**OLS ENTERPRISE LTD.**

(incorporated in the Republic of Singapore on 24 July 1968)
(Company Registration Number: 196800320E)

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**THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID UP SHARES IN THE SHARE CAPITAL OF MALAYSIAN PHOSPHATE ADDITIVES SDN BHD**

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## 1. INTRODUCTION

**1.1** **Proposed Acquisition.** The board of directors (the "**Board**" and each director, a "**Director**") of OLS Enterprise Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce that the Company has on 22 May 2015, entered into a term sheet ("**Term Sheet**") with (i) Right Earth Sdn Bhd ("**RESB**"); (ii) Casa Lite Sdn Bhd ("**CLSB**"); (iii) Malaysia Technology Development Corporation Sdn Bhd ("**MTDC**"); and Mr. Lim Lee Wan (collectively, the "**Vendors**", and each, a "**Vendor**"), being the current and potential shareholders of Malaysian Phosphate Additives Sdn Bhd (the "**Target**" or "**MPA**", together with its subsidiaries and associated companies, the "**Target Group**"), to acquire the entire issued and paid up shares ("**Target Shares**") in the share capital of the Target ( "**Proposed Acquisition**").

**1.2** **Consideration**. The aggregate consideration for the Proposed Acquisition is expected to be approximately S$300 million, or such other amount falling within the range of 95% and 105% of S$300 million, to be satisfied in full by way of allotment and issue of new ordinary shares in the share capital of the Company ("**Consideration Shares**"). Please refer to section 3.1 of this Announcement for more information.

**1.3** **Definitive Agreement.** Pursuant to the Term Sheet, the Company and the Vendors (collectively, the "**Parties**" and each a "**Party**") agree that they will in good faith proceed to do all acts and things necessary or desirable to negotiate and agree on terms of the definitive share purchase agreement ("**Share Purchase Agreement**") and ancillary agreements (if any) in relation to the Term Sheet (collectively, the "**Definitive Agreements**"), no later than two (2) months from the date of the Term Sheet, or such other date as may be agreed between the Parties.

**The Proposed Acquisition is conditional upon, *inter* alia, the Parties entering into the Definitive Agreements (which shall set forth the terms and conditions of the Proposed Acquisition) and the obtaining of the relevant consents and approvals required.**

**1.4** **Nature of the transaction.** The Proposed Acquisition, if undertaken and completed, is expected to result in a very substantial acquisition or a reverse-takeover of the Company pursuant to Rule 1015 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Accordingly, the Proposed Acquisition is subject, *inter alia*, to the approval of the SGX-ST and the shareholders of the Company ("**Shareholders**") at an extraordinary general meeting of the Company to be convened pursuant to Rule 1015 of the Listing Manual.

As announced by the Company on 21 May 2015 ("**Proposed Transfer Announcement**"), the Company intends to undertake the proposed transfer ("**Proposed Transfer**") of the listing of the Company from the Main Board of the SGX-ST to the Catalist Board of the SGX-ST ("**Catalist**"). In the event that the Proposed Transfer is effected and completed before the Proposed Acquisition, the Proposed Acquisition will be undertaken in accordance with the requirements of Section B: Catalist Listing Manual of the SGX-ST ("**Catalist Rules**"). Please refer to the Proposed Transfer Announcement for more information in relation to the Proposed Transfer, a copy of which is available at www.sgx.com.

## 2. INFORMATION RELATING TO THE TARGET GROUP AND THE VENDORS

*Shareholders should note that information relating to the Vendors, Target and Target Group in this section and elsewhere in this Announcement has been provided by the Vendors and/or the Target (as the case may be). The Company and the Directors have not independently verified the accuracy and correctness of such information herein. The sole responsibility of the Directors and the Company for the purpose of such information has been to ensure that such information has been accurately and correctly extracted and reproduced in this Announcement in its proper form and context.*

### 2.1. Information on the Target Group

The Target was incorporated in Malaysia in May 2001 as a private limited company under the Malaysian Companies Act, 1965. It is principally engaged in the business of manufacturing of feed and fertiliser phosphate products.

### (a) Shareholding Structure and Corporate Structure

The Target has an authorised share capital of RM25,000,000 divided into 20,000,000 ordinary shares of MYR1.00 each and 5,000,000 redeemable convertible cumulative preference shares ("**Target Preference Shares**") of MYR1.00 each. As of the date of this Announcement, the issued and paid up share capital of the Target is MYR15,219,633 divided into 15,174,018 Target Shares of MYR1.00 each and 45,615 Target Preference Shares of MYR1.00 each.

