



YONGNAM HOLDINGS LIMITED

(Company Registration No. 199407612N)

(Incorporated in the Republic of Singapore on 19 October 1994)

ENTRY INTO DEFINITIVE AGREEMENTS WITH UEM ASSETS PTE. LTD.

1. INTRODUCTION

- 1.1. The board of directors (the “**Board**” or “**Directors**”) of Yongnam Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**” and each a “**Group Company**”) refers to the announcements dated 23 November 2022 in relation to the responses to SGX queries and a letter to its shareholders in relation to an update on the Company’s affairs (the “**Previous Announcements**”).
- 1.2. The Board is pleased to announce that the Company has, on 19 January 2023, entered into the following agreements with UEM Assets Pte. Ltd. (the “**Subscriber**”, together with the Company, the “**Parties**”) in relation to the following:
- (a) a loan agreement (the “**Loan Agreement**”) for a term loan of S\$3,000,000 (the “**Loan**”); and
 - (b) a conditional subscription agreement (the “**Subscription Agreement**”) for the following:
 - (i) subscription by the Subscriber of S\$20,000,000 (the “**Subscription Amount**”) in new ordinary shares in the Company (the “**Subscription Shares**”), on the terms and conditions of the Subscription Agreement (the “**Proposed Subscription**”); and
 - (ii) subscription by the Subscriber of S\$10,000,000 in principal amount (the “**Option Amount**”) of unlisted and non-transferable share options (the “**Options**”), with each Option carrying the right to subscribe for one (1) new ordinary share in the Company (the “**Option Shares**”) per Option, on the terms and conditions of the Subscription Agreement (the “**Proposed Grant of Options**”, together with the Proposed Subscription and the Proposed Loan, the “**Proposed Transactions**”).

Please refer to paragraph 4 (*Principal Terms of the Loan Agreement*), paragraph 5 (*Principal Terms of the Subscription Agreement*), paragraph 6 (*Principal Terms of the Proposed Subscription*) and paragraph 7 (*Principal Terms of the Proposed Grant of Options*) of this announcement for further details on the Loan Agreement, the Subscription Agreement, the Proposed Subscription and the Proposed Grant of Options, respectively.

- 1.3. Together with the Proposed Transactions, it is contemplated that the Company will pursue other corporate actions, including but not limited to (a) a debt restructuring exercise of its wholly-owned subsidiary, Yongnam Engineering & Construction (Private) Limited (“**Yongnam Engineering**”) through a scheme of arrangement (the “**Proposed Scheme of Arrangement**”) in accordance with the Insolvency, Restructuring and Dissolution Act 2018 of Singapore (the “**IRDA**”) to restructure certain debts and liabilities owing to unsecured creditors of Yongnam Engineering, via settlement in cash and through the allotment and issue of new ordinary shares in the Company (the “**Settlement Shares**”); and (b) settlement arrangements in relation to existing facilities to be entered into by the Group with its respective lenders through relevant amendment agreements (the “**Lenders Settlement**”).

- 1.4. The Company has also undertaken to pursue a rights issue, at the Subscription Price for each Rights Share (as defined below) to the existing shareholders of the Company (the “**Shareholders**”) to raise approximately S\$6,300,000 (the “**Proposed Rights Issue**”).
- 1.5. Further details on the Proposed Scheme of Arrangement, Lenders Settlement and the Proposed Rights Issue will be provided in due course by the Company. The Company will keep the Shareholders updated on its contemplated corporate actions as and when updates are available, in compliance with the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Listing Manual**”).

2. INFORMATION ON THE SUBSCRIBER¹

- 2.1. The Subscriber is a private company incorporated in Singapore on 3 August 2022 with its principal activity as a holding company. As at the date of this announcement, it has a share capital of S\$10,000 and is wholly-owned by Mr. Ng Eng Guan (“**Mr. Ng**”). Mr. Ng is the sole director of the Subscriber.
- 2.2. Mr. Ng is the founder and managing director of U E Metal Enterprises Pte Ltd (“**UEMetal**”). He is a self-grown entrepreneur and has accumulated more than 30 years of experience in the building construction, warehousing and logistics industries. UEMetal’s principal business is in the sourcing of metal coil, manufacturing and distribution of metal sheets and metal finished products. Over the years, UEMetal has grown from strength to strength including achieving the Fastest Growing SME in Singapore for 2010 and 2011 as well as recipient of other Enterprises Awards. Since its incorporation in December 2002, UE Metal has grown in scale under his leadership from a 10-man company to more than 50 employees as of the date of this announcement. UEMetal recorded an annual turnover of approximately S\$56 million and approximately S\$143 million for the financial years of 2020 and 2021, respectively, and had a net profit after tax of approximately S\$1 million and approximately S\$5 million for the financial years of 2020 and 2021, respectively. As at 2021, UEMetal has a net worth of approximately S\$26 million.
- 2.3. As at the date of this announcement, each of the Subscriber and its shareholder (a) does not hold any Shares; and (b) is not related to any of the Directors, substantial shareholders of the Company, or their respective associates. There is also no connection (including business relationship) between the Subscriber and its shareholder and the Directors or substantial Shareholders of the Company.
- 2.4. As part of the Company’s fundraising efforts, the Company had approached various parties and also received interest for a potential transaction. The Subscriber was introduced by a business associate of the Company and had expressed interest in an investment in the Company.

