SUNLIGHT GROUP HLDG LTD
(Company Registration No. 199806046G)
(Incorporated in the Republic of Singapore)

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's Sponsor has not independently verified the contents of this announcement.

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MAJOR TRANSACTION – SALE OF THE GROUP'S LOW VOLTAGE SWITCHGEAR BUSINESS VIA THE DISPOSAL OF SHARES IN SUNLIGHT ELECTRICAL PTE LTD

1. INTRODUCTION

The board of Directors (the "**Board**") of Sunlight Group Hldg Ltd ("the "**Company**", together with its subsidiaries, the "**Group**") wishes to announce that the Company has on 18 May 2017 entered into a conditional sale and purchase agreement (the "**SPA**") with Chint Electrics (Hong Kong) Limited (the "**Purchaser**").

Pursuant to the SPA, the Company has agreed to sell, and the Purchaser has agreed to purchase, all the issued and paid-up capital of Sunlight Electrical Pte Ltd (the "**Target Company**") (the "**Proposed Disposal**"). As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Company. The Proposed Disposal shall include the Target Company's three wholly-owned subsidiaries (namely Sunlight Switchgear Sdn Bhd, Sunlight Electrical (Vietnam) Co., Ltd and Sunlight Electrical International Pte. Ltd.) and shall exclude the business of lighting design consultancy, project management, project tenders and the provision of lighting automation, architectural and lighting products currently held by the Target Company (the "**Lighting Business**"). The aggregate consideration of the Proposed Disposal shall be S$17,000,000 (the "**Purchase Consideration**"). The Target Company, together with its three wholly-owned subsidiaries and excluding the Lighting Business, shall hereinafter be referred to as the "**Target Group**".

As at the date of this announcement, the businesses of the Company are (i) the manufacture of low voltage switchgear; (ii) the Lighting Business; and (iii) the sale and distribution of designer furniture, kitchen and wardrobe systems and decorative lighting (the "**P5 Business**").

The Proposed Disposal would result in the sale of the Group's low voltage switchgear business to the Purchaser, while the Group would retain the Lighting Business, which would be restructured prior to completion of the Proposed Disposal and remain in the Group.

Rule 1006 of Section B: Rules of Catalist (the "**Catalist Rules**") of the Listing Manual of the SGX-ST

The Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Catalist Rules and is subject to the approval of the shareholders of the Company (the "**Shareholders**") being obtained at an extraordinary general meeting to be convened (the "**EGM**"). For further details on the relative figures in respect of the Proposed Disposal computed on the bases set out in Rule 1006 of the Catalist Rules, please refer to paragraph 5 of this announcement.

