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

PROPOSED ACQUISITION OF (I) 80% OF MARINELIFT TESTING & SUPPLY PTE LTD AND (II) 80% OF RIGGING & MARINE SERVICES PTE LTD

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1. **INTRODUCTION**

The Board of Directors of Technics Oil & Gas Limited ("**Company**") wishes to announce that the Company has entered into a sale and purchase agreement ("**SPA**") with Lee Tock Kiau and Thia Bong Yeo (collectively the "**Vendors**" and each a "**Vendor**") for the proposed acquisition of 80% of the issued and paid-up capital ("**Sale Shares**") of Marinelift Testing & Supply Pte Ltd ("**MTS**") and 80% of the issued and paid-up capital of Rigging & Marine Services Pte Ltd ("**RMS**") by the Company ("**Proposed Acquisition**") from the Vendors at an aggregate purchase consideration of S$16.46 million ("**Purchase Consideration**").

2. **INFORMATION ON MTS AND RMS**

MTS is a company incorporated in Singapore on 20 September 1995 as a limited exempt private company and has an issued and paid-up capital of S$3,010. MTS is in the business of repair of ships, tankers and other ocean-going vessels and civil engineering and construction works ("**MTS Business**").

RMS is a company incorporated in Singapore on 20 September 1995 as a limited exempt private company and has an issued and paid-up capital of S$600,000. RMS is in the business of repair of ships, tankers and other ocean-going vessels and civil engineering and construction works ("**RMS Business**").

3. **PURCHASE CONSIDERATION**

3.1 The Purchase Consideration was arrived at after taking into account:

(i) the business potential for the Group in each of the MTS Business and RMS Business; and

(ii) eighty per cent (80%) of 1.2 times the aggregate net tangible assets ("**NTA**") of both MTS and RMS (collectively the "**Target Companies**" and each a "**Target Company**") of the Target Companies as ascertained from their respective unaudited financial statements of each of the Target Companies for the half year ended 30 June 2014 ("**HY2014**").

3.2 The Purchase Consideration shall be settled in the following manner:

(i) The sum equivalent to the remaining 70% of the Purchase Consideration shall be settled by the Company through:

(a) the issue such number of new fully paid ordinary shares in the Company equivalent to the aggregate value of S$8.63 million (rounded to the nearest one share) on the first business day after the completion date; and
(b) the transfer of such number of treasury shares held by the Company equivalent to the aggregate value of S$2.89 million (rounded to the nearest one share) by the delivery of the relevant transfer documents on the completion date,

(collectively "**Consideration Shares**"), and the issue price for each Consideration Share to be used in ascertaining the total value of the Consideration Shares shall being the higher of:

(I) S$0.825 per Consideration Share, or

(II) such issue price which is equivalent to 10% discount to the volume weighted average prices per ordinary share of the Company for trades done on the SGX-ST for the full market day immediately preceding the date of the SPA.

(ii) The sum equivalent to 30% of the Purchase Consideration shall be paid to the Vendors on completion date ("**Cash Consideration**").

4. **CONSIDERATION SHARES**

4.1 The Consideration Shares shall be deposited with the share registrar of the Company and shall be placed under moratorium for six (6) months from the date of issuance of the Consideration Shares.

4.2 An application will be made for the listing of and quotation for the Consideration Shares on the Official List of the SGX-ST. An appropriate announcement will be made by the Company upon receipt of the approval-in-principal notice from the SGX-ST for the listing of and quotation for the Consideration Shares on the SGX-ST. The Consideration Shares when allotted and issued, shall rank *pari passu* in all respects with the then existing issued shares as at their respective date of allotment on issuance.

