

ENTRY INTO SUBSCRIPTION AGREEMENT FOR THE ISSUE OF RM29,855,000 PRINCIPAL AMOUNT OF 5.0% CONVERTIBLE BONDS DUE THREE YEARS FROM THE DATE OF ISSUANCE BY THE COMPANY

1. INTRODUCTION

Pavillon Holdings Ltd. ("**Company**") refers to the announcements by the Company on 18 September, 22 September 2017 and 22 December 2017 ("**Announcements**") in relation to the proposed acquisition by Fengchi Real Estate Sdn. Bhd. ("**Fengchi RE**"), a subsidiary of the Company, of 99 strata lots in a commercial building situated at No. 21 Jalan Tebrau, Johor Bahru ("**City Plaza Commercial Complex**"), forming part of the City Plaza Commercial Complex and 8 plots of land adjoining City Plaza Commercial Complex in accordance with and subject to the terms and conditions as stipulated in the conditional sale and purchase agreements dated 16 September 2017 ("**SPAs**") (as amended and supplemented by the addendum agreements ("**Addendum Agreements**")) to each of the SPAs entered into with each of Hock Der Realty Sdn. Bhd. ("**Hock Der**") and Ascent Asia Sdn. Bhd. ("**Ascent Asia**") ("**Proposed Properties Acquisition**").

Capitalised terms used but not otherwise defined in this announcement shall have the meanings given to them in the Announcements.

Further to the Announcements, the Company wishes to announce that Fengchi RE has on 10 January 2018 entered into:

- (a) a bond subscription agreement ("**Bond Subscription Agreement**") with Mr Low Eng Heng @ Low Yong Heng pursuant to which the Company has agreed to issue and Mr Low Eng Heng @ Low Yong Heng has agreed to subscribe for RM29,855,000 principal amount of 5.0% convertible bonds due three years from the date of issuance ("**Convertible Bonds**") ("**Bond Subscription**"). The Convertible Bonds are convertible into 98,694,214 ordinary shares in the capital of the Company at RM0.3025 per Convertible Bond ("**Conversion Shares**"); and
- (b) a confirmation letter by the Vendors in favour of the Company and Fengchi RE confirming that the amount of RM25,355,000 payable to Hock Der and the amount of RM4,500,000 payable to Ascent Asia by Fengchi RE under the SPAs and Addendum Agreements shall be fully settled by way of issuance of the Convertible Bonds to Mr Low Eng Heng @ Low Yong Heng.

2. PURPOSE

The issuance of the Convertible Bonds for the aggregate principal amount of RM29,855,000 by the Company to Mr. Low Eng Heng @ Low Yong Heng in accordance with the terms and subject to the conditions contained in the Bond Subscription Agreement is for the purpose of settling the balance of the Consideration for the amount of RM25,355,000 payable to Hock Der and the amount of RM4,500,000 payable to Ascent Asia by Fengchi RE under the SPAs and Addendum Agreements.

3. SALIENT TERMS OF THE BONDS

3.1 Issuance

The Convertible Bonds will be issued at their principal amount, in registered form, and Mr Low Yong Heng @ Low Eng Heng shall not be entitled under any circumstances to sell, transfer, assign, dispose of, realise, create any encumbrance over or enter into any agreement that will directly or indirectly constitute or will be deemed as a disposal of all or any part of the Convertible Bonds to a person falling within the categories listed in Rule 812(1) of the Listing Manual. Any transfer of the Convertible Bonds shall be subject to the foregoing restriction.

3.2 Subscriber

The sole subscriber for the Convertible Bonds shall be Mr Low Eng Heng @ Low Yong Heng.

3.3 Conditions Precedent

The obligation of Mr Low Eng Heng @ Low Yong Heng to subscribe and pay for the Convertible Bonds is subject to the following conditions precedent:

- (1) **Approvals:** the approval of the SGX-ST for the listing and quotation of the Conversion Shares on the SGX-ST and all other consents, approvals and authorisations (including, without limitation, the approval of shareholders of the Company at general meeting for the Proposed Properties Acquisition and the issuance of the Convertible Bonds) having been obtained by the Company and the same continuing to be in full force and effect; and
- (2) **Joint transaction:** the sale and purchase of the Properties by each of Hock Der and Ascent Asia to Fengchi RE shall be completed simultaneously and not severally or separately.

