

General Announcement for PLC (v13)

RELEASED

Reference No. GA1-07122017-00164

Created by EPSILON ADVISORY SERVICES SDN BHD on 07 Dec 2017 at

7:20:39 PM

Submitted by EPSILON ADVISORY SERVICES SDN BHD on 07 Dec 2017 at

7:21:50 PM

COMPANY INFORMATION SECTION			
Announcement Type	<input checked="" type="radio"/> New Announcement <input type="radio"/> Amended Announcement		
Company Name	LCTH CORPORATION BERHAD		
Stock Name	LCTH		
Stock Code	5092		
Board	Main Market		
Submitting Secretarial Firm	EPSILON ADVISORY SERVICES SDN BHD		

CONTACT DETAIL			
Contact Person	Designation	Contact No	Email Address
EPSILON ADVISORY SERVICES SDN BHD		012-3885312	feisan@epsilonas.com
LEONG OI WAH	Secretary	012-2353586	oiwah@epsilonas.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	Yes

Announcement Details/Table Section	
<p>The Board of Directors of LCTH ("Board") wishes to announce that the Company has today received a letter from Fu Yu Corporation Limited, on behalf of Fu Yu Investment Pte Ltd requesting the Company to undertake a selective capital reduction and repayment exercise pursuant to Section 116 of the Companies Act, 2016 ("SCR Offer Letter").</p> <p>The Proposed SCR involves LCTH undertaking a selective capital reduction and a corresponding capital repayment of a proposed cash amount of RM 0.58 per ordinary share in LCTH held by all the shareholders of LCTH (other than Fu Yu Investment Pte Ltd but including the persons acting in concert with Fu Yu Investment Pte Ltd, as set out in the SCR Offer Letter), whose names appear in the Record of Depositor of LCTH as at the close of business on an entitlement date to be determined and announced later by the Board.</p> <p>Please refer to the attached SCR Offer Letter for further details on the Proposed SCR.</p> <p>The Board, save for the interested directors who are the persons acting in concert with Fu Yu Investment Pte Ltd, being Hew Lien Lee, Tam Wai, Ho Nee Kit and Ching Heng Yang, will deliberate on the Proposed SCR and decide on the next course of action. Accordingly, a further announcement will be made in due course after the Board's deliberations.</p> <p>This announcement is dated 7 December 2017.</p>	
Attachment	No File Name Size
	1 Letter from Fu Yu Corporation dated 7 December 2017.pdf 370.6KB



7 December 2017

The Board of Directors
LCTH CORPORATION BERHAD
802, 8th Floor, Block C
Kelana Square
17, Jalan SS 7/26
47301 Petaling Jaya
Selangor Darul Ehsan

Dear Sir / Madam,

PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE OF LCTH CORPORATION BERHAD ("LCTH" OR THE "COMPANY") PURSUANT TO SECTION 116 OF THE COMPANIES ACT, 2016 ("ACT") ("PROPOSED SCR")

1. INTRODUCTION

We, Fu Yu Corporation Limited ("Fu Yu"), the holding company of Fu Yu Investment Pte Ltd ("Fu Yu Investment"), are writing to request LCTH to undertake a selective capital reduction and repayment exercise pursuant to Section 116 of the Act.

As at 6 December 2017, the latest practicable date ("LPD"), Fu Yu (through Fu Yu Investment), and persons acting in concert with Fu Yu Investment (as set out in the table below) ("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 as at the LPD are as follows:

	Direct	
	Number of LCTH Shares	%
Fu Yu Investment	254,295,643	70.64
<u>PAC</u>		
Tam Wai	366,000	0.10

	Direct	
	Number of LCTH Shares	%
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 PAC	4,366,644	1.20
Total shareholdings of Fu Yu Investment and PAC	258,662,287	71.84

Upon successful completion of the Proposed SCR (“**Completion**”), Fu Yu Investment will hold 100% of the equity interest of LCTH. The details of the Proposed SCR are set out in the ensuing sections of this letter.

2. DETAILS OF THE PROPOSED SCR

2.1 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 (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 (“**Board**”) of LCTH (“**Entitled Shareholders**”).

