



DISPOSAL OF PROPERTY IN NEGERI SEMBILAN, MALAYSIA

1. INTRODUCTION

The Board of Directors (the “**Board**”) of YHI International Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that YHI Manufacturing (Malaysia) Sdn Bhd (“**YHI Manufacturing Malaysia**”), a wholly-owned subsidiary of the Company, has entered into a conditional sale and purchase agreement (the “**SPA**”) with Mission Foods Malaysia Sdn Bhd (the “**Purchaser**”) for the sale of the Company’s land (the “**Land**”) and buildings constructed thereon located in Negeri Sembilan, Malaysia (collectively, the “**Property**”) (such transaction, referred to as the “**Disposal**”).

2. INFORMATION ON THE PROPERTY

The Property includes the Land and a double storey building with an annexed single storey factory and a single storey warehouse together with related fixtures and fittings, mechanical and electrical and other basic equipment included therein. The Land area is approximately 30,000 square metres.

3. CONSIDERATION FOR THE DISPOSAL AND SALIENT TERMS OF THE DISPOSAL

The aggregate consideration for the Disposal is RM30,500,000 (or the equivalent of approximately S\$12,103,175 based on an exchange rate of S\$1 : RM2.52), and shall be paid by the Purchaser to YHI Manufacturing Malaysia in cash (the “**Consideration**”), subject to the fulfillment of certain conditions precedent. The aforementioned exchange rate will be used as the basis for currency conversion in this announcement.

The Consideration was negotiated and agreed on a willing-buyer, willing-seller basis between the parties, taking into account market value of the Property based on a property valuation performed on the Property by a property valuer (the “**Valuation Report**”) and the book value of the assets relating to the Property (including the Land, the buildings constructed on the Land and related fixtures and fittings thereon). The valuation of the Property was commissioned by YHI Manufacturing Malaysia and the Valuation Report is dated 3 December 2013. Based on the Valuation Report, the market value of the Property is RM30,000,000 (or the equivalent of approximately S\$11,904,762).

The completion of the Disposal is subject to, among others, the following conditions precedent:

- (a) YHI Manufacturing Malaysia obtaining consent from the relevant state authority for the transfer of the Land in favour of the Purchaser pursuant to the restrictions set out in the land title pertaining to the Land;

- (b) YHI Manufacturing Malaysia demolishing the painting line structure located on the second floor of the double-storey building constructed on the Land to the satisfaction of the Purchaser;
- (c) Completion of satisfactory technical, environmental, geological and legal due diligence by the Purchaser in respect of the Property;
- (d) The Purchaser having obtained a manufacturing license for its facility to be constructed and operated from the Property;
- (e) The Purchaser having inspected and being satisfied with the state and condition of the Property; and
- (f) The issuance of the title to the Land with the details of YHI Manufacturing Malaysia (as registered proprietor of the Land) consistent with the certificate of incorporation of YHI Manufacturing Malaysia.

4. RATIONALE FOR THE DISPOSAL

As the Group has been looking to consolidate its manufacturing capabilities in Malaysia from Sepang to Malacca to raise productivity and efficiency while reducing operation costs (the “**Facility Shift**”), and the Facility Shift process has commenced, the Property would no longer figure in the Group’s future plans. The Property can therefore be disposed of and the proceeds be employed for the benefit of the Group.

The Group intends to use the proceeds from the Disposal for general working capital purposes or other business opportunities as and when they arise and/or reduction of borrowings.

5. FINANCIAL EFFECTS

The *pro forma* financial effects of the Disposal, based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 (“**FY2013**”), are set out below. The *pro forma* financial effects are only presented for illustration purposes, and are not intended to reflect the actual future financial situation of the Company or the Group after completion of the Disposal. Transaction costs for the Disposal are ignored for computation purposes.

(a) Net Tangible Assets

Assuming that the Disposal was completed on 31 December 2013, the effect on the net tangible assets (“**NTA**”) per share of the Group would be as follows:

	Before the Disposal	After the Disposal
NTA (S\$'000)	246,176	249,443
Number of issued shares (excluding treasury shares) ('000)	584,592	584,592
NTA per share (Singapore cents)	42.1	42.7

(b) Earnings per Share

Assuming that the Disposal was completed on 1 January 2013, the effect on the earnings per share (“EPS”) of the Group would be as follows:

	Before the Disposal	After the Disposal
Profit attributable to shareholders (S\$'000)	8,823	12,090
Number of issued shares (excluding treasury shares) ('000)	584,592	584,592
EPS (Singapore cents)	1.51	2.07

(c) Proceeds and Book value

The book value of the Property is RM22,267,199 (or the equivalent of approximately S\$8,836,190). The gross proceeds of the Disposal of RM30,500,000 (or the equivalent of approximately S\$12,103,175) represent an excess of RM8,232,801 (or the equivalent of approximately S\$3,266,985) over the book value of the Property. The excess of RM8,232,801 (or the equivalent of approximately S\$3,266,985) is before deducting expenses relating to the disposal such as agent’s commission, legal fees, demolition & reinstatement costs as per conditions precedent (b) in clause 3 above and the relevant real property gain tax on the Property.

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

The relative figures in respect of the Disposal, as computed on the bases set out in Rule 1006 of the Listing Manual and based on the latest announced unaudited consolidated financial statements of the Group for the period ended 30 June 2014, are as follows:

Bases of calculation		Size of relative figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	3.4%
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	-3.9% ⁽¹⁾
(c)	The 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.	8.4% ⁽²⁾
(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 the Disposal does not involve an issue of equity securities by the Company
(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.	Not applicable, as the Company is not a mineral, oil and gas company

Note:

- (1) The relative figure is computed on the basis of the depreciation of the Property of approximately RM836,987 (or the equivalent of approximately S\$332,138), compared with the group's net profits.
- (2) The market capitalisation of the Company is determined by multiplying the Company's total number of issued shares of 584,591,628 (excluding treasury shares) by 0.2451 cents, being the weighted average share price of the Company's shares transacted on the market day preceding the date of the SPA.

As the relative figure as computed on the basis set out in Rule 1006(c) exceeds 5% but does not exceed 20%, the Disposal constitutes a "discloseable transaction" within the meaning of Chapter 10 of the Listing Manual.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDER(S)

None of the Directors or the controlling shareholder(s) of the Company has any interest, direct or indirect, in the Disposal.

8. SERVICE CONTRACTS

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA and the Valuation Report will be made available for inspection during normal business hours at the Company's registered office at 2 Pandan Road, Singapore 609254 for a period of three (3) months commencing from the date of this announcement.

By Order of the Board

Tay Tian Hoe Richard
Executive Chairman and Group Managing Director

1 September 2014