

NSL LTD.

(Incorporated in Singapore)
Company Registration No. 196100107C

ANNOUNCEMENT

PROPOSED DISPOSAL OF NSL LTD'S LIME BUSINESS IN MALAYSIA AND SINGAPORE AND LIMESTONE BUSINESS IN MALAYSIA

1. INTRODUCTION

- 1.1 **Proposed Transaction.** The Board of Directors (the “**Board**”) of NSL Ltd. (the “**Company**” or “**NSL**”) wishes to announce that NSL Chemicals Ltd. (“**NSC**”), the Company’s wholly-owned subsidiary, has today entered into binding conditional termsheets (the “**Termsheets**”) with Lhoist Singapore Pte Ltd (“**Lhoist**”) pursuant to which NSC and Lhoist have, *inter alia*, agreed the principal terms for the following:
- (i) the proposed sale by NSC, and Hwang Enterprises Sdn Bhd (“**Hwang Enterprises**”), to Lhoist or its subsidiary (“**Lhoist Acquiror**”) of all NSC’s lime business and assets in Malaysia (the “**NSL Malaysian Lime Assets**”) (hereafter called the “**NSL Malaysian Lime Assets Disposal**”);
 - (ii) the proposed sale by NSC to Lhoist Acquiror of all NSC’s lime business and assets in Singapore (the “**NSL Singapore Lime Assets**”, and together with the NSL Malaysian Lime Assets, the “**NSL Lime Assets**”) (hereafter called the “**NSL Singapore Lime Assets Disposal**”); and
 - (iii) the proposed grant by NSC and Hwang Enterprises of a call option to Lhoist Acquiror, for Lhoist Acquiror or its affiliate to acquire all of NSC’s limestone business and assets in Malaysia (the “**NSL Malaysian Limestone Assets**”) from NSC and Hwang Enterprises (the “**NSL Malaysian Limestone Assets Call Option**”).
- 1.2 **Information on Lhoist.** The Lhoist Group is a global leader in Lime, Dolime and related minerals. A private business with its headquarters in Belgium, it is present in 25 countries with more than 90 operations globally.
- 1.3 **Completion.** Completion of the NSL Malaysian Lime Assets Disposal, the NSL Singapore Lime Assets Disposal and the grant of the NSL Malaysian Limestone Assets Call Option (collectively, the “**Proposed Transaction**”), is subject to, *inter alia*, definitive agreements (the “**Transaction Documents**”) being entered into between NSC, Lhoist Acquiror and Hwang Enterprises (the “**Parties**”), as well as the satisfaction of certain conditions precedent. The Company will make an appropriate announcement in the event that there are any material developments in relation to the Proposed Transaction, including, but not limited to, on the execution of the Transaction Documents.

2. INFORMATION ON THE NSL LIME ASSETS AND THE NSL MALAYSIAN LIMESTONE ASSETS

- 2.1 **NSL Lime Assets.** The NSL Malaysian Lime Assets comprise NSL Chemicals (M) Sdn Bhd (“**NSC Malaysia**”), an investment holding company incorporated in Malaysia, with an issued share capital of Ringgit Malaysia (“**RM**”) 20,000,000 comprising 20,000,000 ordinary shares of par value RM1 each (“**NSC Malaysia Shares**”), NSC Malaysia’s wholly-owned subsidiary, Limetreat Malaysia Sdn Bhd (“**Limetreat Malaysia**”) and certain other assets related to NSC’s lime business in Malaysia. The principal business of Limetreat Malaysia includes manufacturing and trading of lime products. As at the date of this Announcement, NSC holds 16,000,000 NSC Malaysia Shares, representing 80 per cent of the NSC Malaysia Shares in issue. Hwang Enterprises, an investment holding company which is not related to the Company and/or its controlling shareholder, holds 4,000,000 NSC Malaysia Shares, representing 20 per cent. of the NSC Malaysia Shares in issue.

