

NSL LTD.

(Incorporated in Singapore)
Company Registration No. 196100107C

ANNOUNCEMENT

PROPOSED DISPOSAL OF 82.75 PER CENT. EQUITY STAKE IN NSL FUEL MANAGEMENT SERVICES PTE. LTD. BY NSL OILCHEM WASTE MANAGEMENT PTE. LTD.

1. INTRODUCTION

- 1.1 **Proposed Disposal.** The Board of Directors (the “**Board**”) of NSL Ltd. (“**NSL**”) wishes to announce that NSL’s subsidiary, NSL OilChem Waste Management Pte. Ltd. (“**NSL OilChem**”) has today entered into a sale and purchase agreement (the “**SPA**”) for the proposed disposal (the “**Proposed Disposal**”) of 6,000,000 ordinary shares in the capital of NSL Fuel Management Services Pte. Ltd. (“**NSL Fuel**” and the shares, the “**Sale Shares**”), representing 82.75 per cent. of the issued share capital in NSL Fuel, to KHC Fuel Investment Pte. Ltd. (the “**Purchaser**”), an investment holding vehicle wholly owned by Ng Leok Kwee (Huang Yuxiang) (“**Patrick Ng**”) and Chua E Hong (Cai YuFeng) (“**Sean Chua**”).
- 1.2 **Completion.** Completion of the Proposed Disposal (“**Completion**”) is subject to the satisfaction of the condition precedent, as set out in paragraph 3.2 below. Following Completion, NSL OilChem will cease to hold any interest in NSL Fuel and accordingly, NSL Fuel will cease to be a member of the group comprising NSL and its subsidiaries (“**NSL Group**” and each, a “**NSL Group Company**”).

2. INFORMATION ON THE PARTIES

- 2.1 **Information on NSL OilChem.** NSL OilChem was incorporated on 24 February 1997 in Singapore as a private company limited by shares. As at the date of this Announcement, NSL OilChem has an issued and paid-up share capital of S\$12,187,822 comprising 12,187,822 ordinary shares. The principal activities of NSL OilChem are that of treatment and recovery of waste oil and oily slop. As at the date of this Announcement, NSL, through its direct and indirect wholly-owned subsidiaries, has a deemed interest in 10,690,258 ordinary shares in NSL OilChem, representing 87.71 per cent. of the issued share capital of NSL OilChem.
- 2.2 **Information on NSL Fuel.** NSL Fuel was incorporated on 26 February 2014 in Singapore as a private company limited by shares. As at the date of this Announcement, NSL Fuel has an issued and paid-up share capital of S\$7,770,000 comprising 7,251,184 ordinary shares. The principal activity of NSL Fuel is in the distribution of oil products. As at the date of this Announcement, NSL, through NSL OilChem, has a deemed interest in the Sale Shares.
- 2.3 **Information on the Purchaser, Patrick Ng and Sean Chua.** The Purchaser is an investment holding vehicle incorporated in Singapore on 17 June 2019. As at the date of this Announcement, the Purchaser has an issued and paid-up share up share capital of S\$2.00 comprising two ordinary shares with one ordinary share held by Patrick Ng and Sean Chua each. As at the date of this Announcement:
- (i) Sean Chua is a director and Chief Executive Officer of NSL Fuel; and
 - (ii) Patrick Ng is the Chief Operating Officer of NSL Fuel and has also been appointed as alternate director to Sean Chua on the board of NSL Fuel.

- 2.4 **Net Asset Value.** Based on the unaudited consolidated financial statements of the NSL Group for the three-month period ended 31 March 2019 (“**3M2019**”), the attributable net asset value (“**NAV**”) of the Sale Shares is approximately S\$12,441,000.¹
- 2.5 **Net Profit and Estimated Gain on Proposed Disposal.** Based on the unaudited consolidated financial statements of the NSL Group for 3M2019, the net profit before tax, minority interests and exceptional items attributable to the Sale Shares is approximately S\$353,000. The gain on disposal of the Sale Shares (net of transaction costs) is approximately S\$100,000.²

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

- 3.1 **Aggregate Consideration.** Pursuant to the terms of the SPA, the consideration for the Proposed Disposal will be an amount in cash equal to the sum of:
- (i) S\$9,400,000 (the “**Initial Consideration**”), payable in the following two instalments:
 - (a) S\$6,400,000 shall be paid on Completion; and
 - (b) S\$3,000,000 shall be paid on or prior to the date falling six months after the date on which Completion takes place; and
 - (ii) a variable cash consideration equal to 82.75 per cent. of the profit after tax of NSL Fuel and its subsidiaries (the “**FMS Group**”), for the period commencing on 1 April 2019 to the last day of the calendar month immediately preceding the date on which Completion takes place, based on the FMS Group’s management accounts (the “**Additional Consideration**” and together with the Initial Consideration, the “**Aggregate Consideration**”).

