



YONGNAM HOLDINGS LIMITED

(Co Reg No 199407612N)

(Judicial Managers Appointed)

SALE OF SIX PIECES OF FREEHOLD LAND IN MALAYSIA

1. INTRODUCTION

- 1.1. The judicial managers (the “**JMs**”) of Yongnam Holdings Limited (Judicial Managers Appointed) (the “**Company**”, and together with its subsidiaries, the “**Group**”) wish to announce that Yongnam Engineering & Construction Sdn. Bhd. (“**YECSB**”), a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement (the “**Agreement**”) with SGR Land Development Sdn. Bhd. (the “**Purchaser**”) dated 9 January 2024 for the sale (the “**Sale**”) of six pieces of freehold land in Mukim Jeram Batu, Daerah Pontian, Negeri Johor, Malaysia (the “**Property**”). The Agreement took effect on 23 January 2024.

2. INFORMATION ON THE PROPERTY

- 2.1. The Property comprises six adjoining plots of medium freehold industrial land, with a total land area of 19.1261 hectares (about 47.261 acres or about 2,058,689.16 square feet).

The details of the Property are as follows:

Title No	Lot No	Land Area (Hectares)
Geran Mukim 2473	1972	3.5460
Geran Mukim 2477	1973	3.1413
Geran Mukim 2496	1974	2.1144
Geran Mukim 2489	1975	3.3437
Geran Mukim 2490	1976	3.5106
Geran Mukim 2491	1977	3.4701

The primary purpose of the Property was to store strutting materials and facilitate the relocating of majority of the factory operations from Singapore to Malaysia.

- 2.2. YECSB is the registered owner of the Property. Each of the six plots of land are presently charged to either Malayan Banking Berhad or United Overseas Bank (Malaysia) Bhd (collectively, the “**Banks**”) as security for term loans provided by the Banks (the “**Loans**”).
- 2.3. Based on the unaudited condensed interim financial statements of the Group for the six months ended 30 June 2023 (“**1H FY2023**”) (being the latest announced consolidated accounts of the Group), the book value and the net tangible asset value of the Property are both approximately RM69,173,728 (approximately S\$20,074,216¹).

¹ Unless otherwise indicated, an illustrative exchange rate of RM0.2902:S\$1.00 is used for all conversions from the Malaysian Ringgit into Singapore Dollar amounts for the purposes of this announcement.

- 2.4. Based on the valuation of the Property conducted by an independent valuer, CCO & Associates Sdn. Bhd. on 23 August 2022, which was commissioned by YECSB (“**Valuation**”),
- (a) the Market Value² of the Property is approximately RM72,054,000 (approximately S\$20,910,071³; and
 - (b) the Forced Sale Value⁴ of the Property is approximately RM57,643,000 (approximately S\$16,727,999).

3. INFORMATION ON THE PURCHASER

The information on the Purchaser provided below was provided by the Purchaser to the Company and its representatives. Neither the board of directors of the Company nor the JMs have independently verified the accuracy and correctness of such information.

- 3.1. The Purchaser is an investment holding company incorporated in Malaysia on 23 June 2023. It has an issued and paid-up share capital of RM100, of which Mr Lok Kok Lee holds 51% and Mr Ong Soon Liong holds 49%. Both Mr Lok Kok Lee and Mr Ong Soon Liong are directors of the Purchaser.
- 3.2. As at the date of this announcement, none of the Purchaser and its respective associates (i) holds, directly or indirectly, any shares in the capital of the Company; and (ii) is related to the directors or controlling shareholders of the Company or any of their respective associates.