5. **VALUE OF THE SALE SHARES**

Based on the unaudited financial statements of each of the Target Companies for the financial period ended 30 June 2014, the net tangible asset value and the net profit attributable to the Sale Shares for each of the Target Companies were as follows:

	Net tangible asset value attributable to the Sale Shares	Net profit before tax attributable to the Sale Shares
RMS	S$ 14,113,071.67	S$2,316,459.09
MTS	S$ 3,030,561.65	S$353,334.74

6. **MATERIAL CONDITIONS**

Completion of the Proposed Acquisition is subject to the following conditions precedents (amongst others) having been fulfilled:

(i) the Company being satisfied in its sole and absolute discretion with the results of the due diligence investigations carried out by the Company in respect of each of the Target Companies, including but not limited to the affairs, Business, assets, liabilities, operations, records, financial position, financial performance, tax liabilities, accounts, results and prospects of each of the Target Companies, in its sole and absolute discretion;

(ii) all consents, approvals and authorisations of bankers, financial institutions, landlords of leases, relevant third parties, government or regulatory authorities which are necessary in connection with the transfer of the Sale Shares from the Vendors to the Company and the ownership by the Company of the Sale Shares having been obtained (including waivers of pre-emption rights by existing shareholders of each of the Target Companies) being obtained on or before 45 days from the date of the SPA (or such later date as the Company may in its sole discretion agree to in writing), and if subject to conditions, on such conditions acceptable to the Company, and such consents, approvals and authorisation remaining in full force and effect and not being revoked prior to the completion date;

(iii) all necessary approvals have been obtained for the issuance of the Consideration Shares to the Vendors by the Company, including but not limited to the approval-in-principle from the SGX-ST and/or approval from shareholders of the Company;

(iv) the approval of the directors and shareholders of the Company (including the shareholders of the holding company of the Company (as required)) in general meeting (where necessary) being obtained for the transactions contemplated in the SPA upon the terms and conditions set out in the SPA, including, *inter alia,* the purchase of the Sale Shares;

(v) no Material Contract, lease, licence or other similar commercial arrangement would be terminated or adversely affected arising from the sale of the Sale Shares and change in ownership and/or control of each of the Target Companies;

(vi) all representations, warranties and undertakings of the Vendors and the Company under the SPA being complied with, and being true, accurate and correct in all respects as at the completion date, as if repeated at completion and at all times between the date hereof and completion;

(vii) each of the Parties having performed all of the covenants and agreements required to be performed or caused to be performed by it under the SPA;

(viii) there being no default by each of the Target Companies in any of its obligations by which it may become bound or liable to be called upon to repay prematurely any loan capital or borrowed moneys;

(ix) the Vendors or the Company not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the SPA, and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;

(x) the SPA and/or any transaction contemplated herein not being prohibited by any statute, order, rule, regulation or directive (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Singapore or any competent authority;

(xi) the business of each of the Target Companies having been carried on in a satisfactory and ordinary manner and each of the Target Companies not having disposed of any material assets or assumed or incurred any material liabilities including contingent liabilities (whether recorded or unrecorded) other than those in connection with its ordinary course of business;

(xii) there has been no change in the shareholding or capital structure of each of the Target Companies;

(xiii) the Company being satisfied in its reasonable discretion that there has been no material adverse change or events, acts or omissions likely to lead to such a change in the prospects, operations, assets, Business, results of operations, profits or financial condition of each of the Target Companies;

(xiv) Mr Lee Tock Kiau having entered into a service agreement with one (1) of the Target Companies on terms as are acceptable to the Company;

(xv) the delivery by the Vendors to the Company, on the date of the SPA, of the Disclosure Letter (if any) on such terms as are satisfactory to the Company;

(xvi) the Parties further agree that the Vendors shall apply to the existing banks, financiers and other third parties of each of the Target Companies and to use its reasonable commercial endeavours to procure the release of the Vendors as guarantor (as applicable) given in their capacity as director(s) or shareholder(s) of each of the Target Companies for the benefit of each of the Target Companies before the completion date, and shall within three (3) months after completion date substitute such personal guarantee with the Company's guarantee (on such terms and conditions to be approved by the Company) as shareholders where appropriate, as may be required by relevant banks, financiers and relevant third parties subject to the written consent of the Company;

(xvii) there being no continuing related party transactions entered into between each of the Target Companies and its directors or shareholders or any persons connected with them unless otherwise approved by the Company;

(xviii) there being no declaration and/or distribution of dividends (in cash or in kind) by each of the Target Companies to the shareholders without the prior consent of the Company from the date of the SPA until completion date (both dates inclusive); and

(xix) there being a minimum aggregate sum of S$6 million in cash, standing to the credit of all the bank accounts established in the name of the Target Companies.

