



**YONGNAM HOLDINGS LIMITED**

(the “**Company**”)

(Company Registration No. 199407612N)

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

---

**PROPOSED PLACEMENT AND ISSUANCE OF UP TO S\$15,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF REDEEMABLE CONVERTIBLE BONDS**

---

**1. INTRODUCTION**

The board of directors (the “**Board**” or “**Directors**”) of Yongnam Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 22 May 2019 entered into a placement agreement (the “**Placement Agreement**”) with CGS-CIMB Securities (Singapore) Pte. Ltd. (the “**Placement Agent**”) to raise capital by way of a placement of up to S\$15,000,000 new non-listed bonds (the “**Proposed Placement**”). In consideration of the agreement of the Placement Agent to procure Bondholders (as defined below) on a best endeavours basis for the Bonds (as defined below), the Company shall pay to the Placement Agent a placement commission of 3% of the sale proceeds, being the aggregate of the issue price for the Bonds (excluding goods and services tax of 7%).

Pursuant to the Placement Agreement, the Bonds (as defined below) are to be issued by the Company through the Placement Agent, in reliance on Sections 274 and/or 275 of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”), and the Placement Agent has agreed, on a best endeavours basis, to procure Bondholders for the redeemable convertible bonds (the “**Bonds**”) at an issue price equivalent to 100% of the aggregate principal amount of the Bonds. The targeted group of investors comprise institutional investors, high net worth individuals, family offices, corporates and accredited investors (the “**Bondholders**”).

The Bonds and Shares (as defined below) will not be offered to a 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 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Listing Manual**”), unless approved by the SGX-ST or specific shareholders’ approval is obtained.

**2. SALIENT TERMS OF THE PLACEMENT AGREEMENT**

**2.1 Conditions precedent**

Completion of the Proposed Placement pursuant to the Placement Agreement is conditional upon, *inter alia*:

- (a) the representations, warranties and undertakings set out in the Placement Agreement, remaining true and correct in all aspects as at the date of completion of the Proposed Placement (“**Completion Date**”), and the Company having performed all of its respective obligations to be performed under the Placement Agreement on or before the Completion Date;
- (b) the approval in-principle in respect of the new shares to be allotted and issued by the Company pursuant to the issue of the Bonds upon conversion of the Bonds (the “**Shares**”) having been received from the SGX-ST (the “**AIP**”), and where the AIP is subject to

conditions, such conditions being acceptable to the Placement Agent, and to the extent that any conditions for the listing and quotation of the Shares on the SGX-ST are required to be fulfilled on or before Completion Date, they are so fulfilled, the SGX-ST not having withdrawn or changed the terms and conditions of the AIP and the Company having complied with any such conditions to the satisfaction of the SGX-ST and there not having occurred any event or condition on or prior to the Completion Date that would prevent the subsequent trading of the Shares on the mainboard of the SGX-ST ("**Mainboard**");

- (c) the transactions contemplated in the Placement Agreement not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Placement Agreement by any legislative, executive or regulatory body or authority of Singapore or any other jurisdiction, which is applicable to the Company, the Placement Agent or the subscribers for the Bonds procured by the Placement Agent ("**Subscribers**");
- (d) the Company having the full authority for the allotment and issuance of the Shares and the Bonds and such authority being in full force and effect and not having been revoked, cancelled, terminated or varied on the Completion Date;
- (e) there not having occurred since the date of the Placement Agreement until the Completion Date:
  - (i) any change, or any development involving a prospective change, in the condition (financial or otherwise) of the Company or the Group taken as a whole that impairs or may impair the investment quality of the Bonds; or
  - (ii) any change in national or international financial, political or economic conditions or currency exchange rates or exchange controls, as would, be likely to materially or adversely prejudice the success of the Proposed Placement, whether in the primary market or in respect of dealings in the secondary market; and
- (f) the Placement Agent having received on the Completion Date, a certificate dated as of the Completion Date and signed by a duly authorised officer of the Company.

### **3. RATIONALE OF THE PROPOSED PLACEMENT AND USE OF PROCEEDS**

#### **3.1 Rationale**

The rationale for the Proposed Placement is to raise funds for working capital purposes and boost the Company's financial position. The Board is of the view that this will support the future growth of the Group.

#### **3.2 Use of proceeds**

The estimated net proceeds from the Proposed Placement, after deducting estimated fees and expenses of approximately S\$0.5 million, is approximately S\$14.5 million (the "**Net Proceeds**"). The Company intends to utilise the entirety of this Net Proceeds for working capital purposes.

The Company will make periodic announcement(s) as to the use of the Net Proceeds as and when such proceeds are materially disbursed and whether such a use is in accordance with the stated use and percentage allocated. The Company will also provide a status report on the use of the Net Proceeds in the Company's financial statements issued under Rule 705 of the Listing Manual and the Company's annual report. Where the Net Proceeds have been used for working capital purposes, the Company will provide a breakdown with specific details on how the Net

Proceeds have been applied in the announcements and status report. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation.

Pending the deployment of the Net Proceeds, such Net Proceeds may be deposited with banks or financial institutions, invested in short-term money market instruments or marketable securities, and/or used for any other purpose on a short-term basis, as the Company may, in its absolute discretion, deem fit from time to time.

The Directors are of the opinion that:

- (a) after taking into consideration the present bank facilities available to the Group, the Group's internal resources and operating cash flow, the working capital available to the Group is sufficient to meet its present requirements, and the Proposed Placement is being undertaken for the aforesaid reasons and the intended use of proceeds; and
- (b) after taking into consideration the present bank facilities available to the Group and the net proceeds arising from the Proposed Placement, the working capital available to the Group is sufficient to meet its present requirements.

#### **4. NO PROSPECTUS OR OFFER INFORMATION STATEMENT TO BE ISSUED**

The Proposed Placement is made pursuant to the exemptions under Sections 274 and/or 275 of the SFA. As such, no prospectus or offer information statement will be lodged with the Monetary Authority of Singapore in connection with the Proposed Placement.

#### **5. ADDITIONAL LISTING APPLICATION**

The Company will be making an application to the SGX-ST for the admission of the Shares to the Mainboard of the SGX-ST and for the listing and quotation of the Shares on the Mainboard of the SGX-ST. The conversion of the Bonds would result in the issue of a maximum of 83,798,883 Shares, representing approximately 13.8% of the enlarged issued and paid-up share capital of the Company (subject to adjustments as set out under paragraph 7 below). The Company will make the necessary announcements once the approval-in-principle for the listing and quotation of the Shares has been obtained from SGX-ST.

#### **6. GENERAL MANDATE**

The Bonds and the Shares will be issued pursuant to the general mandate given by the shareholders of the Company at the annual general meeting of the Company held on 30 April 2019 ("**General Mandate**").

The General Mandate authorises the Company to issue new shares and convertible securities not exceeding 50% of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) as at the date of the grant of the General Mandate provided that the aggregate number of shares and convertible securities to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed 20%.

The total number of issued shares as at the date of the General Mandate was 522,602,931. From the date of the grant of the General Mandate up to the date of this announcement, no shares or convertible securities have been issued pursuant to the General Mandate. Accordingly, based on the issue size and the initial Conversion Price, and assuming no adjustment to the initial

Conversion Price, the issue of the Bonds which are convertible into 83,798,883 Shares falls within the limits of the General Mandate.

## 7. SALIENT TERMS OF THE BONDS

The Bonds shall be issued in registered form in the denomination of S\$250,000 each. The Bonds are convertible into shares of the Company which will, upon allotment and issue, rank *pari passu* in all respects with the then existing shares of the Company for any dividends, rights, allotments or other distributions, the record date for which falls on such date that the Bondholder is registered as the holder on record of such shares. The issue price of the Bonds is 100% of the principal amount.

A summary of the key terms of the Bonds is set out below:

- Principal amount** : Up to S\$15,000,000 in principal amount of the Bonds.
- Issue price** : 100% of the aggregate principal amount of the Bonds.
- Maturity** : Two (2) years from the date of issue of the Bonds (the “**Maturity Date**”).
- Interest rate** : The Bonds will bear interest at a rate of 7% per annum, payable every six (6) months. Payment of any and all interest by the Company to the Bondholder will be made by transfer to the registered account of the Bondholder or by Singapore dollar cheque drawn on a bank in Singapore mailed to the registered address of the Bondholder if it does not have a registered account.
- Status** : The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Company.
- Alteration to terms** : Any material alteration to the terms of the Bonds after issue to the advantage of the Bondholders shall be first approved by the Company’s shareholders, except where such alterations are made pursuant to the terms of the Bonds.
- Transfer** : A Bondholder shall have the right, at its sole discretion, to sell, transfer or assign the Bonds without the consent of the Company. Any transferee of a Bond will be bound by the terms and conditions of the Bonds.
- Redemption on maturity** : The Bonds which are not redeemed, converted or purchased and cancelled by the Company will be redeemed by the Company at 100% of their principal amount on the Maturity Date. The Company shall at least one (1) month prior to the Maturity Date issue an announcement notifying shareholders of the Company of the same and shall dispatch to all Bondholders a notice of the Maturity Date.
- Conversion period** : The Bondholder may request the conversion of up to 100% of the Bonds into Shares at any time on and after the date falling three (3) months after the date of issue of such Bond up to the date immediately preceding the Maturity Date.

**Conversion Price** : Any conversion of the Bonds into shares of the Company by a Bondholder shall be subject to a minimum block of S\$250,000.

The price at which each Share shall be issued upon conversion, for each Bond that is converted into shares in the Company, shall be 107% of the simple average of the daily volume weighted average price per share for trades done for each of the five (5) Market Days on the SGX-ST (for the avoidance of doubt, may include one (1) or more intervening Market Days on which there are no trades in the shares of the Company, provided there is no trading halt or suspension of trading of the shares in the Company), immediately prior to the date of the Placement Agreement (the “**Conversion Price**”).

