

OEL (HOLDINGS) LIMITED
(Company Registration No. 198403368H)
(Incorporated in Singapore)

SALE AND PURCHASE AGREEMENT - THE PROPOSED ACQUISITION OF TWO PROPERTY INVESTMENT COMPANIES IN SINGAPORE

Unless otherwise defined, all capitalised terms herein shall have the same meaning as ascribed to them in the Company's announcement dated 16 January 2014 and 11 February 2014 relating to the proposed acquisition (the "Announcements").

1. INTRODUCTION

- 1.1 The Board of Directors (the "**Directors**") of OEL (Holdings) Limited (the "**Company**" and together with its subsidiaries, the "**Group**") had on 13 January 2014 entered into a conditional and binding Heads of Agreement ("**HOA**") with Corporate Space Pte. Ltd. (the "**Vendor**") and the Vendor's ultimate holding company Heng Fai Enterprises Limited ("**HFEL**") for the proposed acquisition (the "**Acquisition**") of 100% of the issued and fully paid up share capital of two wholly-owned subsidiaries (the "**Target Companies**") of the Vendor.
- 1.2 On 11 February 2014, the Company announced that it had entered into a supplemental agreement ("**Supplemental Agreement**") with the Vendor and HFEL to extend the Target Date for signing of the Sale and Purchase Agreement (the "**SPA**") from 12 February 2014 to 27 February 2014.
- 1.3 The Directors wish to announce that the Company has on 27 February 2014 entered into a conditional SPA with the Vendor, pursuant to which the Company has agreed to acquire 100% of the entire issued and fully paid up share capital of the Target Companies and all shareholder's loans owed to the Vendor by the Target Companies (the "**Sale Capital**").
- 1.4 The Target Companies are incorporated in Singapore and comprise the following:-
- (i) Singapore Service Residence Pte Ltd ("**SSR**") (Company Registration No. 200310973Z with its registered office at 7 Temasek Boulevard, #43-03A, Suntec Tower One, Singapore 038987); and
 - (ii) Expats Residences Pte Ltd ("**ERPL**") (Company Registration No. 200411422M with its registered office at 7 Temasek Boulevard, #43-03A, Suntec Tower One, Singapore 038987).
- 1.5 The consideration for the Acquisition is S\$53.9 million (the "**Purchase Consideration**") subject to further adjustments in accordance with the terms and conditions of the SPA.

2. INFORMATION ON THE VENDOR AND HFEL

The Vendor is a company incorporated in Singapore with limited liability, and whose ultimate holding company is HFEL. HFEL (formerly known as Xpress Group Limited) is a company incorporated in Hong Kong with limited liability and its shares are listed on the Stock Exchange of Hong Kong with a current market capitalisation of approximately HK\$1.3 billion (S\$208 million). The principal activities of HFEL include investment holding, property investment and trading, hotel operations, securities trading and investment, treasury investment, property development and financing business.

3. PRINCIPAL TERMS OF THE ACQUISITION

The principal terms of the proposed Acquisition, *inter alia*, are set out below.

3.1 Purchase Consideration

3.1.1 The Purchase Consideration for the Acquisition is S\$53.9 million, which is arrived at on a willing-buyer, willing-seller basis, following arm's length negotiations between the Company, the Vendor and HFEL, and after taking into account the audited accounts of the Target Companies for the financial year ended 31 March 2013.

3.1.2 The Purchase Consideration for the Sale Capital of SSR and ERPL shall be determined by taking into account the carrying amount of the properties held by the Target Companies (the "**Properties**") of S\$72.1 million (the "**Base Consideration**"), and adjusting for the following:-

- (a) Deduct the outstanding mortgage amount carried by the Target Companies (the "**Outstanding Mortgage Amount**");
- (b) Apportion all rentals and outgoings, whether current or retrospective, relating to the Properties up to and including the Completion Date, whether the same is billed or called for payment after the Completion Date; and
- (c) Leave a cash balance of S\$15,000 standing to the credit of the accounts of each of SSR and ERPL (total S\$30,000) on the Completion Date.

3.1.3 The Purchase Consideration of S\$53.9 million shall also take into account the capitalisation of shareholders' loans from the HFEL Group to the Target Companies¹. The net asset value of the Target Companies as at 31 March 2013 was S\$42 million.

¹: The Vendor has advised that the difference in the net asset value of the Target Companies between 31 March 2013 and the Completion Date of the Acquisition will be made up by the capitalisation of shareholders' loans from the HFEL Group to the Target Companies.