For information in relation to the shareholding structure of the Target, please refer to section 2.2 of this Announcement.

### (b) Business overview of the Target Group

#### (i) The Lumut Phosphate Plant

In 2005, the Target commenced its phosphate business and has since operated a phosphate plant with a capacity of 30,000 metric ton per annum in Lumut, Perak, Malaysia ("**Lumut Phosphate Plant**"). The Lumut Phosphate Plant is a pioneer in the manufacturing of Di Calcium Phosphate and Mono-Di Calcium Phosphate in Malaysia and the Southeast Asia region.

#### (ii) The Salamaju Phosphate Plant and the related projects

The Target owns 40% of the issued and paid-up share capital in Malaysian Phosphate Additives (Sarawak) Sdn Bhd ("**MPA Sarawak**") through its wholly owned subsidiary, Malaysian Phosphate Venture Sdn Bhd ("**MPV**").

MPA Sarawak is a joint venture company between (i) MPV; (ii) Cahya Mata Sarawak Berhad ("**CMSB**") through its wholly-owned subsidiary, Samalaju Industries Sdn Bhd ("**SISB**"); and (iii) Arif Enigma Sdn Bhd ("**AESB**"), an investment holding company.

MPA Sarawak was set up to undertake the development, construction and commissioning of an integrated phosphate plant ("**Integrated Phosphate Plant**") to be located in Samalaju Industrial Park, Sarawak ("**Project**"). Upon completion, the Integrated Phosphate Plant will be the first integrated phosphate plant in Malaysia and Southeast Asia, and will have an annual production capacity of approximately 500,000 tonnes of phosphate products ranging from food grade phosphates, animal feed phosphates and fertiliser phosphates.

The Target has been appointed by MPA Sarawak as its technical adviser and

operator of the Integrated Phosphate Plant, and is responsible to oversee the Integrated Phosphate Plant's integration process during construction and optimization of the process conditions upon start-up. Additionally, the Target will oversee the engineering design, equipment specification, procurement of machineries, selection of contractors, supervision, operation and maintenance of the Integrated Phosphate Plant.

## 2.2. Information on the Vendors

RESB, CLSB and MTDC are the legal and beneficial owners of the entire share capital of the Target as of the date of the Term Sheet. Mr. Lim Lee Wan currently holds 500,000 options ("**Target Options**"), each exercisable into one (1) Target Share at an exercise price of RM1.00 per Target Share.

MTDC is a wholly-owned subsidiary of Khazanah Nasional Berhad, and is in the business of grant management, incubation, advisory and nurturing services. MTDC was established in 1992 to promote the adoption of technologies by local companies via commercialisation activities of local inventions or acquisition of foreign technologies.

The shareholding details in the Target as of the date of the Term Sheet (prior to conversion or redemption (as the case may be) of the Target Preference Shares and Target Options) and immediately prior to Completion are as follows:

| **NAME** | **AS OF THE DATE OF THE TERM SHEET** | | **IMMEDIATELY PRIOR TO COMPLETION[(2)]** | |
|---|---|---|---|---|
| | **NUMBER OF TARGET SHARES** | **PERCENTAGE OF VOTING RIGHTS IN THE TARGET (%)** | **NUMBER OF TARGET SHARES** | **PERCENTAGE OF VOTING RIGHTS IN THE TARGET (%)** |
| **TARGET SHARES** | | | | |
| RESB | 12,870,137 | 84.8 | 12,870,137 | 49.2 |
| CLSB | 2,303,881 | 15.2 | 2,303,881 | 8.8 |
| MTDC | - | - | 10,508,846[(1)] | 40.1 |
| LIM LEE WAN | - | - | 500,000[(2)] | 1.9 |
| **TOTAL** | **15,174,018** | **100.0** | **26,182,864** | **100.0** |
| **TARGET PREFERENTIAL SHARES** | | | | |
| MTDC | 45,615 | - | - | - |

**Notes:**

(1) Taking into account full conversion of the Target Preference Shares and new subscriptions of Target Shares by MTDC.

(2) Taking into account full conversion of the Target Options by Mr. Lim Lee Wan.

## 3. DETAILS OF THE PROPOSED ACQUISITION

## 3.1. Consideration

The aggregate purchase consideration payable by the Company for the Target Shares shall be approximately S$300 million, or such other amount falling within the range of 95% and 105% of S$300 million ("**Consideration**"), to be satisfied in full by way of an allotment and issue of the Consideration Shares at an issue price to be determined between the Parties ("**Issue price**") to the Vendors in proportion to their respective shareholding in the Target on the completion date of the Proposed Acquisition ("**Completion Date**").

