

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

**PROPOSED ACQUISITION OF 80% OF THE ENTIRE EQUITY INTERESTS OF
SHANGHAI XIYUN INFORMATION TECHNOLOGY SERVICES CO., LTD.**

1. INTRODUCTION

The Board of Directors (the “**Board**” or the “**Directors**”) of LCT Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that, following the satisfactory outcome of the due diligence exercise conducted on the Target Company (as defined below), its indirect wholly owned subsidiary, Longfei (Xi'an) Industrial Co., Ltd. (龙飞(西安)实业有限公司) (the “**Purchaser**”) has on 6 June 2019 entered into a conditional share purchase and shareholders' agreement (the “**SPSHA**”) to acquire 80% of the entire registered capital (“**Equity Interests**”) of Shanghai Xiyun Information Technology Services Co., Ltd. (上海熹云信息技术服务有限公司) (the “**Target Company**”) with each of Wu Lijun (吴礼军) and Gao Xiaohan (高晓寒) (collectively known as the “**Vendors**”) on the terms of, and subject to, the conditions of the SPSHA (the “**Proposed Acquisition**”).

Unless otherwise defined, all capitalised terms used in this announcement shall have the same meanings as defined in the announcement released on 22 April 2019 in respect of the Proposed Acquisition.

2. INFORMATION ON THE TARGET COMPANY AND THE VENDORS

2.1. The information on the Target Company and the Vendors in paragraph 2 of this Announcement has been provided by the Vendors, which has been extracted and reproduced in this Announcement.

2.2. The Target Company

The Target Company is a private company limited by shares incorporated in the People's Republic of China (“**PRC**”) with a registered capital of RMB 1 million. Established since 24 August 2018, the Target Company has been carrying on business as an outsourcing one-stop professional services firm, focusing on information technology consultancy services to start-up technology companies in Shanghai, PRC. As at the date of this announcement, the Vendors hold the entire registered capital of the Target Company.

Based on the unaudited management accounts of the Target Company for the period commencing from its date of incorporation to 30 April 2019, the financial position of the Target Company is as follows:

RMB'000	24 August 2018 to 31 December 2018	1 January 2019 to 30 April 2019¹
Revenue	1,956	2,590
Profit before tax	456	641
Profit after tax	411	577

RMB'000	As at 30 April 2019
Non-current assets	45
Current assets	4,137
Total assets	4,182
Current liabilities	2,194
Non-current liabilities	-
Total liabilities	2,194
Shareholders' equity	1,988

2.3. The Vendors

The Vendors, Wu Lijun (吴礼军) and Gao Xiaohan (高晓寒), holds equity interest in the Target Company in the proportion of 70:30.

Wu Lijun (吴礼军) is the legal representative (法定代表人), director (董事) and key management responsible for the accounting and finance services of the Target Company. Mr Wu has more than 15 years of experience in accounting and finance functions of state-owned enterprise and technology company. Prior to the establishment of the Target Company, Mr Wu was the chief accountant of Shanghai Longcheer Technology Co., Ltd. ("**Shanghai Longcheer**"), formerly a wholly-owned subsidiary of the Company, which was disposed by the Company in 2014.²

Gao Xiaohan (高晓寒) is the supervisor (监事) and key management responsible for the human resources and administration services of the Target Company. Ms Gao has more than 10 years of experience in human resources and administration in technologies companies. Prior to the establishment of the Target Company, Ms Gao was the head of human resources of Shanghai Longcheer.

Save as disclosed above, each of the Vendors is an independent third party unrelated to any of the directors, substantial shareholders or controlling shareholders, or their respective associates (as defined in the Listing Manual of the SGX-ST), of the Company. As at the date of this announcement, each of the Vendors does not have any shareholding interests, direct or indirect, in the Company.

¹ As at 30 April 2019, the Target Company has 23 employees.

² For further details on the disposal of Shanghai Longcheer in 2014, please refer to the announcements issued by the Company on 24 June 2014, 31 July 2014, 8 September 2014 and 30 September 2014, and the circular issued by the Company on 31 July 2014.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1. Sale and Purchase

Under the terms of the SPSHA, each of the Vendors have agreed to sell, and the Purchaser has agreed to purchase, the Equity Interests, free from all encumbrances and together with all rights, interests, benefits and advantages attaching thereto.

