

HEADS OF AGREEMENT - THE PROPOSED ACQUISITION OF TWO PROPERTY INVESTMENT COMPANIES IN SINGAPORE

1. INTRODUCTION

- 1.1 The Board of Directors (the "**Directors**") of OEL (Holdings) Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that it has entered into a conditional and binding Heads of Agreement ("**HOA**") with Corporate Space Pte. Ltd. (the "**Vendor**") and the Vendor's ultimate holding company Heng Fai Enterprises Limited ("**HFEL**") on 13 January 2014 for the proposed acquisition (the "**Acquisition**") of 100% of the issued and paid up share capital of two wholly-owned subsidiaries (the "**Target Companies**") of the Vendor.
- 1.2 The Target Companies are incorporated in Singapore and comprise the following:-
- (i) Singapore Service Residence Pte Ltd ("**SSR**") (Company Registration No. 200310973Z with its registered office at 7 Temasek Boulevard, #43-03A, Suntec Tower One, Singapore 038987); and
 - (ii) Expats Residences Pte Ltd ("**ERPL**") (Company Registration No. 200411422M with its registered office at 7 Temasek Boulevard, #43-03A, Suntec Tower One, Singapore 038987).
- 1.3 The consideration for the Acquisition is S\$53.9 million (the "**Consideration**") subject to further adjustments in accordance with the terms and conditions of the HOA.

2. INFORMATION ON THE VENDOR AND HFEL

The Vendor is a company incorporated in Singapore with limited liability, and whose ultimate holding company is HFEL. HFEL (formerly known as Xpress Group Limited) is a company incorporated in Hong Kong with limited liability and its shares are listed on the Stock Exchange of Hong Kong with a current market capitalisation of approximately HK\$1.3 billion (S\$208 million). The principal activities of HFEL include investment holding, property investment and trading, hotel operations, securities trading and investment, treasury investment, property development and financing business.

3. PRINCIPAL TERMS OF THE ACQUISITION

The principal terms of the Acquisition, *inter alia*, are set out below.

3.1 Consideration

- 3.1.1 The Consideration for the Acquisition is S\$53.9 million, subject to further adjustments taking into account (i) the cash and cash equivalents in the Target Companies, and (ii) the valuation report on the Target Companies provided by the financial adviser ("**Financial Adviser**") to be appointed by the Company.
- 3.1.2 The Consideration was arrived at on a willing-buyer, willing-seller basis, following arm's length negotiations between the Company, the Vendor and HFEL, after taking

into account the audited accounts for the financial year ended 31 March 2013 of the Target Companies. The Parties also considered the carrying amount of the properties held by SSR and ERPL of approximately S\$72.1 million and the outstanding bank loans of approximately S\$19.4 million as at 30 September 2013. The Consideration of S\$53.9 million represents approximately 100% of the net asset value of SSR and ERPL (expected as at the date of the completion of the Acquisition) after the capitalisation of shareholders' loans from the HFEL Group to the Target Companies¹. The net asset value of the Target Companies as at 31 March 2013 was S\$42 million.

¹: The Vendor has advised that the difference in the net asset value of the Target Companies between 31 March 2013 and the date of completion of the Acquisition will be made up by the capitalization of shareholders' loans from the HFEL Group to the Target Companies.

- 3.1.3 The Consideration shall be satisfied by way of:-
- (a) Payment of S\$10 million in cash (the "**Cash Consideration**"); and
 - (b) Issuance by the Company of S\$43.9 million of secured convertible bonds to the Vendor (the "**Convertible Bonds**").

The Cash Consideration will be funded by the proceeds from the disposal of the Distribution Business which was announced on 21 August 2013 and completed on 31 October 2013.

3.2 Terms of the Convertible Bonds

Pursuant to Rule 803 of the Listing Manual, as the exercise of the Convertible Bonds by the Vendor will result in a transfer of controlling interest in the Company to the Vendor, the issuance of the Convertible Bonds must be made conditional upon the Company's shareholders' (the "**Shareholders**") approval in a general meeting.

The terms of the Convertible Bonds have been broadly agreed between the Parties as follows:-

- 3.2.1 **Issuer:** The Convertible Bonds shall be issued by the Company.
- 3.2.2 **Issue Size:** The aggregate face value of the Convertible Bonds shall be S\$43.9 million.
- 3.2.3 **Maturity Date:** This will be five (5) years from the date of the issuance of the Convertible Bonds.
- 3.2.4 **Issue Price:** 100% of the principal amount of the Convertible Bonds.
- 3.2.5 **Form and Denomination:** The Convertible Bonds shall be issued in registered form and in denominations of S\$100,000 each of integral multiples thereof.
- 3.2.6 **Interest:** The interest rate on the Convertible Bonds shall be 2.5% per annum, payable semi-annually in arrears.
- 3.2.7 **Security:** The Convertible Bonds shall be secured by way of a charge on the shares of SSR and ERPL, where the terms and conditions of the charge shall be set out in a share charge agreement as part of the Definitive Agreements (as defined below).

