



JES INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Republic of Singapore on 4 April 2006)
(Company Registration Number 200604831K)

ANNOUNCEMENT – RESPONSE TO SGX-ST QUERIES

The Board of Directors (“**Board**”) of JES International Holdings Limited (the “**Company**”) refers to the announcement made by the Company on 26 May 2017 in relation to the receipt of the COI by the Company and 30 June 2017 in relation to the update on Company matters (the “**Earlier Announcements**”). The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 5 July 2017 (each, a “**SGX Query**”) in relation to the Earlier Announcements as follows:

SGX Query 1

It was disclosed in the announcement of 30 June 2017 that the Managers are in the process of negotiating with creditors of the PRC subsidiaries on the restructuring proposal and negotiating with potential investors to invest in the PRC subsidiaries pursuant to the restructuring proposal and the Manager has also informed the Company that they are in the process of establishing full management control of the PRC subsidiaries. In this regard, please advise:

- (1) what is the Company’s standing (including rights and obligations) in the ongoing restructuring of its subsidiaries;**

The Company has been and is obliged to assist in the handing over of management duties from the Company to the Managers including assisting the Managers in obtaining access to documents and information in relation to the PRC Subsidiaries.

The Company further understands that as shareholders of the PRC Subsidiaries, it has no obligation in relation to the PRC Subsidiaries other than to fully pay for its shares subscribed in the PRC Subsidiaries. The Company understands that the banks form the largest group of creditors of the PRC Subsidiaries and it is not a significant creditor of the PRC Subsidiaries. Accordingly, the Company’s rights in the ongoing restructuring is limited.

- (2) what are the key milestones of the ongoing restructuring; and**

The Managers have on 20 September 2016 been appointed and applied to treat the PRC Subsidiaries as a single merged entity in conducting the restructuring, which was approved on 25 October 2016 by the Jingjiang Court. According to Chinese laws, the Managers have 6 months (which is extendable by 3 months at the discretion of the court) from the date of appointment to submit a restructuring proposal.

As the Company as it is not a significant creditor, the Managers do not report the progress of the ongoing restructuring to the Company.

- (3) how the Board satisfied itself that the Company’s interest in the ongoing restructuring is well represented and protected.**

Since the appointment of the Managers, the Company has been working with the Managers to ensure that:

- a) only debts that are supported by documentary proof are accepted, and
- b) all assets owned by the PRC Subsidiaries are recognised in the ongoing restructuring.

However, the Company wishes to state that as the Company has already entered into the sale and purchase agreement for the proposed disposal of the PRC Subsidiaries. Accordingly, the Company's interests in the PRC Subsidiaries are crystallised at USD500,000, being the consideration for the proposed disposal. As the ascertainable bank debts far out-value the ascertainable asset value of the PRC Subsidiaries, the Board is of the opinion that it would better serve shareholders' interests to dispose of the PRC Subsidiaries and receive the disposal consideration of USD500,000 than to hold on to the shareholdings in the PRC Subsidiaries.

(4) Please provide the Company's elaboration on the statement that the Manager for the Proposed Restructuring "are in the process of establishing full management control of the PRC subsidiaries";

The Company understands that the Managers are in the process of undertaking certain administrative and logistical steps to establish full management control of the PRC Subsidiaries, including, *inter alia*, recovering the financial and administrative records of the PRC Subsidiaries that were previously not in their possession, in particular certain official stamps and seals of the PRC Subsidiaries. The Company has also been working with the Managers to ensure that all assets including trade and other receivables are accounted for, and the Company understands that the Managers are in the process of negotiating with certain potential investors to invest in the PRC Subsidiaries.

(5) Please provided detailed information as to how, and from whom, the Manager are in the process of establishing management control of the PRC subsidiaries; and

Please refer to the Company's response to SGX Query 1(4) above. The Company further understands that:

- a) the Managers have been in contact with the local police, Jingjiang People's Court, the Industry and Commerce Administration Bureau and the creditor banks in relation to establishing management control of the PRC Subsidiaries;
- b) the Managers have obtained certain financial and administrative records of the PRC Subsidiaries which were previously in the possession of the local police, having been recovered from Mr Jin Xin and his associates; and
- c) the Managers, upon their appointment, have been given the financial and administrative records of the PRC Subsidiaries which were in the possession of the Jingjiang People's Court.