Upon Completion (as defined below), the Target Company will become a subsidiary of the Purchaser while the remaining 20% equity interests will be held by the Vendors in the proportions shown in the table below.

3.2. Salient Terms of the SPSHA

3.2.1. Consideration

- (a) The total consideration for the Proposed Acquisition is RMB3,200,000 (“**Consideration**”) which shall be satisfied in cash by the Company to the Vendors as follows:

Vendors	Equity interests sold by Vendor	Consideration (RMB)	Shareholding of Vendors upon Completion
Wu Lijun (吴礼军)	56%	2,240,000	14%
Gao Xiaohan (高晓寒)	24%	960,000	6%
Total	80%	3,200,000	20%

- (b) The Consideration was arrived at on a willing-buyer, willing-seller basis, after negotiations which were conducted at arm's length between the parties and takes into account, *inter alia*, the Valuation Range as reported by the Independent Valuer. For further details, please refer to paragraph 3.3 below.

3.2.2. Payment of Consideration

The Consideration shall be paid in two (2) tranches as follows:

- (a) An amount of RMB640,000 representing 20% of the Consideration (“**First Tranche Amount**”), shall be paid within five (5) business days from the date of signing of the SPSHA; and
- (b) An amount representing the balance of the Consideration (“**Second Tranche Amount**”) to be paid within five (5) business days from the date of satisfaction of all Payment Conditions (as defined below), computed based on the following formula:

- (i) Where the FY2019 NPAT is equal or more than RMB800,000, the Second Tranche Amount shall be RMB2,560,000;
- (ii) Where the FY2019 NPAT is less than RMB800,000, the Second Tranche Amount shall be:

Second Tranche Amount = (FY2019 NPAT x PER of 5 x 80% equity interest) – First Tranche Amount,

where

“NPAT” : Net Profit After Tax, excluding non-recurring and extraordinary items, based on the audited financial statements of the Target Company for the financial year ending 31 December

“PER” : Price Earnings Ratio

3.2.3. Conditions

Under the terms of the SPSHA, completion of the SPSHA (**“Completion”**) is conditional upon, *inter alia*, the satisfaction or waiver of the following conditions (**“Conditions”**) by the Purchaser and/or the Vendors (as the case may be):

- (a) The completion of the transfer of Equity Interests from the Vendors to the Purchaser within three (3) business days from the payment of the First Tranche Amount and the successful registration of the Purchaser by the PRC Administration for Industry and Commerce Bureau as the registered shareholder holding the Equity Interests;
- (b) The submission of the change of legal representative and directors of the Target Company with the PRC Administration for Industry and Commerce Bureau within three (3) business days from the payment of the First Tranche Amount;
- (c) Procure the Target Company to provide the documentation proof to confirm that the Purchaser is the shareholder holding the Equity Interests and the Target Company's registered capital contribution;
- (d) Provide all the necessary documents including statutory records as set out in the SPSHA;
- (e) There being no material adverse change in the business, operations, assets, financial condition or prospects of the Target Company on or before Completion Date;
- (f) All representations and warranties of the Vendors in the SPSHA, remaining true and accurate and not misleading in any respect as at Completion Date; and
- (g) The entry into of a service agreement with the Target Company in a form acceptable to the Purchaser with each of the Vendors for a duration of not less than five (5) years (**“Service Agreement”**).

3.2.4. Conditions for the Payment of Second Tranche Amount

Under the terms of the SPSHA, the payment of the Second Tranche Amount is conditional upon, *inter alia*, the satisfaction or waiver of the conditions set out in paragraph 3.2.3(e) above and the following conditions (“**Payment Conditions**”) by the Purchaser and/or the Vendors (as the case may be):

- (a) Written confirmation by the Purchaser in relation to the Completion;
- (b) The successful registration of the change of legal representative and directors of the Target Company with the PRC Administration for Industry and Commerce Bureau;
- (c) The equity of the Target Company being not less than RMB1,000,000 at Completion Date; and
- (d) Mutual agreement in writing by the Parties on the Second Tranche Amount.

