



YONGNAM HOLDINGS LIMITED

(the "Company")

(Company Registration No. 199407612N)

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

SALE AND LEASE-BACK OF MALAYSIA PLANT IN NUSAJAYA, JOHOR

1. INTRODUCTION

Yongnam Holdings Limited ("**Yongnam**" or the "**Group**") wishes to announce that its wholly-owned subsidiary, Yongnam Engineering Sdn. Bhd. ("**Yongnam Malaysia**"), has on 3 October 2014 entered into a sale and purchase agreement ("**Sale and Purchase Agreement**") with RHB Trustees Berhad in its capacity as trustee for Axis Real Estate Investment Trust ("**Purchaser**") pursuant to which Yongnam Malaysia has agreed to sell, and the Purchaser has agreed to purchase, the land and building known as No.27, Jalan SiLC 1/5, Kawasan Perindustrian SiLC, 79200, Nusajaya, Johor, Malaysia (the "**Property**") upon the terms and subject to the conditions of the Sale and Purchase Agreement (the "**Sale Transaction**").

Upon the Sale Transaction, Yongnam Malaysia will remain as the tenant of the Property for a term of 15 years pursuant to the concurrent execution of a lease agreement ("**Lease Agreement**") entered into between the Purchaser (as lessor) and Yongnam Malaysia (as lessee) which is being held in escrow.

Yongnam Malaysia and the Purchaser will endeavor to complete the Sale Transaction on or before 31 December 2014. On such completion date, the Lease Agreement will immediately become effective.

2. CONSIDERATION

The cash consideration for the Sale Transaction payable by the Purchaser is RM153.5 million (approximately S\$60.0 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 RM167.5 million (as at 19 March 2014) based on the valuation report issued by CCO & Associates on 19 March 2014; 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 Depreciated Replacement Cost and Comparison Methods.

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

- (a) a sum of RM3,070,000 (approximately SGD1,199,000), which was paid by the Purchaser to its solicitors as stakeholders prior to the execution of the Sale and Purchase Agreement, will be released to Yongnam Malaysia on the Unconditional Date (as defined below);
- (b) a sum of RM12,280,000 (approximately SGD4,797,000), which is being paid by the Purchaser to its solicitors as stakeholders upon the execution of the Sale and Purchase Agreement, will be released to Yongnam Malaysia on the Unconditional Date (as defined below); and
- (c) the remaining sum of RM138,150,000 (approximately SGD53,965,000) will be first applied by the Purchaser towards the satisfaction of any existing charges lodged against the Property for the purpose of redeeming the Property in full, and the balance sum thereof (the **“Balance Purchase Price”**) will be paid to Yongnam Malaysia’s solicitors as stakeholders within three months from the date of the Sale and Purchase Agreement or within 30 days from the Unconditional Date (as defined below), whichever is later (the **“Completion Period”**). 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 Yongnam Malaysia 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.

3. INFORMATION ON PURCHASER

The Purchaser is RHB Trustees Berhad in its capacity as trustee for Axis Real Estate Investment Trust, a real estate investment trust listed on the Bursa Malaysia.

4. SALIENT TERMS OF THE SALE AND PURCHASE AGREEMENT

Some of the salient terms of the Sale and Purchase Agreement are as follows:

- (a) The Sale Transaction must be fully completed by 31 March 2015, failing which the Purchaser and Yongnam Malaysia will take all reasonable efforts to renegotiate (for a period not exceeding 30 days) in good faith to achieve an amicable solution, without compromising the interest of either party, in order to proceed with completion.
- (b) The Sale and Purchase Agreement is subject to the execution of the Lease Agreement between the Purchaser (as lessor) and Yongnam Malaysia (as lessee) which provides that Yongnam Malaysia will lease the Property as lessee for a term of 15 years from the date of the Sale and Purchase Agreement with an option to renew based on the prevailing market rate in respect of the monthly rent for another term of 15 years upon the expiry of the initial term. Yongnam Malaysia will pay monthly rentals of RM969,313 (approximately SGD378,638) for the first to the third year of the lease with subsequent rental increase in every subsequent three years.