The Consideration Shares will, upon allotment and issuance, be fully paid-up and free from all encumbrances and will rank *pari passu* in all respects with the then existing and issued

Shares, save for any rights, benefits, dividends and entitlements the record date for which is before the Completion Date.

The Consideration Shares shall collectively represent not less than 70% of the enlarged share capital of the Company ("**Minimum Shareholding**"), such enlarged share capital (the "**Enlarged Share Capital**") comprising:

(i) the existing issued and paid up ordinary shares in the share capital of the Company ("**Shares**") as at the date of signing of the Share Purchase Agreement;

(ii) Consideration Shares to be issued to the Vendors;

(iii) any Shares issued by the Company on or before Completion pursuant to its 1.0% equity-linked redeemable structured notes due 2016 program ("**ELN Program**") which has been approved by the SGX-ST and the Shareholders;

(iv) such number of Shares representing 5.00% of the total number of Consideration Shares to be issued by the Company as fees payable to Advance Capital Partners Pte. Ltd. ("**ACP**") in its capacity as the consultant appointed by the Company, whose services are relevant and necessary for the completion of the Proposed Acquisition;

(v) Shares to be issued pursuant to the compliance placement to be undertaken by the Company within one (1) month from the Completion Date ("**Compliance Placement**"), or such other longer period as may be permitted by the SGX-ST, for the purposes of meeting the minimum distribution and public float requirements under the Listing Manual or Catalist Rules (as the case may be) of the SGX-ST and/or the Minimum Cash Requirements (as defined in section 3.4(d) below), as the case may be; and

(vi) new Shares to be issued by the Company pursuant to such other transactions as may be agreed between the Company and the Vendors.

The Consideration, the number of the Consideration Shares, the Issue Price and the Minimum Shareholding shall be subject to and determined based on the valuation prepared by an independent valuer to be appointed by the Company and mutual agreement between the Parties. The Company will be commissioning a valuation on the business of the Target Group to be undertaken by an independent firm of professional valuers.

**3.2. Representations, Warranties and Undertakings**

The Definitive Agreements shall contain representations, warranties and undertakings from the Company and the Vendors respectively which are customary for transactions of such nature.

**3.3. Conditions Precedent**

Completion of the Proposed Acquisition ("**Completion**") is conditional on the fulfilment (or waiver, as the case may be) of the agreed conditions precedents ("**Conditions Precedent**"), including:

(a) the OLS Key Conditions and the Vendors Key Conditions (each as defined below);

(b) satisfactory due diligence by the Company on the Target Group;

(c) satisfactory due diligence on the Company;

(d) approval of the SGX-ST being obtained by the Company in respect of (i) the Proposed Acquisition (being a reverse takeover under Listing Manual or Catalist

Rules (as the case may be) of the SGX-ST); and (ii) the listing of and quotation for the Consideration Shares;

(e) the Whitewash Waiver (as defined in section 3.7 below) by the Securities Industry Council of Singapore being obtained by the Vendors (and their concert parties) to make a general offer for all Shares not already owned by them; and

(f) the Company remains listed on the Mainboard of the SGX-ST (or Catalist, should the Proposed Transfer be effected prior to Completion as agreed between the Parties);

(g) consolidation of the Shares;

(h) approvals of the board of directors and Shareholders (as required by applicable laws);

(i) approvals of the board of directors and shareholders and other stakeholders of Target (as required by applicable laws); and

(j) execution of Definitive Agreements between the Company and the Vendors (and/or with such other relevant parties).

**3.4. OLS Key Conditions**

Unless waived by the Vendors, the following conditions ("**OLS Key Conditions**") shall be fulfilled by the Company on or before Completion:

(a) The Company shall, in good faith, enter into an agreement with the Target ("**Convertible Notes Agreement**") in respect of the injection of RM10,000,000 ("**Injected Fund**") to the Target in the form of convertible notes ("**MPA Convertible Notes**"), such funds to be injected upon satisfaction of all conditions precedent provided under the Convertible Notes Agreement, including without limitation, the approvals of the (i) SGX-ST; and (ii) shareholders of the Company and/or the Target (where applicable) being obtained. The key terms of the MPA Convertible Notes shall include, *inter alia,* the following:

(i) *Interest.* The holder of the MPA Convertible Notes shall entitle the holder thereof to 3.00% interest per annum ("**Interest**").

(ii) *Conversion Right.* The MPA Convertible Notes shall be convertible fully into such number of Target Shares representing a shareholding interest of 5.00% in the enlarged share capital of the Target ("**Conversion Right**").

