

OCEAN SKY INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

(Company registration no.: 198803225E)

PROPOSED DISPOSAL OF INVESTMENT PROPERTY IN CAMBODIA

1. INTRODUCTION

The board of directors (the "**Board**" or "**Directors**") of Ocean Sky International Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company and Suntex Investment Co., Ltd. ("**Suntex Investment**"), a wholly-owned subsidiary of the Company, have entered into a conditional sale and purchase agreement dated 27 September 2017 (the "**SPA**") with Greystone Investment Co., Ltd. (the "**Purchaser**") and Luen Thai Holdings Limited ("**Luen Thai**"), pursuant to which the Purchaser has agreed to purchase from Suntex Investment a parcel of freehold land in Cambodia (the "**Investment Property**") for a consideration of US\$22 million, upon the terms and conditions of the SPA (the "**Proposed Transaction**").

As the relative figure in respect of the Proposed Transaction calculated pursuant to Rule 1006 of the Listing Manual Section B: Rules of Catalyst of Singapore Exchange Securities Trading Limited (the "**Catalist Rules**") exceeds 50%, the Proposed Transaction is classified as a "major transaction" within the meaning of Rule 1014 of the Catalist Rules, and will be subject to the approval of the Company's shareholders (the "**Shareholders**"). Further details on the relative figures under Rule 1006 of the Catalist Rules can be found in paragraph 7 of this announcement.

2. INFORMATION ON THE INVESTMENT PROPERTY

The Investment Property comprises an area of approximately 122,097 square metres and is located in Trapeang Thloeng Village, Sangkat Chom Chao, Khan Por Sen Chey (former Khan Dangkor), Phnom Penh, Cambodia.

The Investment Property is owned by Suntex Investment. As at the date of this announcement, Suntex Investment's principal activity involves the leasing of the Investment Property to Suntex Pte. Ltd. and Bright Sky Pte. Ltd. (collectively, the "**Lessees**") for rental income (the "**Lease**"). The Lessees were formerly wholly-owned indirect subsidiaries of the Company before the Company divested the Lessees' immediate holding company, Ocean Sky Global (S) Pte Ltd, in April 2013 (the "**2013 Disposal**"). The Lease has a term of 20 years commencing on 4 January 2013, and the Lessees have options to renew for a first term of 10 years and a further second term of 15 years. The net lease income before income tax earned from the Investment Property was approximately US\$0.69 million for financial year ended 31 December 2016. In the event the Proposed Transaction is completed, the Lease will be assigned to the Purchaser and the security deposit of US\$1.44 million held by Suntex Investment under the Lease (the "**Security Deposit**") shall constitute payment of the balance of the Consideration (as defined in Paragraph 4 of this announcement) to the Group.

3. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Cambodia and an indirect subsidiary of Luen Thai, a company incorporated under the laws of the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange. Luen Thai is also the indirect holding company of the Lessees.

The Purchaser is not related to the Directors or controlling Shareholders of the Company and their respective associates.

4. CONSIDERATION

The Purchaser has agreed to purchase the Investment Property from Suntex Investment for a consideration of US\$22 million (the "**Consideration**"). The Consideration will be satisfied fully in cash. Upon the signing of the SPA, an initial deposit of US\$11 million shall be paid by the Purchaser into an escrow account (the "**Initial Deposit**"). Upon the satisfaction of conditions precedent under the SPA, including: (i) the passing at a general meeting of the Company of a resolution to approve the Proposed Transaction and (ii) the Purchaser having completed a title search in respect of the Investment Property with the land registry of the Kingdom of Cambodia (the "**Conditions Precedent**"), a further deposit of US\$9.56 million shall be paid by the Purchaser into the escrow account (the "**Further Deposit**", and together with the Initial Deposit, the "**Deposit**"). However, if the Conditions Precedent are not fulfilled by 15 November 2017, any party to the SPA may terminate the SPA, whereupon the Initial Deposit shall be refunded to the Purchaser.

The Consideration was arrived at on a willing-buyer and willing-seller basis after arm's length negotiations after considering, *inter alia*, the following: (a) the sale price premium over the book value of the Investment Property of approximately US\$12.81 million, based on the unaudited financial statements of the Group for the six-month financial period ended 30 June 2017 ("**HY2017**") (the "**HY2017 Accounts**"), (b) the market value of the Investment Property of approximately US\$13.84 million, based on an independent valuation of the Investment Property as at 23 August 2017 by Advantage Property Services Co., Ltd., trading as CBRE Cambodia, part of the CBRE Affiliate Network (the "**Valuation Report**") and (c) the rationale for the Proposed Transaction as set out in Paragraph 5 below.

