

TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : NON RELATED PARTY TRANSACTIONS TIEN WAH PRESS HOLDINGS BERHAD ("TWPH" OR "THE COMPANY") - PROPOSED JOINT VENTURE AND PROPOSED LAND SALE

TIEN WAH PRESS HOLDINGS BERHAD

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) NON RELATED PARTY TRANSACTIONS
Description	TIEN WAH PRESS HOLDINGS BERHAD ("TWPH" OR "THE COMPANY") - PROPOSED JOINT VENTURE AND PROPOSED LAND SALE

Reference is made to the announcement of the Company on 24 August 2015 whereat a Memorandum of Understanding ("**MOU**") was entered into between TWPH and Lum Chang Holdings Limited ("**LCH**") to jointly negotiate the terms of the proposed development of a mixed-use commercial development at No 9 & 11, Jalan Semangat, 46200 Petaling Jaya, Selangor Darul Ehsan, under title no: 3674 and 3967, Lot 30 & 4, Section 13 Municipality of Petaling Jaya, Selangor Darul Ehsan, on land measuring approximately 13,040 square metres which is currently held by Tien Wah Properties Sdn Bhd ("**TWPSB**"), a wholly-owned subsidiary of TWPH, on a 99-year lease from the State Government of Selangor, Malaysia ("**Land**"), with a residue of approximately forty-four (44) years as of the date of the MOU ("**Proposed Development**").

The Board of Directors ("**the Board**") of TWPH is pleased to announce that TWPSB has on 16 May 2016 entered into a Shareholders' Agreement ("**JVSA**") with Kemensah Holdings Pte Ltd ("**KHPL**"), a wholly owned subsidiary of LCH, to form and operate a joint venture company currently known as Sterling Model Sdn Bhd ("**SMSB**") for the Proposed Development. On the same date, TWPSB has also entered into a Sale and Purchase Agreement in respect of the sale of the Land ("**Land SPA**") with SMSB ("**Proposed Land Sale**").

Please refer to the attached file for details of the announcement.

This announcement is dated 16 May 2016.

Please refer attachment below.

Attachments

[TWPH - Proposed Joint Venture and Proposed Land Sale.pdf](#)
208.1 kB

Announcement Info

Company Name	TIEN WAH PRESS HOLDINGS BERHAD
Stock Name	TIENWAH
Date Announced	16 May 2016
Category	General Announcement for PLC
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TIEN WAH PRESS HOLDINGS BERHAD (“TWPH” OR “THE COMPANY”)

PROPOSED JOINT VENTURE BETWEEN KEMENSAH HOLDINGS PTE LTD (“KHPL”) AND TIEN WAH PROPERTIES SDN BHD (“TWPSB”), A WHOLLY OWNED SUBSIDIARY OF TWPH, FOR THE PROPOSED DEVELOPMENT OF A MIXED-USE COMMERCIAL DEVELOPMENT ON LEASEHOLD LAND MEASURING APPROXIMATELY 13,040 SQUARE METRES AT NO 9 & 11, JALAN SEMANGAT, 46200 PETALING JAYA, SELANGOR DARUL EHSAN, UNDER TITLE NO: 3674 AND 3967, LOT 30 & 4, SECTION 13 MUNICIPALITY OF PETALING JAYA, SELANGOR DARUL EHSAN (“PROPOSED JOINT VENTURE”); AND PROPOSED SALE OF THE SAID LAND TO THE JOINT VENTURE COMPANY

1. INTRODUCTION

Reference is made to the announcement of the Company on 24 August 2015 whereat a Memorandum of Understanding (“**MOU**”) was entered into between TWPH and Lum Chang Holdings Limited (“**LCH**”) to jointly negotiate the terms of the proposed development of a mixed-use commercial development at No 9 & 11, Jalan Semangat, 46200 Petaling Jaya, Selangor Darul Ehsan, under title no: 3674 and 3967, Lot 30 & 4, Section 13 Municipality of Petaling Jaya, Selangor Darul Ehsan, on land measuring approximately 13,040 square metres which is currently held by TWPSB on a 99-year lease from the State Government of Selangor, Malaysia (“**Land**”), with a residue of approximately forty-four (44) years as of the date of the MOU (“**Proposed Development**”).