3. BACKGROUND TO AND RATIONALE FOR THE PROPOSED TRANSACTIONS

3.1. Background to the Proposed Transactions

The construction industry continues to compete in a highly competitive operating environment where costs have been kept high by increased energy and construction material prices, and exacerbated by a tight labour supply. Margins of projects secured prior to the COVID-19 pandemic have been adversely impacted. Notwithstanding, the Company sees that infrastructural projects that had been delayed by the COVID-19 pandemic are recommencing and there would be further opportunities in the market over the next few years. The Company would need to put itself in a position to secure these projects.

As announced in the Previous Announcements, the Company had been in various discussions with its potential financiers and potential investors. In light of the ongoing negotiations then, the Company had called a trading suspension in relation to the shares of the Company (the “**Shares**”) commencing on 24 November 2022. The Company was of the view that a trading suspension

¹ Shareholders should note that certain information relating to the Subscriber in this paragraph has been provided by the Subscriber. The Company and the Directors have not independently verified the accuracy and correctness of such information. The sole responsibility of the Directors and the Company for the purpose of such information has been to ensure that such information has been accurately and correctly extracted and reproduced in this announcement in its proper form and context.

would avoid any irregular movement in share price and prevent any irregular trading activities that may result from the leakage of any information which the Company has no control over, and the trading suspension would also provide market certainty and avoid market confusion as the Company continues its focus on concluding the negotiations, with a view to strengthen the Group's balance sheet, improve the cash flow position of the Group and preserve value for its stakeholders.

The Proposed Transactions are in line with the Investment (as defined in the Previous Announcements) that was announced in general in the Previous Announcements, and the Group will also be undertaking the Proposed Scheme of Arrangement, the Lenders Settlement and the Proposed Rights Issue, as contemplated under the Subscription Agreement.

3.2. Rationale for the Proposed Transactions

Pursuant to the considerations above, the Company is of the view that the Loan is beneficial to the Company and the Group as the Loan will provide the Company with interim funds for its working capital requirements whilst undertaking the various corporate transactions contemplated.

The investment by the Subscriber through the Proposed Subscription is beneficial to the Company and the Group as, if entered into, will allow for certainty of funding for (a) the Proposed Scheme of Arrangement; (b) payment of Professional Fees (as defined in the Subscription Agreement); and (c) working capital for the Group. Therefore, such funds will put the Company in a position to continue as a going concern and to secure new projects in the near future. Further, upon the completion of the Proposed Rights Issue, and if and when the Options are exercised, the Company will also have further access to funds from the proceeds of the Proposed Rights Issue and the exercise of the Options (if any) for working capital.

The Proposed Transactions will place the Group in a position to carry out the Proposed Scheme of Arrangement and the Lenders Settlement, without which the Group will not have sufficient funds to repay eligible creditors under the Proposed Scheme of Arrangement and negotiate settlement arrangements with its existing lenders for the Lenders Settlement. Therefore, with the completion of the Proposed Transactions, the Proposed Scheme of Arrangement and the Lenders Settlement, the Group will have sufficient working capital to meet its requirements.

4. PRINCIPAL TERMS OF THE LOAN AGREEMENT

Principal Amount:	S\$3,000,000.
Interest Rate:	Three (3) per cent. per annum, to be accrued and payable on the Final Repayment Date (as set out below).
Use of Proceeds:	Funding the working capital of the Group.
Final Repayment Date:	The Company shall repay the Loan and any (including all interest accrued thereunder) other amounts due but unpaid under the Loan Agreement in full on the date falling on the earlier of (a) the completion date of the Proposed Subscription and the Proposed Grant of Options; and (b) 31 December 2023.

5. PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

5.1. Details of Subscription Shares

The Subscriber will be allotted and issued 1,111,111,111 Subscription Shares at the subscription price of S\$0.018 (the "**Subscription Price**") for the full Subscription Amount, on the Completion Date (as defined below).

For further details, please see paragraph 6 (*Principal Terms of the Proposed Subscription*) of this announcement.

5.2. Details of Options

The Subscriber will be granted 505,050,505 unlisted and non-transferable Options (as determined by dividing the Option Amount by the option price which is equivalent to S\$0.0198 (the “**Option Price**”), on the Completion Date, for an aggregate consideration of S\$1.00. Each Option carries the right to subscribe for one (1) Option Share. The Options will not be listed or quoted on any stock exchange and shall be non-transferable in accordance with the terms and conditions of the Options.

