



LHT HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198003094E)

Address: 27 Sungei Kadut Street 1 Singapore 729335 Tel: (65)6269 7890 Fax: (65)6367 4907 Email:enquiry@lht.com.sg

THE PROPOSED LEASE OF THE PROPERTY KNOWN AS PTE LOT A7000010 AT KRANJI WAY (PID: 8201710044) FOR A TERM OF 30 YEARS AND THE WAIVER GRANTED BY SGX-ST FROM THE REQUIREMENT TO COMPLY WITH RULE 1015 OF THE LISTING MANUAL IN RESPECT OF THE PROPOSED LEASE

1. BACKGROUND

The Board of Directors ("**Board**") of LHT Holdings Limited ("**Company**") wishes to announce that the Jurong Town Corporation ("**JTC**") has offered the Company a lease of the property known as Pte Lot A7000010 at Kranji Way (PID: 8201710044) ("**Property**") for a term of thirty (30) years ("**Proposed Lease**") and the Company intends to accept the Proposed Lease subject to approval of shareholders of the Company ("**Shareholders**").

In connection with the Proposed Lease, the Company intends to convene an extraordinary general meeting ("**EGM**") to be held on 21 January 2020 to obtain Shareholders' approval on the Proposed Lease. A circular containing full details on the Proposed Lease and enclosing a notice of the EGM in connection therewith ("**Circular**") will be despatched to shareholders of the Company and the Company will be announcing the despatch of the Circular in due course.

The Company had submitted an application to the SGX-ST for a waiver from compliance of Rule 1015 of the Listing Manual in respect of the Proposed Lease and for the Proposed Lease to be treated as a "major transaction" under Rule 1014 of the Listing Manual and not as a "very substantial acquisition" ("**Waiver**"). The Board wishes to announce that on 11 December 2019, the SGX-ST granted its approval for the Waiver, subject to the following:

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Listing Manual and if the Waiver conditions have been satisfied. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met; and
- (b) the Company complying with Rule 1014(2) of the Listing Manual and the Proposed Lease being approved by Shareholders at an extraordinary general meeting to be convened.

The Company had sought the Waiver from the SGX-ST for the following reasons:

- (a) the requirements of Rule 1015 relate substantially to transactions resulting in a change in core business of the issuer and involving the injection of assets or businesses into an existing listed issuer. Accordingly, Rule 1015 therefore imposes the same standards applicable to a business or company seeking a listing via a very substantial acquisition / reverse takeover;
- (b) the Company is not purchasing any securities, existing business or undertaking from any party and there is no proforma financial information of the assets to be acquired;
- (c) the Proposed Lease does not involve any issue of the Company's shares and would not result in a change in control of the Company; and
- (d) the expenditure to be incurred for the Proposed Lease (for new plant and equipment and the Proposed Building) over the course of about 3 years is in the form of capital expenditure



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incurred for building the Proposed Building and the plant and machinery to be installed in accordance with the terms of the Agreement to Lease, and includes the building, installation and construction costs to be incurred. The Proposed Lease is not a transaction for the purchase of an existing building. The Proposed Lease is needed for the Company's business as the leases for its existing premises will be expiring over the next few years.

The conditions as required under Rule 107 of the Listing Manual are as follows:

- (a) The Exchange may waive or modify compliance with a listing rule (or part of a rule) either generally or to suit the circumstances of a particular case, unless the listing rule specifies that the Exchange will not waive it.
- (b) The Exchange may grant a waiver subject to such conditions, as it considers appropriate. If the Exchange waives a listing rule (or part of a rule) subject to a condition, the condition must be satisfied for the waiver to be effective.
- (c) Where a waiver is granted, the issuer must announce the waiver, the reasons for seeking the waiver and the conditions, if any, upon which the waiver is granted as soon as practicable.

Save for Shareholders' approval in respect of the Proposed Lease being obtained at an extraordinary general meeting, all other conditions of the Waiver have been satisfied.

Brief details of the Proposed Lease are set out below.