The Board of Directors (“**the Board**”) of TWPH is pleased to announce that TWPSB has on 16 May 2016 entered into a Shareholders’ Agreement (“**JVSA**”) with KHPL, a wholly owned subsidiary of LCH, to form and operate a joint venture company currently known as Sterling Model Sdn Bhd (“**SMSB**”) for the Proposed Development. On the same date, TWPSB has also entered into a Sale and Purchase Agreement in respect of the sale of the Land (“**Land SPA**”) with SMSB (“**Proposed Land Sale**”).

KHPL and TWPSB are collectively referred to as the “**JVSA Parties**” and each of them “**JVSA Party**”. TWPSB and SMSB are collectively referred to as the “**Land SPA Parties**”.

2. DETAILS OF THE PROPOSED JOINT VENTURE AND PROPOSED LAND SALE

2.1 Information on LCH and KHPL

LCH (UEN No. 198203949N) is a company incorporated in Singapore on 18 September 1982 and listed on the Singapore Stock Exchange with an issued and fully paid-up share capital of SGD86.6 million as at 30 June 2015. LCH engages in construction, project management, property development, and investment activities in Singapore and internationally. The directors of LCH are Mr Raymond Lum Kwan Sung, Mr David Lum Kok Seng, Mr Tony Fong, Mr Daniel Soh Chung Hian, Mr Peter Sim Swee Yam, Dr Willie Lee Leng Ghee, and Mr Andrew Chua Thiam Chwee.

KHPL (Company Registration No. 200507282D) is a private limited company incorporated in Singapore on 27 May 2005 and wholly owned by LCH, with an issued and fully paid-up share capital of SGD9.1 million as at 30 June 2015. The principal activity of KHPL is investment holdings. The directors of KHPL are Mr David Lum Kok Seng and Mr Tony Fong.

2.2 Information on TWPSB

TWPSB (Company No: 428504-A) was incorporated in Malaysia on 23 April 1997 as a private limited company under the Companies Act, 1965. TWPSB has an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1 each, of which two (2) ordinary shares have been issued and fully paid-up. The directors of TWPSB are Mr Yen Wen Hwa (Ngan Tzee Manh), Mr Ong Kiok Teng and Mr Ng Cheong Seng. The principal activity of TWPSB is investment property holding.

2.3 Information on SMSB

SMSB (Company No: 1179139-K) (referred thereafter as the “**JV Co**”) is a private limited company incorporated in Malaysia on 11 March 2016 under the Companies Act, 1965. The intended principal activity of the JV Co is property development. The authorised share capital of the JV Co is currently RM400,000 comprising 400,000 ordinary shares of RM1 each (“**JV Co Shares(s)**”), of which 2 JV Co Shares are issued and fully paid-up. On 16 May 2016, the newly appointed directors of the JV Co are Mr Yen Wen Hwa (Ngan Tzee Manh), Mr David Lum Kok Seng, Mr Tony Fong, Mr Cham Kooi Joo, Mr Adrian Lum Wen Hong (alternate director to Mr David Lum Kok Seng), Mr Lee Chee Whye, and Mr Ng Cheong Seng and the new shareholders are TWPSB and KHPL each owning one (1) ordinary share of RM1 each representing 50:50 ownership. The JV Co is effectively a jointly controlled entity of the Company as of date.

The JV Parties intend to increase the issued and paid-up share capital of the JV Co to RM10,000,000 to be subscribed by the JV Parties in equal proportion within fourteen (14) days after the execution of the JVSA. The capital contribution of RM5,000,000 by TWPSB to the JV Co is to be funded by internally generated fund.

The JV Co will be applying to the Companies Commission of Malaysia for the change of company name to “Lum Chang Tien Wah Sdn Bhd” or such other names as may be mutually agreed between the JVSA Parties within thirty (30) days from the date of the JVSA.