The Valuation Report was commissioned by Suntex Investment to determine the current market value of the Investment Property on an "As Is" basis.

At completion of the Proposed Transaction ("**Completion**"), the Deposit shall be paid to the Group, save that US\$3 million of the Deposit shall be retained in escrow (the "**Retained Amount**"). The Retained Amount shall be paid to the Group after the earlier of:

- (a) (if any tax indemnification amount is payable pursuant to the 2013 Disposal) the Company's payment of such indemnification amount for the 2011 and 2012 financial years in respect of two former wholly-owned indirect subsidiaries of the Company which were disposed pursuant to the 2013 Disposal (the "**Taxed Companies**"); or
- (b) (if no tax indemnification amount is payable pursuant to the 2013 Disposal) the issuance of tax clearance certificates for the 2011 and 2012 financial years in respect of the Taxed Companies,

but in any event no earlier than Completion. The Retained Amount was arrived at on a willing-buyer and willing-seller basis and is not reflective of the potential tax liability of the Taxed Companies. Additionally, at Completion, the Security Deposit shall constitute payment of the balance of the Consideration to the Group.

Completion is conditional upon no notice having been served by the Purchaser on the Vendor that the result of a title search in respect of the Investment Property with the land registry of the Kingdom of Cambodia is unsatisfactory and upon no notice having been served by the Purchaser on the Vendor that the government or other competent authority has acquired or given notice of acquisition or intended acquisition of the Investment Property (or any part thereof).

5. RATIONALE FOR THE PROPOSED TRANSACTION

The Board believes that the Proposed Transaction offers attractive returns from the Group's investment in the Investment Property. The fair value of the Investment Property is approximately US\$12.81 million, based on the HY2017 Accounts. Based on the Consideration, the Group expects to record a pre-tax gain of approximately US\$9.19 million on the disposal of the Investment Property. The cash proceeds from the Proposed Transaction will substantially increase the Group's cash reserves, which will allow the Group to support its existing businesses and unlock capital for future investments.

6. USE OF PROCEEDS

The estimated net proceeds from the Proposed Transaction are approximately US\$21.75 million after taking into account the professional fees incurred in relation to the Proposed Transaction (the "**Net Proceeds**"). The Company intends to utilise the Net Proceeds for future joint ventures and working capital as well as property acquisition and property development in order to grow and expand the Group's property portfolio and business segment.

Pending deployment, the Net Proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purposes on a short term basis, as the Directors may deem appropriate in the interests of the Group.

7. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

Based on the HY2017 Accounts, the relative figures of the Proposed Transaction computed on the bases set out in Rules 1006 of the Catalist Rules are set out below:

| Rule 1006 | Bases of Calculation | Relative Figure |
|-----------|--|------------------------|
| (a) | The net asset value of the assets to be disposed of, compared with the Group's net asset value | 33.1% ⁽¹⁾ |
| (b) | The net profits ⁽²⁾ attributable to the assets disposed of, compared with the Group's net profits | -120.7% ⁽³⁾ |
| (c) | The aggregate value of the consideration ⁽⁴⁾ to be received, compared with the Company's market | 152.3% |

| | | |
|-----|--|-------------------------------|
| | capitalisation ⁽⁵⁾ | |
| (d) | The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue | Not applicable ⁽⁶⁾ |
| (e) | The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves | Not applicable ⁽⁷⁾ |

Notes:

- (1) Computed based on the unaudited net asset value of the Group as at 30 June 2017 of approximately US\$38.72 million and the fair value of the Investment Property as at 30 June 2017 of approximately US\$12.81 million.
- (2) Under Rule 1002(3)(b) of the Catalyst Rules, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) Computed based on the unaudited net loss before tax of the Group for HY2017 of approximately US\$0.29 million and the unaudited net profit before tax attributable to the Investment Property for HY2017 of approximately US\$0.35 million. As the Group was in a net loss position for HY2017, the relative figure under Rule 1006(b) is a negative figure which is not meaningful.
- (4) The Consideration of US\$22 million is equivalent to S\$29.70 million, based on an exchange rate of US\$1 : S\$1.35.
- (5) The market capitalisation of the Company was determined by multiplying the total number of issued ordinary shares in the capital of the Company (the "**Shares**"), being 324,940,302 Shares (excluding treasury shares) by S\$0.060 (being the volume-weighted average traded price of such Shares on 26 September 2017, being the last market day immediately preceding the date of the SPA).
- (6) This is not applicable as the Proposed Transaction relates to a disposal and does not involve issuance of consideration shares.
- (7) This is not applicable as the Company is not a mineral, oil and gas company.