The Conversion Price of S\$0.179 represents a premium of approximately 6.55% to the prevailing market price of the underlying shares prior to the signing of the Placement Agreement. For the avoidance of doubt, the prevailing market price shall mean the volume weighted average price per share of approximately S\$0.168, based on the trades done on 22 May 2019, being the latest available full Market Day in which the shares of the Company were traded prior to the signing of the Placement Agreement.

“**Market Day**” means a day on which the SGX-ST is open for trading of securities.

**Listing status** : The Bonds will not be listed and quoted.

**Adjustment to Conversion Price** : The Conversion Price shall be subject to adjustments under certain circumstances including without limitation, consolidation, subdivision or reclassification of shares, capitalisation issues, rights issues and certain capital distributions. Any such adjustments shall be announced by the Company via an announcement on SGXNET in compliance with the Listing Manual.

Notwithstanding the adjustments to the Conversion Price, the adjusted conversion price (for the Shares, save for stock splits and share consolidations) shall not be more than 10% discount to the prevailing market price of the underlying shares prior to the signing of the Placement Agreement. For the avoidance of doubt, the prevailing market price shall mean the volume weighted average price of approximately S\$0.168, based on the trades done on 22 May 2019, being the latest available full Market Day in which the shares of the Company were traded prior to the signing of the Placement Agreement.

**Inconsistency** : In the event of inconsistency between the terms of the Bonds and the Listing Manual, the latter shall prevail and the terms of the Bonds shall be deemed to be amended for compliance with the Listing Manual.

**Governing law** : Laws of Singapore.

## 8. FINANCIAL EFFECTS OF THE PROPOSED PLACEMENT

The *pro forma* financial effects of the Proposed Placement, based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2018 (“FY2018”), are set out below.

It should be noted that the *pro forma* financial effects of the Proposed Placement are presented strictly for illustrative purposes only and does not purport to be indicative or reflective of the actual future results and financial position of the Company and the Group after completion of the Proposed Placement.

The financial effects of the Proposed Placement on the Group are prepared based on, *inter alia*, the following assumptions:

- (a) the financial effects of the Proposed Placement on the net tangible assets (“NTA”) per share of the Group are computed assuming that:
  - (i) the Proposed Placement had been completed on 31 December 2018;
  - (ii) the Proposed Placement had been completed and all Shares have been allotted and issued on 31 December 2018;
- (b) the financial effects of the Proposed Placement on the consolidated earnings per share (“EPS”) / loss per share (“LPS”) of the Group are computed assuming that:
  - (i) the Proposed Placement had been completed on 1 January 2018;
  - (ii) the Proposed Placement had been completed and all Shares have been allotted and issued on 1 January 2018;
- (c) a placement amount of S\$15,000,000 has been raised; and
- (d) no adjustments have been made to the Conversion Price.

	Before completion of Proposed Placement <sup>(1)</sup>	After completion of Proposed Placement <sup>(1)</sup>	After completion of Proposed Placement and assuming all Shares have been allotted and issued <sup>(2)</sup>
Issued share capital (S\$)	141,445,276	141,445,276	156,445,276
Number of shares	522,602,931	522,602,931	606,401,814
NTA per share (Singapore cents)	47.01	46.91	46.91
(Loss)/Profits attributable to the shareholders (S\$'000)	(50,477)	(50,987)	(50,987)

Weighted average number of shares	522,602,931	522,602,931	606,401,814
LPS (Singapore cents)	(9.66)	(9.76)	(8.41)

Note:

- (1) Based on 522,602,931 shares in the Company (excluding treasury shares) in issue as at the date of this announcement.
- (2) Based on 522,602,931 shares in the Company (excluding treasury shares) in issue, assuming that the amount of S\$15,000,000 Bonds were exercised by the Bondholders and 83,798,883 Shares were issued and allotted to the Bondholders.

## **9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Placement, other than through their directorships and/or shareholdings in the Company.

## **10. DOCUMENTS FOR INSPECTION**

A copy of the Placement Agreement may be inspected at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644 during normal business hours for a period of three (3) months commencing from the date of this announcement.

## **11. 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 Placement, 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 the 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 the announcement in its proper form and context.

## **12. FURTHER ANNOUNCEMENTS**

The Company will continue to keep shareholders updated and release announcements relating to the Proposed Placement (including any material developments and progress made) as may be appropriate from time to time.

### **13. CAUTIONARY STATEMENT**

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. The Proposed Placement is subject to the fulfilment of certain conditions. There is no certainty or assurance as at the date of this announcement that the Proposed Placement will be completed or that no changes will be made to the terms thereof. Shareholders and potential investors of the Company should exercise caution when trading in shares of the Company, and where in doubt as to the action they should take, they should consult their legal, financial, tax or other professional adviser immediately.

By Order of the Board  
**YONGNAM HOLDINGS LIMITED**

**SEOW SOON YONG**  
Chief Executive Officer  
22 May 2019