3.1.4 The Purchase Consideration shall be satisfied by way of:-

- (a) Payment of S\$10 million in cash (the "**Cash Consideration**") to the Vendor; and
- (b) Issuance by the Company of S\$43.9 million of secured convertible bonds to the Vendor (the "**Convertible Bonds**") pursuant to a Convertible Bonds Subscription Agreement (the "**CBSA**") between the Company and the Vendor.

Any balance of less than S\$100,000 shall be settled in cash.

3.1.5 The Cash Consideration will be funded by the proceeds from the disposal of the Distribution Business which was announced on 21 August 2013 and completed on 31 October 2013.

3.2 Terms of the Convertible Bonds

Pursuant to Rule 803 of the Listing Manual, as the exercise of the Convertible Bonds by the Vendor will result in a transfer of controlling interest in the Company to the Vendor, the issuance of the Convertible Bonds must be made conditional upon the Company's shareholders' (the "**Shareholders**") approval in a general meeting.

The terms of the Convertible Bonds as agreed between the Parties in the CBSA are as follows:-

3.2.1 **Issuer:** The Convertible Bonds shall be issued by the Company.

3.2.2 **Issue Size:** The aggregate face value of the Convertible Bonds shall be S\$43.9 million.

3.2.3 **Maturity Date:** This will be five (5) years from the date of the issuance of the Convertible Bonds.

3.2.4 **Issue Price:** 100% of the principal amount of the Convertible Bonds.

3.2.5 **Form and Denomination:** The Convertible Bonds shall be issued in registered form and in denominations of S\$100,000 each of integral multiples thereof.

3.2.6 **Interest:** The interest rate on the Convertible Bonds shall be 2.5% per annum, payable semi-annually in arrears.

3.2.7 **Security:** The Convertible Bonds shall be secured by way of a charge on the shares of SSR and ERPL (the "**Target Shares**"), where the terms and conditions of the charge shall be set out in a share charge agreement (the "**Share Charge Deed**") between the Company and the Vendor. The Company also shall not create any mortgage, charge, pledge or any other security interest upon the whole or any part of the Target Companies' property or assets, present or future.

3.2.8 **Conversion:** The Convertible Bonds shall be convertible into new fully paid-up ordinary shares of the Company (the "**Conversion Shares**") at any time after the issuance date of the Convertible Bonds until the maturity date.

3.2.9 **Conversion Price:** The Convertible Bonds shall be convertible into Conversion Shares at a conversion price of S\$0.11 subject to the Anti-Dilution and Adjustment Provisions (see below). The Conversion Price represents a premium of 15.9% to the volume-weighted average price of trades done on the shares of the Company (the "**OEL Shares**") on the full market day that the SPA was signed, i.e. 27 February 2014.

- 3.2.10 **Anti-Dilution and Adjustment Provisions:** There are Anti-Dilution and Adjustment Provisions in the terms of CBSA which shall take effect upon the occurrence of certain dilutive events, including, *inter alia*, private placement at discount to the market price, bonus issues, stock split, rights issues and capital distributions by the Company.
- 3.2.11 **Status:** The Convertible Bonds constitute direct, unsubordinated and secured obligations of the Company. In the event of the winding-up of the Company, the Convertible Bonds shall become immediately due and payable at their outstanding principal amount, together with any accrued and unpaid interest and any outstanding arrears of interest.
- 3.2.12 **Transferability:** The Convertible Bonds shall be freely transferable.
- 3.2.13 **Listing:** The Convertible Bonds shall not be listed and quoted on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) or on any stock exchange. No application shall be made for the listing and quotation of the Convertible Bonds on the SGX-ST or any other stock exchange.
- 3.2.14 **Repayment:** There will be no early repayment under the Convertible Bonds by the Company.
- 3.2.15 **Redemption:** Subject to an event of default and the Delisting Put Right (see below) contained in the CBSA, there will be no early redemption of the Convertible Bonds by the Company.
- 3.2.16 **Delisting Put Right:** In the event that the OEL Shares cease to be listed or admitted to trading on the SGX-ST, each holder of a Convertible Bond shall have the right, at such holder’s option, to require the Company to redeem all (and not less than all) of such holder’s Convertible Bonds on the 20th business day (being a day that is not a Saturday, a Sunday or public holiday in Singapore) after written notice has been given to the Company, at 100% of the principal amount and outstanding interest accrued on the Convertible Bonds.
- 3.2.17 **Voting Rights:** Holders of Convertible Bonds shall not be entitled to vote at any meetings of the Shareholders of the Company. Holders of Convertible Bonds shall be entitled to attend class meetings involving holders of Convertible Bonds and to attend general meetings of the Company.
- 3.2.18 **Governing Law:** The terms of the Convertible Bonds shall be governed by the laws of Singapore.

