

MIDDLE EAST DEVELOPMENT SINGAPORE LTD.

(Company Registration No. 196600189D)

(Incorporated in Singapore)

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- (1) THE PROPOSED ADDITIONAL INVESTMENT BY GERMIR GROUP LIMITED (THE "SUBSCRIBER") IN MIDDLE EAST DEVELOPMENT SINGAPORE LTD. (THE "COMPANY"):-
- (A) THE PROPOSED ALLOTMENT AND ISSUE OF 550,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY ("SHARES") TO THE SUBSCRIBER AT AN ISSUE PRICE OF S\$0.05 EACH (THE "SUBSCRIPTION SHARES") FOR AN AGGREGATE CASH CONSIDERATION OF S\$27.5 MILLION; AND
- (B) THE PROPOSED GRANT OF 300,000,000 TRANSFERABLE OPTIONS ("OPTIONS") AT AN OPTION PRICE OF S\$0.0001 EACH FOR ACCEPTANCE BY THE SUBSCRIBER FOR AN AGGREGATE CASH CONSIDERATION OF S\$30,000, WHICH MAY UPON EXERCISE, BE CONVERTED INTO 300,000,000 NEW SHARES (THE "OPTION SHARES") AT AN EXERCISE PRICE OF S\$0.05 EACH.
- (THE "PROPOSED SUBSCRIPTION")
- (2) THE PROPOSED ALLOTMENT AND ISSUE OF 27,500,000 NEW SHARES (THE "ARRANGEMENT SHARES") TO UOB KAY HIAN PRIVATE LIMITED (THE "ARRANGER") IN CONSIDERATION FOR PROCURING THE SUBSCRIPTION OF SUBSCRIPTION SHARES BY THE SUBSCRIBER
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1. INTRODUCTION

Further to the announcement dated 24 June 2009, the board of directors (the "Board") of the Company is pleased to announce that the Company has, following further discussions with the Subscriber, on 23 July 2009 entered into a conditional subscription agreement (the "Subscription Agreement") with the Subscriber in respect of the Proposed Subscription.

Details of the Proposed Subscription are set out below.

2. THE PROPOSED SUBSCRIPTION

2.1 General Terms of the Subscription Agreement

- (a) The Company shall allot and issue the Subscription Shares and grant 300,000,000 Options to the Subscriber in the following manner:-

- (i) Tranche 1

Allotment and issue of a first tranche of 150,000,000 new Shares ("**Tranche 1 Shares**") to the Subscriber at an issue price of S\$0.05 for each new Share (the "**Issue Price**") for an aggregate cash consideration of S\$7,500,000.

- (ii) Tranche 2
 - (A) Allotment and issue of a second tranche of 400,000,000 new Shares (“**Tranche 2 Shares**”) to the Subscriber at the Issue Price for an aggregate cash consideration of S\$20,000,000; and

(Tranche 1 Shares and Tranche 2 Shares are collectively referred to as the “**Subscription Shares**”)
 - (B) Grant of 300,000,000 Options at a price of S\$0.0001 (the “**Option Price**”) for each Option for acceptance by the Subscriber for an aggregate cash consideration of S\$30,000, which may upon exercise, be converted into 300,000,000 Option Shares at S\$0.05 per Option Share (the “**Option Exercise Price**”).
- (b) The Options are exercisable anytime within the period of thirty six (36) months commencing from the day when the allotment and issue of Tranche 2 Shares and the grant of the Options are completed (the “**Second Closing**”). The Options granted to the Subscriber may be transferred in whole or in part, at the Subscriber’s absolute discretion, subject to the exercise of an Option transfer form in favour of its intended transferee.
- (c) Pursuant to the Subscription Agreement, the Subscriber has undertaken not to sell, realise, transfer or otherwise dispose of any of the Subscription Shares in the following manner:
 - (i) for Tranche 1 Shares, within a period of six (6) months from the day when the allotment and issue of Tranche 1 Shares is completed (the “**First Closing**”) and
 - (ii) for Tranche 2 Shares, within a period of six (6) months from the Second Closing.
- (d) Notwithstanding **paragraph 2.1(c)**, the Subscriber may transfer the Subscription Shares to a company wholly owned by it or a company wholly owned by Ms Wang Yuzhu and may, with the consent of the Company, pledge any of the Subscription Shares to such third party provided that such third party provides the Company with an undertaking similar in terms to that contained in the Subscription Agreement.

