

Asset Acquisitions and Disposals::Disposal of shares in Eons Global Holdings Pte. Ltd. - Execution of Sale and Purchase Agreement

Issuer & Securities

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CHASEN HOLDINGS LIMITED
(Company Registration No. 199906814G)
Incorporated in the Republic of Singapore
(the “**Company**”)

DISPOSAL OF SHARES IN EONS GLOBAL HOLDINGS PTE. LTD.
— **EXECUTION OF SALE AND PURCHASE AGREEMENT**

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Chasen Holdings Limited (the “**Company**”) wishes to announce that the Company and its wholly-owned subsidiaries, CLE Engineering Services Pte. Ltd. (“**CLE**”) and Global Technology Synergy Pte. Ltd. (the “**Vendor**”) have entered into a conditional sale and purchase agreement (the “**SPA**”) with Macherie Jewellery (S) Pte. Ltd. (the “**Purchaser**”) (the Company, CLE, the Vendor and the Purchaser are collectively referred to as the “**Parties**”), pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase 60% of the issued and paid-up capital of EONS Global Holdings Pte. Ltd. (“**EGH**”), which is a wholly-owned subsidiary of the Vendor, for an aggregate cash consideration of RMB 9.6 million (the “**Consideration**”) [equivalent to approximately S\$1.97 million at the exchange rate of RMB4.8731 to S\$1.00], upon the terms and subject to the conditions of the SPA (the “**Disposal**”).

2. RATIONALE FOR THE PROPOSED DISPOSAL

The Board considers that the Disposal is in the interest of the Company, taking into consideration the financial positions and business prospects of the EGH. The Disposal is being entered into by the Company to enable us to bring on board a local PRC party that would be better positioned to resolve the various operational issues with the local authorities that had to date impeded the progress of the commercial operations and profitability of this subsidiary.

3. INFORMATION ON THE PURCHASER AND EGH

3.1 Purchaser

The Purchaser is an investment holding company incorporated in Singapore on 26 October 2016. The issued and paid up capital of the Purchaser is S\$10,000. Gong Hanxian (“**Gong Hanxian**”) is a director and the sole shareholder of the Purchaser.

Mr Gong is a PRC national with substantial local business interests in Jilin City where the operation of Eons Global Water (JL) Co., Ltd (“**EGW**”) is located. Mr Gong and his immediate family members reside in Singapore. Since April 2016, Mr Gong through a framework agreement with the Company, has been working to resolve the operational issues of EGW with the local authorities with a view to launching its full scale commercial operations. Mr Gong through his interactions with the local authorities is sufficiently confident of success to want to take a stake in the business of EGW through its Singapore holding company EGH.

3.2 EGH

EGH is a wholly owned subsidiary of the Vendor, which is a wholly owned subsidiary of the Company. It was incorporated in Singapore on 14 January 2008. EGH’s principal activities are in the provision of management consultancy services to EGW, its operating subsidiary in Jilin city, People’s Republic of China (the “**PRC**”).

EGW is a company incorporated in the PRC and is a wholly owned subsidiary of EGH. EGW currently owns the rights to operate the Industrial Water Purification Plant including the Sewage Treatment Plant Branch, an affiliate branch of EGW in Jilin, the PRC.

4. TERMS OF THE DISPOSAL

4.1 Disposal

Subject to the terms and conditions of the SPA, the Vendor shall sell to the Purchaser and the Purchaser agrees to acquire from the Vendor, 600,000 ordinary shares in EGH ("**Sale Shares**"), comprising 60% of the issued and paid up share capital in EGH.

4.2 Consideration

4.2.1 The Consideration shall be satisfied in the following manner:

- (a) within 30 working days of the date of signing of the Agreement, the Purchaser shall pay the Vendor RMB 5 million [equivalent to approximately S\$1 million at the exchange rate of RMB4.8731 to S\$1.00], and
- (b) the balance RMB 4.6 million [equivalent to S\$ 0.9 million] shall be paid by the Purchaser within two (2) months from the date of the Loan Agreement (as defined below).

