

SWEE HONG LIMITED

(Company Registration No. 198091852R)
(the “Company”)

PROPOSED ISSUE OF S\$7 MILLION CONVERTIBLE BONDS

1. INTRODUCTION

The Board wishes to announce that the Company has on 31 August 2017 entered into a subscription agreement (the “**Subscription Agreement**”) with Targa Solution Pte. Ltd. (the “**Subscriber**”), KH Foges Pte Ltd (the “**Corporate Guarantor**”) and Mr Anil Dhanpatlal Agrawal (the “**Personal Guarantor**”) pursuant to which the Subscriber has agreed to subscribe for convertible bonds (the “**Bonds**”) aggregating S\$7,000,000 (the “**Issue Price**”) (the “**Bonds Issue**”).

2. INFORMATION ON THE SUBSCRIBER

- 2.1 The Subscriber is Targa Solution Pte. Ltd., a special purpose vehicle set up by Mr Jay Pok who is the sole shareholder and director of Targa Solution Pte. Ltd. Mr Jay Pok started his career with ST Microelectronics as a Sale Engineer and since then, he has been active in the electronics industry. In 1998, Mr Jay Pok set up LHI Technology in China to manufacture medical cables for supply to major medical equipment manufacturers globally. In 2014, LHI Technology reported sales in excess of US\$100 million and in the same year, it was acquired by an American company, Carlisle Interconnect Inc. The Subscriber was introduced to the Company by a business associate of a Director. The Company has decided to undertake the placement of the convertible bonds to the Subscriber in order to strengthen the Company’s financial position and flexibility to capitalise on growth opportunities.
- 2.2 The Bonds, if converted, will be solely for the Subscriber’s investment purposes. As at the date of this announcement, neither the Subscriber nor Mr Jay Pok hold any shares or convertible securities in the capital of the Company.
- 2.3 The Subscriber has represented and warranted to the Company that it is not acting in concert, in collaboration with or co-operating, pursuant to an agreement or undertaking (whether formal or informal), with any existing director or shareholder of the Company, to obtain or consolidate effective control of the Company through the issue of the Bonds and/or the Conversion Shares (as defined below) (including as contemplated in the Singapore Code on Take-overs and Mergers).
- 2.4 The Subscriber has no connections with the Company, its Directors and substantial shareholders, and is not a person to whom the Company is prohibited from issuing shares to, as provided by Rule 812 of the Listing Manual.

3. DETAILS AND PRINCIPAL TERMS OF THE BONDS

- 3.1 The Bonds will be issued in registered form and will not be listed. The Bonds constitute unconditional, unsubordinated and unsecured obligations of the Company. The Bonds will be issued in two tranches, the first tranche will comprise of the issue of Bonds of principal amount of S\$5,000,000 (the “**Completion Tranche 1**”) and the second tranche will comprise of the issue of Bonds of principal amount of S\$2,000,000 (the “**Completion Tranche 2**”). The term of the Bonds is three (3) years from the date of issuance of the Completion Tranche

2. Interest will be payable by the Company to the Subscriber in the following manner: (i) at the rate of 5% per annum on the principal amount of the Bonds on a monthly basis (the “**Coupon Rate**”) and (ii) an additional interest at the rate of 7% per annum on the principal amount of the Bonds (the “**Redemption Interest**”), such interest being only payable on the date falling three (3) years from Completion Date Tranche 2 (as defined below) (the “**Maturity Date**”).
- 3.2 In the event the Subscriber converts all or part of the Bonds, the Coupon Rate accrued and outstanding on the principal amount of the Bonds converted shall be payable by the Company on the conversion date and payment of the Redemption Interest shall be irrevocably waived and forfeited in favour of the Company.
- 3.3 At the option of the Subscriber, the Bonds may be converted in whole or any part thereof, and if in parts, in tranches of S\$500,000 at 100% of the principal value of the Bonds at any time during the Conversion Period into new ordinary shares in the capital of the Company (“**Conversion Shares**”) at a conversion price of S\$0.015 (the “**Conversion Price**”). If the Bonds are not fully converted by the end of the Conversion Period, the Company shall redeem the outstanding Bonds at 100% of the principal value together with all interest accrued and outstanding thereon comprising of the Coupon Rate and the Redemption Interest on Maturity Date. The Conversion Period refers to the period from the date that Completion Tranche 2 occurs up to fifteen (15) days prior to the Maturity Date.
- 3.4 In the event Singapore Exchange Securities Trading Limited (“**SGX-ST**”) does not grant a listing and quotation notice for the Conversion Shares arising from the exercise and conversion of the Bonds by 31 August 2018 or such other date as may be agreed mutually in writing by the parties (the “**Long Stop Date**”) or shareholders’ approval is not obtained for the issue of the Conversion Shares, the Subscriber shall not be entitled to convert any part of the Bonds into Conversion Shares and the Company shall redeem the Bonds at 100% of the principal value of the S\$5,000,000 Bonds issued under Completion Tranche 1 together with the interest accrued and outstanding thereon comprising of the Coupon Rate and the Redemption Interest.
- 3.5 The conversion of the Bonds would result in the issue of a maximum of 466,666,666 Conversion Shares, representing approximately 14.15% of the enlarged issued and paid-up share capital of the Company (subject to adjustment in the event of changes in the capitalisation structure of the Company). The terms and conditions of the Bonds provide for adjustment to the Conversion Price in the event of rights, bonus or other capitalisation issues.
- 3.6 The Conversion Price shall be S\$0.015 per Conversion Share. Rule 811(2)(a) of the Listing Manual provides that for an issue of convertible securities, if the conversion price is fixed, the price must not be more than 10% discount to the prevailing market price of the underlying shares prior to the signing of the relevant agreement. Rule 811(3) of the Listing provides, *inter alia*, that Rule 811(2) of the Listing Manual is not applicable if specific shareholder approval is obtained for the issue of convertible securities. As the Conversion Price represents more than a 10% discount to the prevailing market price of the underlying shares prior to the signing of the Subscription Agreement, the issue of the Conversion Shares is subject to the specific approval of Shareholders for the purposes of Rule 811(3) of the Listing Manual.

