

3CENERGY LIMITED
(Company Registration No.: 197300314D)
(Incorporated in Republic of Singapore)

THE PROPOSED DISPOSAL OF 100% SHAREHOLDING INTERESTS IN HSR INTERNATIONAL REALTORS PTE LTD

1. UPDATE ON THE LETTER OF INTENT

- 1.1 The Board of Directors (the “**Board**”) of 3Cnergy Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 14 April 2015 in relation to the disposal of its entire shareholding (the “**Sale Shares**”) in the capital of HSR International Realtors Pte Ltd (“**HSR**” and together with its subsidiaries, the “**HSR Group**”) (the “**Proposed Disposal**”).
- 1.2 The Board wishes to update and notify shareholders of the Company (“**Shareholders**”) that the parties did not reach an agreement on the terms of a definitive agreement in relation to the Proposed Disposal and accordingly, the LOI has lapsed.

2. INTRODUCTION

The Board is pleased to announce that the Company has entered into a conditional sale and purchase agreement dated 11 May 2015 (the “**Agreement**”) with Mr. Liew Siow Gian, Patrick (the “**Purchaser**”) for the Proposed Disposal.

3. INFORMATION ABOUT HSR

HSR, a company incorporated in Singapore on 30 July 1981, is a wholly-owned subsidiary of the Company.

HSR carries on the business of real estate services to the residential, commercial and industrial markets, including other services that complement its real estate agency business and training services through HSR’s wholly-owned subsidiary Hastor Property Services Pte Ltd (“**Hastor**”).

Hastor, a company incorporated in Singapore on 11 November 2010. Hastor carries on the business of providing training services to real estate salespersons.

Following the completion of the Proposed Disposal (“**Completion**”), HSR will cease to be a subsidiary of the Company.

4. INFORMATION ABOUT PURCHASER

The Purchaser and his wife, Ms Lim Sook Lin collectively own 15,000,000 Shares constituting 12.51% of the issued share capital of the Company as at the date of this announcement.

The Purchaser has over 15 years of experience in the real estate agency business. The Purchaser and Ms Lim were the promoters of the HSR Group. In February 2011, the Purchaser and Ms Lim sold the HSR Group to the Company (then known as Wepeco Limited) in a reverse takeover transaction.

5. RATIONALE

- 5.1 The Proposed Disposal is a strategic decision as the Company has been incurring losses in the last two financial years. HSR has incurred losses of approximately S\$5.4 million and S\$5.2 million for financial years ended 31 December 2013 and 31 December 2014 respectively.
- 5.2 The Company is of the view that the disposal of HSR is in the best interests of the Company and its Shareholders in consideration that the property industry is expected to remain challenging in the next twelve months, and the cash flow burden arising from high costs relating to the existing premises.
- 5.3 As part of the Company's diversification strategy, the Company will continue to seek other opportunities whether in existing or new businesses that will facilitate long term growth of the Group.

Remaining businesses and expansion plans

- 5.4 Following Completion, the remaining businesses of the Company includes, *inter alia*, Orientis Solutions Sdn Bhd an integrated property development management firm, 3C Property Consultants Pte Ltd which provides real estate valuation and appraisal services, as well as Whitehouse Holdings Pte Ltd, a property management company.
- 5.5 As disclosed in the Company's 2014 annual report, the Company had, as part of the Company's expansion plans, entered into the Malaysian market and HSR Realtors (Malaysia) Sdn Bhd ("**HSR Malaysia**") commenced operations on 20 December 2014. Located in Kuala Lumpur with a branch in Puchong, HSR Malaysia is helmed by a team of professionals with extensive knowledge and experience in the real estate industry in Malaysia. Following Completion, the Company will discuss with its Malaysian partners on branding strategy of HSR Malaysia going forward.

The Company will make further announcements as and when appropriate to update Shareholders on future expansion plans.

6. CONSIDERATION

The consideration payable by the Purchaser to the Company for the Sale Shares under the Agreement is a nominal S\$1.00 ("**Consideration**"), payable on Completion.

The Consideration was arrived at after arms' length negotiations between the Purchaser and the Company on a willing-buyer willing-seller basis, taking into consideration, the negative net asset value of the HSR Group as well as the rationale of the Proposed Disposal set out in paragraph 5 above.

As the purchase consideration is a nominal sum, the intended use of proceeds is not meaningful.