For further details, please see paragraph 7 (*Principal Terms of the Proposed Grant of Options*) of this announcement.

5.3. Conditions

Completion of the Proposed Subscription and the Proposed Grant of Options (the “**Completion**”) shall be conditional upon the following (the “**Conditions**”):

- (a) all necessary consents where required for the change of control of the Company (resulting from the allotment and issuance of the Subscription Shares and Options), having been obtained by each Group Company, on terms and conditions satisfactory to the Subscriber in its sole and absolute discretion (acting reasonably);
- (b) the terms and conditions of the Proposed Scheme of Arrangement, being satisfactory to the Subscriber;
- (c) the entry into the Lenders Settlement on terms and conditions being satisfactory to the Subscriber;
- (d) the Proposed Scheme of Arrangement being binding on Yongnam Engineering and all the creditors subject thereto, and having been approved by the courts pursuant to Part 5 of the IRDA and lodged with the Accounting and Corporate Regulatory Authority of Singapore (“**ACRA**”) in accordance with Section 71(10) of the IRDA;
- (e) the Company obtaining an opinion by an independent financial adviser (the “**IFA**”) that the terms of the transactions which are the subject of the Whitewash Waiver (as defined below) are fair and reasonable;
- (f) the submission of a proposal for the resumption of trading of the Shares on the Mainboard of the SGX-ST taking into account, amongst others, the Proposed Transactions, the Proposed Scheme of Arrangement and the Lenders Settlement (the “**Resumption Proposal**”), and receipt of a no-objection letter from the SGX-ST indicating that has no objection to the Resumption Proposal;
- (g) the in-principle approval of SGX-ST being obtained for the listing and quotation of the Subscription Shares, the Settlement Shares and the Option Shares (and the SGX-ST not having revoked, rescinded or cancelled such approval), and if obtained on conditions, such conditions being acceptable to the Subscriber in its sole and absolute discretion (acting reasonably), and to the extent that any such conditions are required to be fulfilled on or before the Completion Date, they are so fulfilled;
- (h) the grant by the Securities Industry Council of Singapore (“**SIC**”) (and the SIC not having revoked or repealed such grant) of the waiver of the obligation of the Subscriber to make a mandatory general offer under Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Takeover Code**”) for the Shares not held by the Subscriber following the allotment and issue of the Subscription Shares pursuant to the Subscription under the Subscription Agreement and the Option Shares pursuant to the exercise of the Options under the Subscription Agreement, subject to (i) any conditions that the SIC may impose, provided that such conditions are reasonably acceptable to the Subscriber (the “**Whitewash Waiver**”); and (ii) the independent Shareholders approving at a general meeting of the Company the proposed ordinary resolution of the Company which if passed by the independent Shareholders would result in a waiver by the independent Shareholders of their right to

receive a mandatory general offer from the Subscriber in connection with the allotment and issue of the Subscription Shares and the Option Shares (the “**Whitewash Resolution**”);

- (i) Shareholders’ approval being obtained at an extraordinary general meeting (an “**EGM**”) to be duly convened for, *inter alia*, the Proposed Subscription and the Proposed Grant of Options including the allotment and issue of the Subscription Shares, the Option Shares (pursuant to the exercise of the Options), the Lenders Settlement and the Proposed Scheme of Arrangement including the allotment and issue of the Settlement Shares, the transfer of controlling interest to the Subscriber, the Whitewash Resolution and the appointment of the Subscriber Directors (as defined below) (collectively, the “**Resolutions**”);
- (j) such consents, approval or waiver as may be required (or deemed necessary by the Parties) being obtained from any other person(s), including but not limited to any governmental, regulatory body or competent authority having jurisdiction over the Parties in respect of the transactions contemplated in the Subscription Agreement and such consents, approvals or waivers not having been amended or revoked and if any such consents, approvals or waivers are subject to conditions, such conditions being reasonably acceptable to the Parties;
- (k) the Proposed Subscription and the Proposed Grant of Options and the allotment and issue of the Subscription Shares and the Option Shares and the Proposed Scheme of Arrangement and the Lenders Settlement not being prohibited by any applicable statute, order, rule, regulation or directive or request (whether or not having the force of law) promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority in Singapore, including the SGX-ST and the SIC;
- (l) the Company being in material compliance with all legal and other requirements necessary for the Proposed Subscription, the Proposed Grant of Options, the Proposed Scheme of Arrangement and the Lenders Settlement (including the Companies Act 1967 of Singapore, the Securities and Futures Act 2001 of Singapore (the “**SFA**”) and the Listing Manual);
- (m) there not having been, in the period commencing from the date of the Subscription Agreement and up to Completion, any Material Adverse Change (as defined in the Subscription Agreement);
- (n) (i) all the representations and warranties of the Company set forth in the Subscription Agreement that are (A) qualified as to materiality remaining true and correct; and (B) not so qualified as to materiality remaining true and correct in all material respects in each case, as at and as if made on the Completion Date; and (ii) the Company shall have performed in all material respects all of its undertakings and obligations hereunder which are to be performed by the Completion Date; and
- (o) (i) the appointment of such persons as may be nominated by the Subscriber in its sole and absolute discretion onto the board of directors of the Company, such appointments taking effect upon Completion (the “**Subscriber Directors**”); and (ii) the resignation/removal of such existing directors as may be required by the Subscriber, provided that the Company shall always be in compliance with the relevant laws and regulations (including the Listing Manual and the Code of Corporate Governance 2018 of Singapore) in relation to such appointments and resignations/removals.