4. RATIONALE AND USE OF PROCEEDS

- 4.1 As previously mentioned in the Company’s announcement released via SGXNet on 20 July 2017, the Company had successfully paid off all outstanding debts due and owing to the Company’s creditors under the scheme of arrangement and that the scheme of arrangement had

come to an end. With the end of the scheme of arrangement, the Company is now embarking on a new journey and the Company is also now in a better position to bid for new projects which will add to the growth of the Company and its shareholders and the Bonds Issue will help to boost the Company's financial position, thereby allowing the Company to bid for more projects.

- 4.2 The estimated net proceeds from the Subscription Agreement (after deducting the estimated expenses, including but not limited to the professional fees in relation to the Subscription Agreement) are approximately S\$6,950,000 ("**Net Proceeds**").
- 4.3 The Company intends to use the Net Proceeds for working capital purposes.
- 4.4 Pending the deployment of the Net Proceeds from time to time for the abovementioned intended purpose, such proceeds may be placed as deposits with banks and/or financial institutions and/or invested in short-term money markets or debt instruments or for any other purposes on a short-term basis as the Board may deem fit in the interest of the Company.
- 4.5 The Company will make periodic announcements on the utilisation of the Net Proceeds as and when such proceeds are materially disbursed, and provide a status report on the use of the proceeds raised in the its interim and full-year financial statements issued under Rule 705 of the Listing Manual and its annual report. The Company will also provide a breakdown with details on how the proceeds have been applied in the announcements and status reports.
- 4.6 The Directors of the Company are of the opinion that, after taking into consideration the present bank facilities, the working capital available to the Company is sufficient to meet its present requirements and that the reasons for the Net Proceeds are, *inter alia*, to fund for working capital.

5. GENERAL

- 5.1 The Bonds Issue will be undertaken by way of private placement in accordance with Section 272B of the Securities and Futures Act (Cap. 289 of Singapore). As such, no prospectus or offer information statement will be issued by the Company in connection therewith.
- 5.2 None of the Directors (other than in his capacity as Director or Shareholder of the Company) nor (as far as the Directors are aware) substantial Shareholders of the Company has any interest, direct or indirect, in the Bonds.

6. DOCUMENTS AVAILABLE FOR INSPECTION

The Subscription Agreement is available for inspection during normal business hours from 9.00 am to 5.00 pm at the registered office of the Company for a period of three (3) months from the date of this announcement.

7. LISTING AND QUOTATION OF CONVERSION SHARES

The Company will apply to the SGX-ST for the admission to and listing and quotation of the Conversion Shares on the SGX-ST. The Company will make the necessary announcements upon receipt of the approval in-principle from the SGX-ST for the listing and quotation of the Conversion Shares.

8. SHAREHOLDERS' APPROVAL

The Company intends to convene an extraordinary general meeting (the “EGM”) to seek the approval of the Shareholders for, *inter alia*, the issue of the Conversion Shares. The Circular containing, *inter alia*, the notice of the EGM and details of the abovementioned transaction will be despatched to the Shareholders in due course.

BY ORDER OF THE BOARD

Tan Swee Gek
Company Secretary
31 August 2017