7. **RATIONALE FOR THE PROPOSED ACQUISITION**

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

(i) the Proposed Acquisition will be complementary and ancillary to the Group's existing core business;

(ii) the Proposed Acquisition presents an opportunity for the Group to acquire a profitable company with viable business model and a good management team which has accumulated relevant business experience over the last 10 years; and

(iii) the net profit attributable to the Company's proportionate interest in the Target Companies will give the Group more time to restructure its existing businesses.

8. **FUNDING OF THE PROPOSED ACQUISITION**

The Cash Consideration will be funded through internal resources and is not expected to have any material impact on the earnings per share and net tangible assets per share of the Group for the current financial year.

9. **FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

The financial effects of the Proposed Acquisition 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 Acquisition;

(ii) based on (a) the audited consolidated financial statements of the Company for the financial year ended 30 September 2013 and (b) audited financial statements of each of the Target Companies as of the financial year ended 31 December 2013 for each of the Target Companies.

Share Capital

The effect of the Proposed Acquisition on the share capital of the Company is as follows:

	Before the Proposed Acquisition as at 30 September 2013	After the Proposed Acquisition
Number of ordinary shares excluding treasury shares held by the Company	224,512,706	234,932,975
Number of treasury shares	13,000	57,000

held by the Company		
Total issued and paid-up capital of the Company	S$65,759,183.31	S$77,279,704.90
Total market capital of the Company (excluding treasury shares held by the Company) based on the closing price as at 9 July 2014 (being the last trading date before the date of the SPA)	S$186,345,545.98	S$194,994,369.25

Net Tangible Assets ("NTA")

The effect of the Proposed Acquisition on the audited NTA per share of the Group for the financial year ended 30 September 2013, assuming that the Proposed Acquisition had been effected at the end of financial year ended 30 September 2013 is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S$'000)	57,633	74,777
NTA per share (cents)*	25.67	31.83

Earnings Per Share ("EPS")

The effect of the Proposed Acquisition on the unaudited EPS of the Group for financial year ended 30 September 2013, assuming that the Proposed Acquisition had been effected at the beginning of financial year ended 30 September 2013 is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit/(Loss) after tax and minority interests (S$'000)	(9,913)	(7,697)
EPS per share (cents)*	(4.42)	(3.28)

*Calculated based on:
(i) the issued and paid-up share capital of the Company of 224,512,706 ordinary shares excluding treasury shares of 13,000 ordinary shares before completion of the Proposed Acquisition as at 30 September 2013; and
(ii) the issued and paid-up share capital of the Company of 234,932,975 ordinary shares excluding treasury shares of 57,000 ordinary shares after completion of the Proposed Acquisition.

10. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

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

1006(a)	Net Asset Value Test	Not applicable.
1006(b)	Profit Test	The unaudited net profit attributable to the Sale Shares for the financial period ended 30 June 2014 for both of the Target Companies of approximately S$2.67 million represents approximately 1,791.8% of the Groups' unaudited net profit of S$0.149 million as at 31 March 2014.
1006(c)	Consideration Test	The Purchase Consideration of S$16.46 million for the Proposed Acquisition represents approximately 8.8% of

		the Company's market capitalisation of approximately S$0.830 as at 9 July 2014 (being the last market day preceding the date of the SPA during which trades were conducted).
1006(d)	Equity Securities Test	The number of Consideration Shares to be issued by the Company (comprising 10,464,269 ordinary shares of the Company as 3,500,000 treasury shares held by the Company will be transferred from the Company to the Vendors), represents approximately 4.7% of the number of shares previously in issue
1006(e)	Reserves Test	Not applicable.

As the only limit breached is the profit limit under Rule 1006(b) and this is an acquisition of profitable assets, Rule 1014 states that the Proposed Acquisition need not then be subject to the approval of shareholders in general meeting.

11. **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 Acquisition. None of the Directors or substantial shareholders of the Company is related to the Vendors.

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 Wilkie Edge Singapore 228095 for three months from the date of this Announcement.

BY ORDER OF THE BOARD

Ting Yew Sue
Executive Chairman
10 July 2014