As the relative figure computed based on Rule 1006(c) of the Catalyst Rules exceeds 50%, the Proposed Transaction constitutes a "major transaction" under Rule 1014 of the Catalyst Rules. Accordingly, the Proposed Transaction is conditional upon the approval of Shareholders in an extraordinary general meeting (the "**EGM**") to be convened.

8. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The financial effects of the Proposed Transaction have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 ("**FY2016**"), under the following assumptions:

- (a) the Consideration of US\$22 million;
- (b) that the Proposed Transaction had been completed on 1 January 2016 for the purposes of illustrating the financial effects on earnings per Share ("**EPS**");

- (c) that the Proposed Transaction had been completed on 31 December 2016 for the purposes of illustrating the financial effects on net tangible assets (“**NTA**”) per Share and gearing;
- (d) all expenses and income tax effect in connection with the Proposed Transaction have been disregarded; and
- (e) assuming an exchange rate of US\$1 : S\$1.35.

The pro forma financial effects of the Proposed Transaction are for illustrative purposes only and do not reflect the actual financial effects or the future financial performance and condition of the Group after the Proposed Transaction.

For the avoidance of doubt, these *pro forma* financial effects have taken into account (i) the corporate actions announced and undertaken by the Group; and (ii) the issuance of new Shares, on or after 1 January 2016.

8.1. NTA

The illustrative financial effects of the Proposed Transaction on NTA per Share as at 31 December 2016 are as follows:

| | Before the Proposed Transaction | After the Proposed Transaction |
|--|---------------------------------|--------------------------------|
| NTA attributable to owners of the Company (US\$'000) | 29,469 | 38,659 |
| Number of Shares | 324,940,302 | 324,940,302 |
| NTA per Share (US cents) | 9.07 | 11.90 |

8.2. EPS

The illustrative financial effects of the Proposed Transaction on EPS for FY2016 are as follows:

| | Before the Proposed Transaction | After the Proposed Transaction |
|--|---------------------------------|--------------------------------|
| Net profits attributable to owners of the Company (US\$'000) | 1,352 | 9,852 |
| Weighted Average Number of Shares | 233,482,907 | 233,482,907 |
| EPS (US cents) | 0.58 | 4.22 |

8.3. Gearing

The illustrative financial effects of the Proposed Transaction on the gearing of the Group as at 31 December 2016 are as follows:

| | Before the Proposed Transaction | After the Proposed Transaction |
|------------------------------------|---------------------------------|--------------------------------|
| Total debt ¹ (US\$'000) | 7,835 | 7,835 |
| Total equity (US\$'000) | 38,195 | 47,385 |
| Gearing ratio | 0.21 | 0.17 |

9. CIRCULAR TO SHAREHOLDERS AND EGM

The Company will convene the EGM to seek Shareholders' approval for the Proposed Transaction. A circular containing, *inter alia*, the notice of EGM and details of the Proposed Transaction will be despatched to Shareholders in due course.

Ang Boon Cheow Edward, the Executive Chairman and Chief Executive Officer of the Company, who is a controlling Shareholder having an interest in 162,968,541 Shares representing 50.15% of the Company's issued share capital as at the date of this announcement, has undertaken to vote in favour of the resolution to be tabled at the EGM to approve the Proposed Transaction and not to sell or otherwise dispose of such number of his Shares which would result in him holding an interest in less than 50% of the voting Shares prior to the passing of such resolution.

10. DIRECTOR' SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any person.

11. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling Shareholders of the Company has any interests, direct or indirect, in the Proposed Transaction, other than through their respective shareholding interests in the Company.

12. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA and the Valuation Report will be made available for inspection by Shareholders during normal business hours from 9.00 a.m. to 5.00 p.m. at the Company's registered office at 29 Tuas South Street 1, Singapore 638036, for a period of three (3) months from the date of this announcement.

¹ Refers to the aggregate of the Group's long-term and short-term interest-bearing borrowings.

13. 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 Proposed Transaction, the Company and its subsidiaries, 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 this announcement in its proper form and context.

14. CAUTIONARY STATEMENT

Shareholders should note that there is no certainty or assurance as at the date of this announcement that the Proposed Transaction will be completed, or that no changes will be made to the terms of the SPA. Accordingly, Shareholders are advised to exercise caution when trading in the Shares. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Chia Yau Leong
Executive Director and Company Secretary

27 September 2017

Sponsor's Statement

This announcement has been prepared by Ocean Sky International Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Alvin Soh, Head of Catalist Operations, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.