



YONGNAM HOLDINGS LIMITED

(the "Company")

(Company Registration No. 199407612N)

(Incorporated in the Republic of Singapore on 19 October 1994)

INTERESTED PERSON TRANSACTION – SALE AND PURCHASE AGREEMENT ENTERED INTO WITH VEE SEN PROPERTY SDN BHD

1. INTRODUCTION

The Board of Directors (the "**Board**") of Yongnam Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") wishes to announce that the Company had through its wholly-owned subsidiary, Yongnam Engineering & Construction Sdn Bhd ("**YNECSB**") entered into a conditional Sale and Purchase Agreement ("**S&P Agreement**") with Vee Sen Property Sdn Bhd ("**VEPSB**") on 1 September 2015 pursuant to which YNECSB will purchase three pieces of adjacent freehold industrial lands located at Ulu Choh, Pontian, Johor, Malaysia (the "**Properties**") from VEPSB (the "**Purchase Transaction**").

2. SALE AND PURCHASE AGREEMENT AS AN INTERESTED PERSON TRANSACTION

As VEPSB is a company where Mr Tan Nin Nam ("**Mr Tan**") has 45% interest therein, who is also the Non-Executive and Non-Independent Director of the Company, Mr Tan is considered as an interested person for the purpose of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

Accordingly, the Purchase Transaction is a transaction between the Group and an interested person resulting in an interested person transaction ("**Interested Person Transaction**") for the purpose of Chapter 9 of the Listing Manual of SGX-ST.

3. DETAILS OF THE PURCHASE TRANSACTION

The Properties comprises three adjacent freehold industrial lands of approximately 947,405 square feet. Under the terms of the S&P Agreement, the purchase consideration for the Properties is approximately RM38.4 million (equivalent to about S\$13.0 million) (the "**Purchase Consideration**"). The Purchase Consideration was arrived at pursuant to arm's length negotiations between YNECSB and VEPSB on a willing buyer willing seller basis, after taking into consideration, inter alia, the market value of the property valued by an independent valuator.

The Purchase Consideration of approximately S\$13.0 million represents an amount exceeding 3% but less than 5% of the latest audited net tangible assets of the Group for the financial year ended 31 December 2014.

4. RATIONALE FOR THE INTERESTED PERSON TRANSACTION

(i) Permanent solution to shortage of strutting materials storage space in Singapore

The Group currently stores all the strutting materials in Singapore on a temporary basis under a temporary occupation license ("**TOL**") granted by the relevant authority. The Group had been experiencing difficulties in sourcing land for storage of strutting materials due to non-renewal of TOL in the past few years, resulting in higher costs incurred in frequent shifting of storage yards including costs for site clearing, transport and manpower. The purchase of the Properties will provide a permanent solution to the shortage of storage land in Singapore. The current lease in Singapore will expire on 30 March 2016.

(ii) Cost savings

In addition to the shifting costs incurred in (i) above, the Group, had through its wholly-owned subsidiary in Malaysia, rented a land in Johor Bahru (approximately 180,000 square feet) from a third party to store its strutting materials presently. The monthly rental payable is approximately RM90,000 and the lease is cancellable by giving one month notice. The Purchase Transaction will result in savings in rental cost as well as yard shifting costs to the Group.

(iii) Flexibility to tender for local projects in Malaysia

The Purchase Transaction will also provide the Group with an added benefit of being able to tender for local projects in Malaysia. The newly acquired Properties will be designated as non-Licensed Manufacturing Warehouse location in Malaysia. Licensed Manufacturing Warehouse ("LMW") is a premise licensed under section 65A of the Customs Act 1967 and is directly controlled by Royal Malaysian Customs. Company who is registered under LMW is not allowed to undertake local projects as it is treated as an export oriented company. The current Nusajaya factory, held through another subsidiary in Malaysia, Yongnam Engineering Sdn Bhd, is registered under LMW and is therefore not allowed to undertake local projects in Malaysia. With this Purchase Transaction under YNECSB, the Group will have flexibility to tender for local projects in Malaysia when opportunities arise.

5. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company which comprises all the Independent Directors of the Company, has reviewed the terms of the Purchase Transaction and is of the view that the transaction is on normal commercial terms and is not prejudicial to the interest of the Company and its minority shareholders.

6. CURRENT TOTAL OF INTERESTED PERSONS TRANSACTIONS

Other than transactions of less than S\$100,000, the following table sets out the total of all transactions for the financial year ending 31 December 2015 with the particular interested person whose transaction is the subject of this announcement and the current total of all interested person transactions for the same financial year, as at the date of this announcement:

Interested Person Transaction	S\$'000
(i) Purchase of the Properties from VEPSB	12,963
(ii) Provision of technical advisory services	99
Total Interested Party Transaction for the Current Financial Year ending 31 December 2015	13,062

By Order of the Board

SEOW SOON YONG
Chief Executive Officer

4 September 2015