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Heng Fai Enterprises Limited

恒輝企業控股有限公司

(formerly known as Xpress Group Limited 特速集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

MAJOR TRANSACTION AND RESUMPTION OF TRADING

On 13 January 2014, the Company, CSPL and OEL entered into the Agreement, under which CSPL has agreed to sale, and OEL has agreed to purchase of the Target Shares at an aggregate consideration of S\$53.9 million (approximately HK\$328.8 million).

As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Disposal exceed 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and consequently are subject to notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Written approval of the execution and performance of the Agreement and the transactions thereby contemplated was on 13 January 2014 obtained from a Closely Allied Group of Shareholders who together holding approximately 70.1% of the current issued share capital of the Company. As no shareholders of the Company are required to abstain from voting at a general meeting to approve the Agreement and the transaction thereby contemplated, the written approval of the Closely Allied Group of Shareholders has been accepted under the Listing Rules in lieu of a majority vote at a general meeting of the Company to approve the Agreement and the transactions thereby contemplated.

A circular containing, among others things, details of the Disposal, the Definitive Agreements and other disclosure requirements under the Listing Rules will be dispatched to the Shareholders on or before 30 April 2014.

Shareholders and potential investors should note that completion of the Disposal is subject to the fulfillment of the conditions under the Agreement and therefore may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Tuesday, 14 January 2014 pending the publication of this announcement. Application has been made for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Thursday, 16 January 2014.

THE AGREEMENT

Date

13 January, 2014

Parties

1. The Company;
2. CSPL; and
3. OEL

Pursuant to the Agreement, CSPL has agreed to sale, and OEL has agreed to purchase of the Target Shares at an aggregate consideration of S\$53.9 million (approximately HK\$328.8 million). The parties will enter into the Disposal in accordance with the terms and conditions set out in the Agreement, which will form the broad basis of the Definitive Agreements.

The parties shall in good faith, and using all reasonable commercial efforts, negotiate and endeavour to agree, on or prior to the date falling 30 calendar days from the date of the Agreement (“Target Date”), on the general terms and conditions of the Definitive Agreements and any other necessary documents in respect of the Disposal.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, OEL and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Consideration

The total consideration for the Disposal shall be S\$53.9 million, subject to further adjustments taking into account (i) cash and cash equivalents in the Target Companies, and (ii) the valuation report on the Target Companies provided by the financial adviser to be appointed by OEL. The Parties have agreed in principle that the consideration shall be satisfied in the following manner:

- (a) S\$10 million (approximately HK\$61 million) shall be paid by OEL to CSPL in cash; and
- (b) S\$43.9 million (approximately HK\$267.8 million) shall be satisfied by Convertible Bonds to be issued by OEL to CSPL or any other person(s) or company nominated by CSPL.

The Consideration was determined after arm's length negotiation with reference to carrying amount of the Properties held by SSRPL and ERPL of approximately S\$72.1 million (approximately HK\$439.8 million) and the outstanding bank loans of approximately S\$19.4 million (approximately HK\$118.3 million) as at 30 September 2013. The Consideration of S\$53.9 million represents approximately 100% of net asset value of SSRPL and ERPL as at the date of the completion of the Disposal (after capitalization of all shareholder loans granted by the Group to SSRPL and ERPL). The Directors consider that the Consideration to be fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Terms of the Convertible Bond

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

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|-----------------------|---|---|
| Issuer | : | The Convertible Bonds shall be issued by OEL. |
| Issue Size | : | The aggregate face value of the Convertible Bonds shall be S\$43.9 million. |
| Maturity Date | : | 5 years from the date of the issuance of the Convertible Bonds. |
| Issue Price | : | 100% of the principal amount of the Convertible Bonds. |
| Form and Denomination | : | The Convertible Bonds shall be issued in registered form and in denominations of S\$100,000 each of integral multiples thereof. |
| Interest | : | The interest rate on the Convertible Bonds shall be 2.5% per annum, payable semi-annually in arrears. |
| Security | : | The Convertible Bonds shall be secured by way of a charge on the Target Shares, where the terms and conditions of the charge shall be set out in a share charge agreement as part of the Definitive Agreements. |
| Conversion | : | The Convertible Bonds shall be convertible into OEL Shares at any time after the issuance date of the Convertible Bonds. |
| Conversion Price | : | The Convertible Bonds shall be convertible into 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 OEL on the full market day that the Agreement was signed, i.e. 13 January 2014. |