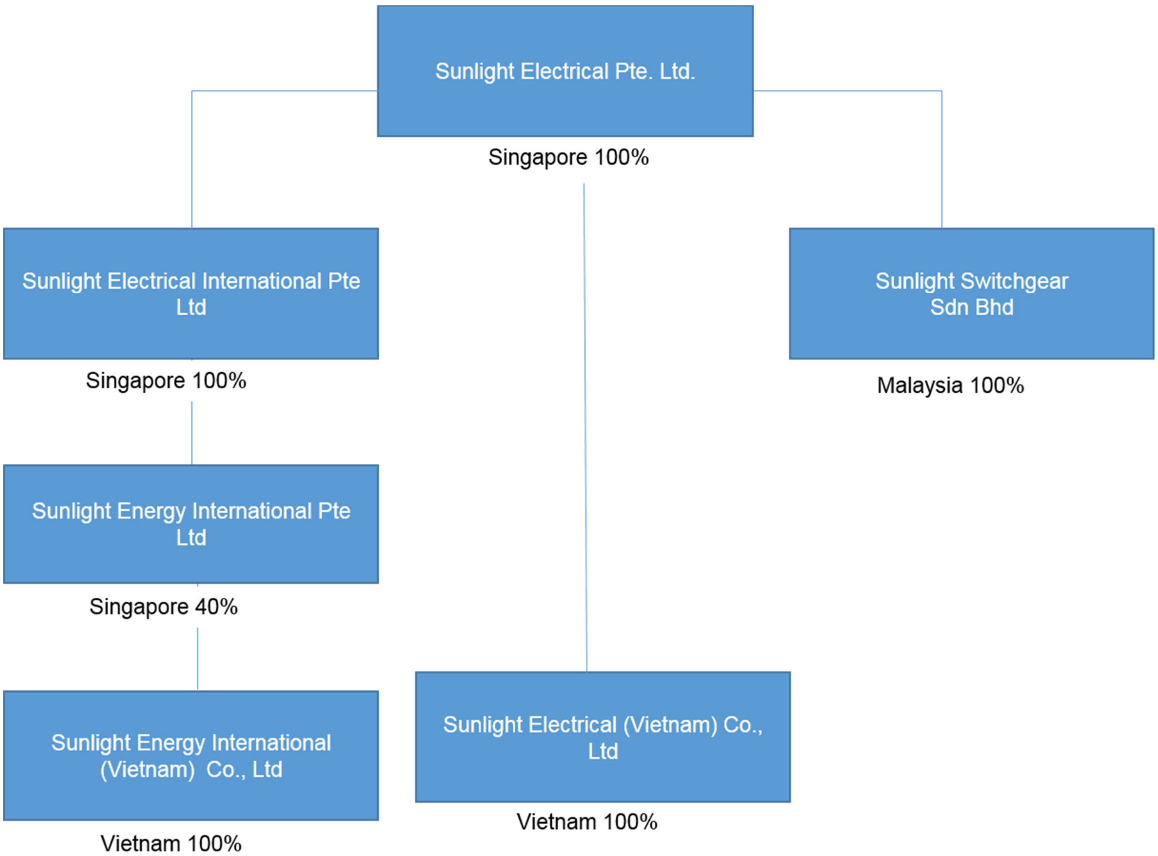
Rule 704(17)(c) of the Catalist Rules

Upon the completion of the Proposed Disposal, the Target Group will cease to be subsidiaries of the Company.

2. INFORMATION ON THE TARGET GROUP AND THE PURCHASER

Target Group

The group structure of the Target Group as at the date of this announcement is as follows:



The turnover of the Target Group for the financial year ended 31 March 2016 ("**FY 2016**") was S$36,951,302 and the Target Company currently has an issued and paid-up capital of S$15,000,000 consisting of 15,000,000 ordinary shares.

Apart from the Target Group, as at the date of this announcement, the Company has another wholly-owned subsidiary, P5 Pte. Ltd. The core business of P5 Pte. Ltd. is the sale and distribution of designer furniture, kitchen and wardrobe systems and decorative lighting.

The Purchaser

The Purchaser was incorporated on 15 March 2012 and is a wholly-owned subsidiary of Zhejiang CHINT Electrics Co., Ltd, a listed company on the Shanghai Stock Exchange (601877-CN) ("**Zhejiang CHINT**"). Chint Group Corporation holds a majority stake in Zhejiang CHINT. Chint Group Corporation was founded in 1984 and is a leader in the field of Chinese industrial electrical equipment production and clean energy. Chint Group Corporation has total assets of approximately USD 7.1 billion and its businesses range from low-voltage electrical products to power transmission and distribution equipment and services, instruments & meters, building appliances, automobile parts, industrial automation, solar power generation and equipment manufacturing. Chint Group Corporation is also one of the largest clean energy suppliers and energy efficiency management solution providers in the People's Republic of China.

The Purchaser is one of the existing suppliers of low voltage circuit breakers and electrical components of the Group. Save for the above, the Purchaser is an independent third party and there is no relationship between the Purchaser, the Company, and the Company's Directors or, to the best of the Company's knowledge, the Company's substantial Shareholders.

3. RATIONALE FOR THE PROPOSED DISPOSAL

With increasing market competition and challenging business conditions faced in the business of fabrication and manufacture of low voltage switchgear, the Proposed Disposal provides the Company an opportunity to exit the increasingly challenging business environment and immediately realise its investments in the business for cash.

The Company intends to focus on and expand its current Lighting Business and P5 Business.

The Proposed Disposal represents a sale at a premium of S$5,617,957 over the net tangible assets of the Target Group as at 31 March 2016 of S$11,382,043. The Purchase Consideration represents a premium of 39.87% to the market capitalisation of the Company of S$12,154,033 as at 17 May 2017, being the last market day before the date of the SPA.

