	Not applicable	Not applicable	Not applicable

Notes:

(1) Net asset value means total assets less total liabilities determined by reference to the latest announced consolidated financial statements of the Group for the financial period ended 31 December 2019.

(2) Pre-tax profits means the profits before income tax, minority interests and extraordinary items determined by reference to the latest announced consolidated financial statements of the Group for the financial period ended 31 December 2019.

(3) The consideration is converted at an exchange rate of A$1 : RM2.7951.

(4) The Company's market capitalisation is based on the Company's issued share capital less treasury shares of 483,170,542 shares and a volume weighted average share price of S$0.035 as at 1 August 2019, being the last traded market day immediately prior to the date of the Agreements, and converted at an exchange rate of A$1 : S$0.9233.

Based on the relative figures, the Group's reduction in interest in LPSB is classified as a non-discloseable transaction under the Catalist Rules.

Pursuant to Rule 1003(4), in any provision of financial assistance:

(a) for Rule 1006(a), the reference to "net asset value of the assets to be disposed of" shall mean the aggregate value of the financial assistance; and

(b) for Rule 1006(c), the reference to "aggregate value of the consideration given or received" shall mean the aggregate value of the financial assistance.

Accordingly, the relative figures for the Undertaking computed on the bases set out in Rule 1006 of the Catalist Rules are as follows:

Rule 1006	Bases	The undertaking A$'000	Group A$'000	Relative figures
(a)	Net asset value(1) compared with the Group's net asset value	5,111	45,861	11.14%
(b)	Pre-tax profits attributable to the assets compared with the Group's net profit	Not applicable	Not applicable	Not applicable
(c)	Consideration(2) given compared with the Group's market capitalisation(3)	5,111	18,316	27.90%
(d)	Number of equity securities issued as consideration	Not applicable	Not applicable	Not applicable

Notes:

(1) With reference to Rule 1003(4)(a) of the Catalist Rules, net asset value means the aggregate value of the Undertaking, and converted at an exchange rate of A$1 : RM2.7951.

(2) With reference to Rule 1003(4)(b) of the Catalist Rules, consideration means the aggregate value of the Undertaking, and converted at an exchange rate of A$1 : RM2.7951.

(3) The Company's market capitalisation is based on the Company's issued share capital less treasury shares of 483,170,542 shares and a volume weighted average share price of S$0.035 as at 1 August 2019, being the last traded market day immediately prior to the date of the Agreements, and converted at an exchange rate of A$1 : S$0.9233.

Based on the relative figures, the Undertaking is classified as a discloseable transaction under the Catalist Rules.

The Board is of the view that the above transaction is in the best interests of the Group as it would not be able to get additional bank loans given that the existing gearing of the Group is relatively high. Moreover, given that the Group does not have any unencumbered assets and does not have any assets in Malaysia that can be used as security, the financial assistance provided by the Company to FMSB is beneficial to the Company because it is made on a clean basis (save for the Undertaking) and not tied to any assets, which is the usual requirement for a bank loan. Interest in the Development, is currently charged to a financial institution. Given the soft market environment, the Board has also considered that the costs/premium of the RNCPS is lower than the existing overdraft rate in Malaysia, and is on par with its cost of borrowing and associated cost. Should the Group not be able to obtain additional financing for the Development, it is likely that the Development will come to a stand-still which would cause further losses to the Group. Furthermore, by allowing FMSB to participate in the equity of LPSB, it is forming a strategic alliance with a listed company in Malaysia. The Board expects positive synergies between the Parties which will elevate the financial standing of the ongoing development and create value for the Group. It is also an opportunity for the Group to mitigate its dependency on external bank borrowings.

The Company's subscription in the new ordinary shares is funded through internal resources. The Undertaking to FMSB, if crystallised, will also be funded through internal resources. The Undertaking will not have any impact on the net tangible assets of the Group for the financial year ended 30 June 2019 ("**FY2019**"), being most recently completed financial year, assuming that the transaction had been effected on 30 June 2019, being the end of that financial year. The Undertaking will also not have any impact on the earnings per share of the Group for FY2019, being most recently completed financial year, assuming that the transaction had been effected on 1 July 2018, being the beginning of that financial year. The net tangible assets and the earnings per share of the Group for FY2019 is AUD9.82(cents) and negative AUD1.11(cents) respectively. The Undertaking would not change the risk profile of the Group or have a significant adverse impact on the Group's gearing.

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the above transaction, other than through their shareholdings in the Company and ESC. Dato' Kamal Y P Tan, a director and substantial shareholder of the Company is also a director of ESC and has a 25.61% equity interest in ESC whilst Dato' Jaya J B Tan, a director and substantial shareholder of the Company, has a 0.55% equity interest in ESC.

A copy of the SHA and Subscription Agreement are available for inspection by shareholders during normal business hours at the registered office of the Company at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807 for a period of 3 months from the date of this announcement.