(iii) *Conversion Period.* The Conversion Right may be exercised by the Company at any time and from time to time upon occurrence of any Triggering Event (as defined below) within a 12-month period commencing from and including the issue of the MPA Convertible Notes ("**Notes Expiry Date**").

"**Triggering Event**" shall mean either (i) the termination of the Proposed Acquisition by reason of the Vendors or the Target receiving an offer from or entering into any arrangement with a third party investor (whether on more favourable terms than the Proposed Acquisition or otherwise); or (ii) completion of the Proposed Acquisition in accordance with the terms and conditions of the Share Purchase Agreement.

(iv) *Redemption.* In the event that any MPA Convertible Notes have not been exercised by the Company by the Notes Expiry Date, the Company shall have the right (but not an obligation) to, at its discretion, request that the Target redeems the unexercised MPA Convertible Notes by paying the

Injected Funds in proportion to the unconverted MPA Convertible Notes (exclusive of the Interest payable and owing under the Convertible Notes Agreement) ("**Redemption Right**") within five (5) business days from the Notes Expiry Date.

(b) In view of the existing warrants issued by the Company pursuant to the rights cum warrants exercise completed by the Company in 2014 ("**Existing Warrants**"), and in order to allow the Vendors to maintain the Minimum Shareholding (should the existing warrantholders choose to exercise their Existing Warrants), the Company shall at Completion issue to the Vendors, in proportion to their respective shareholding in the Target as of the Completion Date, such number of free new warrants ("**New Warrants**"), representing approximately 70% of the enlarged number of warrants issued by the Company and outstanding upon Completion (such enlarged number of warrants comprising Existing Warrants and the New Warrants).

The New Warrants shall be exercisable into new Shares in the event that the Existing Warrants are exercised into Shares by the existing warrantholders of the Company in accordance with the terms of its issue. The New Warrants shall be issued on terms and conditions substantially similar to the terms and conditions of the Existing Warrants, including without limitation the exercise price and exercise period.

(c) As at the completion date of the Compliance Placement, the cash and net tangible assets of the Company (and its subsidiaries, if any) shall not be less than RM90,000,000 (which, for the avoidance of doubt, shall be exclusive of the Injected Fund) ("**Minimum Cash Requirement**").

(d) Upon Completion, the Vendors shall be entitled to appoint their nominee(s) to the Board of Directors of the Company (such appointments to be subject to the approval of the SGX-ST), with the view of attaining effective control over the Board of Directors and management of the Company.

**3.5. Key Conditions in relation to the Target**

Unless waived by the Company, the following conditions ("**Vendors Key Conditions**") shall be fulfilled by the Target on or before Completion:

(a) the consolidated net tangible assets of the Target (and its subsidiaries and associate companies) as at Completion Date shall not be less than RM70,000,000 (or its equivalent);

(b) all essential permits and licenses in relation to the Project having been obtained or to be obtained from the relevant authorities and regulators and not having been revoked;

(c) all key documents and agreements in relation to the Project, including but not limited to the power purchase agreement with Syarikat Sesco Berhad, the raw material supply agreement(s), the offtake agreement(s), the engineering, procurement and construction contract, the technical assistance agreement and the land sale and purchase agreement for the land on which the Project shall be situated, shall have been executed and will be in force;

(d) all financing facilities necessary and required for the Project to be provided by the relevant financial institutions to MPA Sarawak have been fully committed. The Company and the Vendors agree that the extent of the required financing facilities shall be agreed upon and set out in the Share Purchase Agreement;

(e) full conversion by (i) the relevant Vendor(s) (or redemption by the Target, where relevant) the Target Preference Shares; and (ii) Mr. Lim Lee Wan of the Target

Options;

(f) no dividend or other distribution shall be declared, paid or made by the Target between the signing of the Share Purchase Agreement until the Completion Date; and

(g) all consents, licences, approvals, authorisations or waivers required from the relevant Malaysian authorities for the Proposed Acquisition has been obtained (or, if applicable, waived).

**3.6. Long-Stop Date**

The long-stop date for the Proposed Acquisition is nine (9) months from the date of the Share Purchase Agreement ("**Long-Stop Date**"). The Share Purchase Agreement shall terminate automatically if any or all of the Conditions Precedent have not been fulfilled or waived, as the case may be, by such Long-Stop Date.

