

OCEAN SKY INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

(Company registration no.: 198803225E)

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- (1) **PROPOSED ACQUISITION OF THE REMAINING 70% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF ANG TONG SENG BROTHERS ENTERPRISES PTE LTD**
 - (2) **PROPOSED CONSOLIDATION OF EVERY TWO (2) ORDINARY SHARES INTO ONE (1) ORDINARY SHARE, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED**
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1. INTRODUCTION

1.1. The Proposed Transaction

The board of directors (the "**Board**") of Ocean Sky International Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company has today entered into a conditional sale and purchase agreement dated 21 September 2016 ("**SPA**") with Ang Boon Cheow Edward and Wong Siew Hui (the "**Vendors**"), pursuant to which the Company will acquire from the Vendors 1,050,000 ordinary shares (the "**Sale Shares**") representing the remaining 70% of the issued and paid-up share capital of Ang Tong Seng Brothers Enterprises Pte Ltd (the "**Target**") not held by the Company, upon the terms and conditions of the SPA (the "**Proposed Transaction**").

The consideration for the purchase of the Sale Shares is approximately S\$22.8 million (the "**Consideration**").

The Proposed Transaction, if undertaken and completed, will constitute:

- (a) a major transaction as defined under Rule 1014 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Section B: Rules of Catalyst (the "**Catalist Rules**") as the relative figures under Rule 1006(c) of the Catalist Rules exceed 75.0% but are less than 100.0% and, as such, will be subject to the approval of the shareholders of the Company (the "**Shareholders**") at an extraordinary general meeting to be convened (the "**EGM**") pursuant to the Catalist Rules; and
- (b) an interested person transaction as defined under Chapter 9 of the Catalist Rules as one of the Vendors, Mr Ang Boon Cheow Edward is an "interested person" in relation to the Company for the purposes of Chapter 9 of the Catalist Rules. As the value of the Proposed Transaction attributable to Mr Ang Boon Cheow Edward (being the amount at risk to the Company) exceeds 5.0% of the latest audited net tangible assets of the Group, the Proposed Transaction will be subject to approval of the independent Shareholders at the EGM pursuant to Rule 906(1)(a) of the Catalist Rules.

1.2. The Proposed Share Consolidation

Prior to the issue and allotment of the Consideration Shares (as defined in Paragraph 3.2 of this announcement) in connection with the Proposed Transaction, the Company proposes to consolidate every two (2) existing ordinary shares in the capital of the Company (the "**Shares**") held by Shareholders as at a books closure date to be determined by directors of the Company, into one (1) Share (each a "**Consolidated Share**"), fractional entitlements to be disregarded (the "**Proposed Share Consolidation**").

2. INFORMATION ON THE TARGET AND THE VENDORS

2.1. Information on the Target

The Target is a private company limited by shares incorporated in Singapore on 3 June 1981. It has a total issued and paid-up share capital of S\$1,500,000 comprising 1,500,000 ordinary shares, of which presently 30% is owned by the Company and 70% is owned by the Vendors.

As at the date of this announcement, the Target is a civil engineering and construction company that operates primarily in Singapore and provides engineering services such as earthwork, roadwork, drainage work, basement work and structural works involving demolition and underground infrastructure as well as other general building works. Registered with the Building and Construction Authority of Singapore, the Target is currently classified under Grade C3 for General Building category and Grade C1 for Civil Engineering category.

Both the proforma¹ unaudited net asset value and net tangible assets (“**Proforma NAV and NTA**”) of the Target as at 30 June 2016 were approximately S\$10.0 million. The audited net profit after tax of the Target for the financial year ended 31 December 2015 was approximately S\$3.6 million, and the unaudited net profit after tax of the Target for the six (6) months ended 30 June 2016 was approximately S\$2.5 million.

2.2. Information on the Vendors

As at the date of this announcement, the Vendors are the legal and beneficial owners of 70% of the issued and paid-up share capital of the Target. The Vendors are also directors of the Target.

Mr Ang Boon Cheow Edward is the Executive Chairman and Chief Executive Officer of the Company and a controlling shareholder of the Company.

Mr Wong Siew Hui is a shareholder of the Company. Mr Wong Siew Hui is not a substantial shareholder of the Company and he is also not related to any of the Company’s directors, chief executive officer or controlling shareholders.

