



## MERMAID MARITIME PUBLIC COMPANY LIMITED

บริษัท เมอร์เมด มารีไทม์ จำกัด (มหาชน)

(Reg. No. 0107550000017)

26/28-29, 9<sup>th</sup> Floor Orakarn Bldg., Soi Chidlom, Ploenchit Road,  
Lumpinee, Pathumwan, Bangkok 10330, Thailand.

Tel.: +66 (0) 2-255-3115~6; Fax: +66 (0) 2-255-1079

## MERMAID DISPOSES OF INVESTMENT IN “KM-1” TENDER RIG PROJECT

### 1. Introduction:

The Board of Directors of Mermaid Maritime Public Company Limited (“Mermaid”) wishes to announce that its wholly owned subsidiary, Mermaid Drilling (Singapore) Pte. Ltd. (“MDS”), has entered into three (3) separate sale and purchase agreements (collectively, “Agreements”) dated 21 June 2010 for the ‘en bloc’ sale of its entire shareholdings (collectively, “Proposed Transaction”) in Mermaid Kencana Rig 1 Pte. Ltd. (“MKR-1”), Mermaid Kencana Rigs (Labuan) Pte. Ltd. (“MKRL”) and Kencana Mermaid Drilling Sdn. Bhd. (“KMD”) (collectively, “Target Companies”). The disposal of its entire shareholdings in the Target Companies collectively constitutes the disposal of Mermaid’s investments in the “KM-1” tender rig project.

MKR-1 and MKRL are presently 75% owned subsidiaries of MDS, and KMD is presently a 40% owned associate company of MDS. Upon completion of the Proposed Transaction, MKR-1 and MKRL will cease to be subsidiaries of MDS, and KMD will cease to be an associate company of MDS.

### 2. About the Purchaser:

The purchaser of the Target Companies is Kencana Petroleum Ventures Sdn. Bhd. (“KPV”). KPV is a company incorporated in Malaysia on 05 September 2007 and is a wholly owned subsidiary of Kencana Petroleum Berhad (“KPB”). Its principal activity is as a holding company for KPB’s partnerships and investments in drilling and drilling related services in the offshore oil and gas industry. KPV shares common ownership with Kencana HL Sdn. Bhd. (“KHL”), the builder of the “KM-1” as KHL is also a wholly owned subsidiary of KPB.

### 3. About the Seller:

The seller of the Target Companies is MDS. MDS is a company incorporated in Singapore on 27 February 2007 and is a wholly owned subsidiary of Mermaid. Its principal activity is as one of the holding companies for Mermaid’s partnerships and investments in drilling and drilling related services in the offshore oil and gas industry.

#### **4. Particulars of the Target Companies:**

MKR-1 is a company incorporated on 19 October 2007 in Singapore. It has an issued capital of USD 68,000,000 comprising 68,000,000 ordinary shares of USD 1.00 each. MDS is the registered owner of 51,000,000 ordinary shares in MKR-1, equivalent to 75% of the total issued capital of MKR-1. KPV is the registered owner of the remaining issued capital of 17,000,000 ordinary shares in MKR-1 equivalent to 25% of the total issued capital of MKR-1.

KMD is a company incorporated on 26 September 2007 in Malaysia. It has an issued capital of RM 100,000 comprising 100,000 ordinary shares of RM 1.00 each. MDS is the registered owner of 40,000 ordinary shares in KMD, equivalent to 40% of the total issued capital of KMD. KPV is the registered owner of the remaining issued capital of 60,000 ordinary shares in KMD equivalent to 60% of the total issued capital of KMD.

MKRL is a company incorporated on 11 May 2009 in Labuan, Malaysia. It has an issued capital of USD 4 comprising 4 ordinary shares at USD 1.00 each. MDS is the registered owner of 3 ordinary shares in MKRL, equivalent to 75% of the total issued capital of MKRL. KPV is the registered owner of the remaining issued capital of 1 ordinary share in MKRL equivalent to 25% of the total issued capital of MKRL.

