

JES INTERNATIONAL HOLDINGS LIMITED

(the “**Company**”)

(Company Registration No. 200604831K)

(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF THE SHIPBUILDING BUSINESS

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of JES International Holdings Limited (the “**Company**”, and collectively with its subsidiaries, the “**Group**”) refers to its announcements made on 4 March 2015 (Announcement Reference SG150304OTHRBU9J), 25 May 2015 (Announcement Reference SG150525OTHR4HDR), 2 July 2015 (Announcement Reference SG150702OTHRGUD3), 20 August 2015 (Announcement Reference SG150820OTHRBEM0) and 20 January 2016 (Announcement Reference SG160120OTHRMMXU). Unless otherwise defined, capitalised terms in this announcement shall have the same meanings as ascribed to them in the aforementioned announcements.

1.2 Sale and Purchase Agreement

The Board wishes to announce that the Company had on 12 February 2016 entered into a conditional sale and purchase agreement (the “**SPA**”) with Hong Kong Victo International Limited (the “**Purchaser**”), pursuant to which the Company has agreed to sell and the Purchaser has agreed to purchase the whole of the registered capitals of Jiangsu Eastern Heavy Industry Co., Ltd (“**JEHI**”) and Jiangsu New Eastern Marine Engineering Equipment Co., Ltd (“**JNEME**”) and 49% of the registered capital of Jiangsu Nereus Shipyard Co., Ltd (“**JNS**”) (collectively, the “**Shipbuilding Business**”) (the “**Proposed Disposal**”).

The Company and the Purchaser shall each be referred to as a “**Party**” and collectively the “**Parties**”.

JEHI, JNEME, and JNS shall each be referred to as a “**Disposal Company**” and collectively the “**Disposal Companies**”.

1.3 Chapter 10 of the Listing Manual

The Proposed Disposal constitutes a “major transaction” under Chapter 10 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and is subject to the approval of the shareholders of the Company (the “**Shareholders**”) being obtained at an extraordinary general meeting to be convened (“**EGM**”). For further details on the relative figures in respect of the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual, please refer to paragraph 5 of this Announcement.

1.4 Rule 704(18)(c) of the Listing Manual

Upon the completion of the Proposed Disposal, JEHI, JNEME, JNS, JEHSS (as defined in paragraph 3.3) and JES Supplies (also defined in paragraph 3.3) will cease to be subsidiaries of the Company.

2. RATIONALE FOR THE PROPOSED DISPOSAL

2.1 In deciding whether the Proposed Disposal would be in the best interests of the Company and the Group, the Board had considered, *inter alia*, the following:

- (a) the Board noted that the management of the Company (the “**Management**”) has been in constant discussions with potential investors to either invest in or bring business into the Company. As previously announced, the Disposal Company JEHI had filed an application in the People’s Republic of China (the “**PRC**”) for a proposed restructuring scheme between JEHI and certain of its creditors (the “**Application**”), which at the date of this Announcement is pending an appeal to the Jiangsu High People’s Court on the decision by the Taizhou Intermediate People’s Court, Jiangsu Province, to reject the application for the scheme (the “**Proposed Restructuring**”). The insolvency of the Disposal Companies and the continuous delay in the Proposed Restructuring means that Management has had problems in engaging investors to commit to any form of investment. Almost all interested investors have indicated that they will only either invest in or bring business into the Company if the Disposal Companies are no longer part of the Company;
- (b) as the known bank debts of the Disposal Companies as owing and outstanding to their creditor banks (“**Known Bank Debts**”) greatly exceed the value of the fixed assets of the Disposal Companies (“**Fixed Asset Value**”) at the time of this Announcement and there is the delay of the pending judgment of the Jiangsu High Court on the Proposed Restructuring, the Group is faced with commercial uncertainty. As previously announced by the Company on 4 March 2015, the Group’s legal counsel in the PRC, Jiang Su Fa De Yong Heng Law Office (江苏法德永衡律师事务所), had advised that the Group could expect to receive approval for the original Application to the Taizhou Court within 2 months of submission and submit a restructuring proposal (the “**Proposal**”) within 6 months of approval of the Application, after which a creditors’ meeting would be called for the approval of the Proposal and the Proposal would then be re-submitted to the Taizhou Court for its final validation. The Group had originally expected the restructuring scheme to be completed by the end of 2015 or early in 2016. However, as at the date of this Announcement, the original Application has yet to be approved. The Board is concerned as to when the Group will be able to resolve the existing businesses of the Disposal Companies. Therefore, the Board is of view that it would be to the benefit of the Shareholders that the Group seek new business to inject into the Company; and
- (c) furthermore, notwithstanding that the Known Bank Debts exceed the Fixed Asset Value of the Disposal Companies, the Company was able to negotiate for the consideration of US\$500,000 and the Adjustment Amount (as detailed in paragraph 4.3.1 of this Announcement) for the Proposed Disposal, so as to ensure that the Company will be able to benefit from the terms of the Proposed Restructuring if and when the Proposed Restructuring is approved. The Purchaser has additionally agreed to take the place of the Company in liaising with the Jiangsu High Court and indemnify the Company from and against all actions, claims, damages, liabilities, losses, proceedings, costs and expenses in relation to the Proposed Restructuring, up to S\$50,000, from the date of the SPA.

