

KYM HOLDINGS BERHAD ("KYM" OR "COMPANY")

- STATUS OF PROPOSED RESTRUCTURING OF FINANCING FACILITIES

1. INTRODUCTION

We refer to the following:

- (i) announcement dated 18 November 2009 wherein it was announced that KYM had agreed to the settlement of RM120.0 million for debts owing to United Overseas Bank (Malaysia) Bhd ("UOB") and RHB Investment Bank Berhad ("RHB") (collectively, the "Lenders") ("Debt Settlement");
- (ii) announcement dated 11 June 2009 wherein it was announced that KYM and Harta Makmur Sdn Bhd ("HMSB"), a 54%-owned subsidiary company of KYM, had entered into a conditional sale and purchase agreement with Vale International S.A. ("Vale") ("SPA") for:-
 - (a) the proposed disposal by HMSB of 16 parcels of leasehold land measuring approximately 409 acres located at Mukim of Lumut, District of Manjung, Perak Darul Ridzuan ("Disposal Properties") to Vale for an aggregate cash consideration of RM101,874,578.41 to be paid in the following manner:
 - (i) RM10,187,457.85, being 10% of the disposal consideration payable within 14 days from 10 July 2009, being the effective date of the SPA and the date of the sale and purchase agreement entered into between Kemuning Wira Sdn Bhd and Vale to purchase a parcel of land measuring 151,673 square meters adjacent to the Disposal Properties; and
 - (ii) the balance RM91,687,120.56 payable within one (1) month after all conditions precedent contained in the SPA have been satisfied ("Payment Date");
 - (b) the proposed grant of an option to Vale, giving Vale the right (but not the obligation) to purchase an additional 13 parcels of leasehold land located at Mukim of Lumut and Mukim of Setiawan, District of Manjung, Perak Darul Ridzuan measuring approximately 756 acres ("Option Properties") from HMSB for an aggregate cash consideration of RM93,759,024.15.

The option shall be exercisable for a period of 12 months or such other period as may be mutually agreed upon by the parties, commencing from the Payment Date ("Option Period").

The purchase consideration for the Option Properties shall be paid in the following manner:

- (i) Vale shall on the Payment Date pay RM9,375,902.42 to a stakeholder, being 10% of the purchase price for the Option Properties ("Option Fee"); and
- (ii) in the event Vale exercises its option to purchase the Option Properties at any time during the Option Period by giving HMSB a written notice of its exercise, Vale shall within 14 days from such

notice, execute the sale and purchase agreement having substantially the same terms and conditions as set out in the SPA in relation to the acquisition of the Option Properties (“Option Properties SPA”).

Kindly refer to the announcement dated 11 June 2009 for details of the Disposal Properties and Option Properties.

On behalf of the Board of Directors of KYM, MIMB Investment Bank Berhad wishes to announce that the Company had on 10 December 2009 entered into a debt settlement agreement with the Lenders to facilitate the Debt Settlement (“Debt Settlement Agreement”). The salient terms of the Debt Settlement Agreement are set out in Section 2 below.

2. SALIENT TERMS OF THE DEBT SETTLEMENT AGREEMENT

The salient terms of the Debt Settlement Agreement are as follows:

- (i) The outstanding sums due and payable by KYM to the Lenders as at 30 September 2009 (“Outstanding Debt”) are as follows:

| Lenders | Facilities | Aggregate outstanding amount as at 30 September 2009 |
|----------------|--|--|
| UOB and RHB | Club Deal Term Loan of RM102,900,000 comprising: UOB : RM61,100,000 RHB : RM41,800,000 | RM168,866,000 comprising: UOB : RM98,565,000 RHB : RM70,301,000 |
| UOB | Revolving credit facility of RM18,400,000 | RM36,066,000 |
| RHB | Restructured Term Loan of RM11,100,000 | RM9,982,000 |
| Total | RM132,400,000 | RM214,914,000 |

- (ii) the Lenders consent to the sale of the Disposal Properties and Option Properties by HMSB to Vale and accept the payment of RM120.0 million (“Settlement Sum”) as full and final settlement for the Outstanding Debt. The Settlement Sum comprises the following:

(a) **Tranche 1 Settlement Sum**

RM70,000,000 as redemption sum payable to the Lenders for the Disposal Properties in the following proportions:

UOB: RM43,400,000
RHB: RM26,600,000

(b) Tranche 2 Settlement Sum

RM50,000,000 as redemption sum payable to the Lenders for the Option Properties in the following proportions:

UOB: RM31,000,000

RHB: RM19,000,000

(iii) the Settlement Sum shall be paid to the Lenders in the following manner:

(a) the Tranche 1 Settlement Sum shall be paid to a stakeholder on or before 19 March 2010 or such other date as the Lenders may agree in writing; and

(b) in the event Vale exercises the option to purchase the Option Properties, the Tranche 2 Settlement Sum shall be paid to a stakeholder within six (6) months from the date of the Option Properties SPA.

