

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

PROPOSED SALE AND LEASEBACK OF 72 LOYANG WAY SINGAPORE 508762 (“PROPERTY”)

1. Introduction

The Board of Directors of Technics Oil & Gas Limited (“**Company**”) and together with its subsidiaries (“**Group**”) wishes to announce that the Company’s wholly-owned subsidiary Technics Offshore Engineering Pte. Ltd. (“**TOE**”) has entered into a sale and purchase agreement (“**SPA**”) with DBS Trustee Limited (in its capacity as trustee of Soilbuild Business Space REIT) (the “**Purchaser**”) in relation to the sale and leaseback of the Property by TOE to the Purchaser (“**Proposed Sale**”).

2. Information on the Purchaser

The Purchaser is a real estate investment trust constituted on 13 December 2012 in Singapore and is currently listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

3. Sale Price

3.1 The sale price for the Property amounting to S\$97,000,000 (“**Sale Consideration**”) was arrived at a willing buyer, willing seller basis, based on the valuation report dated 11 March 2015, where the estimated market value of the Property was valued at approximately S\$97,000,000 as at 11 March 2015.

3.2 The Sale Price is satisfied by payment in cash in the following manner:

- (a) On the execution of the SPA, a sum of S\$970,000 (“**Deposit**”) shall be paid by way of cheque issued in favour of the TOE; and
- (b) On the completion of the SPA (“**Completion**”), the balance sum of S\$96,030,000 shall be paid by way of cashier’s order to TOE.

4. Material conditions of the SPA

4.1 Conditions precedent

The Proposed Sale is subject to the fulfilment of certain conditions precedent including, but not limited to, the following:

- (a) TOE and the Purchaser having received the relevant regulatory approvals, including the approvals from the head lessor, JTC for the Proposed Sale;
- (b) the Purchaser having received satisfactory replies to legal requisitions; and
- (c) such other consents or approvals as may be required to be obtained by the Purchaser or TOE from any third party or any relevant authority in relation to the Proposed Sale.

4.2 Completion Date

The Completion is scheduled to take place on 5 June 2015 or such date as the Parties may mutually agree in writing.

5. Material Terms of the Master Lease Agreement

5.1 Term of Lease

The term of the lease shall be for a period of 15 years commencing from the Completion of the SPA (“Term”).

5.2 Rental payable by TOE

The rental payable by TOE for the first year is S\$7.87 million. The lease will be on a triple net basis and subject to a rental escalation of up to 2.25% every year starting from year three. On commencement of the Term, TOE shall provide a security deposit equivalent to 18 months’ rent and a corporate guarantee from the Company.

5.3 Option to Purchase the Property

Prior to the expiry of the Term, TOE shall be entitled to request the Purchaser to grant an option to the Company to purchase the Property at the purchase price which is the higher of the market value and Soilbuild Business Space REIT’s book value of the Property at that time.

6. Rationale for the Proposed Sale

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

- (a) The Sale Consideration of S\$97 million represents the fair valuation of S\$97 million assessed by an independent professional valuer engaged by the Company as at 11 March 2015. As the proceeds of the sale of the Property are substantial, the Proposed Sale will also put the Company in a better position to strengthen its financial position;
- (b) As at 30 September 2014, the Group recorded a negative working capital of approximately S\$26.93 million. The Group recognises the urgent need to address the issues associated with negative working capital. The net proceeds of the Proposed Sale may be used to, *inter alia*, repay existing bank borrowings of the Group which would substantially reduce the negative working capital position;
- (c) The Group is able to lease back the Property and continue to operate at the same location without any disruption to the operations for the next 15 years after the Completion; and
- (d) As the Property is not a large contributor to the Group’s revenue, net book value or profits. As such, the Group’s ability to carry out its business will not be materially affected by the Proposed Sale.

7. Use of Sale Proceeds

The Proposed Sale will result in net cash proceeds of S\$65.31 million which will be used for financing of general corporate funding requirements (including refinancing of existing borrowings), working capital, capital expenditure and other general funding requirements of the Group.

8. Financial Effects of the Proposed Sale

The financial effects of the Proposed Sale 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 Sale.
- (ii) based on (a) the audited consolidated financial statements of the Company for the financial year ended 30 September 2014.

Net Tangible Assets (NTA)

The effect of the Proposed Sale on the audited NTA per share of the Group for the financial year ended 30 September 2014, assuming that the Proposed Sale had been effected at the end of financial year ended 30 September 2014 is as follows:

	Before the Proposed Sale	After the Proposed Sale
NTA (\$'000)	72,541	121,860
NTA per share (cents)*	29.17	50.16

Earnings per Share (EPS)

The effect of the Proposed Sale on the audited EPS of the Group for financial year ended 30 September 2014, assuming that the Proposed Sale had been effected at the end of financial year ended 30 September 2014 is as follows:

	Before the Proposed Sale	After the Proposed Sale
(Loss)/Profit after tax and minority interests (\$'000)	(7,255)	42,064
(Loss)/Profit per Share (cents)*	(3.25)	18.84

*Calculated based on weighted average number of ordinary share in issue of 223,213,240.

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

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

1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	The net asset value of the Property as at 30 September 2014 is S\$27.80 million and this represents approximately 38.3% of the Group's net asset value of S\$72.54 million as at 30 September 2014.
1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	The Property is mainly for internal usage. The net rental income derived from the leasing of certain parts of the Property for FY2014 of S\$1.20 million represents approximately 16.5% of the Group's net loss of S\$7.26 million as at 30 September 2014.
1006(c)	The aggregate value of the consideration given or received, compared with the group's market capitalisation	The Sale Consideration of S\$97 million for the Proposed Sale represents approximately 59.8% of the Company's current market capitalisation of approximately S\$162.2 million as at 11 March 2015 (being the market day preceding the date the SPA is executed).
1006(d)	The number of equity securities issued by the group as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as no equity securities are to be issued as consideration for the Proposed Sale.

1006(e)	Aggregate volume or amount of proved and probable reserved to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable.
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As the relative figure in Rule 1006(c) exceeds 20%, the Proposed Sale is classified as a major transaction, which requires the approval of the Company's shareholders at a general meeting pursuant to Rule 1014 of the Listing Manual.

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 Sale. None of the Directors or substantial shareholders of the Company is related to the Purchaser.

11. Service Contracts of the Directors

No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Sale.

12. 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
12 March 2015