2.2 Accordingly, the Board believes that the Proposed Disposal is in the best interests of the Company, having regard to the terms of the Proposed Disposal.

3. INFORMATION ON THE PURCHASER AND EACH DISPOSAL COMPANY

3.1 Purchaser

The Purchaser was registered in the Hong Kong Special Administrative Region of the People's Republic of China on 24 April 2012. The Purchaser and its subsidiaries and associated companies are principally engaged in the business of assets restructuring, equity restructuring, and mergers & acquisitions consultancy. The Purchaser is beneficially owned by Mr Zeng Zhen. The Purchaser has confirmed that the directors and/or substantial shareholders of the Purchaser and Mr Zeng Zhen are not related to the directors and/or substantial shareholders of the Company and the Disposal Companies.

The Management has spoken to several established shipbuilding companies in the PRC. However, all have declined to make an offer for the Disposal Companies due to the high level of Known Bank Debts and the delay in the Proposed Restructuring. The Purchaser has had experience in debt restructuring, and is influential in the PRC and able to assist the Disposal Companies in the completion of the Proposed Restructuring.

3.2 JEHI

JEHI was registered in the PRC on 22 August 2006 and is a wholly-owned subsidiary of the Company, and as at the date of this Announcement has a registered capital of US\$79,800,000. JEHI was engaged in the business of shipbuilding. As previously announced, JEHI ceased operations following the filing of the application for the Proposed Restructuring.

3.3 JNEME

JNEME was registered in the PRC on 26 June 2008 and is a wholly-owned subsidiary of the Company, and as at the date of this Announcement has a registered capital of US\$90,000,000. JNEME is a dormant company.

JNEME is the legal and beneficial owner of the entire registered capital of Jingjiang Eastern Heavy Steel Structure Co., Ltd ("**JEHSS**"), registered in the PRC on 21 August 2009. JEHSS is a dormant company.

JEHSS is the legal and beneficial owner of the entire registered capital of JYJJP Eastern Shipyard Supplies Co., Ltd ("**JES Supplies**"), registered in the PRC on 6 October 2008, and 51% of the registered capital of JNS (further information on JNS is set out in paragraph 3.4 of this Announcement). JES Supplies is a dormant company.

3.4 JNS

JNS was registered in the PRC on 30 March 2006 and as at the date of this Announcement has a registered capital of US\$61,000,000. The Company owns 49% of the registered capital of JNS. JEHSS, the wholly-owned subsidiary of JNEME as detailed in paragraph 3.3 of this Announcement, owns the remaining 51% of the registered capital of JNS. JNS is a dormant company.

4. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

4.1 Proposed Disposal

Subject to the terms and conditions of the SPA, the Company shall sell to the Purchaser and the Purchaser agrees to acquire from the Company all of the Company's rights, title and interest in the whole of the registered capitals of JEHI and JNEME and 49% of the registered capital of JNS (collectively, the "**Registered Capitals**").