- Anti-Dilution and Adjustment Provision : 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 OEL.
- Status : The Convertible Bonds constitute direct and secured obligations of OEL. In the event of the winding-up of OEL, 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.
- Transferability : The Convertible Bonds shall be freely transferable.
- Listing : The Convertible Bonds shall not be listed and quoted on the Stock Exchange, SGX-ST or on any stock exchange. No application shall be made for the listing and quotation of the Convertible Bonds on the Stock Exchange, SGX-ST or any other stock exchange.
- Repayment : There will be no early repayment under the Convertible Bonds by OEL.
- Redemption : Subject to event of default clauses which shall be contained in the bond document and the Delisting Put Right, there will be no early redemption of the Convertible Bonds by OEL.
- Delisting Put Right : In the event 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 OEL to redeem all (and not less than all) of such holder's Convertible Bonds on the 20th Business Day after notice has been given to the holders of Convertible Bonds regarding the delisting of OEL at 100% of the principal amount and outstanding interest accrued on the Convertible Bonds.
- Voting Rights : Holders of Convertible Bonds shall not be entitled to vote at any meetings of the shareholders of OEL. Holders of Convertible Bonds shall be entitled to attend class meetings involving holders of Convertible Bonds and to attend general meetings of OEL.

- Board Seats : In connection with and upon the completion of the Disposal, OEL shall procure the nomination and appointment of two (2) persons, as nominated by the Company, to the Board of Directors of OEL as non-executive directors, subject to the requirement of the Catalist Rules of SGX-ST.
- Governing Law : The terms of the Convertible Bonds shall be governed by the laws of Singapore.

Conditions

The Agreement and the Disposal shall be subject to the conditions customary to transactions of similar nature to the Disposal and any other conditions as shall be agreed between the Parties in the Definitive Agreements. The conditions shall include without limitation the following:-

- (i) CSPL and OEL having entered into a legally binding and enforceable sale and purchase agreement (“SPA”) for 100% of the issued and paid up share capital of the Target Companies by the Target Date;
- (ii) the approval of the directors of the Company, CSPL and OEL;
- (iii) the approval of the shareholders of the Company, CSPL and OEL at their respective duly convened extraordinary general meeting (or written resolution in lieu of a meeting if applicable) to approve, implement and effect the Disposal on the terms as set out in the Agreement and the SPA;
- (iv) the Company and OEL 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, as the case may be;
- (v) the valuation of the Target Companies as expressed in an opinion report from financial adviser to be appointed by OEL is to the satisfaction of OEL; and
- (vi) OEL being satisfied by the results of the due diligence to be performed on the Target Companies.

Termination

In the event that the Definitive Agreements and any other necessary documents are not executed by the parties by Target Date, the Agreement 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 the Agreement or the Disposal.

INFORMATION OF SSRPL AND ERPL

SSRPL and ERPL are indirect wholly-owned subsidiaries of the Company whose principal business activity is property investment holding, the principal assets of which are their direct interests in the Properties.

Particulars of the Properties are as follows:

Property interests held by SSRPL for investment

Property	Area (sq. ft.)	Usage	Attributable interest
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 1 retail unit (#01-03) situated at 883 North Bridge Road, Singapore 198785	22,576	Commercial/ residential	100%

Property interests held by ERPL for investment

Property	Area (sq. ft.)	Usage	Attributable interest
5 small-office-home-office units situated at #13-01, #19-01, #19-03, #19-04, #19-05 883 North Bridge Road, Singapore 198785	6,157	Commercial/ residential	100%
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	12,852	Residential	100%

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

	For the year ended 31 March	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before taxation	558	(7,304)
Profit/(loss) after taxation	402	(3,371)

Based on the unaudited combined financial statements of SSRPL and ERPL, as at 31 March 2013, the book value of the net asset was approximately S\$42.0 million (approximately HK\$256.2 million).

INFORMATION OF OEL

OEL was formerly known as Oakwell Engineering Ltd and changed its name to OEL (Holdings) Limited in November 2013 following the disposal of the business of the distribution of electrical and mechanical parts and accessories, together with related systems engineering and assembly services and security and access control solutions on 31 October 2013. OEL Group is principally engaged in shipbuilding business based in Thailand (Sattahip) that focuses on support and service vessels for the O&G industry.

REASONS FOR THE DISPOSAL

The Group is principally engaged in property development and property trading and investments, securities trading and investment, treasury investments and hotel operation.

The Directors are of the view that the Disposal provides an opportunity to generate additional working capital for the Group. The proceeds from the Disposal will be used for working capital. Accordingly, the Directors are of the view that the Disposal are in the best interests of the Company and its shareholders as a whole.

Upon Completion, the Target Companies will cease to be subsidiaries of the Group. Subject to the review by the auditors, the Company does not expect to record any gain or loss on the Disposal as the fair value of interests in the Target Companies is approximately the same as the Consideration at Completion.

LISTING RULES IMPLICATIONS

The Disposal constitutes a major transaction for the Company under the Listing Rules, since the applicable percentage ratios (as set out in the Listing Rules) are more than 25% but less than 75%.