2. THE PROPOSED LEASE

- 2.1 The Company currently occupies two premises in Singapore, at 27 Sungei Kadut Street 1, Singapore 729335 ("**No. 27**") and 44 Sungei Kadut Street 1 Singapore 729349 ("**No. 44**"). The existing lease at No. 27 ("**No. 27 Lease**") will expire on 30 June 2025. The existing tenancy at No. 44 ("**No. 44 Lease**") will expire on 30 December 2020.
- 2.2 As the leases of No. 27 and No. 44 will be expiring soon, the Company is desirous of entering into the Proposed Lease on and subject to the terms and conditions set out in its letter of 8 May 2019 (as supplemented and amended by the variation letter from JTC dated 4 November 2019) ("**Agreement to Lease**").

3. INFORMATION ON THE PROPERTY

- 3.1 The Property is vacant land situated at 30 Kranji Way, at the waterfront bordering and adjacent to the Kranji Reservoir, and covers a land area of approximately 18,000 square metres. The authorised use of the Property is the research, testing and manufacturing of green packaging materials and timber-related products, the manufacturing of technical wood, recycling of wood waste, and/or production of woodchips for technical wood and biomass ("**Authorised Use**").
- 3.2 The landlord of the Property is JTC, the lead agency responsible for the development of industrial infrastructure in Singapore.
- 3.3 Under the Agreement to Lease, the lease term of the Property is for a period of thirty (30) years ("**Lease Term**") commencing on 1 April 2020 ("**Commencement Date**"), subject to the satisfaction of certain conditions by the Company. Please refer to Section 5 for more information.



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- 3.4 Should the Company enter into the Agreement to Lease with JTC, the Company will be taking possession of the Property in a bare condition and will have to complete the construction of the Proposed New Building (as defined below in Section 5.1(b)) within three years after the Commencement Date.

4. RATIONALE FOR THE PROPOSED LEASE

- 4.1 The No. 44 Lease will expire on 30 December 2020. The No. 27 Lease will also expire on 30 June 2025.
- 4.2 The Company understands from JTC that No. 27 may be required for redevelopment and infrastructural works and the Company's existing lease for No. 27 will not be renewed upon its expiry. As the No. 44 Lease will also be expiring soon, the Company would thus need to source for a replacement premises for its operations in Singapore.
- 4.3 For the reasons set out above and based on the terms and conditions of the Proposed Lease, the Company considers it to be in the interests of the Company to enter into the Proposed Lease and to construct the Proposed New Building.

5. KEY TERMS OF THE PROPOSED LEASE

The key terms and conditions of the Agreement to Lease include the following:-

5.1 Confirmation of Tenure

Based on the terms of the Agreement to Lease, the grant of the lease of the Property to the Company by JTC ("**Confirmation of Tenure**") is subject to the following obligations being satisfied by the Company:

- (a) the Company's fulfilment of a minimum investment amount on plant and machinery of at least \$6,801,000 on the Property ("**Declared Investment**") within three (3) years from the Commencement Date; and
- (b) the Company's completion of construction to erect and install a building, structures and installations on the Property in accordance with the building terms annexed to the Agreement to Lease ("**Building Works**"), within a period of three (3) years from the Commencement Date ("**Building Period**"), to a gross plot ratio of 2.50 ("**Minimum Gross Floor Area**"), and in accordance with the Aesthetic Control Guidelines and Planning Design Guidelines annexed to the Agreement to Lease and plans approved by JTC and or the relevant authorities.

To satisfy the condition set out in Section 5.1(b), the Company will be erecting on the Property a five (5) storey building (together with a vehicle ramp) with a gross floor area of about 45,000 square metres ("**Proposed New Building**").

The Declared Investment of at least \$6,801,000 comprises of two components. The first component is the minimum investment amount of S\$3,000,000 for the new plant and machinery for the Property to be acquired by the Company. The second component comprises the Group's existing plant and machinery to be relocated to the Property, the value of which is arrived at by taking into account the net book value of the Group's existing plant and machinery as at 31



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December 2018. Based on the audited financial statements of the Group as at 31 December 2018, the net book value of the plant and machinery of the Group is S\$3,801,000.