2.4 Information on the Land

TWPSB is the sole legal and registered proprietor of the Land. A summary of the details of the Land is set out below:

Subject property	:	No 11, Jalan Semangat, 46200 Petaling Jaya, Selangor Darul Ehsan, under title no: 3967, Lot 4 Section 13 Municipality of Petaling Jaya, Selangor Darul Ehsan, on land measuring approximately 10,448 square metres on a 99-year lease from the State Government of Selangor, Malaysia, with a residue of approximately forty-four (44) years as at the date of the MOU	No 9, Jalan Semangat, 46200 Petaling Jaya, Selangor Darul Ehsan, under title no: 3674, Lot 30 Section 13 Municipality of Petaling Jaya, Selangor Darul Ehsan, on land measuring approximately 2,592 square metres on a 99-year lease from the State Government of Selangor, Malaysia, with a residue of approximately forty-four (44) years as at the date of the MOU
Land area	:	Approximately 10,448 square metres	Approximately 2,592 square metres
Category of land use	:	Perusahaan	Perusahaan

Tien Wah Press Holdings Berhad (Company No.: 340434-K)
 - Proposed Joint Venture and Proposed Land Sale

Existing use	:	Factory / office	Factory / office
Restriction in interest, encumbrances and other endorsements	:	Nil	Nil
Tenure	:	Leasehold expiring in 16 August 2059	Leasehold expiring in 10 November 2059
Registered owner	:	TWPSB	TWPSB
Net book value (as at 31 Dec 2015)	:	RM16,627,000	RM9,880,000
Valuations (refer note 2.5)	i)	A market value of RM52,900,000 appraised on a highest and best use basis by TWPSB's appointed valuer, Messrs CH William, Talhar & Wong, vide its update valuation certificate dated 31 March 2016 using Comparison Approach	A market value of RM13,100,000 appraised on a highest and best use basis by TWPSB's appointed valuer, Messrs CH William, Talhar & Wong, vide its update valuation certificate dated 31 March 2016 using Comparison Approach
	ii)	Combined market value for the 2 plots of RM61,500,000 appraised as vacant industrial land with mixed development potential by Knight Frank Malaysia Sdn Bhd, appointed by LCH through their subsidiary Lum Chang Sdn Bhd ("LCSB"), vide its valuation certificate dated 15 April 2016 using Comparison Approach and/or the Income Approach by Residual Method as the valuation method	
Sales consideration (refer note 2.5)	:	RM51,097,000	RM12,653,000

As at the date of this announcement, the development plan has yet to be finalised and is still at the preliminary stage.

2.5 Basis of the sale consideration of the Proposed Land Sale

The total sale consideration for the Land is RM63,750,000 ("**Sale Consideration**"), determined on a willing-buyer willing-seller basis and is the average of the market value of the Land as vacant industrial land with mixed development/redevelopment potential as determined by the valuations referred to in paragraph 2.4 above by the two (2) land valuers separately appointed by TWPSB and LCSB.

2.6 Liabilities to be assumed by the JV Co

There are no liabilities to be assumed by the JV Co arising from the Proposed Land Sale.

2.7 Date and original cost of investment, expected gain and utilisation of proceeds

The Land was acquired by TWPSB in year 2005 and the total net book value of the Land based on the latest audited financial statements of TWPSB as at 31 December 2015 is RM26.5 million. The expected gain in the consolidated financial statements of TWPH is approximately RM29.5 million.

The proceeds from the Proposed Land Sale are intended to be used for the Proposed Development via TWPSB's participation in the JV Co.

3. SALIENT TERMS OF THE JVSA

The salient terms of the JVSA are:

- 3.1 The JVSA Parties have agreed to enter into the JVSA to govern and regulate their relationship with each other in respect of their respective shareholding participation, the material aspects of the joint venture transacted through the JV Co, the conduct of the Proposed Development and the management of the JV Co for the purpose of engaging in the Proposed Development for commercial gain. The Proposed Development shall be conducted in the best interests of the JV Co on sound commercial profit-making principles so as to generate the maximum achievable maintainable profits available for distribution.
- 3.2 The JVSA Parties have agreed and undertaken to each other that within fourteen (14) days after the execution of the JVSA, each of the JVSA Parties shall acquire or subscribe for such number of shares in cash so that the issued and paid-up share capital of the JV Co shall be RM10,000,000 consisting of 10,000,000 ordinary shares of RM1 each held by the JVSA Parties in equal proportion. The JVSA Parties agreed that upon the completion of the subscription of 10,000,000 shares, the shareholding of the JV Co thereafter shall be maintained at all times at equal proportion to TWPSB and KHPL or such other shareholding proportion as may be agreed by all the JVSA Parties.
- 3.3 The management of the JV Co shall be vested in the Board of the JV Co who shall manage the JV Co as they deem proper subject to the terms of the JVSA. The Board of the JV Co shall consist of six (6) directors of whom three (3) shall be nominated each by TWPSB and KHPL. The chairman of the Board of the JV Co shall be a director appointed by TWPSB. The chairman shall not have a second or casting vote.
- 3.4 The Board of the JV Co shall establish a development committee ("**Development Committee**") to assist with the development, management and implementation of the Proposed Development. The Development Committee shall consist of four (4) members of whom two (2) shall be nominated and appointed each by TWPSB and KHPL.
- 3.5 The JVSA Parties have agreed that the development costs of the Proposed Development shall not exceed RM500,000,000, which shall be funded by a combination of funds from the JVSA Parties not exceeding RM100,000,000 each and bank borrowings or financing from banks or financial institutions not exceeding RM300,000,000.
- 3.6 The funds from the JVSA Parties shall be raised by a combination of subscription for ordinary shares of the JV Co and subscription for redeemable non-convertible non-cumulative preference shares with a par value of RM0.01 each and a premium of RM0.99 each ("**RNCPS**") and/or redeemable non-convertible cumulative preference shares with a par value of RM0.01 each and a premium of RM0.99 each ("**RCPS**").