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

2.2 As at the LPD, 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.

- 2.3 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.
- 2.4 Upon Completion, all 105,704,357 LCTH Shares held by the Entitled Shareholders will be cancelled.
- 2.5 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.
- 2.6 The Proposed SCR will be funded via the existing cash balance and internally generated funds of LCTH and its subsidiaries (“**LCTH Group**”). Fu Yu has confirmed that the Proposed SCR will not fail by reason of insufficient financial capability of the LCTH Group.
- 2.7 The SCR Cash Amount was arrived at after taking into consideration, amongst others, the following:
- (a) the following closing price and volume weighted average market price (“**VWAP**”) of LCTH Shares up to and including the LPD (being the last full trading day prior to the service of this 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%

	Market price	Premium over market price/VWAP	
	<u>RM</u>	<u>RM</u>	<u>%</u>
1-year VWAP up to and including the LPD	0.5557	0.0243	4.37%

(b) 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.

(c) 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 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.

2.8 We do not intend to maintain the listing status of LCTH on the Main Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”). We will request LCTH to 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 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.

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 6 December 2017. The average daily trading volume had decreased further to 665,855 LCTH Shares for the past 1 year, representing 0.66% of the free float of LCTH as at 6 December 2017.

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

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

4. **INTERESTS OF DIRECTORS, SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

All of the directors of Fu Yu have deliberated on and approved the Proposed SCR.

Save as disclosed below, to the best knowledge of Fu Yu Investment and us, there are no other directors of LCTH, shareholders of LCTH and/or persons connected with them who have any interest, direct or indirect, in the Proposed SCR:

- (a) Tam Wai, being an Executive Director of LCTH and also an Executive Director of Fu Yu. He is a PAC by virtue of him being 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);
- (b) Ho Nee Kit, being the Vice Chairman/an Executive Director of LCTH and an Executive Director of Fu Yu. He is a PAC by virtue of him being 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);
- (c) Ching Heng Yang, being an Executive Director of LCTH and also an Executive Director of Fu Yu. He is a PAC by virtue of him being 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
- (d) Hew Lien Lee, being the Managing Director of LCTH and also an Executive Director of Fu Yu. He is a PAC by virtue of him being a 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),

(collectively, the “Common Directors”).

“major shareholder” as referred to above shall have the meaning as defined in the Main Market Listing Requirements of Bursa Securities.

The Common Directors will abstain from all deliberations and voting on the Proposed SCR at the relevant Board meetings of LCTH.

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 deemed interested in the Proposed SCR.

Fu Yu Investment holds 254,295,643 LCTH Shares, representing approximately 70.64% of the share capital of LCTH and is deemed interested in the Proposed SCR. Fu Yu is deemed interested in the Proposed SCR by virtue of its direct shareholding in Fu Yu Investment.

Fu Yu, Fu Yu Investment and the PAC will abstain, and they 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.

In addition, we also hereby confirm that as at the LPD:-

- (i) we have not received any irrevocable undertaking from any Entitled Shareholder to vote in favour of the Special Resolution; and
- (ii) we are not aware of any existing or proposed agreement, arrangement or understanding in relation to the LCTH Shares between us and any of the Entitled Shareholders.

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 this letter up to the Completion, the SCR Cash Amount shall be reduced by an amount equivalent to the net Distribution made per LCTH Share.

6. CONDITIONS PRECEDENT

Completion shall be subject to the fulfillment 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 of LCTH for the Proposed SCR via a special resolution to be tabled at the forthcoming EGM 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 and 75% in value of the votes attached to the LCTH Shares held by the Entitled Shareholders 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 (but excluding the LCTH Shares held by 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.

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.

7. GOVERNING LAW AND DISPUTE RESOLUTION

The Proposed SCR and any agreement constituted by the acceptance of this letter shall be governed by the laws of Malaysia and each party will submit to the non-exclusive jurisdiction of the courts of Malaysia.

8. **ACCEPTANCE PERIOD**

If the Board is agreeable to take steps to implement the Proposed SCR and to recommend the Proposed SCR to the shareholders of LCTH upon the terms envisaged in this letter, please execute the enclosed duplicate of this letter, and return the same to us as to be received by us no later than 5.00 p.m. on 5 January 2018 (or such other date as may be extended by us in writing) after which the proposal in this letter shall lapse.

Yours Faithfully,

For and on behalf of

FU YU CORPORATION LIMITED



A handwritten signature in black ink, appearing to read 'John Chen Seow Phun', is written over a horizontal line. The signature is stylized and cursive.

Name: John Chen Seow Phun

Designation: Non-Executive Chairman, Independent Director

Acknowledged and agreed

For and on behalf of

LCTH CORPORATION BERHAD

Name:

Designation: