



YONGNAM HOLDINGS LIMITED

(Company Registration No. 199407612N)

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

ENTRY INTO JOINT VENTURE AGREEMENT BETWEEN YONGNAM ENGINEERING & CONSTRUCTION (PRIVATE) LIMITED AND TURBO VISION 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**”) wishes to announce that Yongnam Engineering & Construction (Private) Limited (“**YEC**”), a wholly-owned subsidiary of the Group, has on 6 July 2023 entered into a joint venture agreement (the “**JVA**”) governed by the laws of Singapore with Turbo Vision Pte. Ltd. (“**TVPL**”, and together with YEC, the “**Parties**”).
- 1.2. Under the JVA, the Parties intend to establish a joint venture entity (the “**JV Entity**”), to be incorporated in Singapore to carry out the Business (as defined below) (the “**Joint Venture**”).

2. INFORMATION ON TVPL

- 2.1. On 13 April 2023, the Company has announced (the “**13 April Announcement**”) that it had entered into:
 - (a) a loan agreement for a term loan in the principal amount of S\$3,000,000 extended by TVPL to the Company (the “**Loan**”); and
 - (b) a conditional subscription agreement for the subscription by TVPL of (i) S\$20,000,000 in new ordinary shares in the Company; and (ii) unlisted share options of a total principal amount of S\$30,000,000 in the Company (the “**Investment**”).

Please refer to the 13 April Announcement for further information relating to the Loan and the Investment.

- 2.2. As disclosed in the 13 April Announcement, TVPL is a private company incorporated in Singapore on 21 May 2018 with its business activities being the wholesale of electric components and industrial design activities. As at the date of this announcement, it has an issued and paid-up share capital of S\$10,000,000 and is wholly-owned by Mr. Wang Jinyu (“**Mr. Wang**”). Mr. Wang is the sole director of TVPL.
- 2.3. Mr. Wang is a Singapore permanent resident businessman with multiple companies established in China, India, Hong Kong, France and Singapore covering fields such as electronic technology, software research and development, construction and building materials with business coverage in more than 50 countries worldwide, and annual sales of approximately US\$120 million. In particular, Mr. Wang established Beijing Orient View Technology Co., Ltd. in 2002, which specialises in the research and development as well as manufacturing and marketing of interactive video products for the broadcast and telecommunications industry. Mr. Wang has a Bachelor’s Degree in Computer Application from the Beijing University of Posts and Telecommunications and a Master’s Degree in Computer Application from the Second Research Institute of China Aerospace Corporation.

- 2.4. As at the date of this announcement, save in relation to the Loan and the Investment (as applicable):
- (a) TVPL and its shareholder (i) do not hold any shares of the Company (the “**Shares**”); and (ii) are not related to any of the Directors, substantial Shareholders, or their respective associates; and
 - (b) there is also no connection (including business relationship) between TVPL and its shareholder and the Directors or substantial Shareholders.

3. INFORMATION ON THE JV ENTITY

- 3.1. Under the JVA, YEC and TVPL will incorporate a JV Entity in Singapore. The initial paid-up capital of the JV Entity will be S\$10,000,000.
- 3.2. Upon the incorporation of the JV Entity, the Parties have agreed on the following structure of the JV Entity:

Name of Shareholder	Paid-up capital contribution (S\$)	Shareholding percentage (%)
TVPL	7,000,000	70.0
YEC	3,000,000	30.0

- 3.3. The JV Entity will be incorporated to cooperate to bid for and execute new projects (the “**Projects**”) in the business activities of YEC as at the date of the JVA, including (a) structural steelwork fabrication and supply; (b) provision of specialist civil engineering services; and (c) provision of specialist services in the supply, fabrication and installation of mechanical equipment for chemical plants, refineries and other infrastructure projects (the “**Business**”). This shall be the sole objective of the JV Entity and no other businesses shall be undertaken by the JV Entity unless otherwise agreed in writing by TVPL and YEC.

4. RATIONALE FOR AND BENEFITS IN ENTERING INTO THE JVA

4.1. Background

The Company had called a trading suspension in relation to the Shares commencing on 24 November 2022, with the view that a trading suspension 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 had no control over. The Company believed that the trading suspension would provide market certainty and avoid market confusion as the Company continued its focus on concluding its negotiations with its stakeholders, with a view to strengthen the Group’s balance sheet, improve the cash flow position of the Group and preserve value for its stakeholders.

Subsequent thereto, the Company had entered into agreements with TVPL for the Loan and the Investment, with a view to commence discussions with its creditors and undertake a debt restructuring exercise. To that end, the Company and YEC had applied for moratoria relief and was granted such relief up to 15 May 2023, which was subsequently extended to 15 August 2023 (the “**Moratorium**”). It was the intention for the Company and YEC to undertake a debt restructuring exercise, which will be through:

- (a) a scheme of arrangement of the Company where certain outstanding debts and liabilities owed to its creditors will be restructured and settled via cash and issue of new shares in the Company (the “**Scheme of Arrangement**”); and
- (b) settlement arrangements in relation to existing facilities to be entered into by the Group and with its respective lenders through relevant amendment agreements (the “**Lenders Settlement**”, together with the Scheme of Arrangement, the “**Debt Restructuring**”).