3. KEY TERMS OF THE PROPOSED TRANSACTION

3.1. The Sale Shares

The Sale Shares will be acquired by the Company free from all encumbrances or third party interests and together with all rights, dividends and benefits of any nature attaching thereto as of and including the Completion Date (as defined in Paragraph 3.4 of this announcement), including but not limited to all dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the Completion Date.

3.2. Consideration

The Consideration of approximately S\$22.8 million shall be satisfied in full by:

- (a) the cash payment of S\$9.6 million to the Vendors (the “**Cash Consideration**”); and
- (b) the balance amount of approximately S\$13.2 million shall be satisfied by the allotment and issuance of 100,219,780 new Consolidated Shares (the “**Consideration Shares**”) by the Company to the Vendors (and/or their designated nominee(s)) at the issue price of S\$0.132 per Consideration Share.

¹ Assuming the declaration of a proposed dividend of approximately S\$5.8 million by the Target as allowed under the SPA, of which approximately S\$1.7 million is attributable to the Company’s 30% existing interest in the Target.

The Cash Consideration shall be payable to the Vendors on the Completion Date by way of electronic fund transfer to such bank account(s) as designated by the Vendors and notified to the Company in writing no later than five (5) business days before the Completion Date or by such other methods of payment as the Company and the Vendors may agree in writing. The Company intends to use internal sources of fund to finance the Cash Consideration.

The Consideration Shares, when allotted and issued, shall be credited as fully-paid Consolidated Shares free from any and all encumbrances and shall rank *pari passu* in all respects with and carry all rights similar to the Consolidated Shares in issue as at the Completion Date, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the date of issue of the Consideration Shares.

The Consideration was arrived at on a willing-seller, willing-buyer basis between the Company and the Vendors after taking into consideration, *inter alia*, the following: (a) the independent valuation of the 70% equity interest of the Target by Censere Singapore Pte Ltd (the “**Independent Valuer**”); (b) the Proforma NAV and NTA of the Target as at 30 June 2016; (c) the operating track record of the Target; and (d) the rationale for the Proposed Transaction as set out in paragraph 4 below.

The Independent Valuer is of the opinion that the market value of the 70% equity interest in the Target range from approximately S\$26.9 million to S\$37.6 million, with a midpoint value of S\$31.1 million.

Information relating to the Independent Valuer and its valuation report on the Target (the “**Valuation Report**”) will be included in the circular to be despatched to Shareholders in due course. A copy of the Valuation Report will also be made available for inspection by the Shareholders during normal business hours at the registered office of the Company for a period of three (3) months from the date of this announcement.

3.3. **Conditions Precedent**

Completion of the sale and purchase of the Sale Shares is conditional upon the following conditions (the “**Conditions Precedent**”) having been fulfilled or waived in accordance with the terms of the SPA on or before the Completion Date:

- (a) the completion of the due diligence exercise to be carried out by the Company and/or its appointed advisers on the Target and the results of such due diligence being satisfactory in the reasonable opinion of the Company;
- (b) the Proposed Share Consolidation being effective;
- (c) the approval of the Shareholders who are independent for the purposes of the Proposed Transaction (the “**Independent Shareholders**”) being obtained at an extraordinary general meeting of Shareholders for the Proposed Transaction and the allotment and issuance of the Consideration Shares;
- (d) the allotment and issuance of the Consideration Shares not being prohibited by any statute, order, rule or regulation promulgated by any legislative, executive or regulatory body or authority in Singapore or in any other jurisdiction;
- (e) the Company being satisfied in its sole and absolute discretion that there has been no material adverse change in the condition (financial or otherwise), results of operations, assets, prospects, liabilities or business of the Target (“**Material Adverse Change**”) or events, acts or omissions reasonably likely to lead to a Material Adverse Change from the date of the SPA up to and including the Completion Date;
- (f) there being no material adverse change, or events, acts or omissions reasonably likely to lead to a material adverse change in relation to the Company;

