

LOYZ ENERGY LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199905693M)

THE PROPOSED LOAN WITH A CONVERTIBILITY OPTION FROM JIT SUN INVESTMENTS PTE. LTD. TO THE COMPANY

1. INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of Loyz Energy Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 1 December 2014 entered into a loan agreement (the “**Loan Agreement**”) with Jit Sun Investments Pte. Ltd. (“**Jit Sun**”) pursuant to which Jit Sun shall extend a loan facility of up to S\$13 million (the “**Loan**”) to the Company at an interest rate of 7.0% per annum and on the terms and conditions set out in the Loan Agreement.

Pursuant to the Loan Agreement, Jit Sun has the right to request the Company from time to time to allot and issue such number of ordinary shares in the issued share capital of the Company to Jit Sun (“**Jit Sun Shares**”) at an issue price of S\$0.127 per Jit Sun Share (the “**Jit Sun Conversion Price**”), for full or partial repayment of the Outstanding Loan (as defined below) (the “**Convertibility Option**”).

Assuming the full S\$13 million Loan was drawn-down and Jit Sun exercises its option to require the Company to issue to it the Jit Sun Shares for full repayment of the Loan, up to 102,362,205 Jit Sun Shares will be allotted and issued provided always that the Jit Sun Shares, when aggregated with the ordinary shares in the issued and paid-up share capital of the Company (“**Shares**”) held by Jit Sun and persons acting in concert with it (as defined under the Singapore Code on Take-overs and Mergers (the “**Code**”), is capped at such number of Shares that would not result in Jit Sun acquiring Shares which carry 30% or more of the voting rights of the Company immediately prior to such allotment and issuance, and, which accordingly, shall not require Jit Sun to extend a mandatory general offer to shareholders of the Company (“**Shareholders**”) under the Code).

Such 102,362,205 Jit Sun Shares represent (i) approximately 24.12% of the existing issued and paid-up share capital of the Company as at the date of this announcement, and (ii) approximately 19.43% of the enlarged issued and paid-up share capital of the Company.

2. DETAILS OF JIT SUN

Jit Sun, a company incorporated in the Republic of Singapore, is a controlling Shareholder of the Company. Jit Sun has direct and indirect interests in an aggregate of 112,227,273 Shares, representing approximately 26.45% of the issued and paid-up share capital of the Company as at the date of this announcement. Lee Chye Tek Lionel, the sole shareholder of Jit Sun, is the brother of Lee Chye Cheng Adrian who is the Managing Director of the Company.

3. DETAILS OF THE LOAN

3.1 Loan. The main terms of the Loan are as follows:

- 3.1.1** The Loan shall be repayable by the Company upon demand by Jit Sun.
- 3.1.2** Subject to paragraph 3.1.3 below, Jit Sun shall have the right to request the Company, from time to time, to allot and issue such number of Jit Sun Shares to Jit Sun at the Jit Sun Conversion Price for full or partial repayment of the outstanding principal amount of the Loan that remains unpaid at the time of demand of repayment of the Loan (the “**Outstanding Loan**”).
- 3.1.3** Jit Sun’s right to request the Company to allot and issue Shares in paragraph 3.1.2 above is subject to and conditional upon:
- (a) the number of Jit Sun Shares to be allotted and issued to Jit Sun, when aggregated with the Shares held by Jit Sun and persons acting in concert with Jit Sun (as defined under the Code), would not result in Jit Sun acquiring Shares which carry 30% or more of the voting rights of the Company immediately prior to such allotment and issuance, and, which accordingly, shall not require Jit Sun to extend a mandatory general offer to Shareholders under the Code;
 - (b) the approval of the Shareholders of the Company in an extraordinary general meeting (the “**EGM**”) being obtained for (i) the Convertibility Option contemplated under the Loan Agreement, and (ii) (if applicable) upon conversion of the Outstanding Loan upon the request of Jit Sun, the allotment and issuance of the Jit Sun Shares on the terms set out in the Loan Agreement, in accordance with the requirements of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**Catalist Rules**”) (“**SGX-ST**”); and
 - (c) the approval of the SGX-ST for the listing of and quotation for the Jit Sun Shares on the sponsor-supervised listing platform of the SGX-ST (“**Catalist**”), on terms reasonably satisfactory to Jit Sun and the listing and quotation notice for the dealing in, listing of, and quotation for the Jit Sun Shares (the “**LQN Notice**”) remaining in full force and effect at the completion of such allotment and issuance (“**Completion**”) and, if the LQN Notice is subject to any conditions which are required to be fulfilled on or prior to Completion, such conditions are so fulfilled.
- 3.1.4** If Jit Sun does not exercise its right to request the Company to allot and issue the Jit Sun Shares, the Outstanding Loan shall be repayable by the Company in cash to Jit Sun.
- 3.1.5** Jit Sun may not without the prior written consent of the Company, assign, grant any security interest over, hold on trust or otherwise transfer the benefit of the whole or any part of the Loan Agreement, including but not limited to the Convertibility Option.
- 3.1.6** In the event that the Company goes into liquidation, the Loan will rank:

