



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

PROPOSED DISPOSAL OF ASSETS TO HUP HIN HEAVY EQUIPMENT PTE. LTD.

1. INTRODUCTION

- 1.1. The Board of Directors (the “**Board**” or “**Directors**”) of Kim Heng Offshore & Marine Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Kim Heng Heavy Equipment Pte. Ltd. (the “**Vendor**” or “**KHHE**”) has on 26 November 2018 entered into a sale and purchase agreement (the “**SPA**”) with Hup Hin Heavy Equipment Pte. Ltd. (the “**Purchaser**” and together with the Vendor, the “**Parties**”) in relation to the proposed sale of twenty-four (24) cranes and two (2) luffing jibs, as listed in Appendix A to this announcement, including all rights and claims attached or related thereto (the “**Assets**”) by the Vendor to the Purchaser on the terms and conditions of the SPA (the “**Proposed Disposal**”) for an aggregate consideration of S\$12,500,000 (the “**Consideration**”).
- 1.2. As at the date of this announcement, certain of the Assets are, as specified in Appendix A to this announcement, (i) legally owned by the Financiers (as defined below) pursuant to hire purchase arrangements under which the Vendor is the hirer of the Assets and/or (ii) leased to Customers (as defined below). The Vendor intends to pay the Financiers all sums of money payable under the respective hire purchase agreements in full in accordance with the terms of each hire purchase agreement and become the sole and absolute owner of all the Assets on completion of the Proposed Disposal (“**Completion**”).
- 1.3. For the purposes of this announcement, “**Financiers**” means the financiers as set out in Appendix A to this announcement and a “**Customer**” means a third party to which an Asset is, as at the date of this announcement, leased to by the Vendor pursuant to an agreement (whether verbal or written) entered into between the Customer and the Vendor for the leasing of one or more Assets.
- 1.4. Where necessary, the Vendor will also obtain the relevant consents, licenses, approvals, authorisations or waivers required from a Customer for the transfer, assignment, novation or underletting of any of the Assets in favour of the Purchaser.

2. RATIONALE FOR THE PROPOSED DISPOSAL AND USE OF PROCEEDS

The Company is of the view that the Proposed Disposal is in the best interest of the Group as (i) the Proposed Disposal is part of the Group’s strategy to streamline and focus on the core business segments; and (ii) strengthens the working capital position and net gearing for the Group due to the cash settlement upon completion of the Proposed Disposal.

The net proceeds from the Proposed Disposal (after deducting professional fees and expenses of S\$20,000) of approximately S\$12,480,000 (the “**Net Proceeds**”) will be used by the Company in the following estimated proportions:

Use of Proceeds	Percentage Allocation (%)
i. Working capital	30 to 45
ii. Business expansion including but not limited to the purchase of distress assets and acquisition of marine businesses	30 to 45
iii. Repayment of bank loans	25
Total	100

3. INFORMATION ON THE PURCHASER AND THE ASSETS

3.1. The Purchaser

The Purchaser was incorporated on 3 July 2018 under the laws of the Republic of Singapore and is principally engaged in the renting of construction and civil engineering machinery and equipment, and building construction.

The Purchaser is owned by Hup Hin Transport Co Pte Ltd, a company incorporated under the laws of the Republic of Singapore, and Peh Chong Eng (Bai Congying), who are unrelated third parties in relation to the Company, the Board and the Company's controlling shareholder and substantial shareholder.

3.2. The Assets

The Assets consist of twenty-four (24) cranes, which comprise crawler cranes and rough terrain cranes, and two (2) luffing jibs, as listed in Appendix A to this announcement.

4. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

4.1. Sale and Purchase

4.1.1. Upon the Vendor paying the Financiers all sums of money payable under the respective hire purchase agreements in full in accordance with the terms of each hire purchase agreement, for the Consideration, the Vendor shall, as legal and beneficial owner, sell and transfer, and the Purchaser, relying on the warranties as set out in the SPA, shall purchase and take over free from all encumbrances from Completion, the Assets.

4.1.2. The sale and purchase of each of the Assets is interdependent and shall be completed simultaneously.

4.1.3. The Vendor shall assume and shall duly and punctually pay, satisfy, discharge and/or fulfil all the burdens in relation to the Assets accrued and/or arising for the period up to the date of Completion, being no later than five (5) business days after the date on which the last of the conditions precedent as set out in section 4.3 of this announcement has been satisfied or waived, in any event not later than 3 January 2019, or such other date as the Parties may mutually agree in writing (the "**Completion Date**"), and the Purchaser shall assume and shall duly and punctually pay, satisfy, discharge and/or fulfil all the burdens in relation to the Assets accrued and/or arising from the Completion Date onwards.

4.2. Consideration

- 4.2.1. The Consideration of S\$12,500,000 shall be fully paid to the Vendor in cash in the following manner:
- (a) S\$625,000 shall be payable by 29 November 2018 as a down payment of 5% of the Consideration (the “**Down Payment**”); and
 - (b) the remaining S\$11,875,000 shall be payable on Completion.
- 4.2.2. The Parties agree that the Consideration for the Proposed Disposal shall exclude any goods and services tax payable in respect thereof. Any goods and services tax payable shall be borne by the Purchaser.
- 4.2.3. The Consideration was arrived at following arm’s length negotiations on a willing buyer willing seller basis, taking into account the prevailing market value of the Assets and the rationale for the Proposed Disposal.
- 4.2.4. As at the date of this announcement, the aggregate net book value of the Assets is S\$12,955,000. The Consideration of S\$12,500,000 therefore results in a loss on disposal of S\$455,000. No valuation has been conducted in respect of the Assets.