- (g) the Vendors having performed all of the covenants and undertakings required to be performed by them under the SPA on or before the Completion Date;
- (h) each of the representations, warranties and undertakings given by the Company remaining true and correct at all times from the date of the SPA until (and including) the Completion Date;
- (i) save as disclosed in the disclosure letter from the Vendors to the Company and the due diligence exercise, the representations, warranties and undertakings given by the Vendors remaining true and correct in all material respects at all times from signing of the SPA until (and including) the Completion Date;
- (j) the receipt by the Company of such waivers or consents as may be necessary to enable the Company and/or its nominee(s) to be registered as holder of any and all of the Sale Shares;
- (k) all necessary approvals, consents and waivers of the SGX-ST and/or the Company's sponsor required to complete the SPA and all transactions contemplated under the SPA, including (i) approval for the circulars to be issued by the Company, in relation to the Proposed Transaction, and (ii) the receipt of listing and quotation notice in respect of the listing and quotation of the Consideration Shares on the Catalist being obtained and not having been revoked or repealed on or before Completion. If such approvals, consents or waivers are obtained subject to any conditions, such conditions being reasonably acceptable to the Company, and if such conditions are required to be fulfilled on or before Completion, such conditions being fulfilled on or before Completion;
- (l) all necessary approvals, waivers and consents (if any) being granted by the relevant parties under any financing or security agreements or arrangements entered into by the Target and not having been revoked or repealed on or before Completion. If such approvals, consents or waivers are granted subject to any conditions, such conditions being reasonably acceptable to the Company, and if such conditions are required to be fulfilled on or before Completion, such conditions being fulfilled on or before Completion;
- (m) all other necessary approvals, consents and waivers being granted for all transactions contemplated under the SPA by third parties, including without limitation, government bodies, stock exchanges and other relevant authorities having jurisdiction over the transactions contemplated under the SPA, and not having been revoked or repealed on or before Completion. If such approvals, consents or waivers are obtained subject to any conditions, such conditions being reasonably acceptable to the Company, and if such conditions are required to be fulfilled on or before Completion, such conditions being fulfilled on or before Completion; and
- (n) the SPA and all transactions contemplated under the SPA not being prohibited or restricted by the law of Singapore (including all common law, statute or subordinate legislation, regulation, rule, judgment or recommendation of any government, quasi-government, statutory, administration or regulatory body, court, agency or association applicable to or affecting any person, its business, employees or assets in any jurisdiction).

3.4. Completion

Subject to the satisfaction or waiver, in accordance with the SPA, of the Conditions Precedent, completion of the Proposed Transaction ("**Completion**") shall take place not later than 30 business days after all the Conditions Precedent are fulfilled or waived (the "**Completion Date**") but in any event no later than 31 March 2017 or such other date as agreed in writing between the parties (the "**Long-Stop Date**"), at 300 Tampines Avenue 5, #09-05 Income @ Tampines Junction, Singapore 529653 (or at such other place as the parties may agree in writing).

Each of the Company and the Vendors, jointly and severally, undertakes to procure the fulfilment of the Conditions Precedent by 31 December 2016 but in any event no later than the Long-Stop Date. Unless specifically waived by the relevant parties in accordance with the SPA, if any of the Conditions Precedents under the SPA are not fulfilled by the Long-Stop Date, then the provisions of the SPA (other than those excepted thereunder) shall from the Long-Stop Date *ipso facto* cease and determine and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise save in respect of any antecedent breach of the SPA.

3.5. Moratorium

Mr Ang Boon Cheow Edward has under the SPA undertaken to subject his 93,061,224 Consideration Shares under a moratorium, for a period of six (6) months from the date of Completion, on the sale, transfer, assignment and/or disposal of any of his Consideration Shares and provide a written undertaking to the Company and the Company's sponsor for such moratorium, provided that he shall be entitled to sell any of his Consideration Shares in the event of any of the following events occurring:

- (a) a general offer for all the shares of the Company under Rule 14 of the Takeover Code;
- (b) a reverse takeover under Rule 1015 of the Catalist Rules; or
- (c) any change in control of the Company.

3.6. Undertaking

Mr Wong Siew Hui has under the SPA undertaken to continue in his present employment with the Target and to remain as a director of the Target for at least one year from the Completion Date.

4. RATIONALE FOR THE PROPOSED TRANSACTION

Following the disposal of the Group's designing, manufacturing, sales and marketing of apparel business in 2013, the Group's core business has been (a) the property business involving the leasing out land in Cambodia to generate rental income and (b) the construction and engineering business through its associated company, the Target.