4.2.2 The Consideration was arrived at after arm's length negotiations between the Purchaser and the Company, and on a willing buyer and willing seller basis, after taking into account, *inter alia*, the audited net assets value of EGH and EGW as at 31 March 2016 and the adjusted net assets value of RMB16 million [equivalent to approximately S\$3.28 million at the exchange rate of RMB4.8731 to S\$1.00] of EGH and EGW.

4.3 Conditions Precedent

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

- 4.3.1 each of the Purchaser's warranties remaining true and not misleading in any respect at Completion, as if repeated at Completion and at all times between the date of the Agreement and at Completion;
- 4.3.2 the Purchaser having performed all of the covenants and agreements required to be performed or caused to be performed by it under the SPA on or before the date of the Completion (the "**Completion Date**"); and
- 4.3.3 receipt of all consents and approvals required under any and all Applicable Laws or from any governmental agency, regulatory authority (including the SGX-ST), shareholders of the Company or any third party, as may be necessary in respect of the Disposal and any other matter contemplated under the SPA.
- 4.3.4 all assets and liabilities of EGH and its subsidiary, Eons Global Water (JL) Co., Ltd ("**EGW**") prior to the Completion Date shall remain with the Vendor except for EGH's investment in EGW.
- 4.3.5 The Vendor has provided a board resolution in accordance with the Constitution of the Vendor approving the sale and purchase of the 60% equity interests in EGH;

- 4.3.6 the financial accounts of the Vendor are true and fair. All the cash, receivables, and creditors of EGH and EGW in the financial accounts (as provided by the Vendor to the Purchaser) before the Sale Shares have been transferred to the Vendor, zeroised and the net asset is RMB16 million [equivalent to approximately S\$3.28 million at the exchange rate of RMB4.8731 to S\$1.00].
- 4.3.7 the balance sheet of EGW from the financial year ended 2014 up to year-to-date October 2016 (as prepared in accordance with local PRC accounting standards) which were provided to the Purchaser by the Vendor on 29 November 2016 are true and fair. The Vendor shall also provide the unaudited management accounts of EGH and EGW (prepared in accordance with the Singapore Financial Reporting Standards) as at 1 October 2016 to the Purchaser.

4.4 Representations and Warranties

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

4.5 Effective Date

The Vendor and Purchaser have agreed that the Agreement shall take effect from 1 October 2016.

4.6 Net Tangible Asset Value of EGH

The net tangible asset value of EGH (including EGW) as at 30 September 2016 is S\$3.28 million.

4.7 Funding and Operations Arrangement of EGW

4.7.1 After Completion, the Vendor and the Purchaser shall inject RMB5,000,000 for future working capital requirements of EGW, in proportion to their respective shareholdings in EGH. For the avoidance of doubt,

- (a) the Vendor shall contribute RMB 2 million [equivalent to approximately S\$0.4 million at the exchange rate of RMB4.8731 to S\$1.00], representing 40% of the total contribution; and
- (b) the Purchaser shall contribute RMB 3 million [equivalent to approximately S\$0.6 million at the exchange rate of RMB4.8731 to S\$1.00], representing 60% of the total contribution.

If requested the Vendor shall extend a loan of RMB 3 million [equivalent to approximately S\$0.6 million at the exchange rate of RMB4.8731 to S\$1.00] to Gong Hanxian in a separate Loan Agreement between the Vendor and Gong Hanxian, to enable the Purchaser to contribute its share of the working capital of EGW, and Gong Hanxian shall repay such amount to the Vendor within two years from the effective date of the Loan Agreement.

On 28 November 2016, Gong Hanxian had extended a loan of RMB 1 million [equivalent to approximately S\$0.2 million at the exchange rate of RMB4.8731 to S\$1.00] to EGW, as working capital. EGW shall repay such loan within 7 working days after receipt of the RMB 5 million [equivalent to approximately S\$1 million at the exchange rate of RMB4.8731 to S\$1.00] working capital in accordance with paragraph 4.7.1 above.