3.3 Conditions Precedent

Completion of the Acquisition shall be conditional upon the following conditions (the “**Conditions Precedent**”) being fulfilled on or before the Completion Date:-

- 3.3.1 The approval of the shareholders of the Company, the Vendor and HFEL at their respective duly convened extraordinary general meeting (“**EGM**”) to approve, implement and effect the Acquisition on the terms as set out in the SPA within three (3) months from the date of the SPA;
- 3.3.2 The Company and HFEL obtaining all the necessary approvals from government, administrative or regulatory bodies in Hong Kong and Singapore, including without limitation, any necessary approvals from Stock Exchange of Hong Kong, SGX-ST (including the listing of the Conversion Shares) and the Securities Industry Council (the “**SIC**”) as the case may be;
- 3.3.3 The Financial Adviser’s valuation of the Properties agreeing substantially with the valuation of S\$72.1 million as set out in the Annex to the Sale and Purchase Agreement, and not differing from this valuation of \$72.1 million by greater or less than 5%;
- 3.3.4 The Company being reasonably satisfied by the results of the due diligence to be performed on the Target Companies and completed within two (2) months of the date of the SPA;
- 3.3.5 The Vendor being reasonably satisfied by the results of the due diligence (if the Vendor so chooses) to be performed on the Company and completed within two (2) months of the date of the SPA;
- 3.3.6 The mortgagee banks for the Properties consenting to the sale of the Target Companies to the Company and if any such consent is subject to any condition or conditions, then such conditions are on terms reasonably acceptable to the Vendor and the Company;
- 3.3.7 Save for temporary suspension of trading in OEL Shares as may be required under the rules of SGX-ST (including for the purpose of clearing announcements), OEL Shares remaining listed and traded on the Catalist Board in the period between the SPA and Completion and no notification having been received from SGX-ST or the Company’s Sponsor that the listing of the Company will or may be withdrawn, objected to or suspended indefinitely;
- 3.3.8 The titles to the Properties being in order and properly deduced and apart from the mortgages are otherwise free from any encumbrances, and the Company’s solicitors receiving satisfactory replies to their legal requisitions on the Properties, sent by them to the various government departments.
- 3.3.9 All of the Properties are not being acquired in whole or in part by the government or any competent authority.
- 3.3.10 None of the Properties are on the Completion Date subject to any notice of acquisition or intended acquisition by any government or competent authority;

3.3.11 There shall be no material adverse change in the condition of the Properties and to the business of the Target Companies (in the reasonable opinion of the Company) as carried on; and

3.3.12 The results of an inspection of each Property by the Company are to the reasonable satisfaction of the Company.

3.4 If any Condition Precedent is not fulfilled or waived within the time provided for the fulfillment of that Condition Precedent, the SPA shall lapse and be null and void and of no further effect unless the Parties agree in writing to extend the time for fulfillment of or to waive such Condition Precedent.

4. INFORMATION ON THE TARGET COMPANIES

4.1 SSR and ERPL are indirect wholly-owned subsidiaries of HFEL whose principal business activity is property investment, the principal assets of which are their direct interests in the Singapore properties (the “**Properties**”).

4.2 Particulars of the Properties are as follows:

Property interests held by SSR for investment

Property	Area (sq. ft.)	Usage	Attributable interest
22 small-office-home-office units (#02-04, #04-02, #04-04, #07-03, #07-05, #09-03, #09-04, #11-01, #11-02, #11-03, #11-04, #13-02, #13-03, #13-04, #15-02, #15-03, #15-04, #17-02, #17-03, #17-04, #17-05 and #19-02) and one retail unit (#01-03) situated at 883 North Bridge Road, Singapore 198785 Leasehold for a lease term of 99 years commencing from January 2006 Completed in about 2010 and leased out.	22,576	Commercial/ Residential	100%

Property interests held by ERPL for investment

Property	Area (sq. ft.)	Usage	Attributable interest
5 small-office-home-office units situated at #13-01, #19-01, #19-03, #19-04, #19-05 883 North Bridge Road Singapore 198785 Leasehold for a lease term of 99 years commencing from January 2006. Completed in about 2010 and leased out.	6,157	Commercial/ residential	100%
7 residential units situated at (i) #09-07, #10-07 36 Dakota Crescent Singapore,	12,852	Residential	100%

399937, (ii) #01-09, #08-09, #14-09 38 Dakota Crescent Singapore, 399938; and (iii) #08-13, #09-13 40 Dakota Crescent Singapore 399939 Leasehold for a lease term of 99 years commencing from September 2007. Completed in about 2010 and leased out.			
---	--	--	--

A summary of the unaudited combined results of SSR and ERPL for each of the two (2) years ended 31 March 2012 and 2013 is set out below.