After taking into consideration, *inter alia*, the Target's historical financial performance, the Company is of the view that the Target has a profitable business with strong operating track record that can contribute further to the Group's revenue and profits.

The Proposed Transaction is in line with the Company's strategy of expanding its core civil engineering and construction business, and the Company is of the view that the Proposed Transaction will improve the business fundamentals of the Group. The Company believes that the Proposed Transaction will improve its prospects for long-term growth and enhance the Company's value proposition to its Shareholders and stakeholders.

5. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

Based on the unaudited financial statements of the Target and the Group for the six (6) months ended 30 June 2016, the relative figures of the Proposed Transaction computed on the bases set out in Rules 1006(a) to (e) of the Catalist Rules are as follows:

Rule 1006	Bases	Relative Figures
a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable ⁽¹⁾
b)	The net profit ⁽²⁾ of approximately S\$2.0 million attributable to the 70% interest to be acquired in the Target, compared with the Group's net profit of approximately S\$0.1 million, assuming an exchange rate of US\$1 : \$1.36	1,684.2%
c)	The aggregate value of the Consideration ⁽³⁾ of approximately S\$28.1 million compared with the Company's market capitalisation of approximately S\$31.1 million as at 20 September 2016, being the last market day the Shares were traded on Catalist immediately preceding the date of the SPA ⁽⁴⁾	90.5%
d)	The number of Consideration Shares ⁽⁵⁾ issued by the Company as consideration for the Proposed Transaction, compared with the number of Shares previously in issue	44.6%
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 ⁽⁶⁾

Notes:

- (1) This is not applicable to an acquisition of assets.
- (2) Under Rule 1002(3)(b) of the Catalist Rules, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) Under Rule 1003(3) of the Catalist Rules, where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher. As such, for the purpose of Rule 1006(c) of the Catalist Rules, notwithstanding that the Consideration is approximately S\$22.8 million, the aggregate value of the consideration to be applied under Rule 1006(c) is approximately S\$28.1 million, being the aggregate of the (i) Cash Consideration and (ii) theoretical post-consolidation net asset value/share of the Group as at 30 June 2016 of US\$0.136/share or approximately S\$0.185/share, assuming an exchange rate of US\$1 : S\$1.36, multiplied by the number of Consideration Shares.
- (4) Based on the total of 449,441,053 Shares, and the volume-weighted average traded price of such Shares of S\$0.069 on 20 September 2016, being the last market day immediately preceding the date of the SPA. (Source: Bloomberg).
- (5) Assuming that immediately after the Proposed Share Consolidation, the number of shares outstanding in the share capital of the Company is 224,720,526 Consolidated Shares.
- (6) This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company. The Company is not a mineral, oil and gas company.

The Proposed Transaction would constitute a major transaction under Rule 1014 of the Catalist Rules as the relative figures under Rule 1006(c) of the Catalist Rules exceed 75.0% but do not exceed 100.0%. Rule 1015 is not applicable to the Proposed Transaction since it is

an acquisition of profitable assets and only the relative figures under Rules 1006(b) of the Catalist Rules exceed 100.0%.

Accordingly, the Proposed Transaction shall, pursuant to Rule 1014 of the Catalist Rules, be conditional upon the approval of the Shareholders being obtained at the EGM.

6. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The pro forma financial effects of the Proposed Transaction have been prepared based on the audited consolidated financial statements of the Group, audited financial statements of the Target, for the financial year ended 31 December 2015 as well as the Proforma NTA of the Target as at 30 June 2016, under the following assumptions:

- (a) that the Proposed Transaction had been completed on 1 January 2015 for the purposes of illustrating the financial effects on earnings per share ("**EPS**");
- (b) that the Proposed Transaction had been completed on 31 December 2015 for the purposes of illustrating the financial effects on share capital and NTA;
- (c) that the Proposed Share Consolidation has been completed on 31 December 2015;
- (d) all expenses in connection with the Proposed Transaction have been disregarded; and
- (e) assuming an exchange rate of US\$1 : S\$1.36.

The pro forma financial effects of the Proposed Transaction are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Group following Completion.