The Aggregate Consideration was arrived based on arm’s length negotiations among NSL OilChem, Sean Chua and Patrick Ng and represents a premium over the NAV of the Sale Shares and takes into account the historical earnings before interest, tax, depreciation and amortisation multiples of NSL Fuel.

- 3.2 **Condition Precedent.** Completion is subject to and conditional upon the declaration and payment by NSL Fuel of an interim dividend of S\$779,000 for the current financial year (“**Additional Dividend**”). The Additional Dividend was calculated based on the assumption that the aggregate of the average annual net profit attributable to two customer contracts will be S\$730,000. An independent third party will be appointed to determine and certify the actual aggregate of the average annual net profit attributable to the two customer contracts (the “**Actual Contract Net Profit**”). If the Actual Contract Net Profit is higher or lower than S\$730,000, the interim dividend amount shall be reduced or increased respectively by the difference between the Actual Contract Net Profit and S\$730,000, provided that the amount of the Actual Contract Net Profit shall be capped at S\$1,000,000 (the “**Condition**”).

¹ Based on the NAV of 100 per cent. of NSL Fuel, given that NSL Fuel’s financial statements are fully consolidated with NSL’s financial statements.

² Calculated on the basis that there will be no adjustments to the purchase price of the Sale Shares of S\$9.4 million.

3.3 **Break Fees.** Prior to the execution of the SPA, NSL OilChem and the Purchaser (collectively, the “Parties”, and each, a “Party”) had each deposited a sum of S\$100,000 (the “Break Fees”) in an escrow account with an escrow agent appointed by the Parties pursuant to an escrow agreement dated 31 July 2019 (the “Escrow Agent”).

3.4 **Completion.** Completion will take place (i) three business days after the fulfilment (or waiver, as the case may be) of the Condition and (ii) on a business day which is after the 10th day of the calendar month or such other date as may be agreed in writing by the Parties.

3.5 **Termination.** The SPA will terminate:

(i) automatically on the date falling seven calendar months from the date of the SPA or such other date as may be agreed in writing between the Parties (the “Long Stop Date”), if by such date:

(a) NSL OilChem does not take all actions, including exercising all voting rights as a member of NSL Fuel, and procuring its nominee directors of NSL Fuel to exercise all voting rights as directors of NSL Fuel, to ensure the satisfaction of the Condition; or

(b) the Purchaser does not procure that each of Patrick Ng, Sean Chua and Kelvin Chua Yong Chuan (the holder of approximately 5.75 per cent. of the issued share capital in NSL Fuel) vote in favour of any members’ resolution of NSL Fuel approving the declaration and payment of the Additional Dividend in order to satisfy the Condition,

and the non-defaulting Party does not extend the Long Stop Date (such date, the “Extended Long Stop Date”) in accordance with the terms of the Agreement;

(ii) automatically on the Extended Long Stop Date, if the obligations in paragraphs 3.5(i)(a) and 3.5(i)(b) (as the case may be) are not satisfied by the defaulting Party by the Extended Long Stop Date; or

(iii) by notice in writing by the non-defaulting Party in accordance with the terms of the SPA, if there is a breach by the other Party of any of its warranties or completion obligations under the SPA.

Upon termination of the SPA pursuant to the terms contained therein, the Escrow Agent shall release to the non-defaulting party the Break Fees, and thereafter neither Party shall have any claim against the other Party under the SPA.

3.6 **Break Fees Post-Completion.** Post-Completion, the Escrow Agent shall release the Break Fees to the Purchaser and NSL OilChem in equal proportion.

4. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS

4.1 **Rationale.** The Proposed Disposal involves a disposal of the non-core business of the NSL Group. In addition, the Board of Directors (“Board”) and management of NSL are of the view that the Proposed Disposal represents an opportunity for NSL to realise the value of the Sale Shares at a premium to its investment cost. The proceeds received from the Proposed Disposal will further strengthen the balance sheet of the NSL Group, enhance the NSL Group’s financial flexibility and facilitate any plans by the NSL Group to enhance shareholder value.

4.2 **Use of Proceeds.** NSL will continue to evaluate opportunities to use the proceeds received from the Proposed Disposal to maximise returns for its shareholders.

5. PRO FORMA FINANCIAL EFFECTS

5.1 **Bases and Assumptions.** The pro forma financial effects of the Proposed Disposal have been prepared based on the audited consolidated financial statements of the NSL Group for the twelve-month period ended 31 December 2018 (“**FY2018**”) and are purely for illustrative purposes only and do not reflect the future actual financial position of the NSL Group following Completion. The pro forma financial effects have also been prepared based on, *inter alia*, the following bases and assumptions:

- (i) the Proposed Disposal had been effected on 31 December 2018, being the end of the most recently completed financial year of the NSL Group, for illustrating the financial effects on the consolidated net tangible assets (“**NTA**”) of the NSL Group;
- (ii) the Proposed Disposal had been effected on 1 January 2018, being the beginning of the most recently completed financial year of the NSL Group, for illustrating the financial effects on the consolidated earnings of the NSL Group;
- (iii) the consideration to be received by NSL OilChem in respect of the Proposed Disposal is S\$9,400,000; and
- (iv) the transaction costs for the Proposed Disposal are estimated to be approximately S\$100,000.