Until the receipt by the Company of the Confirmation of Tenure following the Company's satisfaction of the conditions set out in Sections 5.1(a) and 5.1(b) above, the Company will be a licensee of the Property.

5.2 Lease Term

The Lease Term is thirty (30) years commencing from 1 April 2020. However, in the event that the Company fails to fulfil the conditions set out above relating to Minimum Gross Floor Area and the Declared Investment, JTC has the option to grant to the Company a lease of the Property, save that the Lease Term of thirty (30) years may be reduced proportionately based on the actual gross floor area developed by the Company, and/or the actual investment of the Company on plant and machinery for the Property (including the new plant and machinery to be acquired by the Company for the Property and the value of the Group's existing plant and machinery to be relocated to the Property), as the case may be. JTC may also choose not to grant the lease of the Property to the Company.

5.3 Land Rent

The Land Rent payable by the Company to JTC ("**Land Rent**") is payable in advance and will be revised on 1 April 2021 and on 1 April every year of the Lease Term ("**Respective Revision Dates**").

5.4 Special Conditions

In addition to the obligations above, the allocation of the Property to the Company under the Agreement to Lease is subject to the fulfilment of the following conditions by the Company:

- (a) the Company shall not sublet, grant a licence, encumber or otherwise part with or share possession or occupation of No. 27 or any part thereof to any other company, entity or person at all times from the date of the Company's letter of acceptance of the Property to 30 June 2025, save for Kim Hiap Lee Company (Pte) Limited (UEN No.: 195000096C) which had been approved by JTC for such purpose;
- (b) the Company shall surrender such area in No. 27 to JTC as and when required by JTC to facilitate JTC's redevelopment and infrastructural works, at no compensation or refund made by JTC and on such terms and conditions to be imposed by JTC.

5.5 Authorised Use, Reinstatement & Other Obligations

In addition to the foregoing, the Company is required to:-

- (a) use the Property only for the Authorised Use;
- (b) obtain all necessary approvals required for the Building Works, any construction and development at the Property and Authorised Use, including the installation and maintenance of plant and machinery and other fixtures and fittings, and keep such approvals in force throughout the Lease Term; and



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- (c) at the expiry of the Lease Term, to complete reinstatement works, vacate and deliver the Property to JTC on the terms and subject to the conditions set out in the Agreement to Lease.

5.6 Restrictive Covenants

The Company may apply to JTC to sublet the Property only after temporary occupation permit for the Property has been obtained. The Company may apply to JTC for assigning the lease of the Property only five (5) years after the Confirmation of Tenure but excluding the last five (5) years of the Lease Term.

Upon the Company's entry into the Agreement to Lease, subject to JTC's approval, the Company may mortgage the Property by submitting a notice of mortgage in accordance with JTC's requirements.

6. **TOTAL INVESTMENT AND FUNDING**

Based on the Company's current estimates, the estimated total investment costs required for the Company for the Proposed Lease would be S\$56,000,000 ("**Estimated Total Investment Costs**"), including the estimated costs required for and relating to the construction of the Proposed New Building and the Proposed Lease.

The Estimated Total Investment Costs do not include the aggregate amount of Land Rent (payable on an annual basis) payable by the Company to JTC over the Lease Term of thirty (30) years.

The Estimated Total Investment Costs will be substantially financed by bank borrowings and the balance amount will be provided by internal funds of the Company.

Under the terms of the Agreement to Lease, upon the Company's entry into the Agreement to Lease, the Company would be allowed to mortgage the Property subject to JTC's approval.

7. **RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL**

For the purposes of Chapter 10 of the Listing Manual, the relative figures for the Proposed Lease computed on the bases set out in Rule 1006 and based on the latest audited financial results of the Group for the period ended 31 December 2018 are as follows:

Rule	Bases	Relative Figure (%)
1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	N.A.
1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	N.A.



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1006(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	[210] ¹
1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	N.A.
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. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	N.A.