The Board wishes to highlight that the Managers are appointed by the Jingjiang People's Court and accordingly, the local police and authorities will be more inclined to cooperate with the Managers.

(6) Please provide the Board's confirmation as to whether the said PRC subsidiaries have been under the continuous and effective control of the Company and its Board of directors without any interruption for the period from the application for restructuring in China on 4 March 2015 to the Managers' appointment on 30 September 2016 by Court in China.

The Company wishes to highlight that the Managers were appointed and applied as their proposal to the Jingjiang People's Court on 20 September 2016, however the Company only received notice of the same on 30 September 2016.

The Company has a certain degree of control from the application for restructuring in China on 4 March 2015 to the Managers' issuance of their proposal on 20 September 2016. Further, since the appointment of the Managers, the Company has been handing over documents and seals in relation to the PRC Subsidiaries, as well as assisting the Managers in obtaining control. In light of the above, the Company has a certain degree of control over the PRC Subsidiaries since the appointment of the Managers. However, both the Company's and the Managers' control is impeded by reasons as set out in the Company's quarterly announcements for FY2015 and FY2016 and the Company's annual reports for FY2015 and FY2016.

SGX Query 2

It was disclosed in the announcement of 30 June 2017 that previous chairman and director, Mr Jin Xin, had been charged in court in China on 28 June 2017. In this regard, please advise:

- (1) How and when the Company was first aware that Mr Jin Xin was charged by prosecutor in PRC;**

The Company was informed by the Managers on 12 May 2017 that Mr Jin Xin had been charged and the first hearing was due on 16 May 2017. On 16 May 2017, the Company was informed that first hearing would be postponed to 28 June 2017.

- (2) what are the specific offences that Mr Jin Xin had been charged by prosecutor in PRC with;**

The Company understands from persons who attended the hearing that Mr Jin Xin is charged with, *inter alia*, the alleged falsification of tax invoices, misappropriating funds, bribery of government officials and destruction of accounting records. However, the Company is unable to obtain any written documentation setting out the offences that Mr Jin Xin has been charged with.

- (3) what are the factual circumstances leading to these offences;**

The Company understands that the factual circumstances were not raised at the first hearing. The Company will endeavour to disclose information in relation to the factual circumstances as soon as it is made aware of the same.

- (4) whether and in what way do the above mentioned offences and factual circumstances relate to (i) the Company and its subsidiaries and (ii) Mr Jin Xin's capacity as former Chairman and director of the Company;**

The Company understands that the alleged act of falsification of tax invoices was done in relation to JEHI, and the other alleged acts were not done in relation to the PRC Subsidiaries. The acts were done in Mr Jin Xin's capacity as the person having actual control of the respective PRC Subsidiaries despite not being a named director or legal representative and not in his capacity as the former Chairman and director of the Company.

However, the Board does not wish to speculate on the ongoing criminal proceedings at this juncture and will update shareholders as soon as it receives further information on the same.

- (5) what is the Company's role in the criminal proceedings against Mr Jin Xin; and**

The Company understands that as the alleged acts are criminal and accordingly it plays no role in the same.

- (6) how the Board satisfied itself that the Company's interest (if any) in the criminal proceedings against Mr Jin Xin is well represented and protected?**

The Company understands that it is unable to participate in the criminal proceedings against Mr Jin Xin and it is in any event not possible to address the Company's interests in a criminal proceeding. If subsequently Mr Jin Xin is proven guilty, the Board may, after having taken into consideration the interests of the Company and the shareholders, resort to taking civil action against Mr Jin Xin.