4.8 Completion

4.8.1 Subject always to Clause 13 of the SPA which includes and sets out the formalities for Completion, the Vendor shall transfer the Sale Shares to the Purchaser within 7 working days from Completion, and transfer the control of the operations of EGW to the Purchaser:

4.8.1.1 upon receipt of RMB 5 million [equivalent to approximately S\$1 million at the exchange rate of RMB4.8731 to S\$1.00] from the Purchaser; and

4.8.1.2 Gong Hanxian and the Company entering into the Loan Agreement on Completion.

4.8.2 Completion shall take place on the Completion Date, at such place as the Parties may agree in writing, where all the events for Completion set out in the SPA have been satisfied.

4.9 Declaration on Debts

4.9.1 The assets and liabilities of or incurred by EGH and/or EGW prior to Completion Date shall remain with the Company, while that incurred by the Purchaser in the operating of EGW shall remain with the Purchaser.

4.9.2 All accounts receivables which have been incurred by EGW and recovered by EGW after Completion shall be returned to the Purchaser promptly.

4.10 Non-competition

The Vendor and the Purchaser undertake to each other that they will not within one (1) year commencing on Completion directly carry on in the People's Republic of China any business as now carried on by EGH and EGW is or is likely to be in competition with any party of EGH's and EGW's business.

4.11 Guarantee

Unless expressly provided otherwise, CLE shall be jointly and severally liable for the Vendor's obligations under the Agreement.

4.12 Termination

Without affecting any other right or remedy available to it, either the Vendor or the Purchaser may terminate the Agreement on giving not less than fourteen (14) days' written notice to the other party.

4.13 Post-Completion Matters

After Completion:

4.13.1 The Board of Directors of EGH shall continue to appoint the management of EGW to manage the Sewage Treatment Plant while the Purchaser shall continue to provide marketing services and shall be responsible for government-related and any other regulatory matters which may be required for the successful operation of the Sewage Treatment Plant;

4.13.2 EGW shall set aside 3% to 5% of its annual revenue for operational purposes and dealing with government affairs which may be required for the successful operation of the Sewage Treatment Plant;

4.13.3 The Board of Directors of EGH shall ensure that EGW shall employ such workers as are necessary for the successful operation of EGW, including those who were

previously in the Purchaser's employment, and the cost of such employees shall be in accordance within the budget approved by the Company and the Purchaser; and

4.13.4 EGW shall be responsible for any future licence fees payable to the Jilin Economic Development Trade Zone. In the event that EGW has no funds to pay future licence fees payable to the Jilin Economic Development Trade Zone, the Vendor and the Purchaser shall contribute such amount of funds as may be required, in proportion to their respective shareholdings in EGH. The current licence fee of RMB 16 million [equivalent to S\$3.28 million] has been paid for by the Company.

4.14 Composition of the Board of EGH and Management of EGW

The board of directors of EGH shall consist of three (3) directors, of which two (2) directors shall be nominated by the Purchaser, and one (1) director shall be nominated by the Vendor. On the Completion Date, the Purchaser shall appoint two (2) representatives to the board of directors of EGH and the representatives of the Vendor currently on EGH board save one, shall resign accordingly.

The board of directors of EGH shall be responsible for the appointment of the management of EGW, which shall be responsible for the efficient and profitable operations of EGW.

4.15 Cooperation with Jilin Biyuan ShuiWu Co., Ltd.

EGW and Jilin Biyuan ShuiWu Co., Ltd. ("**Biyuan ShuiWu**") had entered into a cooperation framework agreement on 12 April 2016. After Completion, the Vendor and the Purchaser agree that the cooperation framework agreement continues to take effect and all parties shall continue to perform their respective obligations under the aforesaid cooperation framework agreement.

4.16 Profits and Dividends of EGW (including its Sewage Treatment Plant)

4.16.1 3% to 5% of the annual revenue shall first be provided to the Purchaser for the purposes of managing EGW's operations, including any government-related matters.

4.16.2 Unless otherwise agreed between the Parties at the end of each financial year, the Parties agree that a minimum of 50% of EGH's after tax profits in respect of that financial year shall be distributed by EGH to its shareholders by way of dividend and any amount remaining shall be used for the purposes of investment or utilised for business purposes.

The Vendor and the Purchaser undertake that upon Completion, they shall maintain their respective proportions of shareholding in EGH, which shall not be diluted unless otherwise agreed by Parties in writing. For the avoidance of doubt, the Vendor shall maintain 40% of shareholding in EGH and the Purchaser shall maintain 60% of shareholding in EGH.