The Convertible Bonds will be issued at an issue price of 100.0% of the principal amount of the Convertible Bonds within three business days from the date on which all the conditions precedent specified above are satisfied ("**Convertible Bonds Closing Date**").

3.4 Maturity Date

The maturity date of the Convertible Bonds is three years from the date of issuance of the Convertible Bonds or such later date as mutually agreed between the Company and Mr Low Eng Heng @ Low Yong Heng ("**Maturity Date**").

3.5 Interest

The Convertible Bonds bear interest from its respective Convertible Bonds Closing Date at the rate of 5.0% per annum, due and payable every six (6) months in arrears. Interest will cease to be payable on the Convertible Bonds in the event they are converted into Conversion Shares.

3.6 Shares

At any time from the Convertible Bonds Closing Date, the Convertible Bonds may be converted or exchanged in its entirety, at the option of Mr Low Eng Heng @ Low Yong Heng, into Conversion Shares at a fixed price of RM0.3025 ("**Fixed Price**"). The Fixed Price was commercially agreed between the Company and the Subscribers and represents a premium of 100% to the weighted average price of S\$0.05 per Share, for trades done on the SGX-ST on 29 December 2017 (being the last Market Day on which Shares were traded preceding the date of the Bond Subscription Agreement).

No adjustment shall be made to the Fixed Price when new options or awards are granted and/or Shares are issued pursuant to an exercise of employees' options or awards granted under any of the share schemes of the Company and its subsidiaries. The Fixed Price shall be adjusted

correspondingly in the event of any stock split, stock consolidation or share capital exercise of the Company, and in the event of any dispute in relation to such adjustments, shall be determined by the auditors of the Company, whose determination shall be final and binding (in the absence of manifest error).

The Conversion Shares, when issued, will be valid, fully-paid, free from any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right, or interest, other encumbrance or security interest of any kind or any type of agreement or arrangement having similar effect and shall rank *pari passu* in all respects with all other Shares then in issue, except (for the avoidance of doubt) for any dividends, rights, allotments or other distributions, the record date for which is before the relevant conversion date of the Convertible Bonds.

3.7 **Payment on Maturity**

Within seven Business Days of Maturity Date, the Company shall pay to Mr Low Eng Heng @ Low Yong Heng an amount equivalent to the principal amount of the Convertible Bonds held by Mr Low Eng Heng @ Low Yong Heng.

4. **INFORMATION ON THE SUBSCRIBER**

Mr Low Eng Heng @ Low Yong Heng, a Malaysian, is a businessman with diverse business interests, although he has a particular interest in the investment in and development of commercial properties. Mr Low Eng Heng @ Low Yong Heng also owns mining concessions in Indonesia.

There is no conflict of interest as Mr Low Eng Heng @ Low Yong Heng is an independent third party and is neither a director nor substantial shareholder of the Company and does not fall within the scope of Rule 812(1) of the Listing Manual. As at the date of this announcement, he does not own any shares in the Company (directly or indirectly). Mr Low Eng Heng @ Low Yong Heng is the majority shareholder of each Hock Der and Ascent Asia.

5. **CONVERSION SHARES**

Assuming that no adjustments will be made to the Fixed Price, (i) based on the aggregate principal amount of the Convertible Bonds of RM29,855,000 and a currency exchange rate of S\$1.00 to RM3.025, the total number of Conversion Shares that will be issued upon conversion of the Convertible Bonds will be 98,694,214 Conversion Shares ("**Full Conversion**"), representing approximately 25.45% of the Company's issued share capital as at the date of this announcement comprising 387,748,700 Shares and 17.74% of the Company's enlarged share capital (including the issue and allotment of 70,000,000 Consideration Shares to Mr Lim Tiong Soon as partial payment of the Consideration pursuant to the terms of the SPAs) assuming Full Conversion comprising 556,442,914 Shares.

The total shareholding interests of Mr Low Eng Heng @ Low Yong Heng in the Company before and after Full Conversion (and including the issue and allotment of 70,000,000 Consideration Shares to Mr Lim Tiong Soon as partial payment of the Consideration pursuant to the terms of the SPAs) are set out below.