6.1. Share Capital

	Before the Proposed Transaction and the Proposed Share Consolidation	After the Proposed Transaction and the Proposed Share Consolidation
Issued and paid-up share capital (US\$'000)	29,344	39,071
Number of Shares	449,441,053	324,940,306

6.2. NTA

	Before the Proposed Transaction and the Proposed Share Consolidation	After the Proposed Transaction and the Proposed Share Consolidation
NTA attributable to owners of the Company (US\$'000)	29,777	27,865
Number of Shares	449,441,053	324,940,306
NTA per Share (US cents)	6.63	8.58

6.3. EPS

	Before the Proposed Transaction and the Proposed Share Consolidation	After the Proposed Transaction and the Proposed Share Consolidation
Net (loss) / profit attributable to owners of the Company (US\$'000)	(1,768)	96
Number of Shares	449,441,053	324,940,306
(Loss) / Earnings per Share (US cents)	(0.39)	0.03

7. THE PROPOSED TRANSACTION AS AN INTERESTED PERSON TRANSACTION

7.1. Details of the Interested Person

The Proposed Transaction is an interested person transaction ("IPT") as one of the Vendors, Mr Ang Boon Cheow Edward is an "interested person" for the purposes of Chapter 9 of the Catalist Rules. Mr Ang Boon Cheow Edward is the Executive Chairman and Chief Executive Officer of the Company and a controlling shareholder of the Company.

7.2. Materiality thresholds under Chapter 9

Under Chapter 9 of the Catalist Rules, Shareholders' approval is required for an IPT of a value equal to, or exceeding, 5.0% of the Group's latest audited NTA.

The value of the Proposed Transaction attributable to Mr Ang Boon Cheow Edward (being the amount at risk to the Company) is the total consideration payable to him of approximately S\$21.2 million or approximately US\$15.6 million, assuming an exchange rate of US\$1 : S\$1.36). The Group's latest audited NTA attributable to owners of the Group as at 31 December 2015 is approximately US\$29.8 million. As the value of the Proposed Transaction attributable to Mr Ang Boon Cheow Edward exceeds 5.0% of the Group's latest audited NTA, the approval of the Independent Shareholders for the Proposed Transaction has to be obtained at the EGM.

7.3. Total Value of the IPTs

There are no IPTs, excluding transactions which are less than S\$100,000, involving the Group and any interested persons of the Group as defined under Chapter 9 of the Catalist Rules for the period from 1 January 2016 to the date of this announcement.

8. AUDIT COMMITTEE'S STATEMENT AND INDEPENDENT FINANCIAL ADVISER

The Audit Committee will form its view as to whether the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders after considering the independent financial adviser's opinion to be obtained in due course. The Audit Committee's view on the Proposed Transaction will be set out in the Circular (as defined in Paragraph 11.1 of this announcement).

Xandar Capital Pte Ltd has been appointed as the independent financial adviser to the independent Directors in connection with the IPT.

9. DIRECTORS' SERVICE CONTRACT

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 such person.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for Mr Ang Boon Cheow Edward who is the Executive Chairman and Chief Executive Officer of the Company and a controlling shareholder of the Company, 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.

11. FURTHER INFORMATION

11.1. Circular

A circular containing further information on, *inter alia*, the Proposed Transaction and the Proposed Share Consolidation, together with a notice of the EGM (the "**Circular**"), will be despatched by the Company to the Shareholders in due course.

11.2. Documents for Inspection

A copy of the SPA and the Valuation Report will be made available for inspection during normal business hours at the registered office of the Company at 300 Tampines Avenue 5, #09-05 Income @ Tampines Junction, Singapore 529653, for a period of three (3) months from the date of this announcement.

12. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement (other than those relating to the Vendors and the Target) 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 Proposed Share Consolidation, 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 (including, without limitation, information relating to the Vendors and the Target), 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. The Directors do not accept any responsibility for any information relating to or opinions expressed by the Vendors or the Target or any other party.

13. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their Shares as the Proposed Transaction is subject to the fulfillment of certain conditions and there is no certainty or assurance as at the date of this announcement that the Proposed Transaction or the Proposed Share Consolidation will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed Transaction or the Proposed Share Consolidation.

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.

BY ORDER OF THE BOARD

Chia Yau Leong
Company Secretary

21 September 2016

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 relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). 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 persons for the Sponsor are Mr Alvin Soh, Head of Catalist Operations, Senior Vice President, and Mr Augustine Cheong, Assistant Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.