The Board considers that the Proposed Disposal is in the best interest of the Company and its Shareholders, taking into consideration the financial position and business prospects of the Target Group.

4. PRINCIPAL TERMS OF THE DISPOSAL

Proposed Disposal

Subject to the terms and conditions of the SPA, the Company shall sell to the Purchaser, and the Purchaser agrees to acquire from the Company, all of the Company's interest in the Target Group. The Lighting Business shall be restructured from the Target Group and shall remain in the Group as a condition precedent to completion of the Proposed Disposal.

On the date of Completion of the Proposed Disposal (the "**Completion Date**"), the Company shall release the share transfer documents in relation to the transfer of the shares in the Target Company to an appointed stakeholder (the "**Stakeholder**").

Purchase Consideration

The Purchase Consideration for the Proposed Disposal shall be satisfied in cash as follows:

(a) the Purchaser shall pay the sum of S$2,000,000 (the "**Deposit**") to the Company within twenty (20) business days after the date of the SPA;

(b) part of the Purchase Consideration of S$13,000,000 (the "**Main Payment**") shall be paid by the Purchaser to the Company within twenty (20) business days from the Completion Date. The Company shall, after receiving the Main Payment, order the Stakeholder to release the relevant share transfer documents to the Purchaser; and

(c) the Purchaser shall pay to the Company the remaining amount of S$2,000,000 of the Purchase Consideration (the "**Retained Sum**"), subject to adjustment mechanisms as set out below within twenty (20) business days after 1 April 2018.

The Purchase Consideration, which shall be satisfied in cash, was arrived at after arm's length negotiations on a willing-buyer and willing-seller basis and after taking into consideration the rationale of the Proposed Disposal mentioned in paragraph 3 above.

Ex-Gratia Payment

Within one (1) year after the Completion Date, the Company shall make an ex-gratia payment equivalent to S$1,000,000 (the "**Ex-Gratia Payment**") to the Target Group for the purposes of making an Ex-Gratia Payment in the manner as follows:

(a) The Company shall make the Ex-Gratia Payment to the Target Group.

(b) In making such Ex-Gratia Payment to the Target Group, the Company shall provide in writing a complete exhaustive list of all the beneficiaries of the Ex-Gratia Payment (the "**Ex-Gratia Payment Notice**") to the Target Group and to the Purchaser.

(c) The beneficiaries of the Ex-Gratia Payment shall be the employees, senior management and executive directors (where applicable) of the Target Group as at the date of the SPA, and shall be decided by the Board (as recommended by the remuneration committee of the Company). The beneficiaries shall include employees, senior management and executive directors (where applicable) of the Target Group who cease to be employed by, or cease to serve as executive directors of, the Target Group after the date of the SPA.

(d) Upon receipt of the Ex-Gratia Payment Notice, the Purchaser shall procure the Target Group to act as the Company's paying agent and shall procure the Target Group to distribute the Ex-Gratia Payment in accordance with the Ex-Gratia Payment Notice.

Adjustment Mechanisms to the Purchase Consideration

Main Payment Adjustment Mechanisms

As at 30 September 2016, the pro forma net assets relating to the Target Group are approximately S$12,800,000 (the "**Target NAV**"). For the purposes of determining the NAV Payment (defined herein), the Parties agreed to a maximum downside deviation of S$1,000,000 to the Target NAV. Therefore, if the NAV of the Target Group on the Completion Date (the "**Completion Date Target NAV**") is less than S$11,800,000, the Company shall pay to the Purchaser an amount equal to the deficit of the Completion Date Target NAV below S$11,800,000 (the "**NAV Payment**").

Retained Sum Adjustment Mechanisms

The Parties agree that the Purchaser shall pay to the Company the Retained Sum in accordance with the following, within twenty (20) Business Days after 1 April 2018:

(a) If the collected accounts receivables of the Target Group for the period from 1 April 2017 to 31 March 2018 accounts for less than half of the accounts receivables stated in the audited financial statements of the Target Group for the financial year ended 31 March 2017 ("**FY 2017**"), the Purchaser shall not pay the Retained Sum to the Company;

(b) If the collected accounts receivables of the Target Group for the period from 1 April 2017 to 31 March 2018 is equal to or more than half of the accounts receivables stated in the audited financial statements of the Target Group for FY 2017, the amount that the Purchaser shall pay to the Company shall be equal to the Retained Sum multiplied by the ratio of the collected accounts receivables for the period from 1 April 2017 to 31 March 2018 to all accounts receivables stated in the audited financial statements of the Target Group for FY 2017 (the "**Ratio**"). The balance of the Retained Sum shall be kept by the Purchaser and not paid to the Company. In the event the Ratio is greater than one (1), the Retained Sum payable shall be capped at S$2,000,000.