The NSL Singapore Lime Assets comprise property, plant and equipment and the working capital of the Singapore lime business. NSC may, to facilitate the NSL Singapore Lime Assets Disposal, undertake an internal restructuring (the “**NSL Singapore Lime Assets Restructuring**”) such that all the NSL Singapore Lime Assets are held by a newly incorporated wholly-owned subsidiary of NSC (the “**NSL Singapore Lime Assets SPV**”), the shares of which will be, if applicable, transferred to Lhoist Acquiror on completion of the Singapore Lime Assets Disposal.

- 2.2 **NSL Malaysian Limestone Assets.** The NSL Malaysian Limestone Assets comprise:

- (i) Limetreat Trading Co Sdn Bhd (“**Limetreat Trading**”), a private limited company incorporated in Malaysia, with an issued share capital of RM7,600,000, comprising 7,600,000 ordinary shares of par value RM1 each (“**Limetreat Trading Shares**”). As at the date of this Announcement, NSC Malaysia holds 6,000,000 Limetreat Trading Shares, representing approximately 78.95 per cent. of the Limetreat Trading Shares in issue, NSC holds 1,280,000 Limetreat Trading Shares, representing approximately 16.84 per cent. of the Limetreat Trading Shares in issue and Hwang Enterprises holds the remaining 320,000 Limetreat Trading Shares, representing approximately 4.21 per cent. of the Limetreat Trading Shares in issue. The principal business of Limetreat Trading includes extracting of limestone and trading of lime products;
- (ii) Bold Hill Trading Sdn Bhd (“**Bold Hill**”) a private limited company incorporated in Malaysia, with an issued share capital of RM250,000, comprising 250,000 ordinary shares of par value RM1 each (“**Bold Hill Shares**”). As at the date of this Announcement, each of Limetreat Malaysia and Limetreat Trading hold 87,500 Bold Hill Shares, representing 35 per cent. of the Bold Hill Shares in issue, and the remaining 75,000 Bold Hill Shares, representing 30 per cent. of the Bold Hill Shares in issue are held by a minority shareholder. The principal business of Bold Hill includes leasing the right and licence to extract rock materials;
- (iii) Kemboja Sejahtera Sdn Bhd (“**Kemboja Sejahtera**”) a private limited company incorporated in Malaysia, with an issued share capital of RM1,000,000, comprising 1,000,000 ordinary shares of par value RM1 each (“**Kemboja Sejahtera Shares**”). As at the date of this Announcement, Kemboja Sejahtera is a wholly-owned subsidiary of Limetreat Trading and its principal business includes property investment;

- (iv) Kuari Atrah Sdn Bhd ("**Kuari Atrah**"), a private limited company incorporated in Malaysia, with an issued share capital of RM125,000, comprising 125,000 ordinary shares of par value RM1 each ("**Kuari Atrah Shares**"). As at the date of this Announcement, Limetreat Trading holds 87,500 Kuari Atrah Shares, representing 70 per cent. of the Kuari Atrah Shares in issue and its principal business includes leasing the right and licence to extract rock materials; and
- (v) certain other assets related to NSC's limestone business in Malaysia.

To facilitate the grant of the NSL Malaysian Limestone Assets Call Option, NSC will undertake an internal restructuring of the NSL Malaysian Limestone Assets, to be completed on or before the execution of the Transaction Documents, whereby Limetreat Malaysia will transfer its entire 35 per cent. interest in Bold Hill to Limetreat Trading, and thereafter, NSC will transfer, and procure the transfer by NSC Malaysia, of all their respective Limetreat Trading Shares to another wholly-owned subsidiary of the NSL group (the "**NSL Malaysian Limestone Assets Restructuring**") and Hwang Enterprises. Upon the completion of the NSL Malaysian Limestone Assets Restructuring, Limetreat Trading would be 80 per cent. owned by the NSL group with the remaining 20 per cent. directly held by Hwang Enterprises

2.3 **Asset Value.** Based on the unaudited consolidated financial statements of the Company and its subsidiaries (the "**NSL Group**") for the six month period ended 30 June 2014 ("**1H2014**") the attributable net tangible asset value of the NSL Lime Assets and the NSL Malaysia Limestone Assets as at 30 June 2014 is approximately S\$19.2 million.