	For the year ended 31 March	
	2013	2012
	<i>S\$'000</i>	<i>S\$'000</i>
Profit/(loss) before taxation	91.46	(1,197.34)
Profit/(loss) after taxation	65.84	(552.60)

Based on the unaudited combined financial statements of SSR and ERPL as at 31 March 2013, the book value of the net asset was approximately S\$42.0 million.

5. RATIONALE FOR THE ACQUISITION

Following the completion of the disposal of the Company's and Group's distribution business (the "**Distribution Business**") on 31 October 2013 for a base consideration of S\$70 million, it has been the intention of the Directors to deploy the proceeds from the disposal of the Distribution Business to fund future acquisitions and its working capital, consider reducing its bank borrowing and provide a dividend distribution. The Directors are of the view that the Acquisition is in the best interests of the Group and its Shareholders as the Directors believe that the Acquisition will enable the Company to diversify into a stable and profitable business with steady cash flow and long term prospects in Singapore. Upon completion, the Acquisition will have the potential to increase the market capitalisation of the Company and enhance Shareholders' value over long-term and increase investor interest in its Shares, particularly investors who share the Company's optimism in the growth of the property market in Singapore.

6. RELATIVE FIGURES UNDER THE LISTING MANUAL RULE 1006

For the purpose of Chapter 10 of the SGX-ST Listing Manual (Section B: Catalyst Rules) (the "**Listing Manual**"), the relative figures for the Acquisition, based on the last announced consolidated accounts of the Group as at 30 June 2013, using the applicable bases of comparison set out in Rule 1006 of the Listing Manual are as follows:

	Bases of Computation	Size of Relative Figure (%)
Rule 1006 (a)	Net asset value of the assets to be disposed of, compared with the Group's	Not applicable

	net asset value.	
Rule 1006 (b)	Net profits attributable to the assets acquired, compared with the Group's net profits (pro-rated to 12 months and including the disposed Distribution Business) = S\$92,000/S\$2,396,000	3.8%
	Net profits attributable to the assets acquired, compared with the Group's net profits (pro-rated to 12 months and excluding the disposed Distribution Business) = S\$92,000/S\$-10,058,000	-0.9%
Rule 1006 (c)	Aggregate value of the consideration given, compared with the market capitalisation based on the total number of issued shares excluding treasury shares as of the market day on which the SPA was executed (i.e. 27 February 2014) (using volume-weighted average share price for the full market day of S\$0.0949) = S\$53,900,000/S\$63,418,507	84.99%
Rule 1006 (d)	Number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue = 399,090,909/668,266,667	59.7%

As the Purchase Consideration for the Acquisition exceeds 75% but is less than 100% of the Company's market capitalisation based on the total number of issued shares excluding treasury shares, the Acquisition will therefore be classified as a major transaction under Rule 1014(1)(a) of the Listing Manual. Pursuant to Rule 1014(2), a major transaction must be made conditional upon the Company obtaining approval of the Shareholders of the Company at an EGM to be held in due course for the Acquisition. The Company will convene an EGM to seek the approval from Shareholders for, *inter alia*, (i) the Acquisition and (ii) issuance of the Convertible Bonds pursuant to the CBSA.

7. FINANCIAL EFFECTS OF THE ACQUISITION

The proforma financial effects of the Acquisition on the Company are set out below. The proforma financial are theoretical in nature and only for illustrative purposes, they do not represent the actual financial position and/or results of the Company's operations after the completion of the Acquisition and are not indicative of the future financial position and earnings of the Company.

