

OCEAN SKY INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

(Company registration no.: 198803225E)

NON-BINDING MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED ACQUISITION OF THE EQUITY INTEREST OF LINK (THM) HOLDINGS PTE. LTD.

1. INTRODUCTION

The Board of Directors (the “**Board**” or the “**Directors**”) of Ocean Sky International Limited (the “**Company**”) (together with its subsidiaries, the “**Group**”) is pleased to announce that the Company has entered into a non-binding memorandum of understanding (the “**MOU**”) dated 5 January 2015 with Mr. Tan Heng Mong, Ms Tan Bee Hoon, Mr. Chan Teck Huat and Mr. Tan Heng Kiat (collectively, the “**Vendors**” and together with the Company, the “**Parties**” and each a “**Party**”) in relation to the proposed acquisition of the Vendors’ entire equity interest in Link (THM) Holdings Pte. Ltd. (“**Link (THM)**”), (collectively with its wholly-owned and majority-owned subsidiaries, the “**Link Companies**”), by the Company (hereinafter referred to as the “**Proposed Acquisition**”).

The Proposed Acquisition, if undertaken and completed, is expected to result in a “Reverse Take-over” of the Company as defined under Chapter 10 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and is subject to, *inter alia*, the approval of shareholders of the Company (the “**Shareholders**”) at an extraordinary general meeting to be convened (the “**EGM**”), and the approval of the SGX-ST.

The MOU is not intended to be legally binding between the Parties, except for certain provisions relating to, *inter alia*, costs, confidentiality and governing law. As such, the Proposed Acquisition remains subject to the entry into Definitive Agreements (the “Definitive Agreements”). The Parties will use their respective best endeavours to negotiate in good faith and sign the Definitive Agreements.

2. INFORMATION ON THE LINK COMPANIES

The Link Companies are engaged in the development of luxury landed residential, integrated mixed development, commercial and industrial property projects. The Link Companies have a track record of more than 10 years in property development and has as at the date of this Announcement, completed and sold 30 luxurious landed houses in the district 10 and 11 of Singapore with a total land area of approximately more than 10,000 square metres. The completed properties of the Link Companies also include an industrial property in the vicinity of Jalan Bukit Merah and residential apartments with a total strata area of 8,838 square metres. In addition to its completed properties, the Link Companies have in the pipeline, an integrated mixed development project in the Iskandar Development Region of Malaysia, One World Medini, with an aggregate gross floor area of approximately 444,703 square metres (the “**Medini Project**”). In addition to property development, the Link Companies also have in its investment property portfolio, a number of commercial and industrial properties located in the prime business district of Singapore.

Link (THM) has also won the 2014 Enterprise 50 Award, coming in within the top 8 of the list of 50 local, privately-held companies being recognised for their contribution to the economic development in Singapore and abroad.

All information in this Announcement relating to the Link Companies has been provided by Link (THM).

3. RATIONALE

The Board is of the view that the Proposed Acquisition presents an opportunity for the Company to acquire an operating business in the property sector with a track record and growth potential. The Proposed Acquisition would present the Group with an opportunity to expand its business in line with its diversification strategy into the construction and engineering business and property business, which will allow it to achieve a more consistent and sustainable financial growth. In addition, the Proposed Acquisition would have the potential to significantly increase the market capitalisation of the Company and potentially widen the investor base for its shares, thereby enabling the Company to attract more extensive analyst coverage, leading to an overall increase in investor interest and trading. Given the foregoing, the Board believes that the Proposed Acquisition will enhance shareholder value for the Company.

4. PRINCIPAL TERMS OF THE MOU

4.1 Proposed Acquisition and Consideration

The Parties are in negotiations with a view for the Company to acquire, and the Vendors to sell, the entire equity interest in Link (THM) at a consideration of S\$226,248,000 (the "**Consideration**"). The Consideration shall be based on, amongst others, the financials, net asset value, profitability, business prospects, track record and competencies of the Link Companies, and shall be subject to the business and assets valuations of the Link Companies to be reported by the respective reputable independent professional valuers acceptable by the Company.

