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

(I) PROPOSED DISPOSAL OF VINA OFFSHORE ENGINEERING CO., LTD ("VINA") AND (II) ASSIGNMENT OF LOAN EXTENDED TO VINA OFFSHORE ENGINEERING CO., LTD

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*Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as in the Company's announcement dated 5 December 2014 ("**5 December Announcement**")*

1. Introduction

Further to the announcement dated 5 December 2014, 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 Technics Offshore Engineering Pte. Ltd. ("**TOE**") has entered into a sale and purchase agreement ("**SPA**") with Y.H.H Marine Engineering Pte. Ltd. ("**Purchaser**") with whom TOE entered into a non-binding term sheet in relation to the Proposed Disposal for an aggregate consideration of S$11,000,000 and the Loan Assignment for an aggregate consideration of S$1,000,000.

2. Information on Vina

Vina (formerly known as Vietnam Offshore Fabrication & Engineering Co Ltd) is a company incorporated in Vietnam and one of the indirect subsidiaries of the Group, which was acquired by TOE (a subsidiary of the Company) in August 2012.

Vina's principal activities are in the business of supplying process and manufacture equipment for the petroleum sector. Vina also provides services such as marine engineering, design, construction, maintenance, repair of industrial work and sea work, technological consultancy services, building of harbour for companies' production and trading activities and for receiving petroleum exploiting ship and hire surplus workshop.

3. Sale Price and Assignment Consideration

The Sale Price was arrived at a willing buyer, willing seller basis, after taking into account, *inter alia,* the net asset value of Vina of approximately S$7.96 million as at 30 September 2014.

The Sale Price and Assignment Consideration are satisfied by payment in cash in the following manner:

(i) Within three (3) Business Days from the execution of the SPA, a sum of S$800,000 ("**Deposit**") to be paid by the Purchaser to TOE as a refundable deposit (and as part of the Sale Price);

(ii) Within seven (7) Business Days from the execution of the SPA and signing of the transfer form to be submitted to the Vietnam government, a sum of S$1,200,000 ("Deposit") to be paid by the Purchaser to TOE as a refundable deposit (and as part of Sales Price);

(iii) On the completion of the SPA ("**Completion**"), a sum of S$7,300,000 (as part of the Sale Price) to be paid by the Purchaser to TOE; and

(iv) After the issuance of the tax clearance certificate confirming that the Purchaser and./or Vina has no liability to any taxation in respect of the Proposed Disposal and/or the Loan Assignment ("**Proposed Transaction**"), a sum of S$2,700,000 to be paid by the Purchaser to TOE.

4. Value of the Sale Shares and Profit attributable to the Sale Shares

Based on the latest audited financial statements of Vina as at 30 September 2014, the net asset value and the net profit attributable to the Sale Shares were S$7.96 million and S$588,000 respectively.

No formal valuation was commissioned in respect of the Sale Shares.

The Group would recognize a gain on disposal of approximately S$2.47 million from the Proposed Disposal.

5. Material conditions

<u>Conditions precedent</u>

The Completion is conditional upon, *inter alia*, following conditions precedent having been fulfilled:

(i) all relevant approvals for the Proposed Transaction, as contemplated herein, having being obtained (to the extent required by relevant laws, regulatory approvals and existing contractual commitments) in the form and on terms acceptable to the Purchaser including an amended investment certificate showing the Purchaser as the owner of Vina;

(i) all unqualified consents in writing of relevant banks, financial institutions, creditors and any other third parties needed as a result of the Proposed Transaction pursuant to the terms herein or the proposed change of ownership in Vina, having been obtained by Vina, in the form and on terms acceptable to the Purchaser;

(ii) the delivery of the duly executed Loan Assignment;

(iii) the representations and warranties provided by TOE remain true and accurate and not misleading in any material aspects;

(iv) TOE having complied fully with its obligations in clause 10 of the SPA;

(v) the results of legal and financial due diligence reviews by the Purchaser (or the Purchaser's representatives) on Vina to the Purchaser's reasonable satisfaction;

(vi) there being no event of force majeure; and

(vii) the approval of the shareholders of TOE and of the shareholders of the Company in an extraordinary general meeting being obtained for the Proposed Disposal (as required).

