



YONGNAM HOLDINGS LIMITED

(the “Company”)
(Company Registration No. 199407612N)
(Incorporated in the Republic of Singapore on 19 October 1994)

SALE AND PURCHASE AGREEMENT ENTERED INTO WITH VEE SEN PROPERTY SDN BHD

1. INTRODUCTION

Yongnam Holdings Limited (“Yongnam” or the “Group”) wishes to announce that its wholly-owned subsidiary, Yongnam Engineering & Construction Sdn Bhd (“Purchaser”), has entered into a sale and purchase agreement (“Sale and Purchase Agreement”) with Vee Sen Property Sdn Bhd (“Vendor”) on 22 August 2016 pursuant to which the Purchaser will purchase from Vendor three pieces of adjacent freehold industrial lands (“Properties”) located at Ulu Choh, Pontian, Johor, Malaysia (“Purchase Transaction”).

2. INFORMATION ON PROPERTIES

The Properties comprise three adjoining lots of medium freehold industrial lands, with a total land area of 10.3244 hectares (about 25.5125 acres or about 1,111,324 square feet), located at Ulu Choh, Pontian, Johor, Malaysia.

The Properties comprise three adjoining lots of medium industrial lands are as follows:

Title No	Lot No	Land Area	
		Hectares	Acres
Geran Mukim 2489	1975	3.3437	8.2625
Geran Mukim 2490	1976	3.5106	8.6750
Geran Mukim 2491	1977	3.4701	8.5750
	Total	10.3244	25.5125

3. CONSIDERATION

The cash consideration for the Purchase Transaction payable is RM46.7 million (approximately S\$15.6 million) (the “Consideration”) and it is arrived at after arm’s length negotiations and on a willing buyer and willing seller basis after taking into account:

- (i) the market value of the Property at RM 46.7 million based on the valuation report issued by CCO & Associates on 11 July 2016; and

- (ii) various commercial factors including comparing recent transacted prices in the vicinity and the prevailing market conditions.

The aforesaid valuation was conducted based on the Comparison Methods.

Provided that the Sale and Purchase Agreement is not terminated, the Consideration will be paid in the following manner:

- (a) Within fourteen (14) days from the execution of the Sale and Purchase Agreement, the Purchaser shall pay a sum of **Ringgit Malaysia Four Million Six Hundred Sixty Seven Thousand Six Hundred and Fifty Four and Sen Thirty Eight (RM4,667,654.38)** (the “**Deposit**”) only to the Vendor. The Deposit shall on completion be treated as part payment of the Purchase Price;
- (b) Ringgit Malaysia Forty Two Million Eight Thousand Eight Hundred Eighty Nine and Sen Thirty Eight (RM42,008,889.38), being the balance of the Purchase Price (the “**Balance Purchase Price**”) shall be paid by the Purchaser as follows:
 - (i) within thirty (30) days from the execution of the Sale and Purchase Agreement and provided that the Conditions Precedent have been fulfilled, the Purchaser shall pay **Ringgit Malaysia One Million Four Hundred Thousand Two Hundred and Ninety Six and Sen Thirty One (RM1,400,296.31)** (the “**RPGT Retention Sum**”) only equivalent to three per centum (3%) of the Purchase Price to the Purchaser’s Solicitors who shall deal with the RPGT Retention Sum in accordance with Section 15 below;
 - (ii) within thirty (30) days from the execution of Sale and Purchase Agreement and provided that the Conditions Precedent have been fulfilled, the Purchaser shall pay **Ringgit Malaysia Seven Million Nine Hundred Thirty Five Thousand Twelve and Sen Forty Four (RM7,935,012.44) only** to the Vendor.
 - (iii) within three (3) months from the Unconditional Date (the “**Completion Period**”), the Purchaser shall pay Ringgit Malaysia Thirty Two Million Six Hundred Seventy Three Thousand Five Hundred Eighty and Sen Sixty Three only (RM32,673,580.63) only to the Purchaser’s Solicitors as stakeholders.
- (c) If the Purchaser does not pay the Balance Purchase Price to Yongnam Malaysia’s solicitors within the Completion Period, the Completion Period will be automatically extended for an additional month and the Purchaser will pay to Vendor interest at the rate of 8% per annum on the sum remaining unpaid at the

date of expiry of the Completion Period calculated on a daily basis until date of actual payment of such sum remaining unpaid.

The “**Unconditional Date**” shall refer to the date that all the conditions precedent of the Sale and Purchase Agreement are fulfilled or complied with.