- 3.2.8 **Conversion:** The Convertible Bonds shall be convertible into ordinary shares of the Company (the "OEL Shares") at any time after the issuance date of the Convertible Bonds.
- 3.2.9 **Conversion Price:** The Convertible Bonds shall be convertible into new OEL Shares at a conversion price of S\$0.11 subject to the Anti-Dilution and Adjustment Provisions (see below). The Conversion Price represents a discount of 12.6% to the weighted average price of trades done on the shares of the Company on the full market day that the HOA was signed, i.e. 13 January 2014.
- 3.2.10 **Anti-Dilution and Adjustment Provisions:** There will be Anti-Dilution and Adjustment Provisions in the terms of the Convertible Bonds which shall take effect upon the occurrence of certain dilutive events, including, inter alia, private placement, bonus issues, rights issues and capital distributions by the Company.
- 3.2.11 **Status:** The Convertible Bonds constitute direct and secured obligations of the Company. In the event of the winding-up of the Company, the Convertible Bonds shall become immediately due and payable at their outstanding principal amount, together with any accrued and unpaid interest and any outstanding arrears of interest.
- 3.2.12 **Transferability:** The Convertible Bonds shall be freely transferable.
- 3.2.13 **Listing:** The Convertible Bonds shall not be listed and quoted on the Singapore Exchange Securities Trading Limited (the "SGX-ST") or on any stock exchange. No application shall be made for the listing and quotation of the Convertible Bonds on the SGX-ST or any other stock exchange.
- 3.2.14 **Repayment:** There will be no early repayment under the Convertible Bonds by the Company.
- 3.2.15 **Redemption:** Subject to event of default clauses which shall be contained in the terms of the Convertible Bonds and the Delisting Put Right, there will be no early redemption of the Convertible Bonds by the Company.
- 3.2.16 **Delisting Put Right:** In the event that the OEL Shares cease to be listed or admitted to trading on the SGX-ST, each holder of a Convertible Bond shall have the right, at such holder's option, to require the Company to redeem all (and not less than all) of such holder's Convertible Bonds on the 20th business day (being a day that is not a Saturday, a Sunday or public holiday in Singapore) after notice has been given to the holders of Convertible Bonds regarding the delisting of the Company, at 100% of the principal amount and outstanding interest accrued on the Convertible Bonds.
- 3.2.17 **Voting Rights:** Holders of Convertible Bonds shall not be entitled to vote at any meetings of the Shareholders of the Company. Holders of Convertible Bonds shall be entitled to attend class meetings involving holders of Convertible Bonds and to attend general meetings of the Company.
- 3.2.18 **Board Seats:** In connection with and upon the completion of the Acquisition, the Company shall procure the nomination and appointment of two (2) persons, as nominated by HFEL, to the Board of Directors of the Company as non-executive Directors, subject to the requirement of the Catalist Rules of SGX-ST.
- 3.2.19 **Governing Law:** The terms of the Convertible Bonds shall be governed by the laws of Singapore.

3.3 Conditions of the Acquisition

The Parties will enter into the Acquisition in accordance with the terms and conditions set out in the HOA, which will form the broad basis of the definitive agreements to be negotiated and entered into between the Parties ("**Definitive Agreements**"). The Acquisition shall be subject to the conditions customary to transactions of similar nature to the Acquisition and any other conditions as shall be agreed between the Parties in the Definitive Agreements. The conditions (the "**Conditions**") shall include without limitation the following:-

- 3.3.1 the Company and the Vendor having entered into a legally binding and enforceable Sale and Purchase Agreement (the "**SPA**") for 100% of the issued and paid up share capital of the Target Companies by the target date, being the date falling 30 calendar days from the date of this HOA ("**Target Date**");
- 3.3.2 the approval of the directors of the Company, the Vendor and HFEL;
- 3.3.3 the approval of the shareholders of the Company, the Vendor and HFEL at their respective duly convened extraordinary general meeting ("**EGM**") to approve, implement and effect the Acquisition on the terms as set out in the HOA and the SPA;
- 3.3.4 the Company and HFEL obtaining all the necessary approvals from government, administrative or regulatory bodies in Hong Kong and Singapore, including without limitation, approvals from SGX-ST and Securities Industry Council (the "**SIC**"), as the case may be;
- 3.3.5 the valuation of the Target Companies as expressed in an opinion report from Financial Adviser to be appointed by the Company is to the satisfaction of the Company; and
- 3.3.6 the Company being satisfied by the results of the due diligence to be performed on the Target Companies.