4.3. Conditions Precedent

Completion of the SPA is conditional upon the satisfaction of the following salient conditions:

- (a) all consents, authorisations, licences, orders, grants, confirmations, permissions and approvals (collectively, the “**Approvals**”) necessary for or in respect of the acquisition of the Assets by the Purchaser having been obtained from the appropriate governments, governmental, supranational or trade agencies or regulatory bodies (and where such Approvals are subject to conditions, such conditions being reasonably acceptable to the relevant Party on which the conditions have been imposed) and such Approvals remaining in full force and effect;
- (b) the purchase and transfer of the Assets upon the terms and conditions of the SPA not being prohibited or restricted by any statute, order, rule, regulation, directive, guideline or request (whether or not having the force of law) promulgated by any legislative, executive or regulatory body or authority of Singapore; and
- (c) the Purchaser having obtained the approval of a bank loan from a financial institution.

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

Based on the latest unaudited consolidated financial statements of the Group for the third quarter ended 30 September 2018 (“**3Q2018**”), the relative figures for the Proposed Disposal computed on the bases set out in Rules 1006 (a) to (e) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) are as follows:

Rule 1006	Bases of Calculation	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	18.44% ⁽¹⁾
(b)	The net profit attributable to the assets disposed of, compared with the Group's net profits	-6.05% ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	25.78% ⁽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⁾

- (1) The net asset value attributable to the Assets of approximately S\$12,955,000, compared with the Group's net asset value of S\$70,236,000 based on the 3Q2018 results.
- (2) Pursuant to Rule 1002(3)(b) of the Catalist Rules, "net profits" is defined as profits before income tax, minority interest and extraordinary items. The Group's unaudited net loss for the 9 months ended 30 September 2018 ("**9M2018**") was S\$9,207,000 and the unaudited net profit for the Assets for 9M2018 was S\$557,000.
- (3) The market capitalisation of the Company of approximately S\$48,484,000 is based on a total number of 708,832,300 shares of the Company in issue (excluding treasury shares) at the weighted average price of S\$0.0684 per share transacted on 23 November 2018, being the last full market day preceding the date of the SPA.
- (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 indicated above, the relative figure calculated in accordance with Rule 1006(b) of the Catalist Rules is a negative figure as the Group was in a loss-making position for 9M2018 and the Assets to be disposed of pursuant to the Proposed Disposal were profit-making in the same period. The Company has consulted the Singapore Exchange Securities Trading Limited ("**SGX-ST**") via the Sponsor in accordance with Rule 1007(1) on the treatment of the relative figure for Rule 1006(b). The SGX-ST has confirmed that the Proposed Disposal constitutes a discloseable transaction as defined in Chapter 10 of the Catalist Rules and accordingly the approval of the shareholders of the Company for the Proposed Disposal will not be required. Notably, the absolute figures calculated in accordance with Rule 1006(a), (b) and (c) do not exceed 50.0%.

6. 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 audited financial statements for the financial year ended 31 December 2017 ("FY2017"):

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

Assuming that the Proposed Disposal had been completed on 31 December 2017, the NTA per share of the Group would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	76,245	75,790
Number of issued shares	709,050,800	709,050,800
NTA per share (Singapore cents)	10.8	10.7

6.2. Loss per share ("LPS")

Assuming that the Proposed Disposal had been completed on 1 January 2017, the LPS of the Group would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net loss attributable to shareholders (S\$'000)	15,312	15,336
Weighted average number of shares	709,880,291	709,880,291
LPS (Singapore cents)	2.2	2.2

6.3. Share capital

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

6.4. Net gearing ratio

Assuming that the Proposed Disposal had been completed on 31 December 2017, the net gearing ratio of the Group would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Total borrowings (S\$'000)	29,403	26,273
Cash and cash equivalents (S\$'000)	4,405	13,755
Equity attributable to owners of the Company (S\$'000)	76,245	75,790
Net gearing ratio (times)	0.328	0.165

7. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

8. DISCLOSURE OF INTERESTS

- 8.1. None of the Directors, controlling shareholders or substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Disposal, save for their shareholdings in the Company.
- 8.2. The Purchaser is an unrelated third party in relation to the Company, the Board and the Company's controlling shareholders and substantial shareholders.

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 SPA, 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. CAUTIONARY STATEMENT

- 10.1. Shareholders should note that the Proposed Disposal is subject to the fulfilment of the conditions precedent set out above, and in the meantime are reminded to exercise caution while dealing in the shares of the Company. In the event that shareholders and other investors are in doubt when dealing in the shares of the Company, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

11. DOCUMENTS FOR INSPECTION

A copy of the SPA and the annual report for FY2017 is available for inspection during normal business hours at the registered office of the Company at 9 Pandan Crescent, Singapore 128465 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
27 November 2018

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by 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.