
THE PROPOSED DISPOSAL OF HCG ENVIRONMENT PTE LTD – DISCLOSEABLE TRANSACTION

1. INTRODUCTION

The board of directors (“**Board**”) of Enviro-Hub Holdings Ltd. (“**Company**”) wishes to announce that HLS Electronics Pte Ltd (“**HLS**”), an 80.25%-owned subsidiary of the Company as at the date hereof, had received a letter of offer dated 28 May 2014 (“**Letter of Offer**”) from Yi Hui Metals Pte Ltd (“**Purchaser**”) pursuant to which the Purchaser had offered to acquire the entire issued and paid-up share capital of HCG Environment Pte Ltd (“**HCG**”) comprising 1 ordinary share (“**Sale Shares**”) from HLS for a total purchase price calculated under paragraph 2.5.1 below and on the terms and subject to the conditions of the Letter of Offer (“**Proposed Disposal**”). HLS has on 3 June 2014 accepted the Letter of Offer. In this announcement, the Company and its subsidiaries are collectively referred to as the “**Group**”.

As the relative figure computed under Rule 1006(b) of the listing manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) exceeds 5% (but does not exceed 20%), the Proposed Disposal is a discloseable transaction under Chapter 10 of the Listing Manual. Please see paragraph 2.7.2 below for further details on the computation of the relative figures under Rule 1006 of the Listing Manual.

Upon completion of the Proposed Disposal, HCG will cease to be a subsidiary of the Company.

2. THE PROPOSED DISPOSAL

2.1 Information on HCG

HCG is a private company limited by shares incorporated in Singapore on 31 July 2012 and having its registered office at 3 Tuas Avenue 2, Singapore 639443. As at the date of this announcement, HCG has an issued and paid-up share capital of S\$1.00 comprising 1 ordinary share, entirely held by HLS.

HCG is principally involved in the business of investment holding and currently holds the property located at 8 Tuas View Circuit, Singapore 637777 (“**Property**”). Based on the unaudited accounts of HCG for the financial period ended 31 March 2014, each of the net tangible liability (“**NTL**”) value and negative book value of HCG is approximately S\$557,612.

The Property is currently held by HCG as an investment property. Based on the latest available valuation dated 28 May 2014 (“**Valuation Report**”) commissioned by the Company, the current market value of the unexpired leasehold interest in the Property, with vacant possession and free from all encumbrances, restrictions or other outgoings of an onerous nature which would affect its value, is S\$10,000,000.

2.2 Information on the Purchaser

As at the date of this announcement, the Purchaser is a company incorporated in Singapore principally engaged in scrap metals recycling business and is owned by unrelated third parties.

2.3 Rationale for the Proposed Disposal

The Proposed Disposal is in line with the Group's on-going strategy to re-align its principal investments in Singapore, and will allow the Group to improve its operational efficiencies and reduce its operating costs in Singapore. The proceeds from the Proposed Disposal will provide the Group with more working capital to fund the operations and expansion of its core businesses and also to undertake new investment opportunities that may arise in the future towards achieving a higher level of shareholders' value.

2.4 Conditional Disposal and the Share Sale Agreement

The Proposed Disposal is subject to the outcome of a due diligence to be conducted by the Purchaser on HCG and the Property (collectively, the "Due Diligence") being satisfactory to the Purchaser.

A share sale agreement ("SSA") to be entered into between HLS and the Purchaser in relation to the Proposed Disposal shall be negotiated between HLS and the Purchaser in good faith and using reasonable commercial efforts and subject to the results of the Due Diligence being satisfactory to the Purchaser, shall be signed within one (1) month from the date of the Letter of Offer or such other date as the parties may mutually agree.

The parties have agreed in the Letter of Offer that the results of the Due Diligence shall be deemed satisfactory to the Purchaser if within 4 weeks from the date of the Letter of Offer (i) there are no adverse findings by the Purchaser; or (ii) if there are adverse findings, HLS is able to rectify any defects or remedy the same within 7 days from the date of notice to the Purchaser's reasonable satisfaction, in which event the signing of the SSA shall be postponed until such adverse findings are rectified or remedied.

The Company will make the appropriate announcement upon execution of the SSA by the parties.

Shareholders and potential investors should note that the Proposed Disposal is in any event subject to the results of the Due Diligence being satisfactory, execution of the SSA between the parties and applicable regulatory requirements and accordingly should exercise caution when trading in the shares of the Company and to refrain from taking any action in relation to their shares which may be prejudicial to their interests. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

2.5 Purchase Price for the Proposed Disposal

2.5.1 Computation of the Purchase Price

The total purchase price for the sale and purchase of the Sale Shares shall be the amount determined by deducting (i) the outstanding mortgage loan owing by HCG to the bank in relation to the Property ("Bank Loan"), (ii) all outstanding shareholders' and directors' loans owed by HCG to HLS or to any director or any company controlled by a director of HLS (if any) (collectively, the "Related Loans"), and (iii) all outstanding debts and liabilities owing by HCG to third parties (if any) ("Other Liabilities") from the sum of S\$11,000,000 ("Purchase Price").

The Purchase Price was arrived at on a willing buyer-willing seller basis after taking into account the NTL value represented by the Sale Shares as at 31 March 2014.

For illustration only and on the assumption that the Bank Loan, Related Loans and Other Liabilities of HCG as at Completion (as defined below) is the same as the Bank Loan, Related Loans and Other Liabilities of HCG as at 31 March 2014, being the date of the latest announced consolidated accounts of the Group, the Purchase Price shall be an amount of S\$1,968,325 calculated as follows:

$$\begin{aligned} \text{Purchase Price} &= \text{S\$11,000,000} - \text{S\$6,303,597}^{(1)} - \text{S\$2,568,580}^{(2)} - \text{S\$159,498}^{(3)} \\ &= \text{S\$1,968,325} \end{aligned}$$

Notes:

- (1) Being the aggregate of the principal outstanding amount of the Bank Loan as at 31 March 2014;
- (2) Being the aggregate of the principal outstanding amount of the Related Loans as at 31 March 2014; and
- (3) Being the aggregate of the principal outstanding amount of the Other Liabilities as at 31 March 2014.