BY ORDER OF THE BOARD

DATO' JAYA J B TAN
Executive Chairman
26 February 2020

This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Bernard Lui, Telephone number: 6389 3000 Email: Bernard.lui@morganlewis.com

APPENDIX A

Material terms of the RNCPS

Issuer	:	Lasseters Properties Sdn. Bhd.
Subscriber	:	Focus Maxwell Sdn. Bhd.
Issue Size	:	Up to RM12,300,000 at the Issue Price in the following manner (i) <u>First Tranche of RNCPS</u> 1,300,000 RNCPS simultaneously with the subscription of the 20 shares in LPSB by FMSB which is to be completed within five (5) business days from the date of the Subscription Agreement. (ii) <u>Second Tranche of RNCPS</u> Up to 11,000,000 RNCPS in multiple tranches on any date to be mutually agreed between the Parties subject to the conditions precedents to be fulfilled.
Issue Price	:	RM1 per RNCPS
Issue Date	:	On the date of the issue of RNCPS
Tenure	:	Two (2) years from and inclusive of the date of first issuance of the Second Tranche of RNCPS unless the tenure of the RNCPS is extended mutually by the Issuer and the RNCPS holder. For the avoidance of doubt, the First Tranche of RNCPS shall expire on the Maturity Date.
Purposes and utilisation of RNCPS	:	For LPSB's working capital purposes and for its day-to-day operation or business, for its business expansion and any other purposes as may be mutually agreed between the Parties.
Maturity Date	:	On second (2nd) anniversary from the date of first issuance of the Second Tranche of RNCPS unless the tenure of the RNCPS is extended mutually by the Issuer and the RNCPS holder.
Dividend	:	The RNCPS shall carry the right to receive non-cumulative preferential dividend at a rate to be decided by LPSB.
Redemption Price	:	The redemption price shall be at RM1.1614 per RNCPS, in cash.
Redemption Mode	:	The RNCPS issued shall be redeemed respectively in the following manner:- (i) 500,000 RNCPS at the end of the 6th month; (ii) 500,000 RNCPS at the end of the 12th month; (iii) 500,000 RNCPS at the end of the 18th month; and (iv) the balance to be fully redeemed at the end of the 24th month, from the date of the first issuance of Second Tranche of RNCPS or any other date as may be mutually agreed between the Parties. If the Second Tranche of RNCPS is not approved by the shareholders of ESC, the First Tranche of RNCPS issued shall be redeemed in full and in lump sum at the redemption price of RM1.2369 per RNCPS at the end of the 24th month from the date of issuance of First Tranche of RNCPS. In the event that LPSB fails to redeem the RNCPS, the Company irrevocably undertakes to redeem the RNCPS in cash on any amount remaining outstanding on the Maturity Date.

Voting Rights	:	RNCPS holder shall have the following rights: (1) the same rights as ordinary shareholders as regards: (a) receiving notices, reports and audited accounts; and (b) attending general meetings of LPSB; (2) the right to vote in each of the following circumstances and in no others:- (a) on a proposal that affects rights attached to the RNCPS; and (b) on a proposal to wind up LPSB. (3) the right to a return of capital in preference to holders of ordinary shares when LPSB is wound-up.
Ranking of the RNCPS	:	(i) The RNCPS shall confer on the holder the right to receive in priority to the holders of other classes of shares in LPSB, cash repayment in full of the amount (and the premium payable and the amount of any dividend (if any declared) that has been declared and remaining in arrears and unpaid) of that RNCPS provided that there shall be no further right or entitled to participate in any surplus capital or surplus profits of LPSB; and (ii) In the event that LPSB has insufficient assets to permit payment of the full Issue Price to the RNCPS holder, the assets of LPSB shall be distributed rateably to the RNCPS holder in proportion to the amount that RNCPS holder would otherwise be entitled to receive.
Liquidation preference	:	Upon any winding up, liquidation or any return of capital of LPSB, RNCPS holder shall have priority in the repayment of capital and all monies due over any payment to the holders of all other shares in capital of LPSB, in the following manner:- (a) firstly, secured creditors; (b) secondly, unsecured creditors; (c) thirdly, RNCPS holder; and (d) lastly, the LPSB shareholders. Except as provided in these terms, the RNCPS holder shall not be entitled to participate in any distribution of profit, capital and/or surplus assets of LPSB.
Transferability	:	The RNCPS shall not be transferable save with the written consent of LPSB.

Material events of default under the Subscription Agreement

(a) LPSB or the Company fails to redeem the RNCPS when due or otherwise in accordance with the provisions of the Subscription Agreement;

(b) LPSB commits a breach of any of the provisions of the Subscription Agreement;

(c) any law, regulation, judgment or order suspends, varies, terminates or excuses performance by LPSB of any of its obligations under the Subscription Agreement;

(d) a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the winding-up, insolvency, administration, judicial management, reorganisation, reconstruction, dissolution or bankruptcy of LPSB or the Company or for the appointment of a liquidator, receiver, administrator, judicial manager, trustee or similar officer of LPSB or of all or any part of the Company's business, property or assets;

(e) LPSB or its subsidiary company, namely SAR, ceases or threatens to cease to carry on its business or any substantial part thereof or LPSB or SAR, disposes of or threatens to dispose of or any governmental or other authority expropriates or threatens to expropriate all or any substantial part of its business or assets which is not within the ordinary course of business of LPSB or SAR;

(f) subject to the consent from FMSB, a change occurs in the shareholding in or ownership or control (direct) of LPSB or SAR;

(g) LPSB disputes or seeks to impugn the validity or enforceability of the Subscription Agreement; or

(h) LPSB and/or the Company disputes or seeks to impugn the validity or enforceability of the Undertaking.