
DIVESTMENT OF WHOLLY-OWNED SUBSIDIARY – TAT HONG MACHINERY PTE LTD

The Board of Directors of Tat Hong Holdings Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to inform that its wholly-owned subsidiary Tat Hong HeavyEquipment Pte Ltd (“**THHE**”) has divested its entire 100% interest in the capital of Tat Hong Machinery Pte Ltd (“**THM**”) to Tat Hong (V. N.) Pte Ltd (“**THVN**”) for a consideration of S\$0.7 million (“**Transaction**”).

The principal activities of THM are the distribution and supply of spare parts for cranes and excavators. THM is also an authorised dealer of excavator spare parts from Hitachi Construction Machinery Asia-Pacific Pte Ltd (“**Hitachi**”) through distributorship rights held by THHE.

The Group has on 21 June 2017 announced that it had divested its entire stake in THVN to Chwee Cheng and Sons Pte Ltd (“**CCSPL**”), a controlling shareholder which holds approximately 40.9% interest in the total issued capital of the Company. THVN currently holds the distributorship rights for Hitachi excavators and THHE has been informed by Hitachi that it is of the view that there should only be one distributor for its excavator and spare parts and that it is in favour of granting distributorship rights to THVN only.

In FY2017, the sales of Hitachi excavator spare parts accounted for approximately one-third of THM’s total revenue and it would not be able to continue as a viable business should such a significant revenue source be terminated. The Company has therefore decided to dispose THM to THVN for the following reasons:

- 1) Disposing THM to another company would not be feasible without the distributorship rights for Hitachi excavator spare parts given the significant contribution from this line of business to THM’s total revenue;
- 2) Even assuming that potential buyers could be found for THM, without the distributorship rights for Hitachi excavator spare parts, the Group would not be able to realise a reasonable value from its disposal; and
- 3) With limited options available, the Company is of the view that it would be able to realise a better value from the disposal of THM to THVN given the complementarity of the two businesses.

The Transaction constitutes an Interested Person Transaction. As the consideration represents 0.11% of the Group’s latest audited NTA of S\$622.0 million as at 31 March 2017, this announcement is made pursuant to Rule 704(18) of the SGX-ST Listing Manual.

The Transaction was conducted on a willing buyer, willing seller basis and the consideration of S\$0.7 million was based on the NAV of THVN as at 31 August 2017. The Audit Committee and the Board have approved the sale of THM to THVN and are of the opinion that the Transaction was conducted at arm's length basis and on commercial terms which are not prejudicial to the interests of the Company and its shareholders.

The Transaction is not expected to have any material impact on the Group's earnings per share and NTA per share for the financial year ending 31 March 2018.

Mr Ng San Tiong Roland, Managing Director and Group CEO of the Company is a joint trustee of Chwee Cheng Trust which owns approximately 43.6% of CCSPL and is deemed to be interested in CCSPL's shareholdings in the Company. Mr Ng Sang Kuey Michael and Mr Ng Chen Wei, both executive directors of the Company, are associates of CCSPL.

Save as disclosed, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the above Transaction except through their shareholdings and/or directorships in the Company.

By Order of the Board
Tat Hong Holdings Ltd

Jennie Hong Chok Hane
Group CFO / Company Secretary
30 September 2017