<u>Conditions Precedent</u>

The completion of the Proposed Disposal is further conditional upon, *inter alia*, the following conditions having been fulfilled (or waived in accordance with the SPA, to the extent legally permissible):

(a) The Company shall have completely divested the Lighting Business from the Target Group;

(b) Receipt of all consents and approvals by the Company required under any and all applicable laws or from any governmental agency, regulatory authority or third party (including the SGX-ST) which may be necessary or desirable in respect of the Proposed Disposal and any other matter contemplated under the SPA;

(c) Receipt of all consents and approvals by the Purchaser required under any and all applicable laws or from any governmental agency, regulatory authority or third party which may be necessary or desirable in respect of the Proposed Disposal and any other matter contemplated under the SPA;

(d) The approval of the Shareholders at the EGM;

(e) All corporate approvals required by the Company and the Purchaser to execute and perform the SPA have been obtained, including but not limited to the approval of each of the boards of directors of the Company and the Purchaser;

(f) The representations and warranties of the Company and the Purchaser being true, accurate and not misleading in all material respects; and

(g) The Company shall capitalise the aggregate outstanding principal amount owed by the Target Group to the Company on an interest-free basis (being S$1,220,265 as of 31 March 2017).

Long Stop Date

The long stop date in relation to the Proposed Disposal shall be 31 October 2017, or such other date as may be mutually agreed in writing.

Representations and Warranties

Pursuant to the SPA, the Company and the Purchaser have furnished representations and warranties typical for transactions such as the Proposed Disposal.

Corporate Guarantees

As at the date of the SPA, the Company has given certain corporate guarantees in favour of the Target Group in relation to banking facilities provided to the Target Group, which are also secured against the factory buildings owned and occupied by the Target Group. Pursuant to the terms of SPA, the Purchaser will have six (6) months after the Completion Date to procure the irrevocable and unconditional release and discharge of all such corporate guarantees. In the event that the Purchaser fails to do so, the Purchaser undertakes to fully repay all outstanding amounts secured under the corporate guarantees and to immediately procure the irrevocable and unconditional release and discharge of all such corporate guarantees.

From the Completion Date until such time as the corporate guarantees are irrevocably and unconditionally released and discharged, the Purchaser has agreed to indemnify the Company against any and all losses incurred or suffered by the Company in connection with the corporate guarantees on a full indemnity basis.

Value of the Target Group, Gain on the Proposed Disposal, and Use of Proceeds

Based on the latest announced audited financial statements of the Group for FY 2016 which had been released by the Company on 13 July 2016, the aggregate net asset value and book value of the Target Group were S$11,382,043, and the net tangible asset value of the Target Group was S$11,192,197. These figures assume that the shareholders' loans from the Company to the Target Group of approximately S$10,972,508 are fully capitalised.

Based on the latest announced audited financial statements of the Group for FY 2016 which had been released by the Company on 13 July 2016, the net loss attributed to the Target Group as at 31 March 2016 was S$12,934.

The net sale proceeds from the Proposed Disposal, after deducting all costs and expenses and the Ex-Gratia Payment of S$1,000,000, is estimated to be approximately S$15,805,000.

The excess of the net sale proceeds over the book value of the Target Group as at 31 March 2016 is approximately S$4,422,957. The net gain on the Proposed Disposal for the Company as at 31 March 2016 is approximately S$4,422,957.

The Company intends to utilise the Net Proceeds received for the purposes of the operations of the Lighting Business and the P5 Business, as well as to explore future investment opportunities.

5. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

Under Chapter 10 of the Catalist Rules, transactions which are classified under any of the four (4) categories specified in Rule 1004 of the Catalist Rules will trigger certain obligations on the Company.