- (a) *pari passu* with all other unsecured lenders of the Company; and
- (b) senior to all classes of shares in the capital of the Company.

3.1.7 Interest payments on the Loan shall be made in cash, and for the avoidance of doubt, will not be converted into the Jit Sun Shares.

3.1.8 The governing law of the Loan Agreement is Singapore law.

3.2 Jit Sun Conversion Price. The Jit Sun Conversion Price of S\$0.127 per Jit Sun Share was commercially agreed between Jit Sun and the Company on an arm's length basis and represents a 5.83% premium to the closing price per Share of S\$0.120 traded on Catalist on 28 November 2014, being the last full trading day prior to the signing of the Loan Agreement. Under Rule 830 of the Catalist Rules, the Company shall announce any adjustment made to the Jit Sun Conversion Price.

3.3 Jit Sun Shares. The number of Jit Sun Shares to be issued to Jit Sun is based on the following:

3.3.1 The number of Jit Sun Shares to be allotted and issued to Jit Sun will be calculated by dividing the Outstanding Loan by the Jit Sun Conversion Price.

3.3.2 Subject always to the terms and conditions of the Loan Agreement, the maximum number of Jit Sun Shares that can be allotted and issued pursuant to the conversion of the Outstanding Loan shall be 102,362,205 Jit Sun Shares (the "**Maximum Jit Sun Shares**"). This assumes the full S\$13 million Loan was drawn-down and Jit Sun exercises its option to request the Company to issue to it the Jit Sun Shares for full repayment of such principal amount of the Loan. However, the Maximum Jit Sun Shares will be revised in the event that the Jit Sun Conversion Price is adjusted pursuant to the adjustment events set out in the Loan Agreement. In the event that the Jit Sun Conversion Price is adjusted and subject always to the terms and conditions of the Loan Agreement, the revised Maximum Jit Sun Shares will be calculated by dividing the Outstanding Loan by the revised Jit Sun Conversion Price (adjusted in accordance with the adjustment events and the adjustment formulae set out in the Loan Agreement).

3.3.3 The Jit Sun Shares, if and when allotted and issued, shall be credited as fully paid and rank *pari passu* in all respects with the then existing Shares.

3.3.4 The Jit Sun Conversion Price shall be adjusted or varied in the event of rights issues, bonus issues, capitalisation issues or other alterations to the share capital of the Company.

3.4 Amendments to the Loan Agreement. The Company and Jit Sun shall not agree to a material alteration to the terms of the Loan to the advantage of Jit Sun, without seeking the approval of Shareholders, except where the alterations are made pursuant to the terms of the Loan Agreement.

4. RATIONALE FOR THE LOAN

The Loan will enable the Company to strengthen its balance sheet position, and this is particularly favourable in view of the prevailing difficult industry conditions and general tight liquidity in the financial markets. The Board further believes that Shareholders' confidence in the Company is expected to be boosted in the event Jit Sun exercises the Convertibility Option.

5. CHAPTER 9 OF THE CATALIST RULES — INTERESTED PERSON TRANSACTION

The Loan, including the Convertibility Option, is considered to be an interested person transaction under Chapter 9 of the Catalist Rules, as Jit Sun is a controlling Shareholder and, thus, an "interested person" for the purposes of Chapter 9 of the Catalist Rules. Furthermore, the sole shareholder of Jit Sun, Lee Chye Teck Lionel, is the brother of Lee Chye Cheng Adrian who is the Managing Director of the Company.