3.4 Termination

In the event that the SPA is not executed by the Parties on or before the Target Date, the HOA shall terminate and become null and void, and each Party shall not be liable to the other Parties for any claims, damages, liabilities, losses, costs or expenses whatsoever arising from or in connection with this HOA or the Acquisition.

4. **INFORMATION ON SSR AND ERPL**

- 4.1 SSR and ERPL are indirect wholly-owned subsidiaries of HFEL whose principal business activity is property investment, the principal assets of which are their direct interests in a pool of Singapore properties (the "**Properties**").

4.2 Particulars of the Properties are as follows:

Property interests held by SSR for investment

Property	Area (sq. ft.)	Usage	Attributable interest
<p>22 small-office-home-office units (#02-04, #04-02, #04-04, #07-03, #07-05, #09-03, #09-04, #11-01, #11-02, #11-03, #11-04, #13-02, #13-03, #13-04, #15-02, #15-03, #15-04, #17-02, #17-03, #17-04, #17-05 and #19-02) and one retail unit (#01-03) situated at 883 North Bridge Road, Singapore 198785</p> <p>Leasehold for a lease term of 99 years commencing from January 2006</p> <p>Completed in about 2010 and leased out.</p>	22,576	Commercial/ Residential	100%

Property interests held by ERPL for investment

Property	Area (sq. ft.)	Usage	Attributable interest
<p>5 small-office-home-office units situated at #13-01, #19-01, #19-03, #19-04, #19-05 883 North Bridge Road Singapore 198785</p> <p>Leasehold for a lease term of 99 years commencing from January 2006.</p> <p>Completed in about 2010 and leased out.</p>	6,157	Commercial/ residential	100%
<p>7 residential units situated at (i) #09-07, #10-07 36 Dakota Crescent Singapore, 399937, (ii) #01-09, #08-09, #14-09 38 Dakota Crescent Singapore, 399938; and (iii) #08-13, #09-13 40 Dakota Crescent Singapore 399939</p> <p>Leasehold for a lease term of 99 years commencing from September 2007.</p> <p>Completed in about 2010 and leased out.</p>	12,852	Residential	100%

A summary of the unaudited combined results of SSR and ERPL for each of the two (2) years ended 31 March 2012 and 2013 is set out below.

	For the year ended 31 March	
	2013	2012
	S\$'000	S\$'000
Profit/(loss) before taxation	91.46	(1,197.34)
Profit/(loss) after taxation	65.84	(552.60)

Based on the unaudited combined financial statements of SSR and ERPL as at 31 March 2013, the book value of the net asset was approximately S\$42.0 million.

5. RATIONALE FOR THE ACQUISITION

Following the completion of the disposal of the Company's and Group's distribution business (the "Distribution Business") on 31 October 2013 for a base consideration of S\$70 million, it has been the intention of the Directors to deploy the proceeds from the disposal of the Distribution Business to fund future acquisitions and its working capital, consider reducing its bank borrowing and provide a dividend distribution. The Directors are of the view that the Acquisition is in the best interests of the Group and its Shareholders as the Directors believe that the Acquisition will enable the Company to diversify into a stable and profitable business with steady cash flow within the steadily growing property market in Singapore. Upon completion, the Acquisition will have the potential to increase the market capitalisation of the Company and enhance Shareholders' value over long-term and increase investor interest in its Shares, particularly investors who share the Company's optimism in the growth of the property market in Singapore.

6. RELATIVE FIGURES UNDER THE LISTING MANUAL RULE 1006

For the purpose of Chapter 10 of the SGX-ST Listing Manual (Section B: Catalyst Rules) (the "Listing Manual"), the relative figures for the Acquisition, based on the last announced consolidated accounts of the Group as at 30 June 2013, using the applicable bases of comparison set out in Rule 1006 of the Listing Manual are as follows:

	Bases of Computation	Size of Relative Figure (%)
Rule 1006 (a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable
Rule 1006 (b)	Net profits attributable to the assets acquired, compared with the Group's net profits (pro-rated to 12 months) = S\$92,000/S\$2,396,000	3.8%
Rule 1006 (c)	Aggregate value of the consideration given, compared with the market capitalisation based on the total number of issued shares excluding treasury shares as of the market day on which the HOA was executed (i.e. 13 January 2014)	64.1%

	(using weighted average share price for the full market day of S\$0.1259) = \$53,900,000/\$84,134,773	
Rule 1006 (d)	Number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue = 399,090,909/668,266,667	59.7%

As the Acquisition will result in a fundamental change in the Group's business, the Acquisition will therefore constitute a major transaction under Practice Note 10A of the Listing Manual. Pursuant to Rule 1014, a major transaction must be made conditional upon the Company obtaining approval of the Shareholders of the Company at an EGM to be held in due course for the Acquisition. The Company will convene an EGM to seek the approval from Shareholders for, inter alia, (i) the fundamental change in the Group's business; and (ii) the Acquisition.