Effect on Share Capital

The financial effects of the Acquisition on the issued share capital of the Company as at the date of the SPA are as follows:

	Number of Shares	(S\$'000)
Share capital of the Company as at the date of the SPA	668,266,667	38,530
Additional issue of Conversion Shares assuming full conversion	399,090,909	43,900
Share capital of the Company as at the date of the SPA after issue of Conversion Shares assuming full conversion	1,067,357,576	82,430

Effect of the Acquisition on the Net Tangible Asset per share (the "NTA")

For the purpose of illustration and assuming that the Acquisition had been completed on 31 December 2012, being the end of the most recently audited completed financial year, and based on the Group's audited consolidated financial statements as at 31 December 2012, (taking into consideration the adjusted NTA related to the disposal of the Distribution Business which was previously announced on 21 August 2013 and 31 December 2013), the audited financial statements of both SSR and ERPL as at 31 March 2013^(a), and the Purchase Consideration of S\$53.9 million, the effect on the NTA per share of the Group as at 31 December 2012, would be as follows:

	Before the Acquisition	After the Acquisition
NTA^(b)	S\$29,553,000	S\$116,673,000
Number of Shares^(c)	668,266,667	1,067,357,576 (after full conversion)
NTA per share	4.42 cents	10.93 cents

Based on the above table, there will be a 147.3% increase in the NTA per share after the Acquisition.

^(a): The Group's and the Target Companies' audited accounts were used for computation although both have different dates for year-end (31 December 2012 and 31 March 2013) because there will be no material impact on the computations to adjust for three (3) months of the management accounts.

^(b): NTA refers to net assets less intangible assets and non-controlling interests.

^(c): Number of shares after acquisition includes the full conversion of the Convertible Bonds, i.e. the per-share figure is on a fully-diluted basis.

Effect of the Acquisition on Earnings per share ("EPS")

Assuming that the Acquisition had been completed on 1 January 2012, being the beginning of the most recently audited completed financial year, and based on the Group's audited consolidated financial statements for the financial year ended 31 December 2012 (taking into consideration the adjusted earnings related to the disposal of the Distribution Business which was previously announced on 21 August 2013 and 31 December 2013), the audited financial statements of both SSR and ERPL as at 31 March 2013, and the Purchase Consideration of S\$53.9 million the effect on the EPS of the Group for the financial year ended 31 December 2012 would be as follows:

	Before Acquisition	After the Acquisition
Earnings	(S\$29,257,000)	S\$1,137,189
Number of Shares	668,266,667	1,067,357,576 (after full conversion)
EPS	(4.38 cents)	0.11 cents

Based on the above table, there will be a 102.5% change in the earnings per share after the Acquisition.

However, if the adjusted earnings related to the disposal of the Distribution Business were excluded, the effect on the EPS of the Group for the financial year ended 31 December 2012 would be as follows:

	Before Acquisition	After the Acquisition
Earnings	(S\$40,281,425)	(S\$40,215,586)
Number of Shares	668,266,667	1,067,357,576 (after full conversion)
EPS	(6.03 cents)	(3.77 cents)

Based on the above table, there will be a 37.5% change in the earnings per share after the Acquisition.

8. ADDITIONAL LISTING APPLICATION

- 8.1 The Company will be making an application to the SGX-ST for the listing of and quotation for the Conversion Shares on the Catalist Board of the SGX-ST.
- 8.2 The Company will make the necessary announcement upon receipt of the listing and quotation notice from the SGX-ST.

9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this Announcement, save for their shareholding interests in the Company, none of the Directors or controlling Shareholders of the Company or their associates as defined in the Listing Manual has any interest, direct or indirect in the Acquisition.

10. CAUTIONARY STATEMENT

Shareholders and potential investors should note that there is no certainty that the proposed Acquisition will be completed as the conditional SPA is subject to the fulfilment of terms and conditions set out in the SPA. Shareholders and potential investors are therefore advised to exercise caution when dealing or trading in the shares of the Company in relation to this announcement. When in doubt as to the action they should take, shareholders and potential investors should consult their stockbrokers, bankers, solicitors, financial or other professional advisers.

11. 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 SPA, the CBSA 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.

12. DESPATCH OF SHAREHOLDERS' CIRCULAR

The Company will, in due course, despatch a circular to the Shareholders containing information relating to the proposed Acquisition and the issuance of the Convertible Bonds, as well as to seek approval for the same at an EGM to be convened. The circular will also set out the opinion of the Financial Adviser on the proposed Acquisition.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected by Shareholders at the registered office of the Company at 8 Aljunied Avenue 3, Oakwell Building, Singapore 389933 during normal business hours for three (3) months from the date of the announcement:

- (i) The SPA;
- (ii) The CBSA; and
- (iii) The Share Charge Deed.

By Order of the Board

Derick Lim Chien Joo
Group Financial Controller / Company Secretary
28 February 2014

This announcement has been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("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.

The details of the contact person for the Sponsor are: -

*Name : Mr. Tan Chong Huat (Registered Professional, RHT Capital Pte. Ltd.)
Address: Six Battery Road, #10-01, Singapore 049909
Tel : 6381 6757*