Registration No: 199105392H

DIVESTMENT OF INDIRECT 70%-OWNED SUBSIDIARY – HUP HIN TRANSPORT CO PTE LTD

INTRODUCTION

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 entered into a Conditional Sale and Purchase Agreement to divest its entire 70% interest in Hup Hin Transport Co Pte Ltd ("Hup Hin Transport") to Hup Hin Capital Pte Ltd ("HHC") (the "Purchaser") for a total cash consideration of S$20.6 million (the "Transaction"). The ultimate beneficial shareholders of HHC are Woon Wee Peng ("Mr Woon") and his children. The remaining 30% interest in Hup Hin Transport not owned by THHE is held by Mr Woon.

Hup Hin Transport is engaged in the principal activities of the provision of lorry transport and mobile crane rental services. It has two subsidiaries:

(a) 100%-owned Chip Eng Engineering Works Pte Ltd which is engaged in the business of the rental of a leasehold property at 20 Benoi Road, Singapore 629891, the rental of machinery as well as the servicing and trading of machinery; and
(b) 60%-owned Hup Hin Transport (M) Sdn Bhd which is engaged in the manufacturing and repair of lifting gears, the provision of handling services for heavy equipment and crane towing and recovery services.

RATIONALE

The Sale and Purchase Agreement which THHE had entered into on 12 November 2010 with Mr Woon and Woon Tye Hye for the acquisition of the 70% stake in Hup Hin Transport contains a Call Option and a Put Option, each exercisable at any time up to 30 November 2020. The Call Option grants Mr Woon the right to purchase from THHE its 70% stake in Hup Hin Transport, whilst the Put Option grants THHE the right to acquire Mr Woon's 30% stake in Hup Hin Transport.

Mr Woon has exercised the Call Option whilst THHE has no intention to exercise its Put Option due to the following reasons:

1) The performance of Hup Hin Transport is integrally dependent on Mr Woon, Hup Hin Transport's Managing Director;
2) Hup Hin Transport is operating in an increasingly competitive sector;
3) Its fleet of aging lorries and cranes requires significant capital expenditure for fleet upgrade and expansion in order to remain competitive;
4) It is increasingly difficult to recruit operators and find suitable parking spaces for the fleet of lorries and mobile cranes; and
5) Hup Hin Transport's business in not aligned with the Group's overseas expansion plans as its operations is primarily localised.

COMPLETION OF THE CONDITIONAL SALE AND PURCHASE AGREEMENT

The completion date of the Transaction is 31 July 2014.

THHE and the Company had provided their respective corporate guarantees to bankers of Hup Hin Transport in consideration for banking facilities granted to Hup Hin Transport. The completion of the Transaction is conditional upon:

a) The Purchaser procuring the banks' release of THHE's and the Company's corporate guarantees by the aforesaid completion date; and

b) The repayment of S$5.45 million in various inter-company loans ("Inter-co Loans") made previously by THHE to Hup Hin Transport. The Inter-co Loans are to be repaid in instalments between August 2014 and December 2014. The repayment of the Inter-co Loans is guaranteed by Mr Woon under a Deed of Guarantee signed between THHE and Mr Woon.

CONSIDERATION

The cash consideration of S$20.6 million was arrived at on a willing buyer, willing seller basis, taking into account the carrying value of Hup Hin Transport and its subsidiaries ("Hup Hin Transport Group") of S$15.1 million in the Group's consolidated accounts as at 31 May 2014. The consideration values Hup Hin Transport Group at S$29.4 million and represents a price earnings (PE) ratio of 8 times based on Hup Hin Transport Group's underlying net profit of S$3.7 million in FYE 31 March 2014 and a premium of 55% over its audited Net Tangible Asset (NTA) as at 31 March 2014.

Based on the consideration of S$20.6 million for 70% interest in Hup Hin Transport, the Group will realise a gain of S$5.5 million for the financial year ending 31 March 2015.

FINANCIAL EFFECTS

For illustrative purposes only, the proforma financial effects on the Group's earnings per share (EPS) and net tangible asset (NTA) per share based on its consolidated audited financial statements for FY2014 ended 31 March 2014 are as follows:

a) Assuming that the Transaction had taken place on 1 April 2013, the Group's EPS would have increased from 5.11 cents to 5.96 cents.

b) Assuming that the Transaction had taken place on 31 March 2014, the Group's NTA per share would have increased from S$0.98 to S$0.99.

CHAPTER 10 OF THE LISTING MANUAL

Based on the audited financial statements of the Group for the financial year ended 31 March 2014, the relative figures for the Transaction computed on the bases set out in Rules 1006(a) to 1006(d) of the Listing Manual are as follows:

Rule	Bases	Relative Figures
1006(a)	Net asset value of the Transaction, compared with the Group's net asset value	2.2%
1006(b)	Net profit before tax and minority interest attributable to the Transaction, compared with the Group's net profits	11.2%
1006(c)	Aggregate value of the consideration to be received, compared with the market capitalisation of the Company as at 4 July 2014 being the market day preceding the date of the Transaction	3.6%
1006(d)	Number of equity securities issued by the Company as consideration for the Transaction, compared with the number of equity securities previously in issue	NA

Notes:

1) The relative figure for Rule 1006(a) was computed based on the carrying value of Hup Hin and its subsidiaries as at 31 May 2014 of S$15.1 million divided by the Group's audited net asset value as at 31 March 2014 of S$675.5 million

2) The relative figure for Rule 1006(b) was computed based on the gain of approximately S$5.5 million divided by the Group's audited net profit before tax and minority interests and excluding extraordinary items for FY2014 of S$48.9 million.

3) The relative figure for Rule 1006(c) was computed based on the consideration of S$20.6 million divided by the market capitalisation of the Company as at 4 July 2014 of approximately S$573.5 million (based on volume weighted average price of the Company's shares transacted).

The Transaction constitutes a "discloseable transaction" for the purposes of Chapter 10 of the Listing Manual, and is not subject to the approval of shareholders of the Company as the relative figure under Rule 1006(b) exceeds 5% but is less than 20%.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Mr Ng Sang Kuey Michael and Mr Ng San Wee David, both executive directors of the Company are also non-executive directors of Hup Hin Transport. They will resign as directors of Hup Hin Transport on completion of the Transaction.

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 shareholding and/or directorship in the Company and/or THHE.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Sale and Purchase Agreement for the sale of THHE's 70% interest in Hup Hin Transport is available for inspection during normal business hours at the Company's registered address at 18 Sungei Kadut Avenue, Singapore 729489 for a period of three months from the date of this Announcement.

By Order of the Board
Tat Hong Holdings Ltd

Lional Tseng
Joint Company Secretary
7 July 2014