7. FINANCIAL EFFECTS OF THE ACQUISITION

The proforma financial effects of the Acquisition on the Company are set out below. The proforma financial are theoretical in nature and only for illustrative purposes, they do not represent the actual financial position and/or results of the Company's operations after the completion of the Acquisition and are not indicative of the future financial position and earnings of the Company.

Effect on Share Capital

The financial effects of the Acquisition on the issued share capital of the Company as at the date of the HOA are as follows:

	Number of Shares	(S\$'000)
Share capital of the Company as at the date of the HOA	668,266,667	38,530
Additional issue of shares assuming full conversion	399,090,909	43,900
Share capital of the Company as at the date of the HOA after issue of shares assuming full conversion	1,067,357,576	82,430

Effect of the Acquisition on Net Tangible Asset per share (NTA)

For the purpose of illustration and assuming that the Acquisition had been completed on 31 December 2012, being the end of the most recently audited completed financial year, and based on the Group's audited consolidated financial statements as at 31 December 2012, (taking into consideration the adjusted Net Tangible Assets related to the disposal of the Distribution Business which was previously announced on 21 August 2013 and 31 December 2013), the audited financial statements of both SSR and ERPL as at 31 March 2013^(a), and

the Consideration of S\$53.9 million, the effect on the NTA per share of the Group as at 31 December 2012, would be as follows:

	Before Acquisition	After the Acquisition
NTA ^(b)	S\$29,553,000	S\$116,673,000
Number of Shares ^(c)	668,266,667	1,067,357,576 (after full conversion)
NTA per share	4.42 cents	10.93 cents

Based on the above table, there will be a 147.3% increase in the NTA per share after the Acquisition.

(a): The Group's and the Target Companies' audited accounts were used for computation although both have different dates for year-end (31 December 2012 and 31 March 2013) because there will be no material impact on the computations to adjust for three (3) months of the management accounts.

(b): NTA refers to net assets less intangible assets and non-controlling interests.

(c): Number of shares after acquisition includes the full conversion of the Convertible Bonds, i.e. the per-share figure is on a fully-diluted basis.

Effect of the Acquisition on Earnings per share (EPS)

Assuming that the Acquisition had been completed on 1 January 2012, being the beginning of the most recently audited completed financial year, and based on the Group's audited consolidated financial statements for the financial year ended 31 December 2012 (taking into consideration the adjusted earnings related to the disposal of the Distribution Business which was previously announced on 21 August 2013 and 31 December 2013), the audited financial statements of both SSR and ERPL as at 31 March 2013, and the Consideration of S\$53.9 million the effect on the EPS of the Group for the financial year ended 31 December 2012 would be as follows:

	Before Acquisition	After the Acquisition
Earnings	(S\$29,257,000)	S\$1,137,189
Number of Shares	668,266,667	1,067,357,576 (after full conversion)
EPS	(4.38 cents)	0.11 cents

Based on the above table, there will be a 102.5% change in the earnings per share after the Acquisition.

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this Announcement, save for their shareholding interests in the Company, none of the Directors or controlling Shareholders of the Company or their associates as defined in the Listing Manual has any interest, direct or indirect in the Acquisition.

9. DETAILS OF SERVICE CONTRACTS OF DIRECTORS PROPOSED TO BE APPOINTED

There will be no service contracts for the two (2) proposed non-executive Directors to be appointed to the Company following completion of the Acquisition.

10. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the conditional and binding HOA is subject to subsequent agreements and due diligence and the Acquisition is conditional upon the approval from the Company's Shareholders in respect of the Acquisition being obtained (if required), and are therefore advised to exercise caution when dealing or trading in the shares of the Company. Shareholders and potential investors should consult their stockbrokers,

bankers, solicitors or other professional advisers if they have any doubt about the actions they should take.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected by Shareholders at the registered office of the Company at 8 Aljunied Avenue 3, Oakwell Building, Singapore 389933 during normal business hours for 3 months from the date of the announcement:

- (i) Memorandum and Articles of Association of the Company;
- (ii) The Annual Report of the Company for the financial year ended 31 December 2012; and
- (iii) The HOA.

By Order of the Board

Derick Lim Chien Joo
Group Financial Controller/Company Secretary
16 January 2014

This announcement has been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("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 assumes 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.

The details of the contact person for the Sponsor are: -

*Name : Mr. Wong Chee Meng, Lawrence (Registered Professional, RHT Capital Pte. Ltd.)
Address: Six Battery Road, #10-01, Singapore 049909
Tel : 6381 6868*