2.4 **Net Profit.** Based on the unaudited consolidated financial statements of the NSL Group for 1H2014, the net profit before income tax, minority interests and exceptional items for the NSL Lime Assets and the NSL Malaysia Limestone Assets is approximately S\$1.2 million. The gain on disposal pursuant to the Proposed Transaction is approximately S\$28.2 million (assuming the NSL Malaysian Limestone Assets Call Option is exercised). If the NSL Malaysian Limestone Assets Call Option is not exercised, the gain from disposal would be approximately S\$26.4million.

3. **PRINCIPAL TERMS OF THE PROPOSED TRANSACTION**

3.1 **Proposed Transaction.** Pursuant to the Termsheets:

- (i) Lhoist Acquiror will purchase from NSC and Hwang Enterprises, and NSC and Hwang Enterprises will sell to Lhoist Acquiror, the NSL Malaysian Lime Assets;
- (ii) Lhoist Acquiror will purchase from NSC, and NSC will sell to Lhoist Acquiror, the NSL Singapore Lime Assets; and
- (iii) NSC and Hwang Enterprises will grant the NSL Malaysian Limestone Assets Call Option which will be exercisable at any time during the period commencing from the date of the execution of the Transaction Documents and ending on 30 June 2015 (the "**NSL Malaysian Limestone Assets Call Option Period**").

On execution of the Termsheets and prior to the execution of the Transaction Documents:

- (a) the Lhoist Acquiror will commence a due diligence review of NSL Lime Assets and the NSL Malaysian Limestone Assets (the “**Lhoist Acquiror Due Diligence**”);
- (b) NSC shall purchase the interests of any minority shareholder in the NSL Malaysian Lime Assets and the NSL Limestone Assets (excluding, where applicable, the interests of Hwang Enterprises and minority interest in Kuari Atrah);
- (c) NSC will effect the NSL Malaysian Limestone Assets Restructuring, and if the parties agree that the sale of the NSL Singapore Lime Assets shall be through the sale of the entire interest of the NSL Singapore Lime Assets SPV, the NSL Singapore Lime Assets Restructuring; and
- (d) the parties shall finalise the Transaction Documents such that they may execute all Transaction Documents shortly following the completion of the Lhoist Acquiror Due Diligence.

3.2 **Consideration.** The total consideration to be paid by the Lhoist Acquiror to NSC for the Proposed Transaction (the “**Total Consideration**”) will be approximately S\$49.1 million, being an aggregate of:

- (i) in respect of the NSL Malaysian Lime Assets Disposal, subject to due diligence, the consideration is estimated to be S\$31.7 million (the “**NSL Malaysian Lime Assets Consideration**”), being 7.5 times the earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) of the NSL Malaysian Lime Assets for the financial year ended 31 December 2013 (“**FY2013**”) plus any cash and less any debt. The EBITDA excludes any foreign exchange gains and/or losses and non-recurring items such as unusual expenses or gains which are not in the ordinary course of business and which are unlikely to happen again in the future in the ordinary course of business, with items which have occurred in three of the last five financial years not being considered as non-recurring, and increased by an amount (X_m) determined as follows:

$$X_m = V_m \times (Y_m - Z_m)$$

Where:

V_m : means the volume (in tonnes) of kiln feed limestone purchased by Limetreat Trading from third parties (which excludes, for the avoidance of doubt, all affiliates of NSC and/or Hwang Enterprises) and on-sold to the NSL Malaysian Lime Assets (“**Outsourced Limestone**”) in 2013;

Y_m : means the average price per tonne Delivered Duty Paid (“**DDP**”) production site of the NSL Malaysia Lime Assets paid by Limetreat Trading for Outsourced Limestone in 2013; and

Z_m : means the average price per tonne DDP production site of the NSL Malaysia Lime Assets paid by Limetreat Trading for Outsourced Limestone during the period commencing from 1 January 2014 and ending on 31 May 2014.