Upon completion of the Proposed Transaction, the Target Companies will become wholly owned subsidiaries of KPV.

#### **5. Principal Business of the Target Companies:**

MKR-1's principal activity is to provide offshore drilling and related services in the oil and gas industry. Its material contract is a construction contract with KHL dated 22 October 2007 for the construction of the tender rig "KM-1". The "KM-1" is presently under construction at KHL's facilities in Malaysia. Upon completion of the construction, the "KM-1" is expected to be delivered to MKR-1. As the construction by KHL is not yet complete, MKR-1 has not yet commenced operations as at the date of this announcement.

KMD is principally engaged in the provision of offshore drilling and drilling related services in the oil and gas industry in Malaysia and the provision of management services to related companies. It presently has a drilling contract with Petronas Carigali Sdn. Bhd. ("PCSB") entered into on 20 October 2008 for the "KM-1" ("Petronas Contract") scheduled for commencement following KHL's delivery of the "KM-1" to MKR-1. As the construction by KHL is not yet complete, KMD has not yet commenced the Petronas Contract as at the date of this announcement.

MKRL's principal business is to carry out leasing activities in, from and through Labuan. Upon delivery of the "KM-1" to MKR-1, MKRL's primary purpose is to charter the "KM-1" from MKR-1 and sub-charter it to KMD in order for KMD to perform the Petronas Contract. As the construction by KHL is not yet complete, MKRL has not yet commenced operations as at the date of this announcement.

**6. Rationale for the Proposed Transaction:**

The Board of Directors of Mermaid had undertaken a strategic review of its businesses to improve their overall profitability and longer term shareholder returns.

The disputed and delayed “KM-1” construction project was considered. Considering the risks involved if the project is continued under present arrangements, such as contract requirements, the extension of the Petronas contract, higher cost overruns, etc. and comparing to other alternative solutions, it was decided that the best course of action to mitigate losses was to negotiate with its co-shareholders (KPV) amicably to incur minimal losses.

The Board is unanimously of the opinion that the Proposed Transaction is in the best interests of Mermaid. The proceeds from the sale to MDS, including repayment of inter-company debts owed to MDS and other subsidiary companies of Mermaid, are expected no later than 15 August 2010 and can be subsequently utilized by Mermaid to pursue other business opportunities.

**7. Aggregate Value of the Consideration:**

The aggregate value of the consideration for the Target Companies is USD 43,650,000 (United States Dollars Forty Three Million Six Hundred and Fifty Thousand) (“Purchase Consideration”). In addition to the Purchase Consideration for the Target Companies, KPV shall also settle on behalf of the Target Companies an aggregate of USD 22,950,000 (United States Dollars Twenty Two Million Nine Hundred and Fifty Thousand) being intercompany loans owing by the Target Companies to MDS and other subsidiary companies of Mermaid on the date of completion (“Inter-Company Loan Settlement”). Accordingly, the total amount MDS is expected to receive in relation to the Proposed Transactions shall be USD 66,600,000 (United States Dollars Sixty Six Million Six Hundred Thousand), comprising the Purchase Consideration and the Inter-Company Loan Settlement.

The par value of the shares held by MDS in the Target Companies represents the investment cost by MDS in the Target Companies, since all subscriptions were at par value. There has been no external valuation performed on such shares sold in the Target Companies. Mermaid is of the view that the Purchase Consideration and Inter-Company Loan Settlement is valuable consideration to minimize business risk through the opportunity to exit of the “KM-1” project at this juncture. Both the Purchase Consideration and the Inter-Company Loan Settlement shall be made in cash, subject to the fulfillment of certain terms and conditions in the Agreements.