4.2. Rationale

During this interim period, whilst the Company and YEC remain under the Moratorium and are in continued discussions with its creditors to finalise the terms of the Debt Restructuring (where the completion of the Debt Restructuring and the completion of the Investment are inter-conditional), the business operations of the Group have been affected by the financial status of the Company and YEC. The Scheme of Arrangement is premised on YEC being able to reach a consensual settlement with its bank lenders. As YEC's bank lenders are presently unable to reach a consensus on the settlement of their existing loan facilities, modifications to the Scheme of Arrangement and/or its timelines may be necessary and are being considered.

As a result of the uncertainty in its financial status due to the Moratorium and/or the ongoing discussions on the Debt Restructuring, YEC has been unable to bid for and/or execute the Projects. Accordingly, to be able to continue to bid for and/or execute the Projects and carry on the Group's operations, TVPL and YEC intend to incorporate the JV Entity, where such JV Entity will then be the entity to bid for and/or execute the Projects.

The Board is of the view that the Joint Venture is necessary in order to keep the Company and YEC operational until the completion of the Debt Restructuring and Investment and therefore, is in the best interests and the commercial benefit of the Group and its stakeholders.

5. PRINCIPAL TERMS OF THE JVA

5.1. Subscription of Shares in the JV Entity (the "JV Entity Shares Subscription")

The Parties have agreed on the following structure of the JV Entity upon the incorporation of the JV Entity:

Name of Shareholder	Paid-up capital contribution (S\$)	Shareholding percentage (%)
TVPL	7,000,000	70.0
YEC	3,000,000	30.0

5.2. Amount Payable for and Value of the Shares in the JV Entity; Sources of Fund

The amount payable for the JV Entity Shares Subscription by YEC is S\$3,000,000 (the "**Subscription Amount**"). This will be satisfied (a) in cash which will be funded by internal sources of funds; and/or (b) via injection of assets (at market value) into the JV Entity.

The Subscription Amount was arrived at, after arm's length negotiations between the Parties, on a willing buyer, willing seller basis, after taking into account the amount which the Parties believe is required to start the operations of the JV Entity and bid for the Projects.

As the JV Entity will be newly incorporated (i.e. no operations or assets), the JV Entity has not made any profits or losses and the book value and net tangible asset value of the shares to be subscribed in the JV Entity by YEC is zero.

5.3. Ratification by JV Entity

Upon incorporation of the JV Entity, each of TVPL and YEC shall procure that the JV Entity will execute a deed of ratification and accession in the form to be agreed by TVPL and YEC in writing where the JV Entity will ratify the terms of the JVA and accede to the JVA as the JV Entity and a party to the JVA.

5.4. Board Composition of the JV Entity

The board of directors of the JV Entity (the "**JV Board**") shall consist of not more than three (3) directors, of which:

- (a) TVPL shall have the right to appoint, remove or replace two (2) directors of the JV Entity (the “**TVPL Directors**”, and each a “**TVPL Director**”); and
- (b) YEC shall have the right to appoint, remove or replace one (1) director of the JV Entity.

The chairman of the JV Board shall be one (1) of the TVPL Directors.

Each of the shareholders of the JV Entity shall use its vote at any shareholders’ meeting to ensure the above appointments.

The right of appointment conferred on the appointers shall include the right to remove at any time from office such appointed Person¹, and the right at any time and from time to time to determine the period during which the appointed Persons shall hold the office of director of the JV Entity and to replace any appointed director of the JV Entity who ceases to be a director of the JV Entity for any reason.

5.5. **Certain Obligations of the Parties**

Each of the Parties agrees, confirms and undertakes the following responsibilities in relation to the JV Entity:

- (a) the JV Entity will grant the first right of refusal to YEC to provide all of the resources required under the Projects in accordance with the terms and conditions of the JVA and YEC will use its best endeavours to provide such resources to the JV Entity;
- (b) TVPL will provide, or procure the provision of, performance bonds in respect of the Projects in accordance with the terms and conditions of the JVA; and
- (c) TVPL will provide, or procure the provision of, financing for the Projects (including but not limited to financing of the materials and working capital), in accordance with the terms and conditions of the JVA.

5.6. **Termination**

The JVA terminates immediately upon the occurrence of any of the following events:

- (a) by the mutual agreement of all Parties and on the date as specified in such agreement;
- (b) subject always to the terms and conditions of the JVA:
 - (i) the passing of a resolution for the winding up of the JV Entity;
 - (ii) the appointment of a receiver, administrator or administrative receiver over the whole or any part of the assets of the JV Entity or the making of any arrangement with the creditors of the JV Entity for the affairs, business and property of the JV Entity to be managed by a supervisor; or
 - (iii) with respect to a shareholder of the JV Entity, where such shareholder of the JV Entity ceases to hold any shares in the JV Entity.