2.5.2 Payment Terms

Under the terms of the Letter of Offer, the Purchase Price shall be payable by the Purchaser to HLS as follows:

- (a) the sum of S\$110,000 ("**Initial Deposit**") shall be payable upon acceptance by HLS of the Letter of Offer;
- (b) the sum of S\$990,000 shall be payable upon execution of the SSA; and
- (c) the balance of the Purchase Price ("**Balance Purchase Price**") shall be payable upon Completion (as defined below).

Under the terms of the Letter of Offer, if the results of the Due Diligence is satisfactory but the Purchaser shall fail, neglect or refuse to execute the SSA within 4 weeks from the date of the Letter of Offer or such mutually agreed date, then the Initial Deposit shall be forfeited by HLS for its absolute benefit.

If the results of the Due Diligence is not satisfactory to the Purchaser or if any adverse findings are not rectified or remedied to the Purchaser's reasonable satisfaction, then the Initial Deposit shall be refunded to the Purchaser.

2.6 Use of Proceeds

The Company expects to receive gross proceeds of S\$1,968,325 from the Proposed Disposal (excluding estimated transactional expenses of approximately S\$100,000 to be incurred in connection with the Proposed Disposal).

The Company intends to utilise the proceeds from the Proposed Disposal as general working capital for the requirements of the Group's businesses and operations and for the Group to undertake new investment opportunities that may arise in the future.

2.7 Financial Effects of the Proposed Disposal

2.7.1 Illustrative effects of the Proposed Disposal on the net tangible asset ("NTA**") per share and earnings per share ("**EPS**") of the Group**

The excess of the Purchase Price over each of the NTL and negative book value of HCG as at 31 March 2014 is approximately S\$2,525,937. HCG recorded a loss of approximately S\$195,125 for the financial period ended 31 March 2014. Based on the unaudited financial statements of the Group for the financial period ended 31 March 2014, after providing for transactional expenses to be incurred by the Group in connection with the Proposed Disposal, the Group is expected to record a net gain on disposal of approximately S\$2,425,937 from the Proposed Disposal.

The *pro forma* financial effects of the Proposed Disposal on the Group have been prepared based on the Group's audited consolidated financial statements for the financial year ended 31 December 2013. These *pro forma* financial effects are purely for illustrative purposes only and do not reflect the future actual financial position and results of the Group after Completion of the Proposed Disposal.

(A) **NTA**

Assuming that the Proposed Disposal had been completed on 31 December 2013, the *pro forma* financial effects of the Proposed Disposal on the NTA per share of the Group for the financial year ended 31 December 2013 would have been as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	70,697	72,597
Number of issued shares excluding treasury shares ('000)	1,026,650	1,026,650
NTA per share (cents)	6.89	7.07

(B) **EPS**

Assuming that the Property had been acquired by HCG on 1 January 2013 and that the Proposed Disposal had been completed on 1 January 2013, the *pro forma* financial effects of the Proposed Disposal on the EPS of the Group for the financial year ended 31 December 2013 would have been as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Profit/(Loss) attributable to shareholders (S\$'000)	5,296	7,225
Basic EPS		
Weighted average number of issued shares ('000)	1,000,702	1,000,702
Basic EPS (cents)	0.53	0.72
Diluted EPS		
Weighted average number of issued shares ('000)	1,000,702	1,000,702
Diluted EPS (cents)	0.53	0.72

2.7.2 Relative figures computed on the bases set out in Rule 1006 of the Listing Manual

(a)	Rule 1006(a) The net asset value (" NAV ") of HCG of approximately negative S\$557,612 as at 31 March 2014, compared with the Group's NAV of S\$70,766,000 as at 31 March 2014	-0.79%
(b)	Rule 1006(b) The net loss ⁽¹⁾⁽²⁾ attributable to the Company's effective interest in HCG of S\$195,125 as at 31 March 2014, compared with the Group's net loss ⁽¹⁾⁽²⁾ of S\$2,772,000 as at 31 March 2014	5.65%
(c)	Rule 1006(c) The aggregate value of the Company's effective interest in the Purchase Price of S\$1,968,325, compared with the Company's market capitalisation ⁽³⁾ of approximately S\$56,465,761 (based on the weighted average price of the Company's shares on the SGX-ST of S\$0.055 on 2 June 2014)	3.49%
(d)	Rule 1006(d)	Not applicable

	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	
(e)	Rule 1006(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

- (1) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Based on the latest announced unaudited profit and loss accounts for the financial period ended 31 March 2014.
- (3) Under Rule 1002(5) of the Listing Manual, the market capitalisation of the Company is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the Letter of Offer.

As the relative figure calculated under Rule 1006(b) of the Listing Manual exceeds 5% (but does not exceed 20%), the Proposed Disposal is a discloseable transaction under Chapter 10 of the Listing Manual.

3. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

Save for their respective directorships and/or shareholdings in the Company, if any, none of the directors and/or controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

4. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Letter of Offer and the Valuation Report will be made available for inspection during normal business hours at the Company's registered office at 3 Tuas Avenue 2, Singapore 639443 for a period of three (3) months commencing from the date of this announcement.

5. MISCELLANEOUS

The Company will provide further updates on the Proposed Disposal as and when there are material developments thereon.

BY ORDER OF THE BOARD

Raymond Ng Ah Hua
Executive Chairman

3 June 2014