5.4. **Inter-conditionality**

Completion of the Proposed Subscription and the Proposed Grant of Options shall be inter-conditional with the Lenders Settlement and the completion of the allotment and issue of the Settlement Shares pursuant to the Proposed Scheme of Arrangement and the resumption of the trading of the Shares on the Mainboard of the SGX-ST. Failing which, the Completion will not proceed unless otherwise mutually agreed by the Parties.

5.5. **Longstop Date**

Each Party undertakes to use all reasonable endeavours to procure the expeditious fulfilment of the Conditions, and in any event by the date falling eight (8) months from the date of the

Subscription Agreement (or such other date as may be mutually agreed between the Parties) (the “**Longstop Date**”). If, at any time prior to the Longstop Date or the Completion Date (as the case may be), any Party becomes aware of a fact or circumstance which might prevent any of the Conditions from being satisfied, it shall immediately inform the other Party of the same in writing.

5.6. **Completion**

Completion shall take place on a date which shall be no later than 14 business days from the date falling on which all of the Conditions have been satisfied or waived (the “**Completion Date**”), at the office of the Company (or at such other place or by such other means as may be agreed between the Parties).

Without prejudice to any other remedies available, if in any respect the Completion provisions of the Subscription Agreement are not complied with by any Party on the Completion Date, the Party not in default may:

- (a) defer Completion to a date not more than 28 days after the Completion Date and not later than the Longstop Date (and so that the Completion provisions of the Subscription Agreement shall apply to Completion as so deferred);
- (b) effect Completion so far as practicable having regard to the default(s) which have occurred without prejudice to their rights hereunder; or
- (c) terminate the Subscription Agreement (save for the relevant surviving provisions thereto) and no Party shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise in respect of the Proposed Transactions, save for any antecedent breach of the Subscription Agreement.

5.7. **Representations and Warranties**

Each Party has, in the Subscription Agreement, provided such representations and warranties as are customary in each capacity for transactions of the nature of the Proposed Subscription, the Proposed Grant of Options or other similar transactions.

5.8. **Company Undertakings**

The Company has made certain undertakings in favour of the Subscriber during the period from the date of the Subscription Agreement up to and including the Completion Date, including but not limited to the following:

- (a) it shall, and shall procure that each Group Company shall, carry on its and their respective business in the ordinary course in substantially the same manner as previously conducted and to the extent consistent therewith;
- (b) it shall work towards Completion with the Subscriber exclusively under the Subscription Agreement; and
- (c) it shall use its best endeavours to procure the appointment of such persons as may be nominated by the Subscriber in its sole and absolute discretion onto the board of directors of the Company, such appointments taking effect upon Completion, provided that the Company shall always be in compliance with the relevant laws and regulations (including the Listing Manual and the Code of Corporate Governance 2018 of Singapore) in relation to such appointments.

The Company has also further undertaken to the Subscriber that:

- (a) it shall undertake the Proposed Rights Issue for its existing Shareholders where such Shareholders shall be entitled to a new Share (the “**Rights Shares**”) for every two (2) Shares held, at the Subscription Price for each Rights Share to its Shareholders, to raise approximately S\$6,300,000; and

- (b) it shall utilise the proceeds from the Subscription first for the repayment of all outstanding amounts under the Loan (including all interest accrued thereunder) and the balance amounts for partial settlement of the cash component under the Proposed Scheme of Arrangement, payment of Professional Fees and working capital.

5.9. Termination

If there shall have come to the notice of any Party (the “**Non-Defaulting Party**”) of any breach of the representations, warranties and undertakings set out in the Subscription Agreement by the other Party (the “**Defaulting Party**”) which is not remedied (to the reasonable satisfaction of the Non-Defaulting Party) within up to 30 business days (or such other period to be agreed between the Parties, as appropriate) from the receipt of a written notice by the Defaulting Party from the Non-Defaulting Party notifying of such breach, the Non-Defaulting Party may thereafter at any time prior to or on the Completion Date by notice in writing to the Defaulting Party terminate the Subscription Agreement, but failure to exercise this right shall not constitute a waiver of any other rights of the Non-Defaulting Party arising out of any such breach.

