

LEY CHOON GROUP HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198700318G)
(the “**Company**”)

MURABAHA FACILITY OF UP TO S\$15 MILLION

*Unless otherwise defined, all terms used herein shall bear the same meaning as in the Company’s announcement dated 23 December 2013 (the “**Previous Announcement**”).*

1. **Introduction**

- 1.1 The board of directors of the Company (the “**Board**”) refers to the Previous Announcement in relation to the Term Sheet entered into between the Company and The Islamic Bank of Asia Limited (the “**Bank**” or “**IB Asia**”) on 20 December 2013.
- 1.2 The Board is pleased to announce that the Company has on 13 February 2014 entered into a master murabaha facility agreement (the “**Master Murabaha Facility Agreement**”) with the Bank as the bank and the commodity agent (in such capacity, the “**Commodity Agent**”) for the provision of a Singapore dollar murabaha facility (the “**Facility**”) in an aggregate amount of up to S\$15,000,000 (“**Facility Limit**”).
- 1.3 Under the terms of the Master Murabaha Facility Agreement, the Bank shall have an option to convert the Deferred Sale Price (as defined below) into fully-paid ordinary shares of the Company (“**Conversion Shares**”) at a conversion price of S\$0.1929 per Conversion Share (the “**Conversion Price**”) (subject to adjustments as set out in the Master Murabaha Facility Agreement) (the “**Proposed Transaction**”).

2. **Principal Terms of the Master Murabaha Facility Agreement**

- 2.1 Under the terms of the Master Murabaha Facility Agreement and subject to the conditions therein, upon delivery by the Company to the Bank of a duly completed transaction request, four (4) Purchase Contracts (as defined below) will be entered into between the Company and the Bank. The Purchase Price (as defined below) for each Purchase Contract shall be an amount equal to a quarter of the Facility Limit, as reduced or cancelled in accordance with the Master Murabaha Facility Agreement.
- 2.2 The Deferred Sale Price (as defined below) for each Purchase Contract shall be the aggregate of the Purchase Price for that Purchase Contract, the Upfront Profit Amount and the Profit Amount, each as defined and calculated in accordance with the Master Murabaha Facility Agreement. Such Deferred Sale Price shall be payable by the Company on deferred payment terms in accordance with the Master Murabaha Facility Agreement.

- 2.3 The Commodity Agent shall be appointed agent of the Company, subject to the terms of the Master Murabaha Facility Agreement, to, *inter alia*, sell the Commodities identified in the relevant Purchase Contracts concluded pursuant to the provisions of the Master Murabaha Facility Agreement (“**Relevant Commodities**”) at the Spot Price (as defined below) and the proceeds of any sale of the Relevant Commodities due to the Company shall be paid by the Commodity Agent into such bank account of the Company as the Company may designate.
- 2.4 Further details on the Facility will be set out in the circular to the Shareholders to be despatched by the Company at a later date (the “**Circular**”).

3. **Use of Proceeds**

Proceeds from the Facility will be used towards (i) financing the expansion of the business activities of the Group, (ii) refinancing any short term borrowings of the Group and/or (iii) financing the general working capital requirements of the Group.

4. **Rule 704(31) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (“Listing Manual”)**

- 4.1 Pursuant to Rule 704(31) of the Listing Manual, the Board wishes to inform that in connection with the Facility, the Company, the Company’s controlling shareholder, Zheng Choon Holding Pte. Ltd. (“**Zheng Choon**”) and the major shareholders of Zheng Choon, namely Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Swee Kim and Mr Toh Chew Chai (collectively, “**Zheng Choon Shareholders**”) have on 13 February 2014 entered into a shareholders’ undertaking with the Bank (“**Shareholders’ Undertaking**”).

Under the terms of the Shareholders’ Undertaking and in consideration of the Bank agreeing to grant the Facility to the Company:

- (a) Zheng Choon has thereby unconditionally and irrevocably agreed with and undertaken to the Bank that it will, at all times until the Liabilities (as defined below) are Discharged (as defined below), directly or indirectly own not less than 30 per cent. (30.0%) of the issued share capital of the Company; and
- (b) the Zheng Choon Shareholders have thereby unconditionally and irrevocably agreed and undertaken to the Bank that they will, at all times until the Liabilities are Discharged, together own not less than 96.8 per cent. (96.8%) of the issued share capital of Zheng Choon.