<u>Completion Date</u>

The Completion is scheduled to take place on the third business day falling immediately after the unconditional date of the SPA which shall be the date the last of the conditions precedent

6. Rationale for the Proposed Transaction

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

(i) Vina was initially acquired by the Group with the intention to tap on the business opportunity on some wellhead satellite platforms that a major oil & gas player was planning in Vietnam. However, given the slow progress the oil major was making, the Group do not see the need to keep the capacity in Vina. In addition, the Group has two other fabrication yards in Singapore and Batam with a combined space of over 50,000 square metres, which provides a comprehensive suite of manufacturing and fabrication services and solutions to the offshore oil and gas industries are more than adequate to meet the needs of the Group.

(ii) In light of the current global trend of decreasing oil prices, and Vina's dependency on the oil and gas industry for its revenue, the Company considers the sale of Vina to be a strategic decision for the benefit of the Group due to the following consideration:

(a) The depressed oil prices has impacted the oil and gas sector which has in turn affected Vina's operating markets resulting in declining orders from its customers. Overcapacity in the market will become a natural consequence if oil prices continue to remain depressed for a prolonged period.

(b) The sale of Vina will bring to the Group a gain in investment of approximately S$2.47 million, and at the same time will help the Group to cut operating expenses and free up both its capital and cash resources, which will serve to strengthen the Group amidst the unpredictable market conditions in the oil and gas industry. Furthermore, this can be done without compromising the Group's ability to serve its customers from the other two existing fabrication yards.

7. Use of Sale Proceeds

The Proposed Transaction will result in net cash proceeds of approximately S$10.43 million (after deducting commission of approximately S$0.57 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.

The aforesaid commission is payable to the partners as compensation for not proceeding with a proposed investment by the partners of a 17% equity interest in Vina. The investment sums of these partners have been fully paid to the Group, pending an internal restructuring exercise to be carried out by Vina to reflect their 17% equity interest in Vina. However, the proposed investment could not be proceeded due to the Proposed Disposal. None of the Directors or controlling shareholders of the Company has any interest, direct or indirect in this payment.

8. Financial Effects of the Proposed Transaction

The financial effects of the Proposed Transaction 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 Transaction.

(ii) based on (a) the audited consolidated financial statements of the Company for the financial year ended 30 September 2014 and (b) audited financial statements of Vina as of the period ended 30 September 2014.

Net Tangible Assets (NTA)

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

	Before the Proposed Transaction	**After the Proposed Transaction**
NTA ($'000)	68,534	71,005
NTA per share (cents)*	29.17	30.22

Earnings per Share (EPS)

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

	Before the Proposed Transaction	**After the Proposed Transaction**
Loss after tax and minority interests ($'000)	7,470	4,999
Loss per Share (cents)*	3.18	2.13

*Calculated based on the issued and paid-up share capital of the Company of 234,932,975 ordinary shares excluding treasury shares of 57,000 ordinary shares.

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

The relative figures for the Proposed Transaction 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	Net asset value of Vina (being S$7.96 million) is approximately 11.46% of the Group's net asset value (being S$69.46 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 audited net profit before income tax attributable to Vina for the financial year ended 30 September 2014 of approximately S$588,000 is approximately (9.35%) of the Group's audited net loss before income tax of approximately S$6.29 million.
1006(c)	The aggregate value of the consideration given or received, compared with the group's market capitalisation	The aggregate consideration of S$12 million (including Loan Assignment) represents approximately 7.35% of the Company's current market capitalisation of approximately S$163.28 million as at 6 February 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.

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.

Based on the relative figures computation pursuant to Rule 1006 of the Listing Manual, the relative figures for Rule 1006(a) and (c) exceed 5% but are less than 20% while the relative figure for Rule 1006(b) is negative. The Company has sought clarification with the SGX-ST and that the SGX-ST has informed that Rule 1014(2) of the Listing Manual is not applicable to the Proposed Disposal. The Proposed Disposal is therefore categorised as a discloseable transaction pursuant to Rule 1010 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 Transaction. 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 Disposal.

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
9 February 2015