4.2 Consideration

4.2.1 The aggregate consideration for the Proposed Disposal is an amount in cash equal to the sum of US\$500,000 and the Adjustment Amount (if any) as explained in paragraph 4.3.1 of this Announcement (the "**Consideration**").

4.2.2 The Consideration shall be satisfied in the following manner:

- (a) cash consideration of US\$500,000 payable on the completion date, which means, subject to the conditions precedent being satisfied or waived, the date falling not more than 10 Business Days after the satisfaction of the conditions precedent set out in the SPA, or such other date as the Parties may agree in writing (the "**Completion Date**"); and
- (b) the Adjustment Amount (if any) payable on the date as explained in paragraph 4.3.2 of this Announcement.

4.2.3 The Consideration was arrived at after arm's length negotiations between the Purchaser and the Company, and on a willing-buyer and willing-seller basis, taking into account, *inter alia*, that the Fixed Asset Value of the Disposal Companies based on the unaudited results for the fourth quarter ended 31 December 2014, being the latest announced consolidated accounts of the Group, is RMB 1,531,127,489 and the sum of the Known Bank Debts as at the date of the SPA is approximately RMB1,956,550,278. The Management has further represented that, save for the fixed assets to be detailed in the Asset Valuation Report (as explained in paragraph 4.4.1 of this Announcement), the Disposal Companies have no other material trade receivables or other material assets, and that the Disposal Companies, as at 31 December 2014, are still subject to certain significant trade payables amounting to RMB558,461,288, which as at the date of this Announcement remain outstanding and owing to the various creditors of the Disposal Companies.

4.2.4 The Company agreed that the payment of the Consideration pursuant to the terms of the SPA shall constitute full discharge of the Purchaser's obligation to make payment of such Consideration to the Company. For the avoidance of doubt, the Purchaser is aware that the Known Bank Debts greatly exceed the Fixed Asset Value of the Disposal Companies as at the date of the SPA.

4.3 Post-Completion Adjustment

4.3.1 The Parties have agreed that as at the date one (1) year from the Completion Date (the "**Review Date**"), if the amount by which the then Fixed Asset Value exceeds the then Known Bank Debts owed and all ascertained trade payables of the Target Companies (after negotiation) and without taking into account any fresh investment in the Disposal Companies from the date of the SPA ("**Future Ascertained Net Value**")

exceeds US\$1,000,000, the Purchaser shall pay to the Company the amount in US\$ calculated as follows:

Future Ascertained Net Value x 20%

(the “**Adjustment Amount**”).

- 4.3.2 Subject to the determination of the Adjustment Amount, the Adjustment Amount (if any) will be payable to the Company within six (6) months from the Review Date.

4.4 Conditions Precedent

The Proposed Disposal is subject to, *inter alia*, the following conditions precedent having been satisfied (or waived) on or prior to the date falling twelve (12) months from the date of the SPA or such later date as otherwise agreed in writing between the Parties (the “**Long-Stop Date**”):

- 4.4.1 the Known Bank Debts must exceed the Fixed Asset Value (the Fixed Asset Value as at the date of the Asset Valuation Report as defined below) by a sum more than US\$500,000, such figure to be determined by:

- (a) an asset valuation report of the Disposal Companies (the “**Asset Valuation Report**”) to be prepared by a reputable valuer in Singapore; and
- (b) written confirmation(s) in relation to the Known Bank Debts issued by the creditor banks of the Disposal Companies, provided always that each such written confirmation shall be accompanied by a legal opinion issued by a reputable PRC counsel opining on the validity and enforceability of the said written confirmation or such other equivalent document,

to be provided by the Company for this purpose;

- 4.4.2 the approval of the board of directors of the Purchaser having been obtained for the entry into and completion of, the transactions contemplated to be entered into in the SPA;
- 4.4.3 if applicable, the approval of the shareholders of the Purchaser having been obtained for the entry into and completion of, the transactions contemplated to be entered into in the SPA;
- 4.4.4 if applicable, the approval of the board of directors of each of the Disposal Companies having been obtained for the completion of the transactions contemplated to be entered into in the SPA;
- 4.4.5 if applicable, the approval of the shareholders of the Company having been obtained for the entry into and completion of, the transactions contemplated to be entered into in the SPA;
- 4.4.6 all necessary consents, approvals and waivers of the relevant authorities having jurisdiction over the transactions contemplated in the SPA (whether in Singapore, the PRC or any other relevant jurisdiction), financial institutions or other third parties having been obtained by the Purchaser or the Company, as the case may be, including without limitation:

