GAYLIN HOLDINGS LIMITED
(Company Registration No. 201004068M)
(Incorporated in the Republic of Singapore on 25 February 2010)

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(1) INCORPORATION OF SUBSIDIARY
(2) PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST AND REGISTERED CAPITAL IN LV YANG (TIANJIN) OFFSHORE EQUIPMENT CO. LTD (绿洋(天津)油田设备有限公司)
(3) UPDATE ON PROPOSED ACQUISITION IN SOUTH KOREA

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(1) Incorporation of subsidiary

The board of directors ("**Directors**") of Gaylin Holdings Limited (the "**Company**") wishes to announce that the Company has on 18 March 2013 incorporated a wholly-owned subsidiary in Singapore known as Lv Yang (Tianjin) Offshore Equipment Pte Ltd (the "**Purchaser**") with an issued and paid up share capital of S$9,000 comprising 9,000 ordinary shares.

The principal activities of the Purchaser will include the supply of rigging and lifting equipment and provision of related services.

Following its incorporation, the issued and paid up share capital of the Purchaser has on 19 March 2013 been increased to S$9,001 comprising 10,000 ordinary shares, pursuant to an allotment and issue of 1,000 ordinary shares to Johnny Lee Hang Meng (the "**Executive**") for a consideration of S$1.00, and accordingly, as at the date of this announcement, the shareholders of the Purchaser are the Company and the Executive in the proportion of 90% and 10% respectively.

The Executive is the current legal representative, director and general manager of Lv Yang (Tianjin) Offshore Equipment Co. Ltd (绿洋(天津)油田设备有限公司), further details of which are set out below.

The incorporation of the above subsidiary and issue of shares to the Executive is not expected to have any material impact on the earnings per share or the net tangible assets per share of the Company for the current financial year ending 31 March 2013.

None of the Directors or substantial shareholders of the Company have any direct or indirect interest in the abovesaid transactions.

(2) Proposed acquisition of the entire equity interest and registered capital in Lv Yang (Tianjin) Offshore Equipment Co. Ltd (绿洋(天津)油田设备有限公司)

The Purchaser has on 19 March 2013 entered into a framework agreement (the "**Framework Agreement**") with Lenn Inc (the "**Vendor**") and Loi Peng Soon (the "**Covenantor**", and together with the Purchaser and the Vendor, the "**Parties**") for the acquisition from the Vendor of the entire equity interest and registered capital (the "**Sale Equity**") in Lv Yang (Tianjin) Offshore Equipment Co. Ltd (绿洋(天津)油田设备有限公司) (the "**Target**"), a company incorporated in the People's Republic of China ("**PRC**") (the "**Proposed Acquisition**").

1. Information on the Target, the Vendor and the Covenantor

(A) The Target is a wholly foreign-owned enterprise incorporated in the PRC with registration number 120000400116685, with its registered address at No. 90 (Block B), 12th Avenue, TEDA, Tianjin, P.R.C. 300457. As at the date of this Announcement, the Target has a registered capital of US$3,000,000.

The Target carries on the business of supply and manufacture of rigging and lifting equipment and provision of related services.

(B) The Vendor and the Covenantor

The Vendor is an investment holding company incorporated in The British Virgin Islands that is wholly owned by the Covenantor. The Vendor holds 100% of the Sale Equity.

The Covenantor is a Singaporean businessman.

Neither the Vendor nor the Covenantor are Associates of the Directors or Controlling Shareholders (the foregoing terms as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) of the Company.

2. The Proposed Acquisition

(A) The Sale Equity

Subject to the terms and conditions of the Framework Agreement, the Sale Equity will be acquired by the Purchaser free from all charges and other encumbrances and with all rights, benefits and entitlements attaching thereto.

(B) Purchase Consideration

The purchase consideration payable by the Purchaser for the Sale Equity is S$3,512,500 (the "**Consideration**"). The Consideration was arrived on an arm's length, willing buyer willing seller basis, and was determined based on various factors including, *inter alia*, the existing assets and operations of the Target as well as the potential growth prospects of the business of the Target. The Consideration shall be paid in full on Completion (as defined below) in accordance with the terms and conditions of the Framework Agreement.

The book value and net tangible asset value of the Target are approximately S$711,000 and S$698,000 respectively (based on an exchange rate of S$1.00 to RMB5.00), as reflected in the latest audited financial statements for the financial year of the Target ended 31 December 2011 ("**FY2011**"). No valuation for the Target was done in relation to the Proposed Acquisition. The net loss attributable to the assets being acquired being the loss before tax (attributable to the assets acquired) as reflected in the latest audited financial statements as at FY2011 is approximately S$653,000 (based on an exchange rate of S$1.00 to RMB5.00).