Prior to the issue and allotment of new ordinary shares (the "**Shares**") in the capital of the Company (the "**New Shares**") in connection with the Proposed Acquisition, every two (2) existing Shares shall be consolidated into one (1) New Share (the "**Shares Consolidation**"). The Issue Price is arrived at on a willing-buyer, willing-seller basis. The Consideration shall be satisfied by the issue and allotment of an aggregate of 642,750,000 New Shares (the "**Consideration Shares**") to the Vendors and the arranger, at an indicative issue price of S\$0.352 per New Share (the "**Issue Price**"), on completion of the Proposed Acquisition (the "**Completion**"). Out of the aggregate 642,750,000 Consideration Shares, 625,000,000 Consideration Shares (the "**Link Consideration Shares**") and 17,750,000 Consideration Shares (the "**Arranger Consideration Shares**") shall be issued and allotted to the Vendors and the arranger respectively. The Consideration Shares to be issued and allotted to the Vendors and the arranger shall comprise approximately 74.1% of the enlarged issued share capital of the Company after Completion but prior to any compliance placement.

An additional earn-out consideration of up to 142,045,455 New Shares shall be issued and allotted to the Vendors (the "**Earn-Out Shares**"), subject to the audited consolidated net profit after tax and minority interest (the "**Net Profit**") of the Link Companies for the financial year ending 31 December ("**FY**") 2015 and FY2016 as follows:

- (i) For FY2015:
 - (a) in the event the Link Companies achieve a Net Profit of S\$5,000,000 or less, 50,000 New Shares will be issued for every S\$100,000 of the Net Profit for FY2015;
 - (b) in the event the Link Companies achieve a Net Profit of more than S\$5,000,000 up to S\$7,500,000, 250,000 New Shares will be issued for every S\$100,000 of the Net Profit for FY2015;
 - (c) in the event the Link Companies achieve a Net Profit of more than S\$7,500,000 up to S\$10,000,000, 375,000 New Shares will be issued for every S\$100,000 of the Net Profit for FY2015; or
 - (d) in the event the Link Companies achieve a Net Profit of more than S\$10,000,000, 546,250 New Shares will be issued for every S\$100,000 of the Net Profit for FY2015,

subject to a maximum of 71,022,728 New Shares for FY2015; and

- (ii) For FY2016:
- (a) in the event the Link Companies achieve a Net Profit of S\$6,000,000 or less, 50,000 New Shares will be issued for every S\$100,000 of the Net Profit for FY2016;
 - (b) in the event the Link Companies achieve a Net Profit of more than S\$6,000,000 up to S\$9,000,000, 200,000 New Shares will be issued for every S\$100,000 of the Net Profit for FY2016;
 - (c) in the event the Link Companies achieve a Net Profit of more than S\$9,000,000 up to S\$12,000,000, 337,500 New Shares will be issued for every S\$100,000 of the Net Profit for FY2016; or
 - (d) in the event the Link Companies achieve a Net Profit of more than S\$12,000,000, 473,250 New Shares will be issued for every S\$100,000 of the Net Profit for FY2016,
- subject to a maximum of 71,022,727 New Shares for FY2016.

For purposes of the Earn-Out Shares, the Net Profit shall be arrived at before taking into account any other costs, expenses or financial impact directly incurred as a result of the Proposed Acquisition and any exceptional items or one-off gains or losses (such as revaluation or fair value gain or losses).

4.2 Conditions Precedent

Completion shall be subject to conditions precedent typically required for transactions of such nature, including, *inter alia*:

- (i) the Company being satisfied with the results of its due diligence into the Link Companies (including their legal, financial, tax and business affairs, and their operations, assets, prospects and records);
- (ii) the Proposed Acquisition (including the Shares Consolidation, issue and allotment of all the New Shares, change of name of the Company, capital reduction by the Company and transfer of the listing status of the Company from the SGX-ST Mainboard to the Catalist subsequent to Completion (if applicable)) being approved by the SGX-ST and the receipt of approval in-principle of the SGX-ST for the admission to the Catalist and the listing of and quotation for all the New Shares on the Catalist;
- (iii) each of Mr. Ang Boon Cheow Edward, Mr. Ang Boon Chong, ANA Asia Limited and Charisma Asia Limited irrevocably undertaking in writing to vote in favour of the Proposed Acquisition (including the Shares Consolidation, issue and allotment of all the New Shares, capital reduction by the Company, change of name of the Company and transfer of the listing status of the Company from the SGX-ST Mainboard to the Catalist subsequent to Completion (if applicable)), and to the extent required, the transactions pursuant to the requirements imposed by the Catalist Rules, at the EGM;
- (iv) the Securities Industry Council (the "**SIC**") having granted the Vendors and their concert parties, and not having revoked or repealed such grant, a waiver of their obligation to make a mandatory offer under Rule 14 of the Singapore Code on Takeovers and Mergers for the Shares not held by them and their concert parties subject to (i) any conditions that the SIC may impose which are reasonably acceptable to the Parties; and (ii) Shareholders approving at the EGM, the whitewash resolution for the waiver of the rights of the independent Shareholders to receive the mandatory offer (the "**Whitewash Resolution**");
- (v) the approval of the Shareholders having been obtained for the Proposed Acquisition, Whitewash Resolution and the rest of the EGM resolutions at the EGM;

