

**SAM ENGINEERING & EQUIPMENT (M) BERHAD (“SAM MALAYSIA” OR “COMPANY”)
TENANCY AGREEMENT (“TA”) BETWEEN AVITRON PRIVATE LIMITED (“AVITRON”) AND SINGAPORE AEROSPACE MANUFACTURING PTE LTD (“SAM SINGAPORE”)**

1. INTRODUCTION

The Board of Directors of the Company wishes to announce that Avitron, had on 20 September 2012 entered into a TA to sublet from SAM Singapore a portion of a building measuring 133,373 square feet at 51 Corporation Road, Singapore 649806 (“Property”) for three (3) years from 28 September 2012 to 27 September 2015 (both days inclusive) at a monthly rental of USD73,355 (equivalent to RM224,584 at an exchange rate of USD1.00 : RM3.0616) based on USD0.55 per sq. ft., subject to yearly adjustment based on Singapore Consumer Price Index (“CPI”) with an option to renew for a further term not exceeding three (3) years (“Transaction”).

2. INFORMATION ON RELATED PARTIES

2.1. Avitron

Avitron was incorporated in Singapore on 13 July 2011 under the Companies Act of Singapore, Cap 50 for the purpose of facilitating the transfer of the newly acquired engine casing business from SAM Singapore. The Company is finalizing the transfer of equity interest in Avitron with Avitron targeted to be a wholly owned subsidiary effective 27 September 2012.

2.2. SAM Singapore

SAM Singapore was incorporated in Singapore and is a wholly owned subsidiary of Accuron Technologies Limited (“Accuron”) and Accuron, in turn, is a wholly owned subsidiary of Temasek Holdings (Private) Limited. SAM Singapore together with its wholly owned subsidiary, Singapore Precision Engineering Limited (“SPE”), collectively holds 81.60% equity interest in the Company. SAM Singapore is principally involved in the manufacture of aircraft equipment, spares, components and precision engineering parts, whilst SPE is an investment holding company.

3. SALIENT TERMS OF TA

3.1 The TA is subject to the approval of JTC Corporation (“JTC”) and Singapore Technologies Kinetics Pte Ltd (“STK”). Approvals from both JTC and STK had been obtained.

3.2 The rental shall be subject to annual review in accordance with the prevailing market rate subject to the percentage increase in the rent not exceeding the year-on-year percentage increase in the Singapore CPI as compared to the CPI of June of the preceding year.

4 BASIS OF CONSIDERATION FOR TENANCY

The Transaction was undertaken at arm’s length on a negotiated basis and on normal commercial terms based on an independent rental valuation of the Property on 14 August 2012 using the market comparison method.

5 RATIONALE FOR THE TRANSACTION

The Transaction will enable Avitron to maintain its office and factory space at the same premises for the manufacture of aircraft components and precision engineering parts, storage and for purposes ancillary or related to that use.

6 RISK FACTOR

The Board does not envisage any specific risk associated with the Transaction.

7 EFFECT OF THE TRANSACTION

The Transaction will not have any material effect on earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholding of the Company.

8 LIABILITIES TO BE ASSUMED

There is no liability, including contingent liability and guarantee, to be assumed by the Company arising from the Transaction.

9 THE DATE ON WHICH THE TERMS OF THE TRANSACTION WERE AGREED UPON

The terms of the Transaction were finalised on 20 September 2012.

10 INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

Mr Loh Chuk Yam, being the Non-Independent Non-Executive Chairman of the Company, Director and Deputy Chairman of SAM Singapore and Mr Goh Wee Keng, Jeffrey being the Chief Executive Officer of the Company, Director of SPE, the Director/President and Chief Executive Officer of SAM Singapore and Accuron and Chairman of Avitron are deemed interested in the Transaction.

Accordingly, Mr Loh Chuk Yam and Mr Goh Wee Keng, Jeffrey had abstained from deliberating and voting on the Transaction and will continue to abstain from Board deliberating and voting on any subject matter pertaining to the Transaction.

Apart from the above, none of the other directors of the Company and/or persons connected with them have any interest, direct or indirect, in the Transaction.

11 STATEMENT BY THE AUDIT & RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee had reviewed the Transaction supported by the independent rental valuation of the Property.

The Audit and Risk Management Committee is of the view that the Transaction is:

- a. in the best interest of SAM Malaysia;
- b. fair, reasonable and on normal commercial terms; and
- c. not detrimental to the interest of the minority shareholders.

12 STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors, after careful deliberation, is of the opinion that the Transaction is in the best interest of the Group.

13 APPROVALS REQUIRED

Save for the approvals required under para 3.1 above, the Transaction is not subject to any other approval including the approval of the shareholders of the Company.

14 PERCENTAGE RATIO

The highest percentage ratio applicable to the Transaction pursuant to Rule 10.02(g) of the Listing Requirements of Bursa Malaysia Securities Berhad is 4.3%.

15 TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTY FOR THE PRECEDING TWELVE (12) MONTHS

Apart from the related party transactions disclosed in the Company’s Annual Report 2012 and the recurrent related party transactions entered into by SAM Malaysia pursuant to the Company’s circular to shareholders dated 23 July 2012 which had been approved by the shareholders at the Extraordinary General Meeting on 7 August 2012, the total amount transacted with the same Related Party for the preceding twelve months was RM243,355.

16 DOCUMENTS FOR INSPECTION

The TA is available for inspection at the registered office of the Company at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang during normal working hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement,

This announcement is dated 24 September 2012.