(C) Completion

Completion, being the date on which the Purchaser shall have been duly registered under the laws of the PRC as the legal owner of the Sale Equity ("**Completion**"), is targeted to take place on 30 April 2013 or such other date as may be agreed between the Parties in writing ("**Completion Date**").

(D) Conditions Precedent

The Proposed Acquisition is subject to the fulfillment or waiver by the Purchaser of certain conditions precedent, which include, *inter alia*, the following:

(i) the registered capital of the Target amounting to US$3,000,000 being fully paid up by the Vendor;

(ii) all equipment, inventories and assets owned, held or used by the Target being properly and accurately recorded on the balance sheet of the Target as at Completion;

(iii) all outstanding taxes on the import of any equipment, inventories and assets of the Target into the PRC having been fully paid and settled;

(iv) results of its legal, financial and business due diligence into the Target being satisfactory to the Purchaser in its sole and absolute discretion;

(v) the Directors and the shareholders of the Company, if required, having approved the Proposed Acquisition;

(vi) the execution of a deed of guarantee and indemnity by the Covenantor in relation to, *inter alia*, the guarantee of the Vendor's obligations under the Framework Agreement, in favour of the Purchaser ("**Guarantee and Indemnity**");

(vii) the execution of deeds of non-competition by each of the Covenantor and the Executive in favour of the Purchaser and the Target;

(viii) a duly executed share purchase agreement and such other requisite documents for purposes of filing and effecting the transfer of the Sale Equity being filed with the relevant PRC authorities for registration of the transfer of the Sale Equity;

(ix) there having been no adverse change (as reasonably determined by the Purchaser) in the prospects, operations or financial conditions of the Target occurring on or before the Completion Date;

(x) all approvals and consents, if necessary, for the transactions contemplated under the Framework Agreement being obtained, and not withdrawn, suspended, amended or revoked, on or before the Completion Date, and if such consents or approvals are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the Purchaser;

(xi) all representations, undertakings and warranties of the Vendor and the Covenantor (collectively, the "**Warrantors**") under the Framework Agreement being complied with, true, accurate and correct up to and as at the Completion Date; and

(xii) the Warrantors not having breached any of the terms of the Framework Agreement, including without limitation, of any of their respective obligations or undertakings under the Framework Agreement.

(E) Earnout

The Purchaser shall pay to the Vendor:

(i) an earnout amount of S$1,000,000 (the "**First Earnout Payment**") if the ANPAT (as defined below) for the financial year commencing on 1 April 2013 and ending on 31 March 2014 (the "**First Earnout Period**") is at least S$1,400,000 (the "**First Target ANPAT**"); and

(ii) an earnout amount of S$1,000,000 (the "**Second Earnout Payment**") if the ANPAT for the financial year commencing on 1 April 2014 and ending on 31 March 2015 (the "**Second Earnout Period**") is at least S$1,775,000 (the "**Second Target ANPAT**").

In this Announcement, "**ANPAT**" means, in respect of any relevant financial period, the consolidated audited net profit/(loss) after tax of the Purchaser and its subsidiaries ("**Group**") (but excluding any management fees charged by the Company to the Group) for such financial period as audited by an audit firm acceptable to the Purchaser in accordance with Singapore financial accounting standards ("**FRS**") or the International FRS (as determined by the Purchaser), as converted to and expressed in S$ based on the prevailing exchange rate as at the last business day immediately preceding the commencement of the relevant financial period.

(F) Profit Guarantee

In consideration of the Purchaser entering into the Framework Agreement, the Vendor has represented and undertaken to and with the Purchaser under the Framework Agreement that:

(i) the ANPAT for the First Earnout Period shall be at least an amount equivalent to the First Target ANPAT; and

(ii) the ANPAT for the Second Earnout Period shall be at least an amount equivalent to the Second Target ANPAT,

(the "**Profit Guarantee**").

The Vendor has agreed to provide the following payments to the Purchaser under the Framework Agreement should the Profit Guarantee not materialise:

(a) in the event that the ANPAT for the First Earnout Period is less than the First Target ANPAT, the Vendor shall pay to the Purchaser (or its nominees) an amount calculated in accordance with the following formula:

Amount payable = 90% **x** 50% **x** 3.5 **x** the difference between S$1,400,000 and the ANPAT for the First Earnout Period less S$1,000,000,

("**First Default Payment**"); and

(b) in the event that the ANPAT for the Second Earnout Period is less than the Second Target ANPAT, the Vendor shall pay to the Purchaser (or its nominees) an amount calculated in accordance with the following formula:

Amount payable = 90% **x** 50% **x** 3.5 **x** the difference between S$1,775,000 and the ANPAT for the Second Earnout Period less S$1,000,000,

("**Second Default Payment**"),

(collectively, the "**Default Payments**") provided always that (I) each of the First Default Payment and the Second Default Payment (as the case may be) shall be subject to a minimum amount of S$0 and shall not be a negative figure and (II) the Default Payments shall in aggregate be capped at a cumulative maximum amount of S$2,900,000.