SGX Query 3

It was disclosed in the announcement of 26 May 2017 that the Board on 25 May 2017 sighted a certificate of incumbency dated 19 May 2017 ("COI") of JES Overseas Investment Ltd. ("JESOIL") showing that the one Mr Jin Zhu is currently the sole director and single most largest shareholder holding approximately 65% of the entire share capital of JESOIL. JESOIL is the single largest shareholder of the Company holding 34.17% shareholding in the Company as at 26 May 2017. The Board understands that Mr Jin Zhu is the brother of Mr Jin Xin, the previous

Chairman of the Company. Furthermore, the Board stated that it has not made aware of any changes in the shareholding of the JESOIL prior to the receipt of the COI. It was also announced that the Board will be seeking clarifications on the COI from Mr Jin Zhu and legal advice from the Company's solicitors and will update shareholders as and when there are material developments. In this regard, please advise:

(1) what are the legal and/or regulatory implications for the COI sighted by the Board;

The Board is taking the position that in the absence of evidence to the contrary, the Board should rely on the COI to determine the director and shareholder of JESOIL, as a certificate of incumbency is the instrument to evidence the director and shareholder of a British Virgin Islands ("BVI") incorporated company.

The Board wishes to highlight that Company had, upon the receipt of the COI:

- a) issued a letter on 2 June 2017 to the purported solicitors of JESOIL on behalf of the Board requesting clarifications from Mr Jin Zhu on the COI and the Monetary Authority of Singapore Form 3 notification to be issued by him;
- b) and as the Company is not in a position to advise Mr Jin Zhu, the Company has requested him to seek independent legal advice on his potential obligations to, inter alia, extend an offer to all remaining shareholders of the Company pursuant to the Singapore Code of Takeovers and Mergers;
- c) issued a letter on 2 June 2017 to the director and single largest shareholder of JESOIL in the Company's records, Mdm Chu Caixia (the wife of Mr Jin Xin) based on a certificate of incumbency that the Company had in its possession and had previously relied on before the receipt of the COI requesting for clarifications on the circumstances leading up to the COI; and
- d) sought legal advice in relation to the impact that a potential change in shareholding of JESOIL could have on the Company, with specific regard to the corporate transactions that the Company had previously announced.

As at the date of this announcement, the Company:

- a) had received a response from Mdm Chu Caixia informing the Company that she was not aware of the contents of the COI and the circumstances leading to the issue of the COI, and had provided a directors' resolution-in-writing and a power of attorney authorising her to exercise all powers and rights in connection with her directorship and shareholding in JESOIL, and certificates of incumbency of JESOIL displaying her as the sole director and single largest shareholder of JESOIL;
- b) had not received any substantive response to the Company's letter from the purported solicitors of JESOIL; and
- c) had not received any response from Mr Jin Zhu.

The Board further notes that JESOIL had previously, as a term of the proposed acquisition of Maya Asia Resources Sdn Bhd, given a guarantee of RM2,000,000 in favour of the vendors. The Board has also been in discussion with the vendors of the proposed acquisition to review the guarantee that JESOIL has given. If for whatever reason JESOIL is unable to perform the obligations under the guarantee, the Company will seek legal advice to redress any possible damages.

The Company has also been advised by BVI counsel and understands that the matter is a dispute concerning the shareholders of shareholders of the Company. Therefore, the Board takes the position accordingly.

In relation to the subscription agreement entered into between the Company and JESOIL for the capitalisation placement dated 19 May 2017 (the "**Subscription Agreement**"), the Company was unable to contact Mr Jin Zhu to obtain any information or confirmation. Therefore, as a matter of prudence, the Board is seeking legal counsels to advise the Company on its position vis-à-vis JESOIL in connection with the Subscription Agreement.

(2) actions by Board to address such legal and/or regulatory implications of the COI;

Please refer to the Company's response to query 3(1) above.

(3) status and results of the Company's checks regarding the COI; and

Please refer to the Company's response to query 3(1) above.

(4) update on the legal advice with regard to the COI and its associated implications.

The Company understands from Mdm Chu Caixia that she has appointed BVI counsel to advise her on matters in relation to the COI.

Please refer to the Company's response in SGX Query 3(1) above for the implications for the Company.

**BY ORDER OF THE BOARD
JES INTERNATIONAL HOLDINGS LIMITED**

JIN YU
Chief Executive Officer
14 July 2017