**8. Terms of Payment:**

The mode of payment of the Purchase Consideration and the Inter-Company Loan Repayment shall be satisfied in the following manner:

Upon the date of the Agreement (21 June 2010)	USD 10,000,000
Upon completion of the Conditions Precedent	USD 20,600,000
Upon the Completion Date	USD 36,000,000
<b>Total</b>	<b>USD 66,600,000</b>

**9. Amount of gain or loss from Disposal and Use of Proceeds:**

The amount of loss from the Proposed Transaction is approximately USD 7,350,000 (United States Dollars Seven Million Three Hundred and Fifty Thousand). The receipt of the Purchase Consideration and the Inter-Company Loan Settlement can be subsequently utilized by Mermaid to pursue other business opportunities.

**10. Net Profits Attributable to the Proposed Transaction:**

The comparison is not relevant as the Target Companies had not generated any revenue from third parties.

**11. Material Terms of the Proposed Transaction:**

**(a) Conditions Precedent:**

The Proposed Transaction is conditional on the following: (a) a shareholders' resolution of KPB passed approving the Proposed Transaction by KPV; and (b) approval from Bank Negara Malaysia ("BNM") being obtained by KPV for its ownership (as a Malaysian resident) of additional shares in MKR-1 (a company outside Malaysia), and for the Inter-Company Loan Settlement. KPV shall submit a full and complete application to BNM for approval within two (2) business days from the date of the Agreements ("Conditions Precedent"). The Conditions Precedent is to be fulfilled by 15 August 2010 unless otherwise extended by the parties. Upon fulfillment of the Conditions Precedent, the parties shall proceed to closing ("Completion").

**(b) Other Key Commercial Terms:**

- (i) On the date of the Agreements, KPV shall remit an amount of USD 10,000,000 (United States Dollars Ten Million) to MDS. If the Conditions Precedent are not satisfied by 15 August 2010 (or such extended date as may be mutually agreed between the parties), KPV has agreed for MDS to retain this amount.
- (ii) Within three (3) business days from the date of the Agreements, an amount of USD 20,600,000 (United States Dollars Twenty Million Six Hundred Thousand) ("First Tranche") shall be remitted into an escrow account to be released to MDS within one (1) business day upon fulfillment of the Conditions Precedent.
- (iii) On Completion, an amount of USD 36,000,000 (United States Dollars Thirty Six Million) ("Second Tranche") shall be paid by KPV to MDS in exchange for the share certificates of MDS in the Target Companies.
- (iv) As security for (iii), KPV shall procure within twenty one (21) calendar days from the date of the Agreements an irrevocable bank guarantee in the amount equivalent to the Second Tranche in favour of MDS, subject only to the fulfillment of the

Conditions Precedent. MDS may call upon the said bank guarantee in the event that the MDS proceed to completion and KPV fails to pay the Second Tranche on Completion.

- (v) Within one (1) business day upon fulfillment of the Conditions Precedent, KPV shall settle the amount owing by MKR-1 to the external financial institutions that provided the loan facility and guarantee to MKR-1 for the construction of the “KM-1” (“Facilities”) in order to settle the Facilities and to release all securities and guarantees attached thereto, including the release of mortgage over the shares held by MDS in MKR-1.
- (vi) Subject to (v), the shares sold by MDS to KPV in the Target Companies shall be free from encumbrances.
- (vii) The Proposed Transaction is inter-conditional on completion of all three (3) separate Agreements taking place simultaneously.

## **12. Financial Effects of the Proposed Transaction on Mermaid:**

The proforma financial effects of the Proposed Transaction on Mermaid are set out below. The objective of proforma financial effects is to illustrate what the historical financial information of Mermaid might have been had the Proposed Transaction been completed at an earlier date. Given that the proforma financial effects set out below are theoretical in nature and only for illustrative purposes, they do not represent the actual financial position and/or results of Mermaid’s operations after the completion of the Proposed Transaction and are not indicative of future financial position and earnings of Mermaid.