4. THE SALE

- 4.1. The salient terms of the Sale set out in the Agreement are as follows:
- (a) the Property is sold to the Purchaser on an “as is where is” basis, free from encumbrances, liens, charges and with vacant possession and subject to the terms and conditions of the Agreement;
 - (b) the purchase price of the Sale is RM54,555,262.74 (exclusive of any applicable tax imposed or as may be imposed by the Government of Malaysia from time to time, if any) (the “**Purchase Price**”), to be satisfied in cash;
 - (c) upon the signing of the Agreement, the Purchaser shall pay to YECSB the sum equivalent to five per cent of the Purchase Price to be held by the Purchaser’s solicitors as stakeholders to be released in accordance with the terms and conditions of the Agreement (the “**Part Payment**”), and a total deposit of RM5,455,526.27 (inclusive of the Part Payment) shall be paid by the Purchaser to YECSB’s solicitors within three months from the date of the Agreement (“**Deposit**”). In the event that the Purchaser fails to pay the Deposit by within three months from the date of the Agreement, the Part Payment shall be forfeited to YECSB whereupon the Purchaser’s solicitors upon

² “Market Value” is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudent and without compulsion.

³ The comparison method was applied in valuing the Market Value of the Property, which entails comparing the Property with similar properties that were sold recently and those that are current being offered for sale in the vicinity.

⁴ “Forced Sale Value” is defined as the amount that may reasonably be received from the sale of a property under forced sale conditions that do not meet all the criteria of a normal market transaction.

receipt of such notice from YECSB's solicitors shall within seven days forward the Part Payment to YECSB's solicitors and the Purchaser shall pay to YECSB a further sum of five per cent. of the Purchase Price as liquidated damages.

- (d) the balance of the Purchase Price, being RM49,099,736.47 ("**Balance of the Purchase Price**") shall be paid by the Purchaser to YECSB within six months from the date of the Agreement (the "**Completion Date**") provided always that YECSB shall automatically grant to the Purchaser an extension of one month to pay the Balance of the Purchase Price (subject to the payment of interest at the rate of 8% per annum on the Balance of the Purchase Price calculated on a daily basis from the Completion Date until the date of actual payment); and
- (e) upon full payment of the Purchase Price and all interest accrued (if any), vacant possession of the Property shall be delivered to the Purchaser within seven working days, failing which YECSB shall pay to the Purchaser interest (at the rate of 8% per annum on the Purchase Price calculated on a day to day basis from the date of such receipt of the Purchase Price to the actual date of delivery of possession of the Property by YECSB to the Purchaser), or the Purchaser may claim damages against YECSB.

4.2. **Basis of Purchase Price**

The Purchase Price was arrived at pursuant to arm's length negotiations between YECSB and the Purchaser, on a willing-buyer willing-seller basis, and taking into account, *inter alia*:

- (a) the dire financial situation of YECSB; and
- (b) the Company (being the corporate guarantor for the Loans) is placed under judicial management.

5. **RATIONALE FOR AND BENEFITS FOR THE SALE**

5.1. **Rational and use of Proceeds for the transaction**

As the Property is currently charged to either Banks, the net proceeds (after deducting any applicable costs) from the Sale will be used towards full repayment of the Loans owed to both Banks, thereby reducing the liabilities of the Group.

The use of the balance of the proceeds of the Sale after repayment of the Loans will be applied towards settlement of the remaining liabilities of YECSB.

6. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 IN RELATION TO THE SALE

6.1. The relative figures for the Sale computed on the applicable bases set out in Rule 1006 of the Listing Manual based on the unaudited condensed interim financial statements of the Group for 1H FY2023 (being the latest announced consolidated accounts of the Group) are as follows⁵:

Rule	Bases of computation	Property (S\$' million)	Group (S\$' million)	Relative Figure (%)
1006(a)	Net asset value of assets being disposed of, compared with the Group's net asset value ⁽¹⁾	20.07	46.57	43.10
1006(b)	Net profits/(loss) attributable to the assets disposed of, compared with the Group's net profits/(loss) ⁽²⁾	(4.24)	(12.27)	34.58
1006(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽³⁾	15.83	18.30	86.5
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable, as there is no acquisition and there is no issuance of equity securities by the Company.		
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable, as the Company is not a mineral, oil or gas company.		