Upon such notice being given, the Subscription Agreement shall terminate forthwith and the Parties shall be released and discharged of their obligations, without prejudice to any rights in respect of any antecedent breach under the Subscription Agreement, and the Subscription Agreement (save for the surviving provisions thereunder) shall be of no further effect and no Party shall be under any liability to the others in respect of the Subscription Agreement.

5.10. Governing Law and Jurisdiction

The validity, construction and performance of the Subscription Agreement (and any claim, dispute or matter arising under or in connection with it or its enforceability) shall be governed by and construed in accordance with the laws of Singapore.

Any claims, disputes or matters arising out of or in connection with the Subscription Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration administered by the Singapore International Arbitration Centre (the “**SIAC**”) in accordance with the Arbitration Rules of the SIAC for the time being in force.

6. PRINCIPAL TERMS OF THE PROPOSED SUBSCRIPTION

6.1. Issue Size

The number of Subscription Shares to be allotted and issued by the Company is 1,111,111,111. The Subscription Shares represent approximately (a) 157.84% of the total number of issued Shares in the existing share capital of 703,942,767 Shares as at the date of this announcement; and (b) 61.22% of the enlarged share capital of 1,815,053,878 Shares (assuming the issue of the Subscription Shares, no Options are exercised, no Convertible Bonds (as defined below) are converted, no Settlement Shares or Rights Shares have been allotted and issued).

The Subscription Shares when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the Mainboard of the SGX-ST and rank *pari passu* with all other existing Shares, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls on or before the Completion Date.

6.2. Subscription Price

The Subscription Price of S\$0.018 per Subscription Share represents a discount of approximately 29.1% to the volume weighted average price (the “**VWAP**”) of S\$0.0254 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. For the avoidance of doubt, no Shares were traded on 23 November 2022.

6.3. Authority to Allot and Issue the Subscription Shares

The Company will be seeking specific Shareholders' approval for the Proposed Subscription and the allotment and issue of the Subscription Shares at an EGM pursuant to Rules 803, 805(1) and 811(3) of the Listing Manual.

Shareholders are to note that the Subscriber will be a new controlling Shareholder following completion of the Proposed Subscription and the Proposed Grant of Options (including the allotment and issue of the Subscription Shares). A circular is expected to be issued and despatched by the Company to its Shareholders in due course, containing the necessary information to seek the approvals required, including any business plans which the Subscriber may have for the Company, going forward. Please see paragraph 12 (*Regulatory and Shareholder Approvals Required*) of this announcement for further details of the regulatory and shareholder approvals required.

6.4. Use of Proceeds

The aggregate gross proceeds from the Proposed Subscription (of S\$20,000,000) will be used by the Company first for the repayment of the Loan and the balance amounts for partial settlement of the cash component under the Scheme of Arrangement, payment of Professional Fees and working capital.

The Company will provide more details to its Shareholders in due course following the finalisation of the terms of the Proposed Scheme of Arrangement (i.e. the settlement terms of the Proposed Scheme of Arrangement), including on the percentage allocation of the proceeds for the abovementioned purposes.

Pending the deployment of the proceeds for its use, such proceeds may be deposited with banks and/or financial institutions or invested in money market instruments and/or securities, or used for any other purpose on a short-term basis, as the Directors may in their absolute discretion deem fit.

Periodic announcements on the utilisation of the proceeds will be made as and when such funds are materially disbursed, and a status report will be provided on the use of the proceeds from the Proposed Subscription (including a breakdown with specific details) in the interim and full year financial statements issued under Listing Manual and its annual reports. Where the proceeds are used for general working capital purposes, an announcement will be made with a breakdown with specific details on the use of proceeds for working capital. Where there is any material deviation from the stated use of the proceeds, an announcement will be made with the reasons for such deviation.

6.5. Rule 812 of the Listing Manual

The Subscriber does not belong to any of the categories of persons set out in Rule 812(1) of the Listing Manual. Accordingly, none of the Subscription Shares will be placed to any person who is a Director or substantial Shareholder of the Company, or any other person in the categories set out in Rule 812(1) of the Listing Manual.

6.6. No Placement Agent

There is no placement agent appointed for the Proposed Subscription. The Proposed Subscription will be by way of a private placement pursuant to an exempted offer under Section 272B of the Securities and Futures Act 2001 of Singapore (the "SFA"). Hence, no prospectus or offer information statement will be issued in connection with the Proposed Subscription.

7. PRINCIPAL TERMS OF THE PROPOSED GRANT OF OPTIONS

7.1. Principal Terms of the Options

Consideration: S\$1.00.

Status and Transferability of the Options: The Options constitute valid, legally binding and enforceable obligations and are unlisted and non-transferable.