For the purpose of illustration and based on the audited consolidated financial statements of Mermaid for the financial year ended 30 September 2009, the financial effects of the Proposed Transaction are set out below:

### **(a) Net Tangible Assets (“NTA”):**

Assuming that the Proposed Transaction had been completed on 30 September 2009 and based on the Mermaid’s audited consolidated financial statements for the financial year ended 30 September 2009, the financial effects of the Proposed Transaction on the consolidated NTA of Mermaid for the financial year ended 30 September 2009 would be as follows:

	Before the Proposed Transaction	After the Proposed Transaction
NTA (THB ‘000)	14,273,097 [a]	10,412,867 [b]
NTA per share (THB) [c]	18.19	13.27
NTA per share (SGD) [d]	0.79	0.57

Note:

[a] The NTA of Mermaid is calculated based on Thai Generally Accepted Accounting Principles (GAAP).

[b] Reduction of NTA from the Proposed Transaction is based on de-consolidation of MKR-1 and MRKL.

[c] Based on 784,747,743 issued and paid-up ordinary shares of Mermaid post right issue as this would adjust for the difference arising from the right issue, such that the effect is attributed solely to the Proposed Transaction.

[d] Based on an exchange rate of SGD 1.00 = THB 23.08.

(b) Earnings Per Share:

Assuming that the Proposed Transaction had been completed on 01 October 2008 and based on Mermaid's audited consolidated financial statements for the financial year ended 30 September 2009, the financial impact on the consolidated earnings of Mermaid would be as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Net profit (THB '000)	747,378 [a]	510,193 [b]
EPS per share (THB) [c]	0.95	0.65
EPS per share (SGD) [d]	0.04	0.03

Note:

[a] Net Profit is calculated based on Thai Generally Accepted Accounting Principles (GAAP).

[b] Based on an exchange rate of USD 1.00 = THB 32.27.

[c] Based on 784,747,743 issued and paid-up ordinary shares of Mermaid post right issue as this would adjust for the difference arising from the right issue, such that the effect is attributed solely to the Proposed Transaction.

[d] Based on an exchange rate of SGD 1.00 = THB 23.08.

### 13. Listing Manual Computation:

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") are as follows:

		(A) SGD	(B) SGD	Relative Figures (A)/(B) in %
Rule 1006(a)	Net asset value of the shares to be disposed in the Target Companies (A) as compared with Mermaid's net asset value as at 30 September 2009	68,989,048	433,159,662	15.93
Rule 1006(b)	The basis prescribed under this rule is not applicable to the Proposed Transaction as the Target Companies had not generated any revenue from third parties.	n/a	n/a	n/a
Rule 1006(c)	The aggregate value of the Purchase Consideration (A) compared with the market capitalization (B)	59,975,100	428,990,201	13.98
Rule 1006(d)	The basis prescribed under this rule is not applicable to the Proposed Transaction as there is no issue of Mermaid's shares in connection with the Proposed Transaction.	n/a	n/a	n/a

The Proposed Transaction constitutes a "discloseable transaction" as defined in Chapter 10 of the Listing Manual of the SGX-ST.

#### Notes:

1. The date of the Agreements is 21 June 2010.
2. The weighted average price of the shares of Mermaid transacted on the market day preceding the date of the Agreements on 18 June 2010 was 0.54666. The number of shares in issue is 784,747,743.
3. Market capitalization is determined by taking the weighted average price of 0.54666 multiplied by 784,747,743 shares in issue.

4. Foreign exchange rates used in this announcement:

Baht 23.08 = SGD 1.00

Baht 32.27 = USD 1.00

SGD 1.374 = USD 1.00

**14. Service Contracts:**

No person will be appointed to the Board of Mermaid in connection with the Proposed Transaction and no service contracts in relation thereto will be entered into by Mermaid.

**15. Directors and Controlling Shareholders' Interests:**

None of the Directors or controlling shareholders of the Mermaid has any interest, direct or indirect, in Proposed Transaction.

**16. Documents Available for Inspection:**

A copy of the Agreements are available for inspection, during normal business hours at the registered office of Mermaid at 26/28-29, 9<sup>th</sup> Floor, Orakarn Building, Soi Chidlom, Ploenchit Road, Lumpinee, Pathumwan, Bangkok 10330, Thailand for three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Vincent Siaw  
Company Secretary  
21 June 2010