As security for the Vendor's obligations under the Profit Guarantee, the Covenantor has entered into the Guarantee and Indemnity pursuant to which the Covenantor, *inter alia*, unconditionally and irrevocably guarantees, to the Purchaser the proper and punctual performance by the Vendor of its obligations in relation to the Profit Guarantee ("**Guaranteed Obligations**") and undertakes and agrees that, if for any reason the Vendor does not properly and punctually perform its Guaranteed Obligations or does not make payment of any Default Payments payable by it, the Covenantor will perform such obligations and pay such sums forthwith upon first written demand by the Purchaser. In addition, the Covenantor unconditionally and irrevocably agrees under the Guarantee and Indemnity that he will on demand indemnify the Purchaser against any costs, loss, expense or liability sustained or incurred by the Purchaser as a result of, *inter alia*, any breach by the Vendor of any of the Guaranteed Obligations.

(G) <u>Agreement between the Purchaser and the Executive</u>

Concurrently with the signing of the Framework Agreement, the Executive and the Purchaser has entered into an agreement ("**Executive Agreement**") pursuant to which the Executive has represented, warranted and undertaken to the Purchaser that the ANPAT (as defined above) for the First Earnout Period (as defined above) shall be at least S$1,000,000 (the "**Executive's Profit Guarantee**").

In the event that the Executive's Profit Guarantee is not achieved, the Purchaser shall be entitled at its election to undertake either:

(i) a selective off-market acquisition under Section 76D of the Companies Act (Chapter 50) of Singapore ("**Companies Act**") to acquire all the 1,000 ordinary shares in the capital of the Purchaser that is held by the Executive as at the date of this announcement, representing 10% of the total issued share capital of the Purchaser (the "**Executive's Shares**") for an aggregate consideration of S$1.00; or

(ii) a selective capital reduction and cancellation of the Executive's Shares in accordance with the Companies Act,

on such terms and conditions as may be specified by the Purchaser and in accordance with any applicable provisions of the Companies Act.

(H) Rationale for the Proposed Acquisition

The Proposed Acquisition is in line with the Company's expansion plan into the Asian markets.

(I) Source of Funds

The Company intends to fund the Consideration from the proceeds of its listing on its initial public offering and listing on the SGX-ST in October 2012.

3. Financial Effects

(A) Share Capital

As at the date of this Announcement, the issued and paid up capital of the Company is S$49,200,000 comprising 432,000,000 ordinary shares. The Proposed Acquisition will have no impact on the share capital of the Company as no new shares of the Company will be issued.

(B) Net tangible assets per share and earnings per share

For illustrative purposes only, (i) assuming that the Proposed Acquisition had been effected at the end of the financial year ended 31 March 2012 ("**FY2012**"), there would have been no material impact on the consolidated net tangible assets per share of the Company for FY2012; and (ii) assuming that the Proposed Acquisition had been effected at the beginning of FY2012, there would have been no material impact on the earnings per share for FY2012. The Proposed Acquisition is also not expected to have any material effect on the net tangible assets per share or consolidated earnings per share of the Company for the current financial year.

4. Interests of Directors and Controlling Shareholders

None of the Directors, Controlling Shareholders or their Associates has any interest, direct or indirect, in the Proposed Acquisition.

5. Documents for Inspection

Copies of the Framework Agreement, Guarantee and Indemnity and the Executive Agreement are available for inspection during normal business hours at the Company's registered office at 7 Gul Avenue, Singapore 629651 for three (3) months from the date of this Announcement.

6. Updates

The Company will announce any material developments on the Proposed Acquisition.

(3) Update on proposed acquisition in South Korea

The Company had in its prospectus dated 17 October 2012 under the section entitled “Business Strategies and Future Plans” disclosed that it had on 22 September 2012 signed a memorandum of understanding for the proposed acquisition of a South Korean company engaged in the supply of wire ropes and related fittings to Korean customers in the offshore and marine industry.

The Directors wish to update shareholders that the Company has not been able to come to an agreement with the proposed vendors and has ceased negotiations and will not be proceeding with such proposed acquisition.

By Order of the Board
Teo Bee Chiong
Executive Director and Chief Executive Officer

GAYLIN HOLDINGS LIMITED
19 March 2013

CIMB Bank Berhad, Singapore Branch was the Issue Manager for the initial public offering and the listing of the Company’s shares on the Main Board of the SGX-ST. The Issue Manager assumes no responsibility for the contents of this announcement.