Exercise Rights of the Options:	<p>Each Option entitles the holder of the Options (the “Option Holder”) to subscribe for one (1) Option Share at the relevant Exercise Price (as defined below) during the Exercise Period (as defined below).</p> <p>Subject to the terms and conditions of the Options, the Option Holder may only exercise the Options in tranches of S\$500,000 at any time during the Exercise Period (with fractional entitlements to be disregarded), save where the balance of Options held by an Option Holder is less than S\$500,000, in which case, the Option Holder may exercise all but not some of such balance of the Options (with fractional entitlements to be disregarded).</p>
Exercise Price:	<p>The exercise price shall be the sum payable in respect of each Option Share for which an Option Holder shall subscribe upon exercise of an Option (the “Exercise Price”) shall be S\$0.0198, subject to any adjustments required as summarised below in <i>Adjustments</i> pursuant to the terms and conditions of the Options in the Subscription Agreement.</p>
Exercise Period:	<p>The exercise period shall be the period commencing on and including the date of issue of the Options and expiring on the third (3rd) anniversary of the date of issue of the Options, unless such date is a date on which the register of members is closed or is not a market day, in which event, such period shall end on the date after to the closure of the register of members or immediate preceding market day (as the case may be) (the “Exercise Period”).</p>
Exercise Date:	<p>The exercise date, in relation to the exercise of the Options, shall be the market day (falling within the Exercise Period) on which the applicable conditions referred to in the terms and conditions of the Options in the Subscription Agreement are fulfilled, or (if fulfilled on different days) on which the last of such conditions is fulfilled, provided that if any such day falls on a date when the register of members of the Company is closed, the exercise date shall be the following market day on which the register of members is open (the “Exercise Date”).</p> <p>The Options which are exercised shall be treated as exercised on the Exercise Date, and shall immediately thereafter be cancelled on the Exercise Date.</p>
Expiry Date:	<p>Last day of the Exercise Period (the “Expiry Date”).</p>
Adjustments:	<p>The Exercise Price and number of Options are subject to certain anti-dilution adjustments under circumstances provided for in the Subscription Agreement. Such circumstances relate to, <i>inter alia</i>:</p> <ul style="list-style-type: none"> (a) an issue of shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature or not) to its Shareholders (other than an issue of shares to Shareholders who elect to receive shares in lieu of cash or other dividend); (b) a Capital Distribution (as defined in the terms and conditions of the Options in the Subscription Agreement) made to its Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);

- (c) an offer or invitation made to its Shareholders whereunder they may acquire or subscribe for shares by way of rights; or
- (d) any share split, consolidation, reclassification or subdivision of the shares,

subject to any exceptions as set out in the terms and conditions of the Options in the Subscription Agreement.

Notice of Expiry:

The Company shall, not later than one (1) month before the Expiry Date, announce the Expiry Date on the SGXNet. Additionally, the Company shall, not later than one (1) month before the Expiry Date, take reasonable steps to notify the Option Holder in writing of the Expiry Date and such notice shall be delivered personally or by post to the address of the Option Holder.

Alteration to Terms:

No material alteration to the terms of the Options after the issue thereof to the advantage of the Option Holder shall be made, unless the alterations are made pursuant to the terms and conditions of the Options or the prior approval of Shareholders in general meeting has been sought.

No modification or alteration shall materially adversely affect the rights attaching to any Option granted prior to such modification or alteration, except with the written consent of the Option Holders holding or representing not less than fifty per cent. (50%) of the Options for the time being unexercised.

Governing Law:

The Options and the terms and conditions of the Options shall be governed by and construed in accordance with the laws of the Republic of Singapore.

7.2. Issue Size

The number of Options Shares to be allotted and issued by the Company, upon exercise of the Options is 505,050,505. The Option Shares represent approximately (a) 71.75% of the total number of issued Shares in the existing share capital of 703,942,767 Shares as at the date of this announcement; and (b) 21.77% of the enlarged share capital of 2,320,104,383 Shares (assuming the issue of the Subscription Shares, all Options are exercised, no Convertible Bonds are converted and no Settlement Shares or Rights Shares have been allotted and issued).

The Option Shares when allotted and issued, are duly authorised, validly issued and credited as fully paid-up, free from any and all encumbrances, listed and tradable on the SGX-ST and rank *pari passu* with all other existing Shares, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of the Option Shares.

7.3. Authority to Issue the Option Shares

The Company will be seeking specific Shareholders' approval for the Proposed Grant of Options and the allotment and issue of the Option Shares at an EGM to be convened pursuant to Rules 803, 805(1), 811(3), 812(2) and 824 of the Listing Manual.

7.4. Use of Proceeds

The amount of proceeds from the exercise of the Options issued pursuant to the Proposed Grant of Options is dependent on the number of Options validly exercised by the Subscriber during the Exercise Period.

Assuming that all the Options are validly exercised during the Exercise Period, the aggregate gross proceeds from the allotment and issue of Option Shares will be S\$10,000,000.