2.2 Other Information

- (a) The Issue Price represents a discount of approximately 10.71% to the average weighted price of the Shares for trades done for the full market day on 23 July 2009, when the Subscription Agreement is signed.
- (b) The Subscriber has indicated to the Company that with respect to the 300,000,000 Options, the Subscriber intends to place out 120,000,000 Options at the Option Price to placee(s) including business associates (the “**Option Placement**”).

2.3 Application to the Singapore Exchange Securities Trading Limited (the “SGX-ST”) through Stamford Corporate Services Pte Ltd (the “Sponsor”)

An application will be made to the SGX-ST through the Sponsor for the listing of and quotation for the Subscription Shares, the Option Shares and the Arrangement Shares on the Catalist Board (the “**Catalist**”) of the SGX-ST. An appropriate announcement on the outcome of the application will be made in due course.

The Subscription Shares, the Arrangement Shares and Option Shares (when issued) will be credited as fully paid-up and shall rank *pari passu* in all respects with the then existing Shares,

except for any dividends, distributions or entitlements, the Record Date of which falls on or before such date of allotment and issue of the Subscription Shares, the Option Shares and the Arrangement Shares, as the case may be (“**Record Date**” means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business on which shareholders of the Company must be registered in order to participate in such dividends, rights, allotments or other distributions).

2.4 Conditions Precedent

The allotment and issue of the Subscription Shares and the grant of Options are conditional upon the satisfaction, as the case may be, of the following conditions precedent:-

- (a) the in-principle listing approval for the Subscription Shares and the Option Shares having been obtained from the Sponsor and not having been revoked or amended and, where such approval is subject to conditions (which are not normally imposed by the Sponsor for a transaction of a similar nature), such conditions being acceptable to the Parties and, to the extent that any condition for the listing and quotation of the Subscription Shares and Option Shares on the Catalist is required to be fulfilled on or before the Closing (the “**Closing**” means the First Closing, the Second Closing and the completion of the subscription for the Option Shares), all such conditions having been so fulfilled;
- (b) the Listing and Quotation Notice of the Subscription Shares and the Option Shares having been obtained from the SGX-ST (“**Listing and Quotation Notice**” means the notice from the SGX-ST that the Subscription Shares and Option Shares will be admitted to the Catalist and listed for quotation on the Catalist);
- (c) the approval of the Board being obtained in respect of the Subscription Agreement and the same not having been withdrawn or revoked on or before the Closing;
- (d) the approval of the independent shareholders at an extraordinary general meeting of the Company (“**EGM**”) to be convened for (i) the allotment and issuance of the Subscription Shares as well as for the grant of Options to the Subscriber and the issue of the Option Shares upon the exercise of the Options; and (ii) the whitewash resolution from the independent shareholders of the Company at an EGM to be convened such that the Subscriber need not make a general offer following the issue of the Subscription Shares as well as for the exercise of the Options;
- (e) the approvals from the Securities Industry Council of Singapore for the whitewash waiver exempting the Subscriber from making a general offer following the issue of the Subscription Shares as well as for the grant of Options and the issue of the Option Shares upon the exercise of the Options;
- (f) the allotment, issue and subscription of the Subscription Shares, the grant of Options and the issue of the Option Shares upon the exercise of the Options being in compliance with the Securities and Futures Act (Chapter 289) of Singapore, in connection with offers of securities and not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Subscriber or the Company; and
- (g) there having been, at the Closing, no occurrence of any event nor discovery of any fact rendering untrue or incorrect in any respect any of the warranties given by the Company and/or the Subscriber if they were repeated on and as of the Closing.

2.5 Effect on Shareholding Structure of the Company

As at 22 July 2009 (the “**Latest Practicable Date**”), the issued and paid-up share capital of the Company is S\$22,883,587 comprising 477,477,500 Shares. In addition, there are 235,000

outstanding options granted pursuant to the Hitchins Employees' Share Option Scheme, of which 235,000 are exercisable (the "**Outstanding ESOS Options**").

