



YANGZIJIANG SHIPBUILDING (HOLDINGS) LTD.

(Company Registration No. 200517636Z)

(Incorporated in the Republic of Singapore on 21 December 2005)

PROPOSED ACQUISITION OF 50.1% INTEREST IN PPL HOLDINGS PTE LTD ("PPLH")

I. INTRODUCTION

The Board of Directors of the Company is pleased to announce that the Company has:

- (a) entered into a placement agreement ("**Placement Agreement**") dated 15 April 2010 with a Middle East investor ("**Investor**") in relation to the placement of 83,555,000 new ordinary shares in the capital of the Company (each, a "**New Share**") at the issue price of S\$1.295 per New Share ("**Issue Price**") to the Investor ("**Placement**"), which proceeds are to be applied by the Company for the Acquisition (as defined below);
- (b) entered into a joint investment agreement ("**Joint Investment Agreement**") dated 15 April 2010 with the Investor and Mediterranean Success Group Inc. ("**MSG**") (which is wholly owned by the Company's Non-Executive Director, Mr Yu Kebing) in relation to the acquisition of shares in PPLH by each of the Company, the Investor and MSG in the proportions of 50.1%, 45% and 4.9% respectively, and subsequent to completion of the Acquisition, to regulate the parties' rights and obligations as shareholders of PPLH ("**Joint Investment**"); and
- (c) issued a binding letter of offer ("**Letter of Offer**") dated 16 April 2010 to Baker Technology Limited ("**Vendor**") pursuant to which the Company has made an offer to the Vendor to acquire the entire issued and paid-up share capital of PPLH on the terms and conditions contained therein ("**Acquisition**").

II. PLACEMENT

Issue Price

The Issue Price represents a discount of approximately 7.3% to the volume weighted average price of approximately S\$1.3975 for trades done on the shares of the Company on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 14 April 2010 (being the full market day preceding the day the Placement Agreement was signed¹). The Issue Price is based on the average of the closing price of the Company's shares for the 6 preceding trading days prior to the date of execution of the Placement Agreement.

Share Issue Mandate

The allotment and issue of the New Shares, comprising approximately 2.29% of the issued share capital of the Company, will be made pursuant to the general mandate granted by the shareholders of the Company at the Annual General Meeting of the Company held on 28 April 2009 ("**Share Issue Mandate**"). The Company will apply in due course to the SGX-ST for the admission of the New Shares to the Official List of the SGX-ST and for the listing of and quotation for the New Shares on the SGX-ST. The New Shares, when allotted and issued, shall rank *pari passu* with, and shall carry all

¹ The Company's trading halt has been put in place since 15 April 2010 and the Company will be lifting its trading halt to allow for trading of shares to resume commencing Monday, 19 April 2010.

rights similar to, the existing issued shares of the Company, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the completion of the Placement.

Conditions Precedent

Completion of the Placement is conditional upon, *inter alia*:

- (a) the completion of the Acquisition taking place simultaneously;
- (b) approval in-principle for the listing of and quotation for the New Shares on the Official List of the SGX-ST being obtained from the SGX-ST and not having been revoked and, where such approval is subject to conditions, such conditions being reasonably acceptable to the Company and the Investor and, to the extent that any conditions for the listing of and quotation for the New Shares on the Official List of the SGX-ST are required to be fulfilled on or before the completion date, they are so fulfilled; and
- (c) on the completion date, the net asset value of the Company and its subsidiaries (collectively, the "**Group**") not having decreased by an amount equivalent to 30% or more from the net asset value of the Group based on the audited financial statements of the Group for the financial year ended 31 December ("**FY**") 2009.

If any of the above conditions is not satisfied by, or waived by the party for whom benefit it is provided, on or before 27 October 2010 (or such other date as the parties may agree in writing), the Placement Agreement shall *ipso facto* cease and determine thereafter and in that event, none of the parties shall have any claim whatsoever against the other for damages, losses, compensation or otherwise in relation to the Placement Agreement.

Placement Proceeds

The Placement Agreement provides that the Investor shall deposit the aggregate issue price equivalent to US\$77,655,000 ("**Placement Proceeds**") into a designated escrow account ("**Escrow Account**"). The use and release of the amount in the Escrow Account shall be regulated by the terms and conditions of an escrow agreement ("**Escrow Agreement**") which has been executed by the Company, the Investor, MSG and Julius Baer Family Office & Trust Ltd ("**JB**", as the escrow agent) and which as a condition of acceptance of the Letter of Offer by the Vendor, the Vendor will execute and be a party to.

Subject to acceptance of the Letter of Offer by the Vendor and completion of the Acquisition, the Placement Proceeds shall be applied by the Company for the purpose of satisfying the purchase consideration payable by the Company for its 50.1% proportion of the Acquisition.

III. JOINT INVESTMENT

Under the Joint Investment Agreement, each of the Investor and MSG agrees to acquire the balance 45% and 4.9% in the share capital of PPLH and on and from completion of the Acquisition, and to regulate the affairs of PPLH and parties' rights and obligations as shareholders of PPLH in accordance with the terms of the Joint Investment Agreement.