7. CONDITIONS PRECEDENT AND OTHER SALIENT TERMS

- 7.1 Completion of the Proposed Disposal is conditional on the occurrence of, *inter alia*, the following:
- (a) approval by the shareholders of the Company to be obtained at a general meeting of the Company to be convened approving the Proposed Disposal;
 - (b) full and absolute assignment, on a world-wide basis, to the Purchaser by the Company and/or its subsidiaries of all intellectual property rights subsisting in the "HSR" trade name, trade device and trade dress, including all variations of the same thereof ("**IPs**")

except for the "HSR" name used by HSR Malaysia by the execution and delivery to the Purchaser in an agreed form of the deed of assignment hd.

- (c) Further if the Proposed Disposal completes, the Company shall, from and on Completion, restrain from the use of any of the IPs and shall procure that the its subsidiaries and agents restrain for the use of any of the IPs without the express written permission of the Purchaser. However, the Company makes no warranty or undertaking as to the use of the trade name, trade device and trade dress "HSR" by its associated company HSR Malaysia except that it will to the extent permitted by law and contracts use reasonable endeavours to procure HSR Malaysia to desist from using the trade name, trade device and trade dress "HSR";
- (d) all consents, authorisations, approvals, clearances, orders, waivers and alike that are necessary or required to be obtained by the Company in connection with the Proposed Disposal under any and all applicable laws and regulations (including without limitation, those related to the listing rules of the SGX-ST) having been obtained and being in full force;
- (e) all consents, authorisations, approvals, orders, waivers and alike that are necessary or required to be obtained by the Company from any counter parties to any of contracts entered into by the Company or by the HSR Group; and
- (f) the Purchaser having completed legal and financial due diligence;
- (g) all inter-company owings from the HSR Group to the Group as at Completion ("**HSR Group Inter-Company Debts**") will be capitalized and all new shares issued pursuant to the capitalization shall be part of the Sale Shares. The inter-company owings as at 31 December 2014 is S\$3.1 million. The HSR Group Inter-Company Debts mainly relate to management fee billed by the Company to HSR, rental billings from the Group to HSR and accordingly the actual amount of the HSR Group Inter-Company Debts will only be ascertained as at Completion.

In the event that the conditions set out in the Agreement are not fulfilled or waived by 6 July 2015 (the "**Long Stop Date**"), the provisions of this Agreement (with the exception of certain provisions namely confidentiality, governing law provisions) shall, from Long Stop Date, ipso facto cease and determine. Save for antecedent breaches, none of the parties shall have any claim against the other for costs, damages, compensation or otherwise based on the agreement.

7.2 In addition, the Agreement provides as follows:-

- (a) the Purchaser will not acquire the leases at the Tampines location and the HSR Building which shall be the responsibility of the Company and the parties shall co-operate to determine the appropriate mechanism to achieve the aforesaid. The cost of such actions shall be borne by the Company;
- (b) the Company will procure HSR not to renew the lease at the Toa Payoh Hub location. If the Purchaser elects, it may enter into a lease directly with the landlord for the said property by reasonable notification to the Company. If the Purchaser enters into such a lease, the Purchaser shall permit the HSR Group to keep its fixtures, fittings and equipment on the said premises rent free but the occupants will vacate the said premises to enable the Purchaser to undertake renovations. If the Proposed Disposal does not complete by the Long Stop Date, the Purchaser shall allow the Company and the HSR Group to vacate the premises within two week thereafter on an as is basis and without any payment of rent;
- (c) as the Purchaser will not continue with the lease at the HSR Building, it shall vacate the premises on Completion. If the Purchaser does not do so within two weeks after the Completion, it shall pay rent at the current prevailing rate payable by HSR;

- (d) In respect of the tenancies between the HSR Group and the respective agents at the HSR Building after Completion, the parties shall co-operate with each other pending completion or if necessary, after completion to identify the most appropriate means to either terminate the said tenancies or to transfer such tenancies to the Company. The cost of such actions shall be borne by the Company;
- (e) the Purchaser will not acquire the printers which are the subject of certain hire purchase agreements which shall remain the responsibility of the Company and the parties shall cooperate to determine the best mechanism to achieve the aforesaid. The cost of such actions shall be borne by the Company;
- (f) the Company will bear all financial and legal obligations in relation to the termination of the Company's employment contracts with the exception of those employees which the Purchaser agreed shall be retained up to and including Completion Date.

7.3 In addition, the Purchaser agrees and acknowledges that after Completion, the Company shall not be liable for any tax liability or the loss of any relief (including the ability to utilise the prior years' losses of the HSR Group) arising from the capitalization of the HSR Group Inter-Company Debts and from the Proposed Disposal.