- (vi) the Company having obtained a report from a reputable independent professional business valuer acceptable by the Company ("**Business Valuer**") on the business valuation of the proforma Link Companies supporting the Consideration ("**Business Valuation**"), in such form and substance acceptable to the Company (including the Business Valuation being no less than S\$230.0 million) for disclosure in the circular to the shareholders of the Company. In the event that the Business Valuation reported by the Business Valuer is less than S\$230.0 million, the revised number of Link Consideration Shares ("**Revised Link Consideration Shares**") to be issued to the Vendors (excluding the Arranger Consideration Shares) shall be based on the formula below:

$$\text{Revised Link Consideration Shares} = \frac{\text{Revised Business Valuation}}{\text{S\$230.0 million}} \times \text{Initial Link Consideration Shares}$$

where the Initial Link Consideration Shares is 625.0 million New Shares and the Revised Business Valuation is the lower Business Valuation reported by the Business Valuer, subject always that the Business Valuation report mentioned above to be prepared by the Business Valuer to be delivered by Link (THM), be higher than S\$169.7 million; and

- (vii) the Company having obtained a report from a reputable independent professional assets valuer acceptable by the Company ("**Assets Valuer**") on the realisable net asset value of the Link Companies portfolio of properties ("**RNAV Valuation**"), in such form and substance acceptable to the Company (including the RNAV Valuation being no less than S\$504.4 million) for disclosure in the circular to the shareholders of the Company. In the event that the RNAV Valuation reported by the Assets Valuer is less than S\$504.4 million, the Revised Link Consideration Shares to be issued to the Vendors (excluding the Arranger Consideration Shares) shall be based on the formula below:

$$\text{Revised Link Consideration Shares} = \frac{\text{Revised RNAV Valuation} \times (1 - 55\%)}{\text{Issue Price}}$$

where the Revised RNAV Valuation is the lower RNAV Valuation reported by the Assets Valuer, subject always that the RNAV Valuation report mentioned above to be prepared by the Assets Valuer to be delivered by Link (THM), be higher than S\$378.3 million.

With reference to the adjustment mechanism stated in paragraph (vi) and (vii) above, the lowest number of Revised Link Consideration Shares to be issued to the Vendors shall be applied.

4.3 Exclusivity Period

Parties shall deal exclusively with each other for a period of six calendar months from the date of the MOU (or such other period as may be agreed by the Parties) (the "**Exclusivity Period**") and shall negotiate in good faith the terms and conditions of the Definitive Agreements with a view to executing the Definitive Agreements within the Exclusivity Period.

4.4 Termination

Save for certain provisions relating to, *inter alia*, costs, confidentiality and governing law which shall survive termination; the MOU shall lapse and cease to have any effect in the event that Parties have not entered into the Definitive Agreements upon the expiry of the Exclusivity Period.

4.5 Governing Law and Jurisdiction

The MOU shall be governed by the laws of the Republic of Singapore. Any question, dispute or issue in connection with the Proposed Acquisition shall be referred to and finally resolved by arbitration in Singapore in accordance with the Arbitration Rules of the Singapore International Arbitration Centre (the "**SIAC**"), which rules are deemed to be incorporated by reference.

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or, as far as the Directors are aware, controlling shareholders of the Company has any interest, direct or indirect, in the MOU (other than in his capacity as a director or shareholder of the Company).

6. TRADING CAUTION

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this Announcement that the Definitive Agreements will be entered into, or that the Proposed Acquisition will be completed. 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.

7. FURTHER ANNOUNCEMENT

The Company will make further announcements, in compliance with the requirements of Chapter 10 of the Listing Manual, upon the execution of the Definitive Agreements and/or when there are material developments in respect of the Proposed Acquisition.

BY ORDER OF THE BOARD

Chia Yau Leong
Company Secretary

5 January 2015