Note 1: Based on the Estimated Total Investment Costs of S\$56 million to be incurred for the Proposed Lease and the Company's market capitalisation of approximately S\$26.6 million as at 30 October 2019.

As the relative figures under Rule 1006(c) of the Listing Manual in relation to the Proposed Lease exceeds 100%, the Proposed Lease was deemed to be a "very substantial acquisition" pursuant to Rule 1015 of the Listing Manual.

8. FINANCIAL EFFECTS OF THE PROPOSED LEASE

8.1 Bases and Assumptions

The pro forma financial effects of the Proposed Lease on the Company are set out below and are prepared for illustrative purposes only and are therefore not indicative of the actual financial performance or position of the Company after entering into the Proposed Lease.

The financial effects of the Proposed Lease on consolidated NTA, EPS and gearing of the Group have been computed based on the audited financial statements of the Company for the financial year ended 31 December 2018.

For illustrative purposes, the financial effects of the Proposed Lease are based on, inter alia, the following assumptions:

- (a) for the purpose of computing the financial effects of the Proposed Lease on the NTA of the Company, the Proposed Lease is assumed to have been entered into on 31 December 2018;
- (b) for the purpose of computing the financial effects of the Proposed Lease on the EPS and gearing of the Company, the Proposed Lease is assumed to have been entered into on 1 January 2018;
- (c) the Estimated Total Investment Costs will be substantially financed by bank borrowings; and



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- (d) no earnings and expenses resulting from the Proposed Lease has been taken into consideration for the purpose of calculating the financial effects as the Property will still be under construction as at 31 December 2018 had the Proposed Lease been entered into on 1 January 2018, save as set out in Section 8.3 below.

8.2 Net Tangible Assets (NTA) per Share

Assuming that the Proposed Lease was entered into on 31 December 2018, the pro forma financial effects of the Proposed Lease on the consolidated NTA of the Company are as follows:

	Before entering into the Proposed Lease	After entering into the Proposed Lease
NTA of the Company as at 31 December 2018 (S\$'000)	44,720	44,720
Number of issued and paid-up shares ('000)	53,245	53,245
NTA per Share (cents)	83.99	83.99

8.3 Earnings per Share (EPS)

Assuming that the Proposed Lease had been entered into on 1 January 2018, the impact of the Proposed Lease on the EPS of the Company would be as follows:

	Before entering into the Proposed Lease	After entering into the Proposed Lease
Profit for the year attributable to owners of the Company (S\$'000)	1,383	232 ²
Weighted average number of issued and paid-up shares for FY2018 ('000)	53,245	53,245
EPS for FY2018 (cents)	2.60	0.44

Note 2: The adjusted EPS of the Company is rounded up and takes into account the sum of S\$1,152,000, comprising (a) S\$720,000, being the interest on bank loan of S\$36,000,000 at an interest of 4.0% per annum and on the basis that S\$18,000,000 has been disbursed; (b) S\$147,000, being the depreciation of right-of-use leased asset; and (c) S\$285,000, being the finance cost of lease liabilities.



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8.4 Gearing Ratio

Assuming that the Proposed Lease had been entered into on 31 December 2018, the impact of the Proposed Lease on the gearing of the Company is as follows:

	Before entering into the Proposed Lease	After entering into the Proposed Lease
Total borrowings as at 31 December 2018 (S\$'000)	5,247	41,247 ²
Total equity as at 31 December 2018 ('000)	44,720	44,720
Gross gearing (times)	0.12	0.92

Note 2: It is currently estimated that the Company will require additional borrowings of S\$36,000,000 to fund the Estimated Total Investment Costs.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and, to the best of the Directors' knowledge, none of the controlling shareholders of the Company (other than in their capacity as directors or shareholders of the Company) has any interests, directly or indirectly, in the Proposed Lease.

10. SERVICE AGREEMENTS

No person will be appointed to the Board in connection with the Proposed Lease and no service contracts in relation thereto will be entered into by the Company.

BY ORDER OF THE BOARD
LHT Holdings Limited

Yap Mui Kee
Managing Director
12 December 2019