It is also provided in the Joint Investment Agreement that each of the Investor and MSG will, on execution thereof, deposit into the Escrow Account, the net amounts of US\$69,750,000 and US\$7,595,000, respectively, being the purchase consideration payable for their respective stakes in PPLH, which amounts shall be released to the Vendor on completion of the Acquisition in accordance with the terms of the Escrow Agreement.

IV. ACQUISITION

PPLH

PPLH holds an aggregate direct and indirect 15% stake in PPL Shipyard Pte Ltd ("**PPL Shipyard**"). The balance 85% is held by Sembcorp Marine Limited ("**SML**").

PPL Shipyard is engaged in the business of design and construction of offshore drilling rigs from shallow water to deep water. Upon acceptance of the Letter of Offer and subject to completion, the key management of PPL Shipyard, Messrs Benety Chang and Anthony Sabastian Aurol, will also undertake to continue in their key executive positions until 31 December 2013.

Acquisition Consideration

Pursuant to the Letter of Offer, the Company has made a binding offer to acquire the entire issued and paid-up share capital of PPLH for the purchase consideration of US\$155,000,000, for which the Company is liable to pay US\$77,655,000 in respect of its 50.1% stake.

The purchase consideration is arrived at taking into account, *inter alia*, the net book value amount of US\$343,553,000 of PPL Shipyard for FY2009.

Deadline for Acceptance

The Vendor has up to 4.00 p.m. on 4 May 2010 to accept the Letter of Offer, failing which the offer will lapse, unless otherwise extended by the Company.

Condition Precedent

The Acquisition is conditional upon the Vendor obtaining the approval of its shareholders to the disposal at an extraordinary general meeting of the Vendor to be convened. In the event the condition precedent cannot be satisfied by 27 October 2010, the terms and conditions under the Letter of Offer will cease and determine.

Discloseable Transaction

The Acquisition is a discloseable transaction under Rule 1010 of the Listing Manual as the relative figure computed under Rule 1006(b) is in excess of 5% but less than 20%.

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

- (a) Net Asset Value Base under Rule 1006(a). Not applicable.
- (b) Net Profit Base under Rule 1006(b). The net profit of PPL Shipyard which may be attributable to the Company (assuming the Acquisition has taken place) is approximately 5.71% compared with the Group's net profits of RMB 2,289,951,000 as at 31 December 2009.
- (c) Consideration Value Base under Rule 1006(c). The Purchase Consideration amounts to approximately 2.07% of the Company's market capitalisation of S\$5,224,194,690 as at 14 April 2010, based on the closing price of the Company's shares as at that date.
- (d) Equity Securities Issued Base under Rule 1006(d). Not applicable.

V. FINANCIAL EFFECTS

Based on the audited financial statements of the Group for FY2009, the financial impact of the Acquisition is as follows:

- (a) Earnings per share.

There will be no change to the earnings per share of the Group as the Placement Proceeds are applied to satisfy the Company's purchase consideration for the Acquisition.

- (b) Net tangible assets per share.

Assuming that Acquisition completion took place on 31 December 2009 and the Placement Proceeds are applied to satisfy the Company's purchase consideration for the Acquisition, the net tangible assets per share of the Group would have increased from RMB 1.727 to RMB 1.831.

(c) Net Gearing

There will be no impact on the net gearing as the Acquisition will be entirely funded by the Placement Proceeds.

VI. RATIONALE

The Directors are of the view the Acquisition is in the best interest of the Group as the Company's post-Acquisition involvement in PPL Shipyard's business for the design and construction of offshore drilling rigs from shallow water to deep water would add to, and also strengthen, the Company's capabilities in this area and further the Group's development and competency strategies.

VII. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save for Mr Yu Kebing, who is the sole beneficial shareholder of MSG, none of the Directors nor substantial shareholders has an interest, direct or indirect, in the Placement, Joint Investment or Acquisition.

Interested Person Transaction

The joint investment by the Company together with MSG in the acquisition of PPLH constitutes an interested person transaction under Chapter 9 of the Listing Manual, and based on the purchase consideration of US\$77,655,000 payable by the Company, amounts to approximately 8.4% of the Group's audited net tangible assets as at 31 December 2009.

Pursuant to Rule 916(2) of the Listing Manual, the Audit Committee of the Company has also confirmed that it is of the view that the risks and rewards of the parties to the joint investment under the Joint Investment Agreement are in proportion to the respective equity interest of each joint investment party, and the terms of the joint investment are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

VIII. UPDATES

The Company will make further announcements to update shareholders of the status of the Acquisition as and when appropriate.

IX. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 8 Cross Street, #11-00 PWC Building, Singapore 048424, during normal business hours from the date of this Announcement:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Placement Agreement;
- (c) the Joint Investment Agreement;
- (d) the Escrow Agreement; and
- (e) the Letter of Offer.

X. CAUTION

Shareholders should note that the Letter of Offer remains subject to acceptance by the Vendor, and even if accepted, is further subject to approval by the Vendor's shareholders in an extraordinary general meeting to be convened. There is therefore neither assurance nor

certainty that the Placement, Joint Investment and Acquisition will be consummated as planned.

Shareholders and any other investors should take into account such uncertainty and exercise appropriate caution when dealing in the Company's shares. In the event of any doubt, shareholders and other investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Ren Yuanlin
Executive Chairman

17 April 2010