Based on this figure and assuming all the Outstanding ESOS Options have been fully exercised and Arrangement Shares are issued according to the schedule set out in **paragraph 3**, upon their issue:-

- (a) Tranche 1 Shares will represent approximately 23.61% of the enlarged issued share capital of the Company after the First Closing and before the Second Closing;
- (b) Tranche 1 Shares and Tranche 2 Shares will represent approximately 52.12% of the enlarged issued share capital of the Company after the Second Closing;
- (c) Tranche 1 Shares, Tranche 2 Shares and Arrangement Shares will represent approximately 54.73% of the enlarged issued share capital of the Company after the Second Closing; and
- (d) the Subscription Shares, Arrangement Shares and Option Shares (when issued) collectively (assuming 300,000,000 Options are subsequently exercised) will represent approximately 64.75% of the enlarged issued share capital of the Company.

2.6 Rationale for the Subscription and Use of Proceeds

For the past three financial years, the Company and its subsidiaries (collectively the "**Group**") have experienced losses as the markets in which the Group operates have become highly competitive. The Group has faced difficulties brought about by increases in the costs of raw materials, labour and fuel prices. The escalation in cost had an adverse impact on the profitability of our existing projects and the Group's ability to secure new profitable projects. Further, the expansion of the Group's business into the Middle East was faced with unexpected difficulties such as in establishing our business operations there and the termination of project and construction management contracts with M.E. Development L.L.C. ("**MED**"). Our former strategic investor, MED had exited the Group and had ceased to be a substantial shareholder of the Company since 28 November 2008. With the exit of MED, the Group has been facing difficulties in accessing business opportunities in the Middle East. The Board is of the view that the scope for further growth and development in its existing operations in Singapore and the Middle East is limited. As a result, the Group has been seeking out new business opportunities in other regions, in particular, the People's Republic of China (the "**PRC**").

Ms Wang Yuzhu, who owns the entire share capital of the Subscriber, controls construction-related companies in the PRC as well as in Australia. The Subscriber has agreed and acknowledged with the Company that the future growth areas of the Group will be in construction and resources sector (the "**Future Growth Areas**"). The Subscriber, if it becomes a controlling shareholder in the Company, would assist the Company in accessing more business opportunities in the Future Growth Areas.

Therefore, in the opinion of the Board, the Subscription is in the best interest of the Company as it will provide the Company with fresh working capital, a stronger equity base, and a supportive and long-term major shareholder who can add value to the potential growth of the Group.

The net proceeds from the Proposed Subscription are estimated to be approximately S\$27.2 million (after deducting for the professional fees and all other expenses in relation to the Proposed Subscription). The net proceeds from the exercise of 300,000,000 Options are estimated to be approximately S\$15.0 million (assuming that all 300,000,000 Option Shares are allotted and issued by the Company to the Subscriber and the Subscriber's placee(s) at the Option Exercise Price).

The net proceeds from the Proposed Subscription and allotment and issue of Option Shares shall be used by the Company as follows:-

- (a) approximately 90% to be used in searching for and investing in fresh business opportunities; and
- (b) the balance of the net proceeds for general working capital purposes.

The Company will announce the deployment and utilisation of the net proceeds of the Proposed Subscription and the allotment and issue of Option Shares as and when the same are materially disbursed.

3. ARRANGEMENT SHARES

On 19 December 2008, the Company appointed the Arranger to source for placees in a share placement exercise carried out at that time (the “**Placement Mandate**”). Under the terms of the Appointment of the Arranger, the Company would pay the Arranger 5.00% of the proceeds raised from investor(s) arranged by the Arranger including amounts raised by the Company from such investor(s) within twelve months from the Placement Mandate.