	Before the Proposed Potential Transfer of Controlling Interest to Mr Low Eng Heng @ Low Yong Heng		After the Proposed Potential Transfer of Controlling Interest to Mr Low Eng Heng @ Low Yong Heng	
	<i>Without taking into consideration the Proposed Transfer of Controlling Interest to Mr Lim Tiong Soon</i>	<i>After taking into consideration the Proposed Transfer of Controlling Interest to Mr Lim Tiong Soon</i>	<i>Without taking into consideration the Proposed Transfer of Controlling Interest to Mr Lim Tiong Soon</i>	<i>After taking into consideration the Proposed Transfer of Controlling Interest to Mr Lim Tiong Soon</i>
Number of Shares	-	-	98,694,214	98,694,214
Total Shareholding Interest	-	-	20.29%	17.74%

As Full Conversion will result in Mr Low Eng Heng @ Low Yong Heng's aggregate voting rights crossing 15.0% in the entire enlarged share capital of the Company, the Company intends to seek the approval of Shareholders at an extraordinary general meeting of the Company ("EGM") for the proposed potential transfer of controlling interest to Mr Low Eng Heng @ Low Yong Heng ("**Proposed Potential Transfer of Controlling Interest to Mr Low Eng Heng @ Low Yong Heng**").

6. FINANCIAL EFFECTS OF THE BOND SUBSCRIPTION

As at the date of this announcement, the issued and paid up share capital of the Company is approximately S\$39,443,719 comprising 387,748,700 Shares. Upon the issue and allotment of the Consideration Shares and upon completion of the Bonds Subscription and assuming full conversion of the Convertible Bonds into Conversion Shares, the Company's enlarged issued and paid-up share capital will be approximately S\$56,313,140 comprising 556,442,914 Shares.

Based on the Group's audited consolidated financial statements for FY2016, for illustrative purposes, the financial effects of the Bond Subscription on the Group are set out as follows:

- (a) the NAV per Share of the Group as at 31 December 2016, assuming the Bonds Subscription and issue of Consideration Shares had been effected on 31 December 2016, would have decreased from S\$0.1036 to S\$0.1030 per Share; and
- (b) the profit per Share of the Group for FY2016, assuming that the Bonds Subscription and issue of Consideration Shares had been effected on 1 January 2016, would have decreased from S\$0.0023 to S\$0.0009.

7. ADDITIONAL LISTING APPLICATION

The Company has on 29 December 2017 submitted an additional listing application to the SGX-ST for the listing of and quotation for the Conversion Shares on the SGX-ST and will make the necessary announcement upon receipt of the listing and quotation notice from the SGX-ST.

The issuance of the Convertible Bonds is undertaken by way of a private placement in accordance with Section 272B of the Securities and Futures Act (Chapter 289 of Singapore). As such, no prospectus or offer information statement will be issued by the Company in connection therewith.

8. CONFIRMATION BY THE DIRECTORS

The Directors are of the opinion that, after taking into consideration the Group's present bank facilities and the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or other substantial shareholders of the Company or their respective associates have any interest, direct or indirect, in the Bond Subscription (other than that arising from their shareholdings in the Company, if any).

10. CIRCULAR

The Company will be seeking specific approval of Shareholders at an EGM to be convened for the Bond Subscription and the Proposed Potential Transfer of Controlling Interest to Mr Low Eng Heng @ Low Yong Heng. A circular containing, *inter alia*, the notice of EGM and the details of the Bond Subscription and the Proposed Potential Transfer of Controlling Interest to Mr Low Eng Heng @ Low Yong Heng will be despatched to Shareholders in due course.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Bond Subscription Agreement is available for inspection during normal business hours at the Company's registered office at Block 1002 Tai Seng Avenue, #01-2536, Singapore 534409.

12. 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 Bond Subscription, the Convertible Bonds, the Conversion Shares and the Group, 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 its proper form and context.

13. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the shares of the Company in relation to this announcement as there is no certainty that the Bond Subscription will be completed as it is subjected to the fulfilment of terms and conditions set out in the respective Bonds Subscription Agreement. When in doubt as to the action they should take, Shareholders and potential investors should consult their financial, tax or other advisors.

By Order of the Board

Dr John Chen Seow Phun
Executive Chairman

10 January 2018