(collectively, the “**Covenants**”)

As at the date of this announcement, Zheng Choon holds approximately 52.35% of the fully-paid ordinary shares of the Company (the “**Shares**”).

4.2 In the event that the any of the Covenants is not met, it may cause a default in the Master Murabaha Facility Agreement and the Bank will have the right to, *inter alia*, demand an immediate repayment of all monies and liabilities owing to them under the Facility (whether actual or contingent) and may also trigger cross defaults of other borrowings of the Group. Accordingly, the aggregate level of facilities that may be affected is expected to be, as of the date of this announcement, approximately S\$154.4 million.

4.3 In compliance with Rule 728(1) of the Listing Manual, the Company has obtained an undertaking from each of Zheng Choon and Zheng Choon Shareholders to notify the Company, as soon as he becomes aware, of any share pledging arrangements relating to each of their Shares and of any event, which may result in a breach of the Covenants.

5. Proposed Issue of Conversion Rights

5.1 Introduction

In connection with the Master Murabaha Facility Agreement, the Parties have agreed that the Bank (or its nominee) has the right to convert the whole of the outstanding Deferred Sale Price into Conversion Shares at any time on or after two (2) years from the Transaction Date (as defined below) up to date falling thirty-six (36) months after the Transaction Date (“**Conversion Period**”) at the Conversion Price (the “**Conversion Rights**”) (the “**Proposed Issue of Conversion Rights**”).

Accordingly, the Bank (or its nominee) may at any time during the Conversion Period, give the Company notice of exercise of its Conversion Right in respect of the whole of the outstanding amount of the Deferred Sale Price in respect of any Purchase Contract (each, a “**Selected Purchase Contract**”), in accordance with the terms of the Master Murabaha Facility Agreement.

After the relevant Conversion Shares have been duly issued and/or delivered to the Bank and registered in the name of the Bank or its nominee in accordance with the terms of the Master Murabaha Facility Agreement, the outstanding amount of the Deferred Sale Price of the relevant Selected Purchase Contract shall immediately be reduced to zero and the Company shall be released and discharged from its liability in respect of the payment of the Deferred Sale Price as set out above in respect of that Selected Purchase Contract.

5.2 The Conversion Price

The Conversion Price represents a premium of 9.2% to the volume weighted average price of S\$0.177 on 12 February 2014, being the last trading day of the Shares on the SGX-ST prior to the signing of the Master Murabaha Facility Agreement.

5.3 The Conversion Shares

Subject to the terms and conditions as set out in the Master Murabaha Facility Agreement and assuming that the Facility is drawn down in full and the Deferred Sale Price in respect of

all four (4) Purchase Contracts is fully exercised by the Bank to convert into Conversion Shares, the maximum aggregate number of Conversion Shares that may be allotted and issued is 77,760,498, representing approximately (i) 13.1% of the issued share capital of the Company, as of the Latest Practicable Date; and (ii) 11.6% of the enlarged issued share capital of the Company after the allotment and issue of the 77,760,498 Conversion Shares.

Shareholders should note that the maximum number of Conversion Shares to be issued as set out above, may possibly be increased or decreased following adjustments to the Conversion Price. Further details of adjustments to the Conversion Price will be set out in the Circular.

The Conversion Shares, if and when fully allotted, issued and fully paid, will rank *pari passu* in all respects with the existing ordinary Shares save that they shall not rank for any entitlements, distributions, dividends or rights (if any), the record date in respect of which falls prior to the date of issue of the Conversion Shares.

5.4 Listing and Quotation Notice

The Company will be submitting an application to the SGX-ST for the listing and quotation of the Conversion Shares.