5. CONDITIONS PRECEDENT

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

- (a) Yongnam Malaysia obtaining the approval of the board of directors and shareholders (if applicable) of Yongnam for the sale of the Property to the Purchaser;
- (b) Yongnam Malaysia undertaking and completing the required repair works as stipulated in the Fifth Schedule to the Sale and Purchase Agreement to the reasonable satisfaction of the Purchaser; and
- (c) if the Purchaser is obtaining a loan to finance its purchase of the Property, the Purchaser obtaining the prior written consent of the Purchaser's financier, addressed to the Purchaser, consenting to the lease of the Property to Yongnam Malaysia on the terms set out in the Lease Agreement and confirming that it will execute the memorandum of lease comprising part of the lease documents (as consenting party) and provide such other relevant documents as is required by the land office to facilitate presentation for registration of the lease documents simultaneously with the memorandum of transfer and the charge in favour of the Purchaser's financier.

6. RATIONALE FOR THE PROPOSED SALE TRANSACTION

Yongnam has been exploring various avenues to improve and enhance its financial position. The Sale Transaction will unlock the equity tied up in the Property. The proceeds of the Sale Transaction is expected to be redeployed into the working capital for the Group's projects, and to fund the Group's investment in infrastructure developments in the region , potentially generating a higher return on equity.

7. VALUE OF, AND NET PROFITS ATTRIBUTABLE TO PROPERTY

The net book value of the Property is S\$24.5million. The estimated excess of the Consideration over the net book value, estimated directly attributable expenses and other charges is approximately S\$34 million.

8. FINANCIAL EFFECTS OF THE PROPOSED SALE TRANSACTION

The pro forma financial effects of the Sale 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 2013 ("FY2013"), and are prepared purely for illustrative purposes and therefore do not reflect the actual financial position of the Group after completion of the Sale Transaction.

	Before the Sale Transaction	After the Sale Transaction
NTA per share (cents) ⁽ⁱ⁾	24.98	27.66
Earnings per share (cents) ⁽ⁱⁱ⁾	0.44	3.13

Notes:

- (i) Assuming the Sale Transaction had been effected on 31 December 2013 (being the end of FY2013).
- (ii) Assuming the Sale Transaction had been effected on 1 January 2013 (being the beginning of FY2013).

9. LISTING MANUAL COMPUTATIONS

Based on the latest announced unaudited consolidated financial statements of the Group for the period ended 30 June 2014, the relative figures for the Sale 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)	24,543	301,229	8.1
(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 received (A) compared with Yongnam's market capitalisation ⁽³⁾ (B)	59,961	250,855	23.9
(d)	Number of equity securities issued by Yongnam as consideration compared to the number of equity securities previously in issue	Not applicable	Not applicable	Not applicable

Notes:

- (1) "Net assets" mean total assets less total liabilities. Net asset value of the Property as of 30 June 2014 amounted to RM62.8 million (approximately S\$24.5 million at exchange rate of RM2.56/SGD).
- (2) "Net profit" means profit before income tax, minority interests and extraordinary items.

- (3) Market capitalisation is calculated based on S\$0.198 per share, being price of the share closed on 2 October 2014, multiplied by 1,266,942,003 shares (excluding treasury shares) in issue.

As the relative figure computed in Rule 1006(c) for the Sale Transaction exceeds 20%, the Sale Transaction constitutes a major transaction as defined in Chapter 10 of the Listing Manual which requires the approval of the shareholders at an EGM.

The circular to shareholders of Yongnam containing additional information on the Sale Transaction, and enclosing the notice of the EGM of Yongnam to be convened to seek the approval of shareholders for the Sale Transaction, will be dispatched by Yongnam to shareholders in due course. In addition, Yongnam will make the relevant announcement for the convening of the EGM in due course.

10. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

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

11. FURTHER INFORMATION

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

12. 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 19 March 2014

13. 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 Sale 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 Sale 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

7 October 2014