Notes:

- (1) Based on the [unaudited net asset value ("NAV") of the Property of approximately S\$20.07 million, and the unaudited NAV before non-controlling interest of the Group of approximately S\$46.57 million, as at 30 June 2023.
- (2) Based on profit or loss before income tax and extraordinary items.
- (3) Based on the market capitalisation of the Company of S\$18.30 million. This is computed on the 703,942,767 shares in issue and the weighted average price of S\$0.0260 for each share based on the trades done on 22 November 2022, being the last full market day when the shares were traded prior to the Company's trading suspension commencing on 24 November 2022.

7. FINANCIAL EFFECTS OF THE SALE

7.1. Net tangible assets (“NTA”) per share and earnings per share (“EPS”)

The proforma financial effects of the Sale and on the NTA per share and the EPS set out below are for illustrative purposes only and should not be taken as an indication of the actual future financial performance or position of the Group following the Sale, nor a projection of the future financial performance or position of the Group after completion of the Sale.

The proforma financial effects of the Sale are based on the Company’s [audited consolidated financial statements of the Group for the financial year ended 31 December 2022 (“FY2022”).

(a) NTA per share

Assuming that the Sale had been completed on 31 December 2022, the NTA per share of the Group would be as follows:

	Before the Sale	After the Sale
NTA (S\$) ⁽²⁾	59,804,473	55,258,290 ⁽¹⁾
Number of issued shares ⁽²⁾	703,942,767	703,942,767
NTA per share (Singapore cents) ⁽²⁾	8.50	7.85

Notes:

(1) This is computed based on the net book value of the Property as at 31 December 2022 of S\$20,378,120 and the Purchase Price of RM54,555,262.74.

(2) Based on the Company’s audited consolidated financial statements of the Group for FY2022

(b) EPS

Assuming that the Sale had been effected on 1 January 2022, the EPS for FY2022 of the Group would be as follows:

	Before the Sale	After the Sale
Net profit/ (loss) after tax (S\$) ⁽¹⁾⁽³⁾	(43,885,125)	(48,431,308) ⁽²⁾
Weighted average number of issued shares ⁽³⁾	703,942,767	703,942,767
EPS (Singapore cents)	(6.23)	(6.88)

Notes:

(1) Net profit/(loss) after tax is calculated based on the net profit/(loss) for FY2022 attributable to owners of the Company.

(2) This is computed based on the net book value of the Property as at 31 December 2022 of S\$20,378,120 and the Purchase Price of RM54,555,262.74.

(3) Based on the Company's audited consolidated financial statements of the Group for FY2022.

7.1 Net Profits attributable to the Sale

The primary purpose of the Property was to store strutting materials and facilitate the relocating of majority of the factory operations from Singapore to Malaysia. However, as this relocation did not eventually materialize, the Group did not derive any profit from the Property.

7.2. Loss on the Sale

Based on the book value of the Property as at 30 June 2023 of approximately RM69,173,728 (approximately S\$20,074,216) and the Purchase Price of RM54,555,262.74 (approximately S\$15,831,937), the Purchase Price represents a deficit of approximately RM14,618,465 (approximately S\$4,242,279) over such book value of the Property, and the Sale will result in an estimated loss of approximately RM14,618,465 (approximately S\$4,242,279) (before deducting related expenses).

8. INTERESTS OF THE JUDICIAL MANAGERS, DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the JMs and directors of the Company and, to the best of the knowledge of the JMs and directors of the Company, none of the controlling shareholders of the Company have any direct or indirect interest in the Sale, other than through their respective directorships and shareholdings in the Company and/or options in the shares of the Company, if any.

9. SERVICE CONTRACT

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

10. INSPECTION OF DOCUMENTS

Copies of the Agreement are available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644 for a period of three (3) months commencing from the date of this announcement.

For and On Behalf of the Company

Toh Ai Ling
Joint and Several Judicial Manager
29 February 2024

Seow Soon Yong
Chief Executive Officer
29 February 2024