3.2.5. Completion

- (a) Completion is expected to take place on the date on which the Conditions set out in paragraphs 3.2.3 above have been satisfied by the Vendors (“**Completion Date**”).
- (b) If the Payment Conditions (save for the Payment Condition set out in paragraph 3.2.4(d) above) are not fulfilled (or waived in accordance with the terms of the SPSHA) within ninety (90) days from the date of signing of the SPSHA, the Purchaser has the right to terminate the SPSHA and shall be entitled to receive a compensation fee from the Vendors, computed as follows:

0.05% x Consideration x number of days which has elapsed from the expiry of ninety (90) days after signing of the SPSHA

3.3. Valuation of the Target Company

3.3.1. The Board had appointed Cushman & Wakefield VHS Pte Ltd (the “**Independent Valuer**”) to perform an independent valuation of the Target Group. In the report issued by the Independent Valuer dated 10 May 2019 (“**Valuation Report**”), the Independent Valuer is of the opinion that the market value for Equity Interests of the Target Company at the valuation date of 31 March 2019 is in the region of approximately RMB3.3 million and RMB3.8 million (“**Valuation Range**”). In arriving at the market value in accordance with International Valuation Standard, the Independent Valuer adopted the income approach as its primary approach and have used the market approach and cost approach as cross-checks.

3.3.2. Based on the Valuation Range, the Consideration represents a

- (a) 15.8% discount to the high end of the Valuation Range being RMB3.8 million;
- (b) 9.9% discount to the mid-point value of the Valuation Range, being RMB3.55 million (the simple average of the high and low end of the Valuation Range); and
- (c) 3.0% discount to the low end of the Valuation Range, being RMB3.3 million.

3.3.3. Others

The SPSHA also contains other terms and conditions as are customary for transactions of a similar nature.

In the event the FY2019 NPAT is less than RMB800,000 (“**FY2019 NPAT Target**”) or the FY2020 NPAT is less than RMB900,000 or where the terms of the SPSHA and/or the Service Agreements is breached in any respect or terminated, the Purchaser has the right, at the Purchaser’s option, to require the Vendors to acquire from the Purchaser the Equity Interests (or part thereof) (“**Repurchase Right**”) at a premium of 10% (annualized interest rate) to the Consideration paid (adjusted accordingly if part of the Equity Interests is acquired) after deducting any dividends declared and paid to the Purchaser (“**Repurchase Price**”). This premium shall be calculated based on the number of calendar days elapsed between the date of payment of the Consideration and the date of exercise of the Repurchase Right. The Target Company has undertaken to assume the obligation to pay the Repurchase Price, for and on behalf of the Vendors, in the event the Vendors are unable to pay.

On Completion, the Vendors will collectively hold 20% of the equity interests of the Target Company. Each of the Vendors has undertaken not to, directly or indirectly, without prior written consent of the Purchaser, sell, transfer, assign, pledge his equity interests in the Target Company before the expiry of the sixty (60) months commencing from the date of execution of the Service Agreements (“**Moratorium**”).

Subject to the Moratorium, if any of the Vendors receive an offer to purchase their equity interests, they shall offer a right of first refusal to the Purchaser to acquire their equity interests. If the Purchaser were to receive an offer to buy its Equity Interests, each of the Vendor has a tag-along right to elect to participate in the proposed disposal by the Purchaser.

4. SOURCE OF FUNDS FOR THE PROPOSED ACQUISITION

The Consideration shall be fully funded by the Group’s internal resources.

5. RATIONALE FOR THE PROPOSED ACQUISITION

Since its exit from the electronics industry in 2016, the Company has been sourcing for new investments and/or business expansion as it continues its property investment business. As the Target Company is yield accretive and is able to provide additional revenue streams to the Group by leveraging on the trajectory growth prospects of the technology industry, the Board is of the view that the Proposed Acquisition is an investment opportunity in the best interests of the Company and its shareholders. As the Proposed Acquisition represents non-core investment of the enlarged Group, there is no material change to the risk profile of the Group.

6. RELATIVE FIGURES FOR THE PROPOSED ACQUISITION

The relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST based on the Target Company's most recent eight-month financial period from September 2018 to April 2019 which has been extrapolated to a twelve-month financial year.