**3.7. Whitewash Waiver**

As the Vendors will own more than 30% of the Enlarged Share Capital of the Company upon Completion of the Proposed Acquisition, the Vendors will be required, under Rule 14 of the Singapore Code on Take-overs and Mergers ("**Code**"), to make a general offer for the remaining Shares (or consolidated shares, as the case may be) not owned or controlled by the Vendors and/or their concert parties (if any). The Vendors intend to apply for a waiver of their obligation to make a general offer under Rule 14 of the Code, and the Shareholders will have to approve a resolution for a waiver of their right to receive a mandatory general offer under Rule 14 of the Code from the Vendors and their concert parties at an extraordinary general meeting ("**Whitewash Resolution**"). The Completion of the Proposed Acquisition is conditional upon the Shareholders' approval of the Whitewash Resolution, and such waiver not having been revoked prior to Completion Date.

**3.8. Moratorium**

In the event of any moratorium on sale of the Shares imposed by SGX-ST, such moratorium shall be mutually applied to both the Vendor and the existing major shareholders.

**3.9. Costs**

If Completion does not take place in accordance with the Share Purchase Agreement, the professional fees incurred by the Company for the Proposed Acquisition, including but not limited to fees payable to the financial adviser, legal adviser, independent financial adviser, independent valuer and such other relevant professional parties as necessary for Completion (collectively, the "**RTO Transactional Costs**"), shall be borne by the Company and the Vendors in the following manner:

(a) if by reason of sole default (whether by act or omission) of the Vendors or the Target (as the case may be) under the terms of the Share Purchase Agreement (including the Vendors or the Target receiving an offer from a third party investor (whether on more favourable terms or otherwise)), the RTO Transactional Costs shall be borne entirely by the Vendors; and

(b) if by reason of sole default (whether by act or omission) of the Company under the terms of the Share Purchase Agreement and by non-approval by SGX-ST, the RTO Transactional Costs shall be borne entirely by the Company.

**4. RATIONALE FOR THE PROPOSED ACQUISITION**

The Board is of the view that the Proposed Acquisition represents an opportunity for the Company to acquire a new business which will in turn potentially provide it with a regular and growing revenue stream.

The Board further believes that the Proposed Acquisition will enhance the shareholders' value as well as strengthen the balance sheet of the Company. The Proposed Acquisition is also expected to give the Company a new lease of life, and would potentially increase the market capitalisation of the Company, and in turn widen its investor base and lead to an overall improvement in investors' interest and trading.

## 5. PROPOSED DISPOSAL

Subject to and upon Completion, the Company shall dispose of the existing business of the Company ("**Existing Business**") ("**Proposed Disposal**") at a disposal price representing such amount not less than the net tangible assets attributable to the Existing Business, unless otherwise agreed between the Parties. Further details on the Proposed Disposal shall be finalised and disclosed in future announcements to be made by the Company as and when the Company enters into definitive agreement in respect of the Proposed Disposal.

## 6. INTEREST OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors, other than in their respective capacity as Directors or Shareholders of the Company, and controlling Shareholders of the Company, has any interest, direct or indirect, in the Proposed Acquisition.

## 7. FINANCIAL ADVISER AND INDEPENDENT FINANCIAL ADVISER

The Company shall appoint a financial adviser to the Company in respect of the Proposed Acquisition. The Company will also appoint an independent financial adviser to the independent Directors of the Company in connection with the Whitewash Resolution in due course.

## 8. FURTHER ANNOUNCEMENTS

As at the date of this Announcement, certain key terms (including the Issue Price, the Consideration and the number of Consideration Shares) have not been determined and are still subject to, *inter alia,* outcome of the valuation conducted by the independent valuer to be appointed by the Company and execution of the Definitive Agreements.

Further announcements will be made by the Company to inform the Shareholders of the details of the Proposed Acquisition, including without limitation the financial effects of the Proposed Acquisition and such other information as may be required under the Listing Manual or Catalist Rules (as the case may be), in the event that the Definitive Agreements are signed (under which all key terms of the Proposed Acquisition will be finalised and determined between the Parties).

## 9. CAUTION IN TRADING

**Shareholders are advised to exercise caution in trading their Shares as the Proposed Acquisition is subject to various conditions precedent and there is no certainty or assurance as at the date of this Announcement that the Definitive Agreements will be entered into and the Proposed Acquisition will be completed. The Company will make the necessary announcements when there are further**

**developments on the Proposed Acquisition.**

**Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.**

## 10. RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this Announcement) collectively and individually accept full responsibility for the accuracy of the information given in this Announcement (save for information relating to the Vendors, the Target and the Target Group) 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 Acquisition, the Company and its subsidiaries as at the date hereof, 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 respectively has been to ensure, through reasonable enquiries, that such information is accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

**BY ORDER OF THE BOARD**
**OLS ENTERPRISE LTD.**

**Koo Ah Seang**
**Executive Chairman**
27 May 2015