

JES INTERNATIONAL HOLDINGS LIMITED

(Company Registration No. 200604831K)
(Incorporated in the Republic of Singapore)

DISPUTE IN RELATION TO THE LOAN & MAINTENANCE AGREEMENT

The Board of Directors (the “**Board**”) of JES International Holdings Limited (the “**Company**”) refers to the announcements released by the Company on 5 August 2013, 16 August 2013 and 30 August 2013 in relation to the facility of up to a maximum aggregate of US\$20 million with the option of the Company (subject to approval from Lyceum Partners LLC (the “**Lender**”)) to request for an additional facility of up to a maximum aggregate of US\$20 million (the “**Facility**”) under the Loan & Maintenance Agreement entered into with the Lender (the “**Agreement**”). *Unless otherwise defined herein, all capitalized terms used in this announcement shall have the same meanings as defined in the announcements dated 5 August 2013, 16 August 2013 and 30 August 2013.*

The Company has on 1 July 2014 received an email notification from the Lender’s legal counsel alleging that the Company has committed a default under the Agreement by failing to make due payment of maintenance fee pursuant to the terms of the Agreement.

The Company takes the position that there is no default under the Agreement.

In connection with the Agreement and the requirement for a corporate guarantee to be provided, the substantial shareholder of the Company, JES Overseas Investment Limited (“**JES Overseas**”), had entered into a Master Repurchase Agreement dated 30 August 2013 with the Lender (the “**MRA**”). Pursuant to the MRA:

- (1) the Lender agreed to purchase up to 150,000,000 ordinary shares in the Company from JES Overseas at an agreed discount to the Fair Market Value, which is defined as the average of the daily volume weighted average price of the purchased shares for three consecutive SGX-ST’s trading days immediately following the date of delivery of such shares by JES Overseas to the Lender;
- (2) JES Overseas agreed to repurchase all the purchased shares from the Lender at a later date within 3 years at an agreed discount to the Fair Market Value in respect of each batch of shares purchased by the Lender; and
- (3) JES Overseas will continue to enjoy the voting rights and dividends attached to the purchased shares under the MRA.

The Lender sent a notice to JES Overseas on 22 May 2014 informing that an event of default had occurred under the MRA as the Fair Market Value of the shares purchased pursuant to the MRA was less than 80% of the purchase price (the “**Valuation Event**”), JES Overseas had failed to cure such Valuation Event in accordance with the terms of the MRA and that the MRA was terminated. JES Overseas had failed to cure such Valuation Event within the specified time period in accordance with the terms of the MRA because JES Overseas did not realise that the notice of such Valuation Event was sent by the Lender until the expiration of the said time period.

The Facility provided to the Company was funded by the MRA; accordingly, the Agreement and the MRA are part of a series of transactions regarding the Facility. As such, once the MRA is terminated, the Company may not request for any further drawdown on the Facility since no further shares could be purchased under the MRA. With the termination of the MRA, the Agreement is no longer subsisting. As such, the Lender should therefore not be entitled to make any further claims under the Agreement, including but not limited to the maintenance fee.

The Company is seeking legal advice on the said dispute and will make further announcements, as appropriate, to update the shareholders.

The Group has not drawdown on the Facility since October 2013 and the Board wishes to inform shareholders that the Group did not rely on the Facility for its working capital needs for the past 8 months though the Facility was acquired for working capital purposes and/or any potential merger and acquisition. The Board further re-assures shareholders that the Company is continuing to explore other source of fresh funding to support the Group's operations (including but not limited to equity line financing, letter of credits financing and leasing financing). The Company is also working with trading companies to secure refund guarantees and working capital for purposes of performing, *inter alia*, new contracts.

In the meantime, shareholders of the Company are advised to refrain from taking any action in respect of their shares in the Company which may be prejudicial to their interests, and to exercise caution in dealing with the shares in the Company as there is no certainty or assurance as at the date of this announcement on the outcome of the said dispute. Shareholders are advised to read this announcement and any further update announcement(s) released by the Company in connection with the dispute carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

JIN XIN
Chairman and Chief Executive Officer
2 July 2014