Rule 1006	Bases	Relative Figures
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable ⁽²⁾
(b)	The net profits ⁽¹⁾ attributable to the assets acquired, compared with the Group's net profits.	33.2% ⁽³⁾
(c)	The aggregate value of the consideration given, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares.	5.1% ⁽⁴⁾
(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 ⁽⁵⁾
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves.	Not applicable ⁽⁶⁾

Notes:

- (1) "Net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) This basis is not applicable, as the Proposed Acquisition is in relation to the acquisition of assets.
- (3) Based on the unaudited net profits of the Target Company of RMB1,098,000 in respect of the 8-month financial period from September 2018 to April 2019 and multiplied by the Equity Interests, extrapolated to the unaudited net profits attributable to the Target Company of RMB1,317,600 for the 12-month period ended 31 March 2019 and the unaudited net profit of the Group for the last twelve months ended 31 March 2019 of S\$3,962,000.
- (4) Based on the Consideration of RMB3,200,000 and the Company's market capitalisation of approximately RMB62,414,344 which is determined by multiplying the number of Shares in issue 35,244,520 (excluding treasury shares) by the volume weighted average price of S\$0.35 per Share on 3 June 2019, being the last market day immediately preceding the signing of the SPSHA that the Shares were traded and based on exchange rate of S\$1:RMB5.0597 as at 5 June 2019, being the full market day immediately preceding the signing of the SPSHA.

- (5) This basis is not applicable as there will be no issuance of shares as consideration for the Proposed Acquisition.
- (6) This basis is not applicable as the Proposed Acquisition is not a disposal of mineral, oil or gas assets.

Based on the above figures, the Proposed Acquisition is a discloseable transaction under Rule 1010 of the Listing Manual and is not subject to shareholders' approval under Rule 1014(2) of the Listing Manual. Pursuant to Rule 1014(2) of the Listing Manual, the requirement for shareholders' approval does not apply in the case of an acquisition of profitable assets if the only limit breached is Rule 1006(b).

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

For illustrative purposes only, the financial effects of the Proposed Acquisition on the net tangible assets per share and earnings per share of the Group based on the latest announced audited financial statements of the Group for the financial year ended 30 June 2018 are as follows:

Effects on net tangible assets

Had the Proposed Acquisition been effected on 30 June 2018, the financial effect on the net tangible assets ("**NTA**") of the Group is as follows:

	Before Proposed Acquisition	After Proposed Acquisition
Consolidated NTA attributable to the shareholders of the Company (RMB'000)	141,313	139,703
Number of issued shares (excluding treasury shares) ('000)	35,244	35,244
Net tangible assets per share (RMB)	4.01	3.96

Effects on earnings

Had the Proposed Acquisition been effected on 1 July 2017, the financial impact on the effect on Company's earnings per share for the financial year ended 30 June 2018 is as follows:

	Before Proposed Acquisition	After Proposed Acquisition
Net profit attributable to shareholders after tax (RMB'000)	9,075	10,261
Weighted average number of issued shares (excluding treasury shares) ('000)	35,244	35,244
Earnings per share (RMB)	0.26	0.29

Please note that the above financial figures are for illustrative purposes only and do not necessarily reflect the actual results and financial performance and position of the enlarged Group after the Proposed Acquisition. No representation is made as to the actual financial position and/or results of the enlarged Group after completion of the Proposed Acquisition.

8. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or (so far as they are aware) the controlling shareholders of the Company has any interest, direct or indirect (other than through their respective directorships and shareholdings in the Company), in the Proposed Acquisition.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and the directors of the Company jointly and severally accept full responsibility accordingly. Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Vendors and the Target Company, the sole responsibility of the directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

10. SERVICE CONTRACTS

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SPSHA and the Valuation Report are available for inspection during normal business hours at Tricor HEP Corporate Services Pte Ltd at 80 Robinson Road, #02-00, Singapore 068898, for a period of three (3) months commencing from the date of this announcement.

**BY ORDER OF THE BOARD
LCT HOLDINGS LIMITED**

Mr. Du Junqi
Executive Chairman and Chief Executive Officer

6 June 2019