4. CONDITIONS PRECEDENT

The purchase of the Properties is conditional upon the fulfillment of the following conditions within three months from the date of the Sale and Purchase Agreement, amongst others:-

- (a) the Vendor obtaining the approval of the board of directors and its shareholders (if applicable) for the sale of the Properties to the Purchaser; and
- (b) the Purchaser obtaining the approval of its board of directors and shareholders of its holding company, Yongnam Holdings Limited (Co. No. 199407612N) (“**YHL**”) (if applicable) for the purchase of the Properties from the Vendor.

(collectively, the “**Conditions Precedent**”)

5. FUNDING

The Group intends to fund the Purchase Transaction using internal funds and external bank borrowings.

6. RATIONALE FOR THE PROPOSED PURCHASE TRANSACTION

Over the years, the Group has been experiencing increasingly higher fabrication labour cost at its Singapore factory. With the purchase of the Properties, the Group intends to move the majority of its current factory operations from Singapore to Malaysia. This move is expected to result in cost savings in fabrication labour cost for the Group as well as other ancillary staff costs such as accommodation and transportation.

Another advantage of moving the factory north to Malaysia is that the Group will be able to free up more Man-Year Entitlement (“**MYE**”) from factory workers and reserve the MYEs for site construction workers. This will in turn reduce foreign worker levies to be paid in Singapore.

7. FINANCIAL EFFECTS OF THE PROPOSED PURCHASE TRANSACTION

The pro forma financial effects of the Purchase Transaction on the Net Tangible Assets (“**NTA**”) per share and Earnings Per Share of the Group are as set out below. The financial effects have been prepared based on the last audited consolidated financial

statements of the Group for the financial year ended 31 December 2015 (“FY2015”), and are prepared purely for illustrative purposes and therefore do not reflect the actual financial position of the Group after completion of the Purchase Transaction.

	Before the Purchase Transaction	After the Purchase Transaction
NTA per share (cents) ⁽ⁱ⁾	93.89	93.89
Earnings per share (cents) ⁽ⁱⁱ⁾	(0.85)	(1.04)

Notes:

- (i) Assuming the Purchase Transaction had been effected on 31 December 2015 (being the end of FY2015).
- (ii) Assuming the Purchase Transaction had been effected on 1 January 2015 (being the beginning of FY2015).

8. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

Based on the latest announced unaudited consolidated financial statements of the Group for the period ended 30 June 2016, the relative figures for the Purchase Transaction computed based on Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	(A) S\$'000	(B) S\$'000	Relative Figures (A)/(B) in %
(a)	Net asset ⁽¹⁾ value of the Property to be disposed of (A) as compared with the Group's net asset value (B)	Not applicable	Not applicable	Not applicable
(b)	Net profits ⁽²⁾ attributable to the Property disposed (A) compared with the Group's net profits (B)	Not applicable	Not applicable	Not applicable
(c)	Aggregate value of the consideration given or received (A) compared with Yongnam's market capitalisation ⁽³⁾ (B)	15,769	95,021	16.6
(d)	Number of equity securities issued by Yongnam as consideration compared to the number of equity	Not applicable	Not applicable	Not applicable

	securities previously in issue			
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Notes:

- (1) "Net assets" mean total assets less total liabilities.
- (2) "Net profit" means profit before income tax and minority interests.
- (3) Market capitalisation is calculated based on S\$0.200 per share, being price of the share closed on 19 August 2016, multiplied by 475,102,931 shares (excluding treasury shares) in issue.

As the relative figure computed in Rule 1006(c) for the Purchase Transaction exceeds 5% but does not exceed 20%, the Purchase Transaction does not constitute a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, approval of the shareholders is not required.

9. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

None of the Directors and controlling shareholders of Yongnam has any interest, direct or indirect, in the Purchase Transaction, other than through their respective interests (if any) in Yongnam.

None of the Directors and controlling shareholders of Yongnam has any interest, direct or indirect, in the Vendor.

10. FURTHER INFORMATION

No person is proposed to be appointed as a director of Yongnam in connection with the Purchase Transaction. Accordingly, no service contract is proposed to be entered into between Yongnam and any such person.

11. DOCUMENTS FOR INSPECTION

The following documents are available for inspection during normal business hours at the registered office of Yongnam located at 51 Tuas South Street 5 Singapore 637644 for three months from the date of this Announcement:-

- (i) Sale and Purchase Agreement; and
- (ii) Valuation report on the Property prepared by CCO & Associates dated 11 July 2016.

12. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this announcement that the Purchase Transaction will be completed or that no changes will be made to the terms thereof. Yongnam will make the necessary announcements when there are further developments on the Purchase Transaction and other matters contemplated by this announcement. Shareholders are advised to read this announcement and any further announcements by Yongnam carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Seow Soon Yong
Chief Executive Officer

22 August 2016