

YONGNAM HOLDINGS LIMITED
(Company registration No. 199407612N)
(incorporated in Singapore on 19 October 1994)

THE PROPOSED CONSOLIDATION OF EVERY FOUR (4) EXISTING ISSUED ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY SHAREHOLDERS OF THE COMPANY AS AT THE BOOKS CLOSURE DATE TO BE DETERMINED, INTO ONE (1) ORDINARY SHARE IN THE CAPITAL OF THE COMPANY, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED

1. INTRODUCTION

The Board of Directors of Yongnam Holdings Limited (the “**Company**”) wishes to announce that the Company proposes to undertake a share consolidation of every four (4) existing issued ordinary shares in the capital of the Company (the “**Existing Shares**”) held by shareholders of the Company (the “**Shareholders**”) as at a books closure date to be determined by the Directors (the “**Books Closure Date**”) into one (1) ordinary share (the “**Consolidated Shares**”), fractional entitlements to be disregarded (the “**Proposed Share Consolidation**”).

2. DETAILS OF THE PROPOSED SHARE CONSOLIDATION

2.1 Basis of the Proposed Share Consolidation

The Company proposes to undertake the Proposed Share Consolidation pursuant to which the Company will consolidate every four (4) Existing Shares into one (1) Consolidated Share. After the Books Closure Date, every four (4) Existing Shares registered in the name of each Shareholder will be consolidated to constitute one (1) Consolidated Share.

Shareholders should note that the number of Consolidated Shares which Shareholders will be entitled to, based on their holdings of Existing Shares as at the Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractions of a Share arising from the Proposed Share Consolidation shall be disregarded.

Fractions of a Consolidated Share arising from the Proposed Share Consolidation will be aggregated and dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

Each Consolidated Share will carry equal rights in all respects with each other, and will be traded on the Main Board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in board lots of 100 Consolidated Shares with effect from 9.00 a.m. on a date which is two Business Days prior to the Books Closure Date, or such other dates as may be determined by the Directors. A “Business Day” refers to a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Singapore.

As at the date of this announcement, the Company has a registered share capital of S\$96,379,000 divided into 1,266,942,003 ordinary shares, all of which are listed on the Official List of Main Board of the SGX-ST. On the assumption that there will be no new Shares issued by the Company up to the Books Closure Date, following the implementation of the Proposed Share Consolidation, the Company will have a share capital of S\$96,379,000 divided into approximately 316,735,500 Consolidated Shares, after disregarding fractional interests in the Consolidated Shares arising from the Proposed Share Consolidation.

The Proposed Share Consolidation will have no impact on the issued and paid-up share capital of the Company. The Proposed Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up

capital of the Company, and has no effect on the shareholders' funds of the Company and its subsidiaries. Shareholders will not be required to make any payment to the Company in respect of the Proposed Share Consolidation. The Proposed Share Consolidation will not cause any changes to the percentage shareholding of each Shareholder, other than non-material changes due to rounding.

2.2 Rationale for the Proposed Share Consolidation

The Board of Directors believes that the Proposed Share Consolidation will generally be beneficial to the Company and its Shareholders for the following reasons:

(a) Reduction in volatility of price of Shares

The Board of Directors believes that the Proposed Share Consolidation may serve to rationalise the Company's market capitalisation by reducing the number of issued Shares, resulting in a corresponding increase in the calculation of theoretical trading price per Consolidated Share and net tangible assets per Consolidated Share. Such increase in the trading price per Consolidated Share may reduce speculation in the Shares and correspondingly the volatility of the price of the Shares.

(b) Increase in the market interest and attractiveness of the Company and its Shares

If the price per Consolidated Share is indeed higher than the trading price per Share prior to the Proposed Share Consolidation, the Proposed Share Consolidation may also increase the profile of the Company amongst investors and the coverage of the Company by research houses and fund managers. This may, in turn, increase market interest in the Consolidated Shares. The Proposed Share Consolidation may also serve to reduce the transaction costs for investors in their dealings in the Consolidated Shares.

(c) Compliance with continuing listing requirement

Furthermore, the Proposed Share Consolidation would facilitate the continuing listing requirement imposed by the SGX-ST for issuers listed on the Main Board of the SGX-ST to have a minimum trading price per share of S\$0.20.

In determining the consolidation ratio, the Board of Directors has given due regard to the volatility in the price of the Shares. The Board of Directors is of the view that a sufficient buffer has been provided to cater to fluctuations in the price of the Shares such that the Company could meet the minimum trading price per share of S\$0.20 in the long term.

However, Shareholders should note that there is no assurance that the Proposed Share Consolidation will achieve the desired results, nor is there assurance that such results (if achieved) can be sustained in the longer term.

2.3 Conditions of the Proposed Share Consolidation

Pursuant to Article 54(1)(i) of the Articles of Association of the Company, the Proposed Share Consolidation is subject to the approval of Shareholders by ordinary resolution at an extraordinary