- (ii) in respect of the NSL Singapore Lime Assets Disposal, subject to due diligence, the consideration is estimated to be S\$13.4 million (the “**NSL Singapore Lime Assets Consideration**”), being 7.5 times the proforma EBITDA of the NSL Singapore Lime Assets for FY2013 plus any cash and less any debt. The EBITDA excludes foreign exchange gains or losses, non-recurring items such as unusual expenses or gains which are not in the ordinary course of business and which are unlikely to happen again in the future in the ordinary course of business, with items which have occurred in three of the last five financial years not being considered as non-recurring, as well as costs of personnel allocated to the NSL Singapore Lime Assets but who are not directly involved in and are not necessary for the conduct of the business and operations of the NSL Singapore Lime Assets; and
- (iii) in respect of the NSL Malaysian Limestone Assets Call Option, the consideration will be S\$4 million.

Each of the NSL Malaysian Lime Assets Consideration, the NSL Singapore Lime Assets Consideration and the NSL Malaysian Limestone Assets Option Consideration is binding on the parties, save that in respect of the NSL Malaysian Lime Assets Consideration and the NSL Singapore Lime Assets Consideration, in the event that following a due diligence review by the Lhoist Acquirer results the identification of one or more elements which when combined together, would have either an adverse effect of the NSL Malaysian Lime Assets Consideration or the NSL Singapore Lime Assets Consideration, in each case in an amount at least equal to 10 per cent., the parties have agreed, pursuant to the Termsheets, to negotiate in good faith with a view to agreeing within 30 days on the revised NSL Malaysian Lime Assets Consideration or the NSL Singapore Lime Assets Consideration, as the case may be. In the event that the parties are unable to agree on the revised NSL Malaysian Lime Assets Consideration or NSL Singapore Lime Assets Consideration, as the case may be, within the 30-day period, the Termsheets will terminate automatically on the date falling immediately following the 30-day period without any liability on the part of any party.

The Total Consideration was arrived at on a willing buyer willing seller basis after taking into account, *inter alia*, the earnings, financial position, track record and the book value of NSL Lime Assets and NSL Malaysian Limestone Assets as at 31 December 2013.

3.3 **Conditions.** Based on the Termsheets, it is expected that completion of the Proposed Transaction will be subject to the satisfaction, or waiver of, *inter alia*, the following conditions precedent:

- (i) the approval of the shareholders of the Company if such approval is required by laws and/or regulations;
- (ii) regulatory and/or third party approvals, if any; and
- (iii) any other conditions precedent as may be mutually agreed between the parties following completion of the Lhoist Acquirer Due Diligence.

3.4 **Termination.** The Termsheets will be automatically terminated in the event that the parties are not able to agree upon the revised NSL Malaysian Lime Assets Consideration or the NSL

Singapore Lime Assets Consideration, as the case may be, as set out above. The Termsheets may also be terminated without any liability on the part of any party in the event that the Transaction Documents are not executed due to the failure of any party to obtain the approval of its board of directors for any terms of the Transaction Documents which are not included in the Termsheets.

4. RATIONALE FOR THE PROPOSED TRANSACTION

- 4.1 **Rationale.** The Board and management of NSL are continuously evaluating the long-term growth strategy for each of its portfolio businesses. This process includes assessing organic growth opportunities and optimizing shareholder's value.

The lime business was previously set up to be an integral part of the supply chain for the former Steel Division. Following the divestment of the Steel Division, the lime business has been fairly successful operating as an independent lime supplier in the competitive regional markets. After much due consideration, it is deemed opportune to divest this business and focus on growing its other core businesses and seeking new businesses.

The Proposed Transaction will generate gross cash proceeds of approximately S\$49.1 million. Based on the NSL Group's carrying value in Lime division as of 30 June 2014, the Proposed Transaction will result in an estimated accounting gain of S\$28.2 million to NSL.

- 4.2 **Use of Proceeds.** NSL will continue to evaluate opportunities to use the proceeds received from the Proposed Transaction to maximise returns for Shareholders.

5. FINANCIAL EFFECTS

- 5.1 **Bases and Assumptions.** The pro forma financial effects for the Proposed Transaction have been prepared based on the audited consolidated financial statements of the NSL Group for FY2013 and are purely **for illustration purposes only and do not reflect the future actual financial position of the NSL Group following Completion**. The pro forma financial effects have also been prepared based on, *inter alia*, the following assumptions:

- (i) the Proposed Transaction had been effected on 31 December 2013, being the end of the most recently completed financial year of the NSL Group, for illustrating the financial effects on the consolidated NTA of the NSL Group;
- (ii) the Proposed Transaction had been effected on 1 January 2013, being the beginning of the most recently completed financial year of the NSL Group, for illustrating the financial effects on the consolidated earnings of the NSL Group;
- (iii) the Consideration is illustrated based on the amounts as disclosed in paragraph 3.2; and
- (iv) the associated transaction costs are assumed to be S\$0.3 million.