8. RELATIVE FIGURES BASED ON RULE 1006 OF THE LISTING MANUAL SECTION B: RULES OF CATALIST

8.1 The relative figures computed on the bases pursuant to Rule 1006(a) to (e) of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") based on the Group's latest audited consolidated financial statements for the financial year ended 31 December 2014 ("**FY2014**"), are as follows:-

Rule 1006	Bases of Computation	Size of relative figures
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	(14.6)% ⁽¹⁾
(b)	The net profit attributable to the assets acquired or disposed of compared with the Group's net profit.	45.7% ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽³⁾ .	n.m. ⁽³⁾
(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
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

- (1) Based on the audited financial statements of the Company for FY2014, the net asset value of the Group was S\$6.6 million compared with the pro-forma unaudited financial statements of HSR International Relators Pte Ltd for FY2014 ("**HSR Proforma FY2014 FS**"), the net liability was

negative S\$1.0 million. The HSR Proforma FY2014 FS had eliminated the HSR Group Inter-Company Debts.

(2) Based on the audited financial statements of the Group for FY2014, the net loss of the Group was S\$5.2 million compared with the Proforma HSR FY2014 FS was negative S\$2.4 million. The HSR Proforma FY2014 FS had eliminated the HSR Group Inter-Company charges.

(3) Not meaningful, as the Consideration is a nominal sum.

8.2 As the relative figures as computed under (a) is negative, the Company has decided that it will be holding an extraordinary general meeting to seek Shareholders' approval for the Proposed Disposal.

9. FINANCIAL EFFECTS

9.1 The *pro forma* financial effects of the Proposed Disposal on the Group are for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed Disposal on the net tangible assets ("**NTA**") per ordinary share in the capital of the Company ("**Share**") and earnings per Share ("**EPS**") of the Group, nor do they represent the actual financial position and performance of the Group immediately after the Completion.

9.2 The following *pro forma* financial effects of the Proposed Disposal have been prepared based on the audited consolidated financial statements of the Group for FY2014 and the unaudited financial statements of HSR and Hastor for the financial year ended 31 December 2014 with the following assumptions:

(a) for the purpose of computing the financial effects of the Proposed Disposal on the NTA per Share of the Group, the Proposed Disposal is assumed to have been completed on 31 December 2014;

(b) for the purpose of computing the financial effects of the Proposed Disposal on the EPS of the Group, the Proposed Disposal is assumed to have been completed on 1 January 2014; and

(c) for the purpose of computing the financial effects of the Proposed Disposal, the HSR Group Inter-Company Debts is assumed to be S\$3.1 million. Shareholders are to note that the amount will be ascertained as at Completion. It is the intention of the Company that pursuant to the capitalization of the HSR Group Inter-Company Debts under the Agreement, that one new ordinary share will be issued to the Company.

(d) for the purpose of computing financial effects of the Proposed Disposal, costs relating to termination of lease of Tampines office of S\$0.1 million is considered. The disposal of printers under hire-purchase and termination costs of affected staff were not considered.

Effect on the NTA per Share of the Group as at 31 December 2014

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	563	1,425
Number of Shares as at 31 December 2014 ('000)	119,921	119,921
NTA per Share (Singapore cents)	0.005	0.012

Effect on the EPS of the Group for FY2014

	Before the Proposed Disposal	After the Proposed Disposal
Loss attributable to shareholders (S\$'000)	(5,203)	(2,919)
Weighted average number of Shares ('000)	108,943	108,943
Loss per Share (Singapore cents)	(4.78)	(2.68)

10. NO SERVICE CONTRACTS

No person will be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract will be entered into between the Company and any such person.

11. INTEREST OF DIRECTORS AND CONTROLLING OR SUBSTANTIAL SHAREHOLDERS

Other than through their respective shareholdings in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company) in the Disposal.

Save for Mr Patrick Liew Siow Gian and Ms Lim Sook Lin, none of the substantial Shareholders of the Company has any interest (direct or indirect) in the Proposed Disposal.

12. DOCUMENTS FOR INSPECTION

A copy of the Agreement is available for inspection during normal business hours at the registered office of the Company at 3 Lorong 6 Toa Payoh, #01-01 HSR Building, Singapore 319378 for a period of three (3) months from the date of this announcement.

13. FOLLOW UP ANNOUNCEMENT/ FURTHER INFORMATION

The Company will make further announcements as and when appropriate to update Shareholders on the progress of the Proposed Disposal. Shareholders and potential investors should exercise caution when trading in the shares of the Company and in the event of any doubt as to the action they should take, Shareholders should consult their financial, tax, legal and other professional advisers.

By Order of the Board

Tong Kooi Lian
Managing Director and Chief Executive Officer
11 May 2015

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "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 and Sponsor assume 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.

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