Pursuant to the Placement Mandate, both the Company and the Arranger agree and acknowledge that in consideration for the Arranger’s procuring the subscription of the Subscription Shares by the Subscriber, the Company shall pay the Arranger 5.00% of the Issue Price of the Subscription Shares (amounting to S\$1,375,000) (the “**Placement Commission**”) in the following manner:

- (a) S\$375,000, payable by the issue of 7,500,000 Arrangement Shares by the Company to the Arranger at a price of S\$0.05 per Arrangement Share, credited as fully paid up, at the First Closing; and
- (b) S\$1,000,000, payable by the issue of 20,000,000 Arrangement Shares by the Company at a price of S\$0.05 per Arrangement Share, credited as fully paid up, at the Second Closing.

The allotment and issue of the Arrangement Shares will be subject to the approval of shareholders at the EGM. In the event that the approval for the allotment and issue of the Arrangement Shares to the Arranger as the Placement Commission is not obtained from the shareholders at the EGM, the Placement Commission shall be paid to the Arranger in cash.

4. WHITEWASH WAIVER UNDER THE SINGAPORE CODE ON TAKE-OVERS AND MERGERS (THE “CODE”)

Under Rule 14 of the Code and Section 139 of the Securities and Futures Act (Chapter 289) of Singapore, any person acquiring Shares in excess of 30% of the Company shall be required to make a general offer for those Shares not already owned by him and his concert parties.

As stated in **paragraph 2.5** above, based on the issued and paid-up share capital of the Company as at the Latest Practicable Date and assuming all the Outstanding ESOS Options are exercised and Arrangement Shares are issued to the Arranger according to the schedule set out in **paragraph 3**, the Subscriber’s interest in the share capital of the Company (including the Subscriber’s existing shareholding of 70,000,000 Shares) shall approximately be:-

As at the Latest Practicable Date	After the issue of Tranche 1 Shares	After the issue of Tranche 2 Shares	After the issue of Tranche 1 Shares, Tranche 2 Shares and 300,000,000 Option Shares (less 120,000,000 Options placed out by the Subscriber in the Option Placement)
14.66%	34.63%	58.76%	59.03%

The Company will be making an application to the Securities Industry Council (the “SIC”) for a waiver of the obligation by the Subscriber and its concert parties to make a general offer as a result of the allotment and issue of the Subscription Shares and Option Shares upon the exercise of Options, to the Subscriber (the “Whitewash Waiver”). An appropriate announcement on the outcome of the application will be made in due course.

5. FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION AND THE ALLOTMENT AND ISSUE OF THE ARRANGEMENT SHARES ON THE COMPANY AND THE GROUP

For illustrative purposes only and based on the latest unaudited consolidated balance sheet of the Company and of the Group as at 31 March 2009 and the audited consolidated profit and loss statement of the Group for the financial year ended 30 June 2008, assuming all the Outstanding ESOS Options have been fully exercised and 235,000 new Shares have been allotted and issued at a average price of S\$0.08 per new Share, the financial effects of allotment and issue of Tranche 1 Shares, Tranche 2 Shares, the Arrangement Shares and the Option Shares upon the exercise of Options, on the Company and on the Group are set out below.

(a) Share Capital

The effect of the Proposed Subscription and the allotment and issue of the Arrangement Shares on the issued and paid-up capital of the Company is as follows:-

Company				
	As at 31 March 2009	After the issue of Tranche 1 Shares ⁽¹⁾	After the issue of Tranche 2 Shares ⁽¹⁾	After the issue of Tranche 1 Shares, Tranche 2 Shares and 300,000,000 Option Shares (assuming that the Options had been fully exercised) ⁽¹⁾
Number of Shares issued	477,477,500	635,212,500	1,055,212,500	1,355,212,500
Issued and paid-up share capital (S\$)	22,883,587 ⁽²⁾	30,402,387	50,432,387	65,432,387
Shareholders' equity (S\$)	14,064,452	21,233,252	41,263,252	56,263,252

Note:-

(1) Assuming all the Outstanding ESOS Options have been fully exercised and 235,000 new Shares have been allotted and issued at an average price of S\$0.08 per new Share.

(2) As at the Latest Practicable Date.