- (a) the approval in-principle of SGX-ST being obtained by the Company for the disposal of the Registered Capitals and the change in shareholders of the Disposal Companies; and
- (b) the approval of all other relevant authorities or affected parties being obtained by the Company for the disposal of the Registered Capitals and the change in shareholders of any of the Disposal Companies, if necessary,

such consents, approvals and waivers not having been amended or revoked before the Completion Date, and to the extent that such consents, approvals and waivers are subject to any conditions required to be fulfilled before the Completion Date, all such conditions having been duly fulfilled;

- 4.4.7 the Purchaser not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the SPA, and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened; and
- 4.4.8 each of the representations, undertakings and warranties of the Purchaser under the SPA remaining true and not misleading in any material respect as at the Completion Date, as if repeated as at the Completion Date and at all times between the date of the SPA and as at the Completion Date.

4.5 Value of the Disposal Companies

4.5.1 The Group is unable to engage an auditor to ascertain the net asset value and the net tangible asset value of the Disposal Companies, or to engage an Independent Financial Advisor (“**IFA**”) to do the same for the purpose of advising the independent directors of the Company, for the following reasons:

- (a) due to the Proposed Restructuring, the latest audited accounts of the Group is for the financial year ended 31 December 2013; and
- (b) as previously announced, the Group does not currently have in its possession all of its accounting and/or administrative records. Whilst some of such records have been recovered, such records are currently in the possession of the local courts or the local police respectively due to (i) the Proposed Restructuring; and (ii) misappropriation by certain individuals. The remaining records not in the possession of the PRC courts and/or police have yet to be recovered by the Group.

4.5.2 Therefore, the Board has ascertained the value of the Disposal Companies (the “**Ascertained Net Value**”) through the following:

- (a) the Fixed Asset Value based on the unaudited results for the fourth quarter ended 31 December 2014, being the latest announced consolidated accounts of the Group, to be verified by the Asset Valuation Report as explained in paragraph 4.4.1 of this Announcement; and
- (b) the Known Bank Debts, to be verified by written confirmation(s) issued by the creditor banks of the Disposal Companies, provided always that each such

written confirmation shall be accompanied by a legal opinion issued by a reputable PRC counsel opining on the validity and enforceability of the said written confirmation or such other equivalent document.

The Ascertained Net Value, taking into account the items set out above, is **-RMB425,422,789**.

4.6 Gain/Loss from the Proposed Disposal

As the Board is unable to ascertain the net asset value of the Disposal Companies for the reasons set out in paragraph 4.5.1 of this Announcement, it is unable to show a representation of the gain or loss from the Proposed Disposal if it was completed on 31 December 2014. For illustration purpose only, if the Board utilised the Ascertained Net Value as a replacement for the net asset value of the Disposal Companies, the Proposed Disposal would result in a loss of RMB850,171,180 if it was completed on 31 December 2014.

5. **RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL**

The relative figures computed on the relevant bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Disposal and based on the unaudited results for the fourth quarter ended 31 December 2014, being the latest announced consolidated accounts of the Group, are as follows:

Rule 1006	Base	Relative figure computed in accordance with the bases set out in Rule 1006
(a)	The net asset ⁽¹⁾ value of the assets to be disposed of, compared with the Group's net asset value	— ⁽²⁾
(b)	The net profits ⁽³⁾ attributable to the assets disposed of, compared with the Group's net profits	99%
(c)	The aggregate value of the consideration received, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares ⁽⁴⁾	2% ⁽⁵⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable to a disposal of registered capital.

Notes:

- (1) "net asset" means total assets less total liabilities, including non-controlling interests.
(2) For the reasons set out in paragraph 4.5.1 of this Announcement, the Board is unable to ascertain this relative figure.