For illustration purposes, based on the latest audited financial statements of the Group for the financial year ended 30 June 2014 ("FY2014"), the audited consolidated net tangible assets ("NTA") of the Group was approximately S\$18,906,000. The interests payable by the Company to Jit Sun, assuming the full S\$13 million Loan was drawn-down, would be S\$910,000, which amounts to approximately 4.81% of the Group's NTA. The Convertibility Option, if exercised by Jit Sun, would result in the issue of 102,362,205 Jit Sun Shares, assuming the full S\$13 million Loan was drawn-down, represents approximately 68.76% of the Group's NTA. Under Chapter 9 of the Catalist Rules, where the value of a transaction with an interested person singly, or, on aggregation with the values of other transactions conducted with the same interested person in the same financial year, equals or exceeds 5% of the Group's latest audited consolidated NTA, that transaction shall be subject to shareholders' approval.

Accordingly, the Convertibility Option encapsulated in the Loan is an interested person transaction which is subject to the approval of Shareholders at the EGM to be convened pursuant to Rule 906(1)(a) of the Catalist Rules.

For the avoidance of doubt, should Shareholders' approval for the Convertibility Option not be obtained at the EGM, the Loan will remain. However, Jit Sun would not have the Convertibility Option to request the Company to allot and issue the Jit Sun Shares to Jit Sun for full or partial repayment of the Outstanding Loan, and the repayment of the Loan will have to be in cash.

As at the date of this announcement, save for the S\$13 million Loan, there are no interested person transactions (excluding transactions less than S\$100,000) between the Company and Jit Sun and its associates for the current financial year ending 30 June 2015.

6. RESTRICTED PLACEE

Jit Sun, being a controlling Shareholder, is considered to be a "restricted placee" pursuant to Rule 812(1) of the Catalist Rules.

Pursuant to Rule 812(2) of the Catalist Rules, Rule 812(1) of the Catalist Rules will not apply if specific shareholder approval for such a placement is obtained. It further provides that the

person and its associates must abstain from voting on the resolution approving the placement.

Accordingly, the Convertibility Option encapsulated in the Loan is required to be approved by Shareholders under Rule 812 of the Catalist Rules and Jit Sun and its associates will abstain from voting on the ordinary resolution to approve the foregoing.

7. ISSUE OF CONVERTIBLE SECURITIES AND NEW SECURITIES

Rule 805 of the Catalist Rules provides that an issuer must obtain prior approval of shareholders in general meeting for the issue of shares or convertible securities or grant of options carrying rights to subscribe for shares in the issuer. Rule 824 of the Catalist Rules provides that every issue of convertible securities not covered under a general mandate must be specifically approved by shareholders in a general meeting.

The Convertibility Option is also required to be approved by Shareholders under Rule 805 and Rule 824 of the Catalist Rules.

8. DIRECTORS' OPINION

The Directors are of the opinion that, barring any unforeseen circumstances, after taking into consideration the Group's present bank facilities, internal resources and operating cashflow, the working capital available to the Group is sufficient to meet its present requirements. Notwithstanding the present sufficiency of working capital, the Directors are of the opinion that the Loan will strengthen its balance sheet position.

9. FINANCIAL EFFECTS OF THE LOAN

The proforma financial effects of the Loan are presented for the purposes of illustration only and are not intended to reflect the actual future financial situation of the Company after the completion of the Loan. Such proforma financial effects have been computed based on the latest audited consolidated financial statements of the Group for FY2014, as well as the following assumptions:

- (i) the full S\$13 million Loan has been drawn down;
- (ii) no adjustments have been made to the Jit Sun Conversion Price;
- (iii) Jit Sun has elected to be repaid such S\$13 million principal amount by way of the allotment and issuance of the Jit Sun Shares to Jit Sun, and accordingly, 102,362,205 Jit Sun Shares have been issued at the end of FY2014 at the Jit Sun Conversion Price of S\$0.127 per Jit Sun Share; and
- (iv) expenses relating to the Loan are approximately S\$10,000.