- 5.2 **NTA.** For illustrative purposes only and assuming the Proposed Transaction had been completed on 31 December 2013, the pro forma financial effects on the consolidated net tangible assets (“**NTA**”) of the NSL Group for FY2013 are set out below. The NTA is determined by the consolidated NAV of the NSL Group less the intangible assets of the NSL Group.

	Before the Proposed Transaction	After the Proposed Transaction and before exercise of Call Option	After the Proposed Transaction and exercise of Call Option
NTA (S\$ million)	680.0	708.1	709.7
No. of issued Shares (million)	373.6	373.6	373.6
NTA per Share (S\$)	1.82	1.90	1.90

- 5.3 **EPS.** For illustrative purposes only and assuming the Proposed Transaction had been completed on 1 January 2013, the pro forma financial effects on the consolidated earnings of the NSL Group for FY2013 are as follows:

	Before the Proposed Transaction	After the Proposed Transaction and before exercise of Call Option	After the Proposed Transaction and exercise of Call Option
Net profit attributable to ordinary shareholders of NSL (S\$ million)	148.6	171.5	173.3
No. of issued Shares (million)	373.6	373.6	373.6
Basic earnings per share (“ EPS ”) (Singapore cents)	39.8	45.9	46.4

- 5.4 **Share Capital.** The Proposed Transaction will not have any impact on the issued and paid-up share capital of the Company.

6. DISCLOSEABLE TRANSACTION

- 6.1 **Rule 1006.** The relative figures in relation to the Proposed Transaction computed on the applicable bases set out in Rule 1006 of the Listing Manual (“**Rule 1006**”) are as follows:

Rule 1006	Bases	Proposed Transaction (S\$ million)	NSL Group (S\$ million)	Relative Figures (%)
(a)	NAV of the NSL Lime Assets and the NSL Malaysian Limestone Assets compared with the NSL Group's NAV ⁽¹⁾	23.4	531.3	4.4

Rule 1006	Bases	Proposed Transaction (\$ million)	NSL Group (\$ million)	Relative Figures (%)
(b)	Net profit attributable to the NSL Lime Assets and the NSL Malaysian Limestone Assets compared with the NSL Group's net profit ⁽¹⁾⁽²⁾	1.2	8.8	14.0
(c)	Total Consideration compared with NSL's market capitalisation ⁽³⁾	49.1	604.5	8.1

Notes:

- (1) Based on the unaudited consolidated financial statements of the NSL Group for 1H2014.
- (2) Net profit is defined as profit before income tax, minority interests and exceptional items.
- (3) NSL's market capitalisation is based upon 373,558,237 ordinary shares in issue in the capital of the Company ("**NSL Shares**") as at 20 August 2014 at a volume weighted average price of S\$1.6182 for NSL Share.

As the relative figures under Rules 1006(b) and 1006(c) above exceed five per cent. but is not more than 20 per cent., the Proposed Transaction constitutes a discloseable transaction for the Company as defined in Chapter 10 of the Listing Manual.

7. FURTHER INFORMATION

- 7.1 **Directors' Service Contracts.** No person is proposed to be appointed as a director of the Company in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.
- 7.2 **Interests of Directors and Controlling Shareholders of the Company.** None of the directors or controlling shareholders of the Company have any interest, direct or indirect, in the Proposed Transaction.
- 7.3 **Documents for Inspection.** Copies of the Termsheets are available for inspection during normal business hours at the registered office of NSL at 77 Robinson Road, #27-00 Robinson 77, Singapore 068896, for a period of three months commencing from the date of this Announcement.

BY ORDER OF THE BOARD

Lim Su-Ling
Company Secretary
Singapore, 21 August 2014