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

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

5.2 The relative figures computed on the relevant bases set out in Rule 1006 of the Listing Rules in respect of the Disposal and based on the latest announced financial statements of the Group for the period ended 30 September 2016 after taking into Paragraph 4.2.2 are as follows:

Listing 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 Company and its subsidiaries (the “Group”)	3.1% ⁽¹⁾
Rule 1006(b) The net profits ⁽²⁾ attributable to the assets disposed of, compared with Group’s net profits	-1.3% ⁽³⁾
Rule 1006(c) The aggregate value of the consideration given, compared with the Company’s market capitalisation ⁽⁴⁾ based on the total number of issued shares excluding treasury shares	19.7%
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 as the Company is disposing interest in its subsidiary.
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 as the Company is not a mineral, oil and gas company.

Note:

1. Net consolidated assets of Target to be disposed was S\$1.97 million representing 60% of the net asset value of S\$3.28 million after taking into account that all assets and liabilities of EGH and EGW shall remain with the Vendor except for EGH’s investment in EGW. The net assets of the Group were S\$64.6 million.
2. Under Rule 1002(3)(b) of the Listing Manual, “net profits” means profit or loss before income tax, minority interests and extraordinary items.
3. Net consolidated loss before tax of Target was S\$10,285. Net profit before tax of the Group was S\$0.79 million.
4. Pursuant to Rule 1002(5) of the Mainboard Rules, “market capitalisation” is calculated by the number of shares of the Company (excluding treasury shares), amounting to 333,967,211 shares, multiplied by the volume weighted average price of the Company’s shares on 3 February 2017, being the market day preceding the date of the SPA. The Company’s market capitalization is approximately S\$10 million derived by multiplying the issued share capital of the Company of 333,967,211 shares by the volume weighted average price of such shares transacted on 3 February 2017, of S\$0.03.

- 5.3 As the relative figure in Rule 1006(b) computed above is negative, the Company is in the midst of consultation with the SGX-ST. If required by the SGX-ST, the Company will seek shareholders’ approval for the Disposal at an extraordinary general meeting to be convened.

6. PROCEEDS FROM THE DISPOSAL

The net sale proceeds from the Disposal, after deducting all costs and expenses is estimated to be approximately S\$1.97 million or [equivalent to approximately RMB9.6 million at the exchange rate of RMB 4.8731 to S\$1.00]. The consolidated book value of EGH as at 31 March 2017 is S\$ 1.97 million. Accordingly, the Company is anticipating that there will be no material gain or loss arising from the Disposal.

The Group intends to allocate S\$0.4 million (or RMB 2 million) as its contribution to the working capital of EGW upon Completion and the balance to be used for the working capital purpose of the Group.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

7.1 Bases and Assumptions

For the purposes of illustration only, the pro forma financial effects of the Disposal taken as a whole are set out below. The pro forma financial effects have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2016, being the most recently completed financial year, and do not necessarily reflect the actual future financial position and performance of the Group following completion of the Disposal.

7.2 NTA

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

	As at 31 March 2016	
	Before Disposal	After Disposal
NTA (S\$)	0.184	0.184
Number of Shares	333,967,211	333,967,211
NTA per Share (SG cents)	18.4	18.4

7.3 EPS

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

	As at 1 April 2015	
	Before Disposal	After Disposal
Profits attributable to shareholders (S\$'000)	2,240.00	2,239.99
Number of Shares	268,720	268,720
Earnings per Share (SG cents)	0.83	0.83

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their respective shareholding interests, if any, in the Company, none of the directors or controlling shareholders or substantial shareholders of the Company have any interest, direct or indirect, in the Disposal.

9. 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 Disposal, the Company 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 this 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 this announcement in its proper form and context.

10. CAUTIONARY STATEMENT

The Company wishes to highlight that completion of the 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 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.

11. FURTHER ANNOUNCEMENTS

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

BY ORDER OF THE BOARD

Low Weng Fatt
Managing Director and Chief Executive Officer
6 February 2017