

TECHNICS OIL & GAS LIMITED
(Company Registration No.: 200205249E)
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF 74% OF VIGAHS MARINE TECHNOLOGIES PTE. LTD.

1. Introduction

Further to the announcement dated 11 November 2013, the Board of Directors of Technics Oil & Gas Limited ("**Company**"), and together with its subsidiaries, the "**Group**") wishes to announce that the Company's subsidiary V Offshore Engineering Pte. Ltd. ("**VOE**") has entered into a sale and purchase agreement ("**SPA**") with Goh Choon Huat, Koa Wee Boon, Senavannaido Duruvasai and Koa Susie (collectively the "**Vendors**" and each a "**Vendor**") with whom VOE entered into a non-binding term sheet, for the proposed acquisition of 74% of the paid-up capital ("**Sale Shares**") of Vigahs Marine Technologies Pte. Ltd. ("**Vigahs**") by VOE ("**Proposed Acquisition**") from the Vendors at a maximum aggregate consideration of S\$5,106,000 ("**Purchase Consideration**").

2. Information on Vigahs and its business

Vigahs is a company incorporated in Singapore on 28 November 2005 as a limited exempt private company and has an issued and paid-up capital of S\$100,000. Vigahs is in business of repairing and building of ships, tankers and other ocean-going vessels ("**Target Business**").

3. Purchase Consideration

3.1 The Purchase Consideration was arrived at after taking into account:

- (i) the business potential for the Group in the Target Business; and
- (ii) the valuation of Vigahs at S\$6,900,000 or 4.0588 times its consolidated net earnings after interests, tax, depreciation and amortisation to be achieved by Vigahs of S\$1,700,000 ("**Target Profit**") for the financial year ended 31 December 2013 ("**FY2013**") in accordance with Singapore Financial Reporting Standards.

3.2 If there is any dispute between the Parties in respect of basis and principles applied by the Company in the preparation of the FY2013 Accounts, including matters related to the Target Profit which cannot be amicably resolved between them on or before 17 February 2014 ("**Accounts Dispute**"), the Parties agree that they shall further negotiate in good faith ("**Accounts Dispute Negotiations**") to amicably resolve the Accounts Dispute between them on or before 25 March 2014 ("**Accounts Dispute Negotiations Deadline**") (or such later date as may be agreed upon between the Parties) and agree to the net earnings after interests, tax, depreciation and amortisation of Vigahs actually achieved for FY2013 as ascertained from the means the audited financial statements of Vigahs (being its statutory accounts) for FY2013 prepared according to the Singapore Financial Reporting Standards.

3.3 The Purchase Consideration is satisfied by payment in cash in the following manner:

- (i) An first stage sum of S\$3,000,000 ("**First Stage Payment Sum**") on the date of completion of the sale and purchase of the Sale Shares ("**Completion Date**"); and
- (ii) The last stage sum of S\$2,106,000 ("**Last Stage Payment Sum**") of the Purchase Price shall be held by the Purchaser on completion of the sale and purchase of the Sale Shares ("**Completion**") and shall be released to the Vendors in accordance with the SPA.

4. Value of the Sale Shares

Based on the audited financial statements of Vigahs for the financial year ended 31 December 2013, the net tangible asset value and the net profit attributable to the Sale Shares were S\$4,590,564 and S\$1,726,617 respectively.

5. Material conditions

Completion and Conditions precedent

Completion has occurred on even date of the SPA, with the following conditions precedent having been fulfilled:

- (i) VOE being satisfied in its sole and absolute discretion with the results of the Due Diligence Investigations carried out by VOE in respect of Vigahs , including but not limited to the affairs, Business, assets, liabilities, operations, records, financial position, financial performance, tax liabilities, accounts, results and prospects of Vigahs , in its sole and absolute discretion;
- (ii) all consents, approvals and authorisations of bankers, financial institutions, landlords of leases, relevant third parties, government or regulatory authorities which are necessary in connection with the transfer of the Sale Shares from the Vendors to VOE and the ownership by VOE of the Sale Shares having been obtained (including waivers of pre-emption rights by existing shareholders of Vigahs) being obtained on or before 45 days from the date of the SPA (or such later date as VOE may in its sole discretion agree to in writing), and if subject to conditions, on such conditions acceptable to VOE, and such consents, approvals and authorisation remaining in full force and effect and not being revoked prior to the Completion Date;
- (iii) the approval of the directors and shareholders of VOE (including the shareholders of the Company (as required)) in general meeting (where necessary) being obtained for the transactions contemplated in the SPA upon the terms and conditions set out in the SPA, including, *inter alia*, the purchase of the Sale Shares;
- (iv) no material contract, lease, licence or other similar commercial arrangement would be terminated or adversely affected arising from the sale of the Sale Shares and change in ownership and/or control of Vigahs;
- (v) all representations, warranties and undertakings of the Vendors and VOE under the SPA being complied with, and being true, accurate and correct in all respects as at the Completion Date, as if repeated at Completion and at all times between the date hereof and Completion;
- (vi) there being no default by Vigahs in any of its obligations by which it may become bound or liable to be called upon to repay prematurely any loan capital or borrowed moneys;
- (vii) the Vendors or VOE not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the SPA, and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;
- (viii) the SPA and/or any transaction contemplated herein not being prohibited by any statute, order, rule, regulation or directive (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Singapore or any competent authority;
- (ix) the business of Vigahs having been carried on in a satisfactory and ordinary manner and Vigahs not having disposed of any material assets or assumed or incurred any material liabilities including contingent liabilities (whether recorded or unrecorded) other than those in connection with its ordinary course of business;

