

LEY CHOON GROUP HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198700318G)

NOVATION AGREEMENT

1. INTRODUCTION AND BACKGROUND

The Board of Directors of Ley Choon Group Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcement entitled “Announcement of Four New Master Murabaha Facility Agreements of S\$3,993,750” dated 11 October 2016.

Murabaha Agreements

The Company on 11 October 2016 entered into four (4) murabaha facility agreements between the Company, the Islamic Bank of Asia Limited (the “**Original Lender**”) and the Islamic Bank of Asia Limited (as the “**Commodity Agent**”) (each a “**Murabaha Agreement**” and collectively the “**Murabaha Agreements**”) for the provision of a Singapore dollar murabaha facility in an aggregate amount of up to S\$15,975,000 (or S\$3,993,750 per each Murabaha Agreement).

Pursuant to the Murabaha Agreements, the parties thereto agreed that the Original Lender (or its nominee) has the conversion right (the “**Conversion Right**”) to convert the whole (and not part) of the outstanding amount of the Deferred Sale Price (as defined in the Murabaha Agreements) (less the amount of Ibra’ (rebate) (if any) that the Original Lender may grant on such outstanding amount) thereunder into new ordinary shares to be issued and allotted by the Company following the exercise of the Conversion Right by the Original Lender (the “**Conversion Shares**”) at a conversion price of S\$0.081 per Conversion Share (the “**Original Conversion Price**”), subject to adjustments provided in the Murabaha Agreements at any time during the conversion periods.

Following the completion of the rights issue on 11 May 2017, the Original Conversion Price was adjusted in accordance with paragraph 4(iv) (*Rights Issues or Shares or Options Over Shares*) of Schedule 5 (*Conversion Mechanics*) to the Murabaha Agreements (the “**Adjustment**”). Pursuant to the Adjustment, the Original Conversion Price was revised to S\$0.0567.

As shareholders’ approval for the allotment and issue of the Conversion Shares, obtained by the extraordinary general meeting on 31 March 2017, has since lapsed, the Original Lender will not be able to convert the options into shares without obtaining further shareholders’ approval. The Company intends to seek shareholders’ approval in relation to the allotment and issuance of such number of Conversion Shares to the New Lender pursuant to the novated Murabaha Agreements.

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

Call Option Agreements

The Company also entered into four call option agreements (the “**Call Option Agreements**”) with the Original Lender and Zheng Choon Holding Pte. Ltd. (as the “**Sponsor**”). Under the terms of the Call Options Agreements, the Original Lender granted the Sponsor a call option over the Conversion Shares pursuant to which the Sponsor has the right to require the Original Lender to sell to it all (and not some only) of the Conversion Shares at the Option Price, which is the amount derived by multiplying (a) the number of Conversion Shares issued or to be issued to the Original Lender pursuant to its exercise of the Conversion Right (as defined above) with (b) any amount which is (i) the Current Market Price (as defined in each Murabaha Agreement) of an ordinary share of the Company (a “**Share**”) on the Conversion Date, where such Current Market Price is S\$0.09 or less; or (ii) the amount which is 90% of the Current Market Price of a Share on the Conversion Date, where such Current Market Price is more than S\$0.09.

2. SALIENT TERMS OF THE NOVATION AGREEMENT

On 23 December 2021, the Original Lender, the Commodity Agent, the Company, the Sponsor and Zheng Choon Holding Pte. Ltd. (as the “**New Lender**”) have entered into a novation agreement (the “**Novation Agreement**”) to novate all the Novation Assets (as defined below) arising out of or in connection with the Murabaha Agreements and the Call Option Agreements to the New Lender, on the terms and subject to the conditions contained in the Novation Agreement.

Pursuant to the Novation Agreement, all the Novation Assets (as defined below) arising out of or in connection with the Murabaha Agreements and the Call Option Agreements will be novated. The Novation Assets mean:

- (a) the total outstanding amount (inclusive of the Total Deferred Sale Price and Total Periodic Profit Amount) of S\$18,074,916.38¹ payable by the Company to the Original Lender under the Murabaha Agreements as at 31 December 2021;
- (b) all contractual rights, interests and benefits of whatsoever nature of the Original Lender under the Finance Documents; and
- (c) all moneys recoverable, claims for moneys, causes of action or damages in respect of the Facilities, and whereby such receivables, rights, interests, benefits and claims are or have been novated to the New Lender by the Original Lender in accordance with the terms of the Novation Agreement.

¹ The total outstanding amount is subject to change after 31 December 2021 due to interest on accrual up to the date of conversion.

Pursuant to the Novation Agreement, the New Lender will be novated the Conversion Right under the Murabaha Agreements. The consideration for the Novation Assets payable by the New Lender to the Original Lender shall be S\$4,500,000.

For the purposes herein:

“Facilities” means the loans granted by the Original Lender to the Company under the Murabaha Agreements.

“Finance Documents” means the Murabaha Agreements, the Call Option Agreements or any one or more of them as the context may require.

“Total Deferred Sale Price” means the aggregate amount of all monies described as “Deferred Sale Price” in all of the Murabaha Agreements at the relevant time.

“Total Periodic Profit Amount” means the aggregate amount of all monies described as “Periodic Profit Amount” in all of the Murabaha Agreements at the relevant time.

3. EXTRAORDINARY GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

As the New Lender is the controlling shareholder of the Company, the Company will convene an extraordinary general meeting (**“EGM”**) to seek the approval of the Shareholders for the conversion of shares pursuant to the Conversion Right. A circular containing, *inter alia*, details thereof, together with the opinions and recommendations of the Directors and an independent financial adviser in relation thereto and enclosing the notice of EGM in connection therewith, will be despatched to the Shareholders in due course.

The Board will continue to provide further material updates on the Murabaha Agreements and the Call Option Agreements at the appropriate times.

BY ORDER OF THE BOARD

Toh Choo Huat
Executive Chairman and Chief Executive Officer

23 December 2021

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

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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