5.2 **NTA.** For illustrative purposes only and assuming that the Proposed Disposal had been completed on 31 December 2018, the pro forma financial effects of the Proposed Disposal on the consolidated NTA of the NSL Group as at 31 December 2018 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$ million)	550.57	550.67
No. of NSL Shares	373,558,237	373,558,237
NTA per NSL Share (S\$)	1.47	1.47

5.3 **Earnings per NSL Share.** For illustrative purposes only and assuming that the Proposed Disposal had been completed on 1 January 2018, the pro forma financial effects of the Proposed Disposal on the consolidated earnings of the NSL Group for FY2018 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
(Loss) after tax and non-controlling interests (S\$ million)	(3.86)	(3.99)
No. of NSL Shares	373,558,237	373,558,237
(Loss) per NSL Share (Singapore cents)	(1.03)	(1.07)

6. RULE 1006 RELATIVE FIGURES

6.1 **Rule 1006 Relative Figures.** The relative figures in relation to the Proposed Disposal computed on the applicable bases set out in Rule 1006 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) are as follows:

Rule 1006	Bases	Proposed Disposal (S\$'000)	NSL Group (S\$'000)	Relative Figures (%)
(a)	Net asset value of the Sale Shares to be disposed of, compared with the NSL Group's net asset value as at 3M2019	12,441 ⁽¹⁾	562,438 ⁽²⁾	2.2
(b)	Net profits/(losses) attributable to the Sale Shares to be disposed of, compared with the NSL Group's net (losses) for 3M2019	353	(4,067) ⁽³⁾	(8.7)
(c)	Consideration payable for the Proposed Disposal compared with the NSL Group's market capitalisation ⁽⁴⁾	9,600 ⁽⁵⁾	384,765	2.5

Notes:

- (1) Based on the NAV of 100 per cent. of NSL Fuel, given that NSL Fuel's financial statements are fully consolidated with NSL's financial statements.
- (2) Based on the unaudited consolidated financial statements of the NSL Group for 3M2019.
- (3) The net profits or losses before tax, minority interests and exceptional items attributable to the Sale Shares to be disposed for 3M2019 have been compared with the NSL Group's net loss before tax, minority interests and exceptional items (including net profit from discontinued operations, if applicable) for 3M2019 based on the unaudited consolidated financial statements of the NSL Group for 3M2019.
- (4) The NSL Group's market capitalisation is based upon 373,558,237 shares in issue (excluding treasury shares) (“**NSL Shares**”), at a volume weighted average price of S\$1.03 per NSL Share on 2 August 2019, being the last day on which NSL Shares were traded prior to the date of this Announcement.
- (5) This assumes that the Additional Consideration payable is S\$200,000.

6.2 **Discloseable Transaction.** Rule 1007 of the Listing Manual provides that if any of the relative figures computed pursuant to Rule 1006 of the Listing Manual is a negative figure, Chapter 10 of the Listing Manual may be applicable to the transaction at the discretion of the SGX-ST and issuers should consult the SGX-ST. As the relative figure under Rule 1006(b) is a negative figure, NSL has consulted and sought the SGX-ST's confirmation that the requirement of shareholders' approval pursuant to Chapter 10 of the Listing Manual will not be applicable to the Proposed Disposal.

Following such consultation with the SGX-ST, the SGX-ST has advised that:

- (i) the Proposed Disposal does not constitute a major transaction under Chapter 10 of the Listing Manual and shareholders' approval is not required; and

- (ii) as NSL is disposing of a profitable company and the relative figure under Rule 1006(b) exceeds five per cent., the Proposed Disposal constitutes a discloseable transaction under Chapter 10 of the Listing Manual.

7. FURTHER INFORMATION

- 7.1 **Directors' Service Contracts.** No person is proposed to be appointed as a director of NSL in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between NSL and any such person.
- 7.2 **Interests of Directors and Controlling Shareholders.** None of the directors or controlling shareholders of NSL has any interest, direct or indirect, in the Proposed Disposal.
- 7.3 **Documents Available for Inspection.** A copy of the SPA is available for inspection during normal business hours at the offices of NSL's solicitors at One Marina Boulevard, #28-00, Singapore 018989, for a period of three months commencing from the date of this Announcement.

BY ORDER OF THE BOARD

Lim Su-Ling
Company Secretary
Singapore, 5 August 2019