(c) in the event Vale fails to exercise the option to purchase the Option Properties or the Option Properties SPA is not executed by Vale and/or HMSB, the Option Fee, if paid by Vale, shall be forfeited and paid to the Lenders within five (5) business days from the expiry of the Option Period, towards payment of the Tranche 2 Settlement Sum in the following proportions:

UOB: RM5,813,059.50

RHB: RM3,562,842.92

Thereafter, the balance of the Tranche 2 Settlement Sum amounting to RM40,624,097.58 shall be paid by KYM to the Lenders in the following proportions within 12 months from the expiry of the Option Period:

UOB: RM25,186,940.50

RHB: RM15,437,157.08

(d) in the event Vale fails to pay the Option Fee on or before the Payment Date, the Tranche 2 Settlement Sum shall be paid by KYM to the Lenders within 12 months from the Payment Date.

(iv) All payments received by the Lenders shall be applied by the respective Lender towards repayment of the Outstanding Debts in the following order:

(a) first, towards repayment of the principal sums owing under the Club Deal Term Loan;

(b) secondly, towards repayment of the principal sums owing to the respective Lenders under the bilateral facilities comprised in the Outstanding Debt; and

(c) thirdly, in the payment of the surplus (if any) towards payment of accrued interest owing under whichever facilities under the Outstanding Debt as the respective Lender deems fit.

In the event the Settlement Sum is not received in full by the Lenders, the Lenders reserve their right to apply any sum received towards interest before principal or otherwise to alter the order of payment in any manner they deem fit.

- (v) In the event:
- (a) Vale fails to exercise the option to purchase the Option Properties or the Option Properties SPA is not executed by Vale and/or HMSB on or before the Option Period; or
 - (b) Vale fails to pay the Option Fee on or before the Payment Date,

KYM shall pay to the respective Lenders interest on the remaining outstanding Tranche 2 Settlement Sum from time to time up to the date the Tranche 2 Settlement sum is received in full by the Lenders at the following rates:

- (a) UOB's base lending rate from time to time; or
- (b) 1.5% per annum above UOB's Cost of Funds*,

whichever is higher as may be determined by the Lenders at their absolute discretion. All such interest shall be calculated and accrue on a daily basis with monthly rests and shall be payable by KYM in arrears.

* *UOB's Cost of Funds is based on the Kuala Lumpur Inter Bank Offered Rate for such duration as may be determined by UOB plus the cost of maintaining reserves and complying with liquidity and other requirements imposed from time to time and at any time by Bank Negara Malaysia or any other relevant authority having jurisdiction over UOB.*

- (vi) If KYM does not pay any sum payable by it from time to time under the Debt Settlement Agreement when due, KYM shall pay to the respective Lenders additional interest of 3.5% per annum above the applicable rates prescribed in (v) above or at such other rate as may be prescribed by the Lenders from time to time calculated from the date of such default until the date of receipt by the Lenders of the full amount thereof at monthly rests. Any such interest which is not paid at the end of the month shall be added to the overdue sum and shall bear interest accordingly with monthly rest.
- (vii) Upon the Lenders' receipt of a written confirmation from the stakeholder that it is in receipt of the Tranche 1 Settlement Sum in full, the Lenders shall release and deliver to:
- (a) Vale's solicitors the original issue document of titles for the Disposal Properties and the respective letters of consent consenting to the presentation of the transfer of the Disposal Properties to Vale or its nominee; and
 - (b) the stakeholder the disclaimer letter disclaiming the rights, title and interest in, to and under the Disposal Properties.