- (3) “**net profits**” means profit or loss before income tax, non-controlling interests and extraordinary items.
- (4) “**market capitalisation**” is calculated by the number of shares of the Company (excluding treasury shares), amounting to 1,208,028,000 shares, multiplied by the volume weighted average price of the Company’s shares on 3 March 2015 and 4 March 2015, being the last market days on which the Company’s shares were traded before trading in the Company’s shares was suspended, such figure being S\$0.03.
- (5) This relative figure is calculated by the Purchaser to the Company on the assumption that no Adjustment Amount is payable.

As the relative figure computed above on the base set out in Rule 1006(b) of the Listing Manual above exceeds 20%, the Proposed Disposal constitutes a “major transaction” under Chapter 10 of the Listing Manual and is conditional upon the approval of Shareholders at an EGM to be convened. A circular will be dispatched to Shareholders in due course.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

6.1 Bases and Assumptions

For the purposes of illustration only, the pro forma financial effects of the Proposed Disposal taken as a whole are set out below. The pro forma financial effects have been prepared based on the audited consolidated financial statements of the Group for FY2013, being the most recently completed financial year, and do not necessarily reflect the actual future financial position and performance of the Group following completion of the Proposed Disposal.

6.2 Share Capital

The Proposed Disposal has no impact to the Company’s issued share capital.

6.3 Net Tangible Assets (“NTA”)

Assuming that the Proposed Disposal was completed on 31 December 2013 and based on the Group’s audited consolidated financial statements for FY2013 and disregarding any interest, revenue and/or return that may arise from the Proposed Disposal, the pro forma financial effects of the Proposed Disposal on the consolidated NTA of the Group are as follows:

	As at 31 December 2013	
	NTA of the Group (RMB’000)	NTA per share (RMB cents)
Before the Proposed Disposal	1,240,410	106
After the Proposed Disposal	(65,528)	(6)

6.4 Earnings Per Share (“EPS”)

Assuming that the Proposed Disposal had been completed on 1 January 2013 and based on the Group’s audited consolidated financial statements for FY2013 and disregarding any interest, revenue and/or return that may arise from the Proposed Disposal, the pro forma financial effects of the Proposed Disposal on the consolidated EPS of the Group are as follows:

	For the financial year ended 31 December 2013	
	Net Profit attributable to the Group (RMB’000)	EPS (RMB cents)
Before the Proposed Disposal	(522,191)	(45)
After the Proposed Disposal	(11,612)	(1)

6.5 Gearing

Assuming that the Proposed Disposal had been completed on 31 December 2013 and based on the Group’s audited consolidated financial statements for FY2013 and disregarding any interest, revenue and/or return that may arise from the Proposed Disposal, the pro forma financial effects of the Proposed Disposal on the gearing of the Group are as follows:

	As at 31 December 2013		
	Total Debts (RMB’000)	Total Equity (RMB’000)	Gearing Ratio (times)
Before completion of Proposed Disposal	2,542,561	1,240,410	2.05
After completion of Proposed Disposal	28,609	(65,528)	(0.44)

7. **INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Company's directors or substantial shareholders or their associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company.

8. EGM AND CIRCULAR TO SHAREHOLDERS

The Company will convene an EGM to seek the approval of the Shareholders for the Proposed Disposal and a circular containing, *inter alia*, details thereof, together with the opinions and recommendations of the Directors in relation thereto and enclosing the notice of EGM in connection therewith, will be dispatched to the Shareholders in due course.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA and the Asset Valuation Report (when issued by the valuer) will be available for inspection during normal business hours at the Company's registered office at 8 Eu Tong Sen Street, #13-89, The Central, Singapore 059818 for a period of three (3) months from the date of this Announcement.

10. 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 Proposed Disposal, 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.

11. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Proposed Disposal as appropriate or when there are further developments on the same.

12. EFFECT OF DISPOSAL

12.1 In the event that the Company is unable to obtain a business which is able to satisfy the SGX-ST's requirements for a new listing, the Company may be characterised as a cash company under Rule 1018 of the Listing Manual.

12.2 Trading in the shares of the Company is currently suspended. If the Company is unable to obtain a viable new business, it may be delisted by the SGX-ST.

BY ORDER OF THE BOARD

Jin Yu
Chief Executive Officer
12 February 2016