Written approval of the execution and performance of the Agreement and the transactions thereby contemplated was on 13 January 2014 obtained from a Closely Allied Group of Shareholders who together holding approximately 70.1% of the current issued share capital of the Company. As no shareholders of the Company are required to abstain from voting at a general meeting to approve the Agreement and the transactions thereby contemplated, the written approval of the Closely Allied Group of Shareholders has been accepted under the Listing Rules in lieu of a majority vote at a general meeting of the Company to approve the Agreement and the transactions thereby contemplated.

A circular containing, among others things, details of the Disposal, the Definitive Agreements and other disclosure requirements under the Listing Rules will be dispatched to the Shareholders on or before 30 April 2014 as the Company expects it would take approximately 3 months for the preparation and finalization of the Circular including, among others, to finalize the Definitive Agreements and compile indebtedness statement, working capital statement of the Group.

Shareholders and potential investors should note that completion of the Disposal is subject to the fulfillment of the conditions under the Agreement and therefore may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Tuesday, 14 January 2014 pending the publication of this announcement. Application has been made for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Thursday, 16 January 2014.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Agreement”	The conditional and legally binding heads of agreement date 13 January 2014 entered into by the Company, CSPL and OEL, the details of which are set out in the section headed “The Agreement” in this announcement
“associate”	has the meaning defined in the Listing Rules
“Board”	the board of Directors

“Business Day”	means a day that is not a Saturday, Sunday or public holiday in Singapore
“Catalist Rules”	means Section B: Rules of Catalist of the Catalist Rules of the SGX-ST, as amended, modified or supplemented from time to time
“Closely Allied Group of Shareholders”	<p>(1) Heng Fai Master Holdings Limited, which are ultimately owned by a discretionary trust established by Mr. Chan Heng Fai (being a director of the Company) as settlor, is a beneficiary of 1,671,635,806 shares (46.40%) of the Company;</p> <p>(2) Prime Star Group Co. Ltd, wholly owned by Ms. Chan Yoke Keow (being a director of the Company), is a beneficiary of 592,039,274 shares (16.43%) of the Company;</p> <p>(3) Mr. Chan Heng Fai (the spouse of Ms. Chan Yoke Keow, being a director of the Company) owns 39,924,300 shares (1.11%) of the Company; and</p> <p>(4) Ms. Chan Yoke Keow (the spouse of Mr. Chan Heng Fai) owns 220,357,843 shares (6.12%) of the Company.</p>
“Company”	Heng Fai Enterprises Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal
“Convertible Bond”	the 2.5% coupon convertible bond in the principal amount of S\$43.9 million, due on the fifth anniversary of the date of the issue of the Convertible Bond, to be issued by OEL on completion date of the Disposal to CSPL, or such other person(s) or company nominated by CSPL, to satisfy part of the Consideration in the amount of S\$43.9 million
“CSPL”	Corporate Space Pte Ltd, a company incorporated in Singapore with limited liability which is an indirect wholly owned subsidiary of the Company

“Definitive Agreements”	the definitive agreements to be entered into between the parties of the Agreement and shall supersede the Agreement, which will include the terms set out in the Agreement (or as amended by mutual agreement of the parties of the Agreement) and such other terms that the parties of Agreement may agree to include during the course of their negotiations or consider appropriate for the Disposal. In the event of any inconsistency or conflict between the terms and conditions of the Agreement and those contained in the Definitive Agreements, the terms and conditions of the Definitive Agreements shall prevail.
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Target Shares by CSPL to OEL as contemplated under the Agreement
“ERPL”	Expats Residences Pte Ltd, a company incorporated in Singapore with limited liability which is a wholly owned subsidiary of CSPL
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Manual”	the listing manual of the SGX-ST, as amended from time to time
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“OEL”	OEL (Holdings) Limited, a company incorporated in Singapore with limited liability, the shares of which are listed on the SGX-ST
“OEL Share(s)”	share(s) in the share capital of the OEL
“Properties”	The properties described under the paragraph titled “Information of SSRPL and ERPL” of this announcement. These Properties are currently held by SSRPL and ERPL
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholder(s)”	shareholder(s) of the Company

“SSRPL”	Singapore Service Residence Pte Ltd, a company incorporated in Singapore with limited liability which is a wholly owned subsidiary of CSPL
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	SSRPL and ERPL and Target Company shall mean any one of the Target Companies
“Target Shares”	The entire issued and paid-up share capital of each of SSRPL and ERPL
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“S\$”	Singapore dollars, the lawful currency of Singapore
“%”	per cent.

By Order of the Board
Heng Fai Enterprises Limited
Chan Tong Wan
Managing Director

Hong Kong SAR, 16 January, 2014

As at the date of this announcement, the executive Directors are Mr. Chan Heng Fai, Mr. Chan Tong Wan, Ms. Chan Yoke Keow; the non-executive Directors are Mr. Fong Kwok Jen and Mr. Teh Wing Kwan and the independent non-executive Directors are Mr. Chan King Fai, Mr. Tan Choon Seng, Mr. Wong Dor Luk, Peter and Mr. Wong Tat Keung.