Aside from administrative costs such as listing expenses involved in the allotment and issue of the Option Shares, no material expenses are expected to be incurred from the Proposed Grant of Options. Assuming that all the Options are validly exercised, the aggregate gross proceeds from the exercise of the Options shall be used for working capital for the Group.

Pending the deployment of the proceeds for its use, such proceeds may be deposited with banks and/or financial institutions or invested in money market instruments and/or securities, or used for any other purpose on a short-term basis, as the Directors may in their absolute discretion deem fit.

Periodic announcements on the utilisation of the proceeds will be made as and when such funds are materially disbursed, and a status report will be provided on the use of the proceeds from the Proposed Grant of Options (including a breakdown with specific details) in the interim and full year financial statements issued under Listing Manual and its annual reports. Where the proceeds are used for general working capital purposes, an announcement will be made with a breakdown with specific details on the use of proceeds for working capital. Where there is any material deviation from the stated use of the proceeds, an announcement will be made with the reasons for such deviation.

7.5. **Rule 812 of the Listing Manual**

As at the date of this announcement, the Subscriber does not belong to any of the categories of persons set out in Rule 812(1) of the Listing Manual. Accordingly, none of the Options will be placed to any person who is a Director or substantial Shareholder of the Company, or any other person in the categories set out in Rule 812(1) of the Listing Manual.

7.6. **No Placement Agent**

There is no placement agent appointed for the Proposed Grant of Options. The Proposed Grant of Options will be by way of a private placement pursuant to an exempted offer under Section 272B of the SFA. Hence, no prospectus or offer information statement will be issued in connection with the Proposed Grant of Options.

8. **FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION AND THE PROPOSED GRANT OF OPTIONS**

8.1. The *pro forma* financial effects of the Proposed Subscription and the Proposed Grant of Options on the Company's share capital, the Group's net tangible assets ("**NTA**") per share and earnings or losses per share ("**EPS**" or "**LPS**") as set out below are strictly for illustrative purposes and are not indicative of the actual financial position and results of the Group following the Proposed Subscription and the Proposed Grant of Options.

8.2. As at the date of this announcement, the Company has an issued and paid-up capital of approximately S\$153,003,994.60 comprising 703,942,767 Shares. As at the date of this announcement, the Company has (a) existing outstanding 7.0% redeemable convertible bonds of S\$5,170,000 in principal amount, redeemable on 27 April 2023 (the "**Convertible Bonds**"); and (b) no treasury shares or subsidiary holdings.

8.3. The *pro forma* financial effects have been prepared based on the latest audited financial results of the Group for the financial year ended 31 December 2021, and on the following bases and assumptions:

- (a) the existing share capital of the Company is 703,942,767 Shares;
- (b) there is no conversion of the Convertible Bonds;

- (c) the Proposed Scheme of Arrangement and the Proposed Rights Issue have not been taken into consideration and therefore, no Settlement Shares or Rights Shares have been allotted and issued; and
- (d) only expenses related to the Proposed Subscription and the Proposed Grant of Options have been taken into consideration.

8.4. Share Capital

	Number of Shares
Before the Proposed Subscription and the Proposed Grant of Options	703,942,767
After completion of the Proposed Subscription and the Proposed Grant of Options ⁽¹⁾	1,815,053,878
After completion of the Proposed Subscription and the Proposed Grant of Options ⁽¹⁾ and exercise of all Options ⁽²⁾	2,320,104,383

Notes:

- (1) Upon the allotment and issue of 1,111,111,111 Subscription Shares and the grant of 505,050,505 Options on the Completion Date.
- (2) Upon the exercise of all 505,050,505 Options resulting in the allotment and issue of 505,050,505 Option Shares.

8.5. NTA per Share

Assuming that the Proposed Subscription and the Proposed Grant of Options were completed on 31 December 2021, the *pro forma* financial effects on the Group's NTA per Share would be as follows:

	Before the Proposed Subscription and the Proposed Grant of Options	After completion of the Proposed Subscription and the Proposed Grant of Options	After completion of the Proposed Subscription and the Proposed Grant of Options and exercise of all Options
NTA (S\$)	93,124,473	112,584,923	122,551,923
Number of Shares	703,942,767	1,815,053,878	2,320,104,383
NTA per Share (Singapore cents)	13.23	6.20	5.28

8.6. LPS

Assuming that the Proposed Subscription and the Proposed Grant of Options were completed on 1 January 2021, the *pro forma* financial effects on the Group's LPS would be as follows:

	Before the Proposed Subscription and the Proposed Grant of Options	After completion of the Proposed Subscription and the Proposed Grant of Options	After completion of the Proposed Subscription and the Proposed Grant of Options and exercise of all Options
(Losses) (S\$)	(27,238,226)	(27,238,226)	(27,238,226)
Number of Shares	703,942,767	1,815,053,878	2,320,104,383
(LPS) (Singapore cents)	(3.87)	(1.50)	(1.17)

9. DEED OF UNDERTAKING TO THE SUBSCRIBER AND THE COMPANY

In connection with the Proposed Transactions, Mr. Seow Soon Yong, the Chief Executive Officer and a substantial Shareholder, has pursuant to a deed of undertaking dated 19 January 2023 executed in favour of the Subscriber and the Company, irrevocably undertaken to the Subscriber and the Company, that he shall, *inter alia*, maintain his shareholding interest in not less than 90,187,115 Shares (the "**Relevant Shares**") and not dispose of, encumber or otherwise deal with the Relevant Shares until Completion and shall vote in favour of the Resolutions proposed to be passed at the EGM in respect of all of the voting rights attached to the Relevant Shares.

10. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and to the best of the knowledge of the Company, none of the controlling Shareholders have any interest, direct or indirect, in the Proposed Transactions, other than through their respective directorships and shareholdings in the Company, if any.

11. WHITEWASH WAIVER

11.1. Under Rule 14.1 of the Takeover Code, except with the consent of the SIC, where:

- (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; and
- (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights,

such person must extend offers immediately to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares (including, where applicable, to make a general offer for the downstream companies held by such company) (a "**Mandatory Offer**"). In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

11.2. Assuming that all Options are exercised, the Subscriber will hold such number of Shares representing approximately 69.66% of the enlarged share capital of 2,320,104,383 Shares

(assuming the issue of the Subscription Shares, all Options are exercised, no Convertible Bonds are converted and no Settlement Shares have been allotted and issued).

- 11.3. This triggers the requirement for the Subscriber to make a Mandatory Offer, unless a Whitewash Waiver is obtained from the SIC and approval of independent Shareholders is obtained for, *inter alia*, the Whitewash Resolution, at an EGM to be convened.
- 11.4. The Company will in due course submit an application to the SIC to seek the Whitewash Waiver for the Subscriber to make a Mandatory Offer as a result of the allotment and issue to the Subscriber of the Subscription Shares pursuant to the Proposed Subscription and the Option Shares pursuant to the exercise of all Options, to the Subscriber, and will make the necessary announcements upon receipt of the Whitewash Waiver from the SIC.

12. REGULATORY AND SHAREHOLDER APPROVALS REQUIRED

- 12.1. The Proposed Subscription and the Proposed Grant of Options will be subject to several conditions, including but not limited to the Whitewash Waiver being granted by the SIC and the specific approval of shareholders for, *inter alia*, the Proposed Subscription, proposed allotment and issue of Subscription Shares pursuant to the Proposed Subscription, the Proposed Grant of Options, the proposed allotment and issue of Option Shares pursuant to the Options granted under the Proposed Grant of Options, the proposed transfer of controlling interest in the Company to the Subscriber, the Proposed Scheme of Arrangement (specifically the allotment and issue of the Settlement Shares), the appointment of the Subscriber Directors and the approval of independent Shareholders for the Whitewash Resolution, at the EGM to be convened.
- 12.2. A circular to Shareholders containing, *inter alia*, further information as required under the Listing Manual, and the report from an independent financial adviser in relation to the Whitewash Waiver, together with the notice of the EGM, will be despatched to Shareholders in due course.
- 12.3. The Proposed Scheme of Arrangement and the Proposed Rights Issue shall be subject to relevant approvals from the regulatory authorities and the Shareholders. Details in relation to such transactions shall be provided in due course.
- 12.4. In addition, the Company will in due course apply to the SGX-ST for the listing and quotation of the (a) Subscription Shares; (b) Option Shares when issued pursuant to the full exercise of the Options; and (c) Settlement Shares, on the Mainboard of the SGX-ST, and will make the necessary announcements upon receipt of the approval in-principle of the SGX-ST for the listing and quotation of such Shares.
- 12.5. The Company will also be submitting an application to the SGX-ST for the resumption of trading of the Shares on the SGX-ST.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Subscription 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.

14. FURTHER ANNOUNCEMENTS

The Company will also make the requisite announcements in compliance with the requirements of the Listing Manual, when there are material developments in respect of the Proposed Transactions, the Proposed Scheme of Arrangement and the Proposed Rights Issue.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the

Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

16. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Transactions Issue remain subject to, amongst others, the fulfilment of the conditions precedent under the definitive agreements entered into. **There is no certainty or assurance that the conditions precedent for the Proposed Transactions can be fulfilled or that the Proposed Transactions will be undertaken at all.** Although the Shares are under suspension, shareholders, securityholders and the Subscriber are advised to read this announcement and any past and future announcements by the Company carefully when dealing with the Shares and securities of the Company. Shareholders, securityholders, and the Subscriber should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take or when dealing with their Shares or securities of the Company.

For and on behalf of the Board of Directors of
YONGNAM HOLDINGS LIMITED

Seow Soon Yong
Chief Executive Officer
19 January 2023