- 3.7 The JVSA Parties further agreed that the JV Co shall make the following applications for orders, licenses, permits, consent and/or approvals in relation to the Proposed Development:
- (i) conversion of the usage of the Land from industrial to commercial;
 - (ii) extension of lease of the Land to not less than 99 years;
 - (iii) amalgamation of the Land;
 - (iv) planning permission; and
 - (v) any other orders, licenses, permits, consent and/or approval which are necessary for the Proposed Development.
- 3.8 The shareholders of the JV Co and their proportion of their shareholding in the JV Co shall not change in the initial five (5) years.
- 3.9 On the occurrence of a deadlock which cannot be resolved amicably between the JVSA Parties, either JVSA Party shall be entitled to have a tender conducted to determine the highest price that each JVSA Party would be willing to purchase the other JVSA Party's shares and RNCPS in the JV Co which price shall be no less than 50% of the fair value of the JV Co as defined in the JVSA, and the RCPS at the subscription price plus any accumulated and accrued dividend.
- 3.10 On the occurrence of an event of default, the non-defaulting party shall be entitled to purchase the defaulting party's shares and RNCPS in the JV Co at a price 20% less than 50% of the fair value of the JV Co as defined in the JVSA, and the RCPS at the subscription price plus any accumulated and accrued dividend at 20% less.

4. SALIENT TERMS OF THE LAND SPA

The salient terms of the Land SPA are:

- 4.1 Subject to the terms and conditions contained in the Land SPA, TWPSB shall sell and the JV Co shall purchase the Land free from all encumbrances and in the agreed condition on an "*as is where is basis*" but subject to all restrictions-in-interest and the conditions and category of use expressed or implied relating to the Land or to which the Land is subject.
- 4.2 The Sale Consideration shall be paid by the JV Co at the time and in the manner as set out below:
- (i) A deposit sum of RM3,187,500, being an amount equivalent to 5% of the Sale Consideration, to be paid by the JV Co within twenty-one (21) days from the date of execution of the Land SPA; and
 - (ii) A balance sum of RM60,562,500, being an amount equivalent to 95% of the Sale Consideration ("**Balance Sum**"), to be paid by the JV Co to TWPSB's solicitors as a stakeholder on one of the following dates:
 - (a) 31 December 2017, or such other earlier date as may be mutually agreed between the Land SPA Parties in writing ("**Completion Date**"), where TWPSB has vacated the Land at least fourteen (14) days prior to the Completion Date;

- (b) a date falling with a period commencing thirty (30) days immediately after the Completion Date (“**Extended Completion Date**”); or
 - (c) 31 March 2018 or such other earlier date as may be mutually agreed between the Land SPA Parties in writing (“**Long Stop Completion Date**”) where TWPSB has not vacated the Land by the Completion Date and the JV Co elects to defer payment of the Balance Sum to this date.
- 4.3 At any time after the signing of the Land SPA, the JV Co is authorised to present the title for the Land and Memorandum of Transfer (“**Said Transfer**”) for registration at the relevant Land Office/Registry. The Land SPA Parties agree and acknowledge that in consideration of TWPSB agreeing to the Said Transfer being presented at the relevant Land Office/Registry prior to the Completion Date, the JV Co shall pay to TWPSB interest on the Balance Sum at the rate of four point five per centum (4.5%) per annum calculated on a daily basis from the date the Said Transfer is presented for registration until the Completion Date. Such interest shall accrue and shall be payable on a monthly basis.
- 4.4 Vacant possession of the Land in the agreed condition on an “*as is where is basis*” shall be deemed delivered to the JV Co upon payment of the Balance Sum (and interest, if applicable) on the Completion Date, Extended Completion Date or Long Stop Completion Date, as the case may be.