- (viii) In the event Vale exercises the option to purchase the Option Properties and the Option Properties SPA is executed, then upon the Lenders' receipt of a written confirmation from the stakeholder that it is in receipt of the Tranche 2 Settlement Sum in full, the Lenders shall release and deliver to:
 - (a) Vale's solicitors the original issue document of titles for the Option Properties and the respective letters of consent consenting to the presentation of the transfer of the Option Properties to Vale or its nominee; and
 - (b) the stakeholder the disclaimer letter disclaiming the rights, title and interest in, to and under the Option Properties.
- (ix) In exchange for the payment of the Tranche 1 Settlement Sum by the stakeholder, the Lenders shall release and deliver to Vale's solicitors:
 - (a) the duplicate copies of the charges created by the Lenders over the Disposal Properties and the Option Properties;
 - (b) where applicable, the discharge of charge in respect of the relevant Disposal Properties; and
 - (c) where applicable, the withdrawal of lien-holder's caveat in respect of the relevant Disposal Properties.
- (x) In exchange for the payment of the Tranche 2 Settlement Sum by the stakeholder, the Lenders shall release and deliver to Vale's solicitors:
 - (a) the duplicate copies of the charges created by the Lenders over the Disposal Properties and the Option Properties;
 - (b) where applicable, the discharge of charge in respect of the relevant Option Properties; and
 - (c) where applicable, the withdrawal of lien-holder's caveat in respect of the relevant Option Properties.
- (xi) Upon receipt of the Settlement Sum, the Lenders will execute the relevant discharge documents to release and discharge the remaining existing securities created by the relevant security parties.

3. EFFECTS OF THE DEBT SETTLEMENT

3.1 Share Capital and Substantial Shareholders' Shareholding

The Debt Settlement will not have any effect on the share capital and substantial shareholders' shareholdings in KYM as the Debt Settlement will not involve any issuance of securities in KYM.

3.2 Earnings and Earnings Per Share

The KYM group is expected to register a gain of RM34.8 million resulting from the Debt Settlement (including the Disposal Properties and Option Properties) after taking into consideration interest waivers of RM59.9 million by the Lenders.

The Debt Settlement is expected to improve the earnings and earnings per share of the KYM group in the future financial years in view of the interest savings from the Debt Settlement.

3.3 Net Assets ("NA"), NA Per Share and Gearing

The proforma effect of the Debt Settlement on the NA, NA per share and gearing based on the audited consolidated financial statements of KYM for the financial year ended 31 January 2009 are as set below:-

| | Audited as at 31 January 2009 RM'000 | (I) After the Share Premium Reduction and the Par Value Reduction ^{(i) (ii)} RM'000 | (II) After (I) and the disposal of the Disposal Properties, Option Properties and Debt Settlement ⁽ⁱⁱⁱ⁾ RM'000 |
|--------------------------------------|--|--|---|
| Share capital | 81,135 | 40,568 | 40,568 |
| Share premium | 35,803 | - | - |
| Asset revaluation reserve | 31,063 | 31,063 | 10,762 |
| Accumulated profits/ (losses) | (124,551) | (48,431) | 6,726 |
| NA | 23,450 | 23,200 | 58,056 |
| Par value per ordinary share (RM) | 1.00 | 0.50 | 0.50 |
| No of ordinary shares | 81,135 | 81,135 | 81,135 |
| NA per share (RM) | 0.29 | 0.29 | 0.72 |
| Bank borrowings | 209,729 | 209,729 | 29,803 |
| Gearing ratio (times) | 8.94 | 9.04 | 0.51 |

Notes:-

- (i) The Share Premium Reduction was completed on 6 August 2009. It involved the utilisation of the Company's share premium to reduce the accumulated losses of the Company.

- (ii) *The Par Value Reduction was effected on 29 September 2009. As a result, the par value of KYM shares was reduced from RM1.00 per share to RM0.50 per share.*
- (iii) *After taking into account the net gain on disposal of the Disposal Properties and Option Properties of RM21.45 million and RM13.4 million respectively, which includes the interest waivers of RM59.9 million (as at 31 January 2009) by the Lenders pursuant to the Debt Settlement.*

3.4 Dividends

Any potential effect of the Debt Settlement on the dividends to be declared for the future financial years will be dependent on the dividend rate to be determined after taking into consideration the future financial performance of the KYM group.

4. APPROVALS REQUIRED

The Debt Settlement is not subject to the approval of the shareholders of KYM.

However, the successful implementation of the Debt Settlement is conditional upon the completion of the disposal of the Disposal Properties and Option Properties in accordance with the SPA and/or the Option Properties SPA.

The Debt Settlement is not conditional upon any other corporate exercises being undertaken by KYM (if any).

5. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the directors and/or major shareholders of KYM or persons connected to them have any interest, direct or indirect, in the Debt Settlement.

6. DIRECTORS' RECOMMENDATION

Having considered all aspects of the Debt Settlement, the Directors of KYM are of the opinion that the Debt Settlement is in the best interest of the KYM group.

7. DOCUMENTS FOR INSPECTION

The Debt Settlement Agreement will be available for inspection at the Registered Office of KYM at No.12, Lorong Medan Tuanku Satu, 50300 Kuala Lumpur during normal business hours on Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 11 December 2009.