



KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED
(Company Registration Number: 201311482K)
(Incorporated in the Republic of Singapore on 29 April 2013)

INCREASE IN PAID-UP SHARE CAPITAL OF BRIDGEWATER OFFSHORE PTE. LTD., A JOINT VENTURE COMPANY WITH PHILLIP ENTERPRISE FUND LIMITED AND PHILLIP VENTURES ENTERPRISE FUND 5 LTD BY WAY OF THE DISPOSAL OF VESSEL “BRIDGEWATER 80”

1. INTRODUCTION

The Board of Directors (the “**Board**” or “**Directors**”) of Kim Heng Offshore & Marine Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 15 November 2019 relating to its wholly-owned subsidiary, Kim Heng Offshore & Marine Pte Ltd (“**KHOMPL**”) entering into a joint venture agreement with Phillip Enterprise Fund Limited (“**PEF**”) and Phillip Ventures Enterprise Fund 5 Ltd (“**PVEF5**”) and the incorporation of the joint venture company Bridgewater Offshore Pte. Ltd. (“**BOPL**”) (“**Announcement**”). The initial paid up capital of BOPL is US\$3 comprising 3 ordinary shares of which KHOMPL, PEF and PVEF5 contributed US\$1 each. The principal activity of BOPL is to undertake ownership, management and operation of vessels.

The Board wishes to announce that each of KHOMPL, PEF and PVEF5 has contributed additional paid-up capital of US\$1,850,001, US\$888,725 and US\$888,725 respectively (“**Capital Contribution**”) via the allotment and issuance of additional shares of US\$1 for each share. The total paid-up capital of BOPL after the additional Capital Contribution is US\$3,627,454. Following the share issuance, the percentage shareholding interest of KHOMPL, PEF and PVEF5 in the capital of BOPL is 51%, 24.5% and 24.5% respectively. BOPL had become an indirectly 51%-owned subsidiary of the Company. The Capital Contribution by PEF and PVEF5 were by way of cash contribution.

2. THE PROPOSED DISPOSAL OF VESSEL

The Capital Contribution of US\$1,850,001 by KHOMPL is by way of asset contribution of US\$1,850,000 and cash contribution of US\$1. For the asset contribution, KHOMPL has procured Kim Heng Marine & Oilfield Pte Ltd (“**KHMO**”), a wholly-owned subsidiary of the Group to sell one of its vessels namely Bridgewater 80 (the “**Vessel**”), to BOPL (the “**Proposed Disposal**”) as consideration for the issuance of 1,850,000 subscription shares in the share capital of BOPL at US\$1 each to KHOMPL (the “**Sale Price**”) (the “**Proposed Subscription**”). In connection with the Proposed Disposal, KHOMPL had entered into a Supplemental Joint Venture agreement with BOPL (“**Agreement**”).

2.1. The Vessel

The Vessel is an all steel welded/constructed twin screw 6,000 BHP Anchor Handling Tug / Supply (“**AHTS**”) vessel operated and owned by KHMO, a wholly-owned subsidiary of the Group.

2.2. Value of the Vessel and the Gain on the Proposed Disposal

The Vessel has a net book value of S\$1.2 million as at 31 December 2019. Assuming that the Proposed Disposal was completed on 31 December 2019, the gain on the Proposed Disposal or the excess of the gross proceeds over the book value of the Vessel as at 31 December 2019 would be approximately S\$1.28 million (based on an exchange rate of US\$1=S\$1.3427). No valuation report on the Vessel was prepared for purposes of the Disposal.

2.3. Sale Price and Intended Use of Sale Proceeds

The aggregate sale consideration for the Disposal is US\$1,850,000. The Sale Price was arrived at based on arm's length negotiations and on a willing-buyer and willing-seller basis, after taking into account the prevailing market conditions, and the business prospects of the Group.

The Sale Price had been fully satisfied in consideration shares as BOPL will issue 1,850,000 subscription shares at US\$1 each to KHOMPL. KHOMPL will record a debt of US\$1,850,000 owing to KHMO. As the consideration for the Proposed Disposal had been satisfied via issue and allotment of subscription shares in the capital of BOPL, the disclosure on the intended use of proceeds is not meaningful.

2.4. Completion of the Capital Injection by KHOMPL

As the Proposed Subscription is conditional upon (a) the completion of the Proposed Disposal; and (b) BOPL and KHMO having signed a management agreement where BOPL appoints KHMO to be the manager of the vessels owned by BOPL, the Proposed Disposal and the Proposed Subscription had been completed as at the date of this announcement.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Capital Contribution of all parties, including by way of the Proposed Disposal, is to allow BOPL to increase its capital and to provide funding to acquire, amongst others, distressed assets. The Board is of the view that this will be in the best interests of the Company and its shareholders, taking into consideration the rationale as set out herein, as well as the further developments of BOPL set out under paragraph 6 of this announcement below. As disclosed in its Announcement, the principal activity of BOPL is to undertake ownership, management and operation of vessels. The Board is also of the view that BOPL will be able to provide resources for the Group to capture opportunistic acquisitions, as and when they arise. The aim of BOPL is also to turn unoperated and depreciating stacked vessels into working assets that can generate value for the shareholders of BOPL, and in turn generate value for the shareholders of the Company.

4. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 IN RELATION TO THE PROPOSED DISPOSAL

Based on the latest announced consolidated financial statements of the Group for the financial year ended 31 December 2019 ("FY2019"), the relative figures of the Proposed Disposal computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual Section B: Rules of

Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Catalist Rules**”) are as follows:

Rule 1006	Bases	Size of Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group’s net asset value. Not applicable to an acquisition of assets.	1.94 ⁽¹⁾
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits.	Not applicable ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company’s market capitalization based on the total number of issued shares excluding treasury shares.	15.78 ⁽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 ⁽⁴⁾
(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.	Not applicable ⁽⁵⁾

Notes:

- (1) Based on the net asset value of the Vessel as at 31 December 2019 and the net asset value of the Group as at 31 December 2019 of S\$1,200,000 and S\$61,800,000 respectively.
- (2) The Vessel has historically been utilised for generating chartering revenue under our Offshore Rig Services and Supply Chain Management Segment and is one among other vessels and equipment used by the Group to generate profit under this segment. For the review and analysis of their financials, the Group calculates profitability on an overall segmental basis and it would not be feasible to assign a profit value to any particular assets, including vessels, of the Group. In view of the foregoing, it would not be possible to calculate the relative figure for Rule 1006(b).
- (3) Based on the Capital Contribution of US\$1,850,000 which is equivalent to S\$2,484,000 (based on an exchange rate of US\$1=S\$1.3427) and the market capitalisation of the Company of approximately S\$15,740,000, computed based on a total number of 708,682,300 shares of the Company in issue (excluding treasury shares and subsidiary holdings) at the volume weighted average price of S\$0.0221 per share transacted on 15 April 2020, being the last full market day on which shares of the Company were traded on the SGX-ST preceding the date of the Agreement.
- (4) This basis is applicable only to an acquisition.
- (5) 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.

As the Proposed Disposal is a disposal of an asset in which the consideration is more than 5% of the market capitalisation of the Company, in accordance with Rule 1010 read with Rule 1006(c) of the Catalist Rules, it is considered to be a “Discloseable Transaction” as defined under Rule 1010 of the Catalist Rules.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal set out below are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company and the Group after completion of the Proposed Disposal. The financial effects of the Proposed Disposal are based on the Company's latest audited financial statements for the financial year ended 31 December 2019 ("FY2019"), on the assumption that the expenses in connection with the Proposed Disposal is disregarded for the purposes of calculating the financial effects.

For the avoidance of doubt, these financial effects do not take into account (i) any other corporate actions announced and undertaken by the Group; and (ii) any issuance of new Shares, on or after 1 January 2020.

5.1. Net tangible asset ("NTA") per share

Assuming that the Proposed Disposal had been completed on 31 December 2019, the NTA per share of the Group would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	61,880	63,164
Number of issued shares	708,682,300	708,682,300
NTA per share (Singapore cents)	8.7	8.9

5.2. Loss per share ("LPS")

Assuming that the Proposed Disposal had been completed on 1 January 2019, the LPS of the Group would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net loss attributable to shareholders (S\$'000)	7,756	6,538
Weighted average number of shares	708,768,743	708,768,743
LPS (Singapore cents)	1.1	0.9

5.3. Share Capital

The Proposed Disposal will not have any effect on the share capital and shareholding structure of the Company.

5.4. Net Gearing Ratio

Assuming that the Proposed Disposal had been completed on 31 December 2019, the net gearing ratio of the Group would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Total borrowings (S\$'000)	31,886	31,886
Cash and cash equivalents (S\$'000)	3,063	3,063

Equity attributable to owners of the Company (S\$'000)	61,880	63,164
Net gearing ratio (times)	0.466	0.456

6. FURTHER DEVELOPMENTS RELATING TO BOPL

BOPL is pleased to announce the acquisition of 2 units of 12,500 horsepower anchor handling tug (“AHT”) namely Salveritas and Salvicvoy from the Posh Terasea liquidation, funded through internal resources and bank loans. They will be renamed as Bridgewater 163 and Bridgewater 168 respectively. KHMO had been appointed as the manager to re-activate the vessels and provide commercial and technical operations management services in respect of the vessels. The expanded fleet puts the Company in a stronger position to the advantage of the eventual upturn and has help to improve the economies of scale.

BOPL has established three wholly-owned subsidiaries in Singapore by the names of Bridgewater 80 Pte. Ltd., Bridgewater 163 Pte. Ltd. and Bridgewater 168 Pte. Ltd. to hold and manage the three AHTS acquired. The total issued and paid-up capital for each of the subsidiaries is US\$40,000.00, fund through internal resources. The Company continues to strengthen its capabilities for sustainable growth and boost revenue to the Group’s operations and deliver significant value over the long term to the shareholders of the Company.

7. DIRECTORS’ SERVICE CONTRACTS

No new directors are proposed to be appointed to the Board in connection with the Proposed Disposal. Accordingly, no service agreements will be entered into with any new director of the Company in connection with the Proposed Disposal.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Mr Tan Wen Hao, Justin Anderson, who is the son of the Executive Chairman, Chief Executive Officer and controlling shareholder of the Company was appointed as a director of BOPL.

Save as mentioned and their shareholdings in the Company, none of the Directors, controlling shareholders or substantial shareholders of the Company, or their respective associates, has any interest, direct or indirect, in the abovementioned transaction.

9. DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement 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 Disposal, 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, 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.

10. DOCUMENT AVAILABLE FOR INSPECTION

The Agreement is available for inspection during normal business hours from 9.00 am to 5.00 pm at the registered office of the Company at 48 Penjuru Road, Singapore 609152 for a period of three (3) months from the date of this announcement.

By Order of the Board

Tan Keng Siong Thomas
Executive Chairman & CEO
Kim Heng Offshore & Marine Holdings Limited
21 May 2020

*This announcement has been reviewed by the Company's sponsor ("**Sponsor**"), SAC Capital Private Limited. This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (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 contact person for the Sponsor is Ms. Tay Sim Yee, SAC Capital Private Limited at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542, telephone (65) 6232 3210.