5.7. **Call Option**

Under the JVA, TVPL has granted to YEC an option over all of the shares of which TVPL owns in the JV Entity (the “**Call Option Shares**”), where YEC is able to exercise such option to require TVPL to transfer all (and not some only) of such Call Option Shares to YEC at the Call Option Price (as defined below) (the “**Call Option**”).

¹ “**Person**” means any individual, firm, partnership, trust, joint venture, company, corporation, body corporate, unincorporated body, association, organisation, and whether or not in each case having separate legal personality.

The Call Option granted by TVPL shall be for the period commencing from the date of the successful completion of the Investment or any other capital injection by TVPL resulting in TVPL being a shareholder of the Company (the “**Call Option Start Date**”) up to six (6) months from the date of the Call Option Start Date (or such other date to be agreed between TVPL and YEC).

For the avoidance of doubt, the completion of the exercise of the Call Option by YEC is subject to all required approvals being obtained (including any shareholders’ approvals required by the Company).

“**Call Option Price**” is the aggregate consideration for all of the Call Option Shares, which is the amount equivalent to the lower of (a) the net asset value of the JV Entity as derived from the latest available management accounts of the JV Entity, prepared in accordance with the generally accepted accounting policies, as attributable to the Call Option Shares; or (b) the total amount of the cost of investment of TVPL as attributable to the Call Option Shares, together with an additional rate as specified in the JVA, on such cost of investment.

5.8. Shareholder Terms

The JVA also sets out certain customary terms in relation to shareholders’ rights and obligations, including shareholders’ meetings, anti-dilution and funding, transfer of shares and default events.

As between the Parties, in the event of any inconsistency or conflict between the provisions of the JVA and the provisions of the constitution of the JV Entity (the “**JV Constitution**”), the provisions of the JVA shall as between the Parties prevail and the Parties shall, so far as they are able to and as soon as practicable, cause such necessary alterations to be made to the JV Constitution as are required to remove such conflict.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Listing Manual**”) in respect of the JV Entity Shares Subscription are as follows:

Rule 1006		Relative Figures
(a)	Net asset value of the assets to be disposed of or aggregate value of the financial assistance given, compared with the Group’s net asset value.	Not applicable ⁽¹⁾
(b)	The net profits/losses attributable to the assets acquired, compared with the Group’s net profits.	Not applicable ⁽²⁾
(c)	Aggregate value of the consideration given or aggregate value of the financial assistance given, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares ⁽³⁾ .	16.78% ⁽⁴⁾
(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 ⁽⁵⁾
(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. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable ⁽⁶⁾

Notes:

- (1) Not applicable as the JV Entity Shares Subscription relates to an acquisition of assets.
- (2) Not applicable as the JV Entity has yet to be incorporated and is not yet operational.
- (3) Based on the market capitalisation of the Company of S\$17,880,146. This is computed on 703,942,767 Shares in issue and the weighted average price 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.
- (4) Computed based on the Subscription Amount of S\$3,000,000 for the JV Entity Shares Subscription.
- (5) Not applicable as no equity securities are issued by the Company as the Subscription Amount for the JV Entity Shares Subscription.
- (6) Not applicable as neither the Company nor the JV Entity is a mineral, oil or gas company.

As the relative figure computed under Rule 1006(c) of the Listing Manual exceeds 5% but is less than 20%, pursuant to Rule 1014 of the Listing Manual, the JV Entity Shares Subscription constitutes a "discloseable transaction" and in and of itself is not subject to shareholders' approval in an extraordinary general meeting.

7. FINANCIAL EFFECTS OF THE JV ENTITY SHARES SUBSCRIPTION

The Directors are of the opinion that the JV Entity Shares Subscription is not expected to have any impact on the financial position of the Group (including the earnings per share or net tangible assets of the Group) for the financial year ending 31 December 2023.

8. 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 JV Entity Shares Subscription, other than through their respective directorships and shareholdings in the Company, if any.

9. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the JV Entity Shares Subscription and no service contracts in relation thereto are proposed to be entered into by the Company.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the JVA 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.

11. FURTHER ANNOUNCEMENTS

The Company will continue to make the appropriate announcements to update its shareholders where there are material developments in relation to the JV Entity Shares Subscription, the JVA and the Joint Venture, in compliance with the requirements of the Listing Manual.

12. 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 JV Entity Shares Subscription, the JVA and the Joint Venture, 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.

13. CAUTIONARY STATEMENT

Notwithstanding that the trading of the Company's securities is suspended, shareholders, securityholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders, securityholders and potential investors are advised to exercise caution when dealing in the securities of the Company. Shareholders, securityholders and potential investors who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

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

Seow Soon Yong
Chief Executive Officer
6 July 2023