Share Capital

	Before the Loan	After the Loan
Number of Shares	411,281,127	513,643,332
Share capital (S\$'000)	95,882	108,882

Net Tangible Asset ("NTA")

Assuming that the Loan had been drawn down on 30 June 2014, the effect on the NTA per Share as at 30 June 2014 will be as follows:

	Before the Loan	After the Loan
Attributable to Shareholders of the Company (S\$'000)	18,906	31,896
Number of Shares	411,281,127	513,643,332
NTA per Share (cents)	4.60	6.21

Loss per Share

Assuming that the Loan had been drawn down on 1 July 2013, the effect on the loss per Share for FY2014 will be as follows:

	Before the Loan	After the Loan
Net loss attributable to Shareholders of the Company (S\$'000)	(3,670)	(3,680)
Weighted average number of Shares	386,868,009	489,230,214
Loss per Share (cents)	(0.95)	(0.75)

10. AUDIT COMMITTEE'S STATEMENT

Pursuant to Rule 917(4)(a) of the Catalist Rules, the audit committee of the Company, having considered the terms of the Loan Agreement, is of the view that the Convertibility Option is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

11. APPROVAL

An application will be made to Canaccord Genuity Singapore Pte. Ltd. (the "**Sponsor**") and the SGX-ST for the approval for the dealing in, listing of, and quotation for the Jit Sun Shares, and the issue of any additional shares as may potentially arises pursuant to the adjustments of the Jit Sun Conversion Price as applicable. An announcement will be made by the Company to notify Shareholders in due course.

12. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

In accordance with Rule 919 of the Catalist Rules, an interested person shall abstain and ensure its associates will abstain, from voting on resolutions approving interested person transactions involving themselves and their associates. Furthermore, such interested persons and their associates shall not act as proxies in relation to such resolutions unless voting instructions have been given by the shareholder.

12.1 Abstaining Director

Lee Chye Cheng Adrian, the Managing Director of the Company, is the brother of Lee Chye Tek Lionel, who is the sole shareholder of Jit Sun.

Accordingly, Lee Chye Cheng Adrian will abstain from making any recommendation on the Convertibility Option to Shareholders, and will abstain, and will ensure that his associates will abstain, from voting on the ordinary resolution to approve the Convertibility Option at the EGM. Lee Chye Cheng Adrian will also decline to accept any appointment as proxy for any Shareholder to vote in respect of the ordinary resolution to approve the Convertibility Option at the EGM unless the Shareholder concerned shall have given instructions in the proxy form as to the manner in which his votes are to be cast in respect of the ordinary resolution to approve the Convertibility Option at the EGM.

12.2 Abstaining Shareholders

As at the date of this announcement, the controlling Shareholder, Jit Sun has direct and indirect interests in an aggregate 112,227,273 Shares, representing approximately 26.45% of the issued and paid-up share capital of the Company. Jit Sun has declared its interest as described above and will accordingly abstain, and will ensure that its associates will abstain, from voting on the ordinary resolution to approve the Convertibility Option at the EGM. Jit Sun will also decline to accept any appointment as proxy for any Shareholder to vote in respect of such ordinary resolution at the EGM unless the Shareholder concerned shall have given instructions in the proxy form as to the manner in which his votes are to be cast in respect of such ordinary resolution at the EGM.

12.3 Interests of Other Directors and Substantial Shareholders

Save as disclosed in this announcement, none of the Directors or substantial Shareholders have any interest, direct or indirect, in the Loan and the Convertibility Option.

13. CIRCULAR

The Convertibility Option is conditional upon, among others, the approval from the Shareholders being obtained at the EGM. Further details of the Loan and the Convertibility Option will be set out in the circular to be issued by the Company and to be despatched to Shareholders in due course.

14. DOCUMENT FOR INSPECTION

The Loan Agreement is available for inspection by Shareholders during normal business hours at the registered address of the Company at 15 Hoe Chiang Road, #19-01 Tower 15, Singapore 089316 for three months from the date of this announcement.

15. 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 Loan, the Convertibility Option, the Company and its subsidiaries, 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 this announcement in its proper form and context.

16. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the Shares in relation to this announcement as there is no certainty that (1) the Loan will be completed as it is subject to the fulfillment of the terms and conditions set out in the Loan Agreement; and (2) the Convertibility Option will be approved by Shareholders at the EGM to be convened. When in doubt as to the action they should take, Shareholders and potential investors should consult their financial, tax or other advisers.

17. ANNOUNCEMENTS

Further announcements on the Loan and the Convertibility Option, including the receipt of the LQN Notice, will be made in due course as and when appropriate.

By order of the Board

Chia Yong Whatt

Director

Date: 2 December 2014

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the relevant rules of the 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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