The relative figures computed on the relevant bases set out in Rule 1006 of the Catalist Rules in respect of the Proposed Disposal and based on the latest announced financial statements of the Group for the period ended 30 September 2016 are as follows:

Catalist Rule	Relative Figures
Rule 1006(a) The net asset value of the assets to be disposed of, compared with the net asset value of the Group	88.2% (1)
Rule 1006(b) The net profits attributable to the assets disposed of, compared with the Group's net profits	754.2% (2)
Rule 1006(c) The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	139.9% (3)(4)(5)
Rule 1006(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
Rule 1006(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the Group's proved and probable reserves	Not applicable

Notes:

(1) Based on the unaudited net asset value of the Target Group as at 30 September 2016 of S$12,762,322 and the Group's unaudited consolidated net asset value as at 30 September 2016 of S$14,464,228.

(2) Based on the unaudited net profit before income tax attributable to the Target Group for the 6 months period ended 30 September 2016 and the unaudited net profit before income tax of the Group for the 6 months period ended 30 September 2016.

(3) Based on the Purchase Consideration of S$17,000,000.

(4) *The Company's weighted average share price as at 17 May 2017, being the last full market day immediately preceding the date of the SPA on which the shares in the Company were traded, was S$0.0218.*

(5) *The market capitalisation of the Company is S$12,154,033, which was based on the issue of 557,524,443 shares as at 17 May 2017 (being the last full market day on which the shares in the Company were traded) and the weighted average share price transacted at S$0.0218.*

As the relative figures computed above on the bases set out in Rule 1006 above exceed 50%, the Proposed Disposal constitutes a "major transaction" under Rule 1014(b) of the Catalist Rules and is conditional upon the approval of Shareholders at the EGM. A circular will be despatched to Shareholders in due course.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal as set out below are shown for illustrative purposes only and are not intended to reflect the actual financial performance or position of the Group after the completion of the Proposed Disposal. In accordance with Rules 1010(8) and 1010(9) of the Catalist Rules, the financial effects have been prepared based on the audited consolidated financial statements of the Group for FY 2016.

<u>NTA</u>

For illustrative purposes only, the pro forma financial effects of the Proposed Disposal on the Group's NTA per share, assuming that the Proposed Disposal had been effected on 31 March 2016, being the end of the most recently completed financial year, are set out below:

	Before Proposed Disposal	After Proposed Disposal
NTA (S$)	13,846,289	18,464,246
Number of Shares	557,524,443	557,524,443
NTA per Share (SG cents)	2.48	3.31

<u>EPS</u>

For illustrative purposes only, the pro forma financial effects of the Proposed Disposal on the consolidated earnings of the Group, assuming that the Proposed Disposal had been effected on 1 April 2015, being the beginning of the most recently completed financial year, are set out below:

	Before Proposed Disposal	After Proposed Disposal
Loss (S$)	(7,052,507)	(2,421,616)
Number of Shares	557,524,443	557,524,443
NTA per Share (SG cents)	(1.26)	(0.43)

7. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their shareholding interests in the Company and for Mr. Lim Kwang Joo, Mr. Tan Boon Seng, Mr. Sung Puay Kiang, and Mr. Tan Kok Keng who may be re-employed by the Target Group after the completion of the Proposed Disposal, and Mr. Lim Kwang Joo, Mr. Lim Fong Yee Roland, Mr. Tan Boon Seng, Mr. Sung Puay Kiang, and Mr. Tan Kok Keng who may be recipients of the Ex-Gratia Payment, none of the Directors has any interest, direct or indirect, in the Proposed Disposal.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the registered office of the Company at 1 Third Chin Bee Road Singapore 618679, for a period of three (3) months commencing from the date of this announcement.

9. CAUTIONARY STATEMENT

The Company wishes to highlight that completion of the Proposed Disposal is subject to conditions precedents being fulfilled and there is no certainty or assurance that the SPA will be completed or that no changes will be made to the terms of the SPA. Shareholders are advised to read this announcement and any further update announcement(s) released by the Company in connection with the Proposed Disposal carefully. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt about the actions that they should take.

10. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Proposed Disposal as appropriate or when there are developments on the same.

11. DIRECTORS RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the issuer and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

By Order of the Board

Ong Bee Hoon
Company Secretary

19 May 2017