6. Information on the Bank

Established in 2007 and headquartered in Singapore, IB Asia is a joint venture partnership between DBS Bank, one of the largest financial services groups in Asia, and prominent investors based in the Gulf Cooperation Council ("**GCC**") which offers merchant banking activities including direct investment, advisory, treasury and capital markets services.

7. Shareholders' approval

7.1 Rule 805(1) of the Listing Manual states that except as provided in Rule 806, an issuer must obtain the prior approval of shareholders in a general meeting for the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer.

7.2 As the Company had issued the maximum number of Shares that it may issue pursuant to the general mandate given by the Shareholders of the Company at the annual general meeting of the Company held on 26 April 2013, the Company will be seeking the specific approval of the Shareholders for the Proposed Issue of Conversion Rights and the issue of the Conversion Shares at an extraordinary general meeting to be convened (the "**EGM**"). Accordingly, the Circular will also contain further details of, *inter alia*, the Proposed Issue of Conversion Rights and the issue of the Conversion Shares and enclosing the notice of EGM in connection therewith to be despatched to the shareholders.

8. Interests of Directors and Substantial Shareholders

Saved as disclosed in this announcement, none of the directors or substantial shareholders of the Company (other than in his capacity as director or shareholder of the Company) has any interest, direct or indirect, in the Proposed Transaction.

9. Cautionary Statement

The Board would like to advise Shareholders that, although the Master Murabaha Facility Agreement has been entered into, completion of the Proposed Transaction is subject to conditions precedents being fulfilled and there is no certainty or assurance as at the date of this announcement that the Proposed Transaction will be completed or that no changes will be made to the terms thereof. Accordingly, Shareholders are advised to exercise caution in dealings with the Shares. Shareholders are advised to read this announcement and any further update announcement(s) released by the Company in connection with the Proposed Transaction carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

For the purposes herein:

“Deferred Sale Price” shall mean in relation to a Purchase Contract, the amount payable by the Company to the Bank for the purchase of Commodities under the Purchase Contract and calculated in accordance with the terms and subject to the conditions of the Master Murabaha Facility Agreement.

“Discharge” means in relation to the Liabilities, the Bank being satisfied that all Liabilities have been fully and irrevocably paid or discharged and all commitments of the Bank in respect of the Liabilities have expired or been cancelled.

“Finance Documents” means the following:

- (a) the Master Murabaha Facility Agreement,
- (b) the Shareholders’ Undertaking;
- (c) when entered into, the documents constituting each Purchase Contract; and
- (d) any other document designated as such by the Bank and the Company.

“Liabilities” means all present and future moneys, debts and liabilities due, owing or incurred by the Company, Zheng Choon or any one of Zheng Choon Shareholders to the Bank under or in connection with any Finance Document, (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently, and whether as principal, surety or otherwise).

“Purchase Contracts” shall mean each agreement for the sale by the Bank of the Commodities and the purchase of the Commodities by the Company on deferred payment terms as set out in the Master Murabaha Facility Agreement.

“Purchase Price” means the amount payable or paid by the Bank to a vendor from whom the Bank shall purchase Commodities in connection with the Facility (the **“Commodity Seller”**), for the purchase of Commodities by the Bank.

“Spot Price” means an all-inclusive selling price in Singapore dollars, for delivery of the Relevant Commodities in respect of a Purchase Contract on the Transaction Date for that Purchase Contract against full and immediate payment, which must be equal to the Purchase Price at which the Bank purchased the Relevant Commodities from the Commodity Seller.

“Transaction Date” means on relation to a Purchase Contract, the date specified as such in the Offer Letter corresponding to that Purchase Contract, being the date on which the Bank intends to sell the Company the Commodities under that Purchase Contract.

BY ORDER OF THE BOARD

Toh Choo Huat

Executive Chairman and Chief Executive Officer

13 February 2014

*DMG & Partners Securities Pte Ltd was the financial adviser to the Company for the acquisition of the entire issued and paid-up share capital of Ley Choon Constructions and Engineering Pte Ltd (the **“Financial Adviser”**). The Financial Adviser assumes no responsibility for the contents of this announcement.*