- (x) there has been no change in the shareholding or capital structure of Vigahs;
- (xi) VOE being satisfied in its reasonable discretion that there has been no material adverse change or events, acts or omissions likely to lead to such a change in the prospects, operations, assets, business, results of operations, profits or financial condition of Vigahs;
- (xii) such employees of Vigahs as identified by VOE having entered into a service agreement with Vigahs on terms as are acceptable to VOE;
- (xiii) the delivery by the Vendors to VOE, on the date of the SPA, of the disclosure letter (if any) on such terms as are satisfactory to VOE;
- (xiv) the Parties further agree that the Vendors shall apply to the existing banks, financiers and other third parties of Vigahs and to use its reasonable commercial endeavours to procure the release of the Vendors as guarantor (as applicable) given in their capacity as director(s) or shareholder(s) of Vigahs for the benefit of Vigahs before the Completion Date, and shall substitute such personal guarantee with the Vendors' guarantee as shareholders where appropriate, as may be required by relevant banks, financiers and relevant third parties subject to the written consent of VOE; and
- (xv) there being no continuing related party transactions entered into between Vigahs and its directors or shareholders or any persons connected with them unless otherwise approved by VOE.

6. Rationale for the Proposed Acquisition

The rationale for and benefits of the Proposed Acquisition are, *inter alia*, as follows:

- (i) The Proposed Acquisition will enable the Group to have a stable stream of income and profits;
- (ii) The Proposed Acquisition presents an opportunity for the Group to acquire a profitable company with viable business model and a good management team which has accumulated relevant business experience over the last 15 years;
- (iii) The net profit attributable to VOE's proportionate interest in Vigahs will give the Group more time to restructure its existing non-profitable businesses; and
- (iv) The Proposed Acquisition will enable the Group an opportunity to enter the related business of repairing and building of ships, tankers and other ocean-going vessels in line with the Group's intention to sublet some of the premises in its existing property at 72 Loyang Way Singapore (subject to the approval of the Jurong Town Corporation and other government authorities (as required)) to potential users who are operating in the marine-related and offshore oil & gas industry.

7. Funding of the Proposed Acquisition

The Proposed Acquisition will be funded through internal resources and is not expected to have any material impact on the earnings per share and net tangible assets per share of the Group for the current financial year.

8. Financial Effects of the Proposed Acquisition

The financial effects of the Proposed Acquisition on the Company set out below are:

- (i) purely for illustrative purposes only and do not reflect the future actual financial position of the Company or the Group after completion of the Proposed Acquisition.

- (ii) based on (a) the audited consolidated financial statements of the Company for the financial year ended 30 September 2013 and (b) audited financial statements of Vigahs as of the period ended 31 December 2013.

Net Tangible Assets (NTA)

The effect of the Proposed Acquisition on the unaudited NTA per share of the Group for the financial year ended 30 September 2013, assuming that the Proposed Acquisition had been effected at the end of financial year ended 30 September 2013 is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (\$'000)	57,633	59,360
NTA per share (cents)*	25.67	26.44

Earnings per Share (EPS)

The effect of the Proposed Acquisition on the unaudited EPS of the Group for financial year ended 30 September 2013, assuming that the Proposed Acquisition had been effected at the beginning of financial year ended 30 September 2013 is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profits/(Loss) after tax and minority interests (\$'000)	(9,913)	(8,186)
EPS (cents)*	(4.47)	(3.65)

*Calculated based on the issued and paid-up share capital of the Company of 224,512,706 ordinary shares excluding treasury shares of 13,000 ordinary shares.

9. Relative Figures computed based on Rule 1006 of the Listing Manual

The relative figures for the Proposed Acquisition computed on the relevant bases set out in Rule 1006 of the Listing Manual are as follows:

1006(a)	Net Asset Value Test	Not applicable.
1006(b)	Profit Test	The audited net profit attributable to the Sale Shares for the financial year ended 31 December 2013 of approximately \$1.727 million represents approximately 17.42% of the Group's audited net loss of S\$9.913 million for the financial year ended 30 September 2013.
1006(c)	Consideration Test	The Purchase Consideration of S\$5,106,000 for the Proposed Acquisition represents approximately 3.68% of the Company's market capitalisation of approximately S\$138,933,085 as at 7 February 2014 (being the last market day preceding the date of the SPA during which trades were conducted).
1006(d)	Equity Securities Test	Not applicable.
1006(e)	Reserves Test	Not applicable.

Pursuant to Rule 1007 of the Listing Manual, if any of the relative figures computed pursuant to Rule 1006 is a negative figure, Chapter 10 of the Listing Manual may still be applicable to the Proposed Acquisition at the discretion of the SGX-ST and issuers should consult the SGX-ST.

However, based on the relative figures computation pursuant to Rule 1006 of the Listing Manual, the only threshold that is exceeded is based on the net profit test. Pursuant to Practice Note 10.1(4), under Rule 1014, the profit test does not apply to an acquisition of profitable assets as shareholders are not expected in normal circumstances to be concerned if the assets to be acquired are profit contributors.

Accordingly the Proposed Acquisition is regarded as a non-discloseable transaction as the applicable relative figure pursuant to Rule 1006(c) is less than 5% and the relative figure pursuant to Rule 1006(b) is not applicable as this is an acquisition of profitable assets.

10. Interest of Directors and Controlling Shareholders

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition. None of the Directors or substantial shareholders of the Company is related to the Vendors.

11. Documents for Inspection

A copy of the SPA is available for inspection at the Company's registered office at 8 Wilkie Road, #03-01, Singapore 228095 for three months from the date of this Announcement.

BY ORDER OF THE BOARD

Ting Yew Sue
Executive Chairman
10 February 2014