(b) Loss Per Share

The effect of the Proposed Subscription and the allotment and issue of the Arrangement Shares on the Loss per Share of the Group based on the audited consolidated profit and loss statement of the Group for the financial year ended 30 June 2008 is as follows:-

Group				
	Financial year ended 30 June 2008	After the issue of Tranche 1 Shares ⁽¹⁾	After the issue of Tranche 2 Shares ⁽¹⁾	After the issue of Tranche 1 Shares, Tranche 2 Shares and 300,000,000 Option Shares (assuming that the Options had been fully exercised) ⁽¹⁾
Net loss attributable to shareholders (S\$)	(5,150,599)	(5,150,599)	(5,150,599)	(5,150,599)
Number of Shares issued	397,977,500 ⁽²⁾	635,212,500	1,055,212,500	1,355,212,500
Loss per Share (cents)	(1.29)	(0.81)	(0.49)	(0.38)

Note:-

- (1) Assuming all the Outstanding ESOS Options have been fully exercised and 235,000 new Shares have been allotted and issued at an average price of S\$0.08 per new Share.
- (2) The Company had 397,977,500 Shares as at 30 June 2008. In January 2009, the Company completed a private placement of 79,500,000 Shares; as a result, the total number of issued Shares increased to 477,477,500. Loss per Share would have decreased to 1.08 cents.

(c) **Net Tangible Assets ("NTA")**

The effect of the Proposed Subscription and the allotment and issue of the Arrangement Shares on the NTA of the Group and the consolidated NTA per Share based on the unaudited balance sheet of the Group as at 31 March 2009 is as follows:-

Group				
	As at 31 March 2009	After the issue of Tranche 1 Shares ⁽¹⁾	After the issue of Tranche 2 Shares ⁽¹⁾	After the issue of Tranche 1 Shares, Tranche 2 Shares and 300,000,000 Option Shares (assuming that the Options had been fully exercised) ⁽¹⁾
NTA (S\$)	15,071,002	22,239,802	42,269,802	57,269,802
Number of Shares	477,477,500	635,212,500	1,055,212,500	1,355,212,500
NTA per Share (cents)	3.16	3.50	4.01	4.23

Note:-

- (1) Assuming all the Outstanding ESOS Options have been fully exercised and 235,000 new Shares have been allotted and issued at an average price of S\$0.08 per new Share.

6. WORKING CAPITAL REQUIREMENTS OF THE GROUP

The Board is of the opinion that after taking into consideration the present financial position of the Group, including its present banking facilities, its bank and cash balances, the Group will have adequate working capital for its present purposes.

While the Board is satisfied that, taking the present financial position of the Group into consideration, the Group will have adequate working capital for its present requirements, the net proceeds of the Proposed Subscription, as disclosed above, will primarily be used to search for and invest in fresh business opportunities.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The Non-Executive Chairman of the Company, Ms Wang Yuzhu owns 100% equity interest in the Subscriber. The Subscriber is a substantial shareholder of the Company holding approximately 14.66% of the existing issued share capital of the Company.

Ms Wang Yuzhu, the Subscriber and their respective associates shall abstain from voting on matters related to the Proposed Subscription at board meetings and at the EGM respectively.

Save as aforesaid, none of the directors or controlling shareholders or substantial shareholders of the Company has any interest, directly or indirectly, in the Proposed Subscription.

8. INDEPENDENT FINANCIAL ADVISER

The Company will be appointing an independent financial adviser in respect of the whitewash resolution to be obtained as a condition of the Whitewash Waiver in due course.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Company's 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, the facts stated and opinions expressed herein are fair and accurate in all material respects as at the date hereof, and that there are no material facts, the omission of which would make this announcement misleading.

10. CIRCULAR TO SHAREHOLDERS

A circular containing further details of the Proposed Subscription and enclosing a notice of the EGM in connection therewith will be dispatched to shareholders in due course.

11. DOCUMENTS FOR INSPECTION

A copy of the Subscription Agreement is available for inspection during normal business hours at the Company's registered office at 133 Cecil Street, Keck Seng Tower #08-02, Singapore 069535, for three months from the date of this Announcement.

BY ORDER OF THE BOARD

Ong Soon Teik
Executive Director and Chief Operating Officer

24 July 2009

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte Ltd (the "**Sponsor**"), for compliance with the relevant rules of Singapore Exchange Securities Trading Limited (the "**Exchange**"). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the Exchange and the Exchange 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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