5. RATIONALES AND BENEFITS FOR THE PROPOSED JOINT VENTURE AND PROPOSED LAND SALE

The rationales and benefits for the Proposed Joint Venture and Proposed Land Sale are to maximise the usage of the Land owned by TWPH and its subsidiaries (“**TWPH Group**”) with the long term intention of maximising shareholders’ value. It is also intended to deliver additional income stream for TWPH Group.

The Proposed Joint Venture and Proposed Land Sale are in line with TWPH Group’s strategy to grow and diversify its business operation with sustainable growth as well as to balance its income stream from the traditional source as a result of diversification.

6. RISK FACTORS AND FUTURE/PROSPECT OF TWPH GROUP

The Proposed Joint Venture is subject to certain risks inherent to joint venture and property development which might be new to TWPH Group. These may include, amongst others, the risks of availability and cost fluctuations of raw materials, increase in the cost of labour and cost of operations, shortage of labour, financing risk, entry of new players, unfavourable changes in government policies and economic conditions affecting the industry. Adverse changes in these conditions may have material adverse effects on TWPH Group. These risks are addressed as part of TWPH Group’s enterprise risk management efforts.

Barring any unforeseen circumstances and in light of the rationales and benefits of the Proposed Joint Venture and Proposed Land Sale, the Board is optimistic that the prospects of TWPH Group would be favourable and the Proposed Joint Venture and Proposed Land Sale will be able to yield positive effects and contribute positively to the financial performance of TWPH Group in the future and deliver greater value to the shareholders of the Company.

7. EFFECTS OF THE PROPOSED JOINT VENTURE AND PROPOSED LAND SALE

The Proposed Joint Venture and Proposed Land Sale will not have any material effect on the gearing, share capital and substantial shareholders' shareholdings of the Company and TWPH Group for the financial year ending 31 December 2016.

The expected gain from the Proposed Land Sale will increase accordingly the net assets ("NA"), NA per share, and earnings per share of TWPH Group for the financial year ending 31 December 2016.

	Audited as at 31 December 2015	Proforma after the Proposed Joint Venture and Proposed Land Sale
	RM'000	RM'000
Share capital	96,495	96,495
Share premium	12,504	12,504
Retained earnings	145,103	174,603
Translation reserve	30,169	30,169
NA/Shareholders' funds	284,271	313,771
Number of TWPH ordinary shares of RM1 each ('000)	96,495	96,495
NA per TWPH ordinary shares of RM1 each (RM)	2.95	3.25

8. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable for the Proposed Joint Venture and Proposed Land Sale, pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") is 13.4% based on the audited consolidated financial statements of TWPH for the financial year ended 31 December 2015.

9. APPROVAL REQUIRED

The Proposed Joint Venture and Proposed Land Sale do not require the approval of the shareholders of TWPH or any regulatory authorities.

However, in line with the requirements under Paragraph 10.13 of the MMLR of Bursa Securities, TWPH will seek for the approval of its shareholders for diversification of its operations into the property development activities once TWPH reasonably foresees that the contribution from this segment may be 25.0% or more of the net profit or net assets of TWPH Group.

10. INTEREST OF DIRECTOR, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders of the Company and/or persons connected to them have any interest, whether direct or indirect, in the Proposed Joint Venture and Proposed Land Sale.

11. DIRECTORS' STATEMENT

The Board of TWPH, having considered all the relevant aspects of the Proposed Joint Venture and Proposed Land Sale, is of the opinion that the Proposed Joint Venture and Proposed Land Sale are in the best interests of TWPH Group.

12 ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Joint Venture is completed upon signing of the JVSA and the Proposed Land Sale is expected to be completed by third (3rd) quarter of year 2016.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the JVSA, Land SPA, and the Land valuation reports are available for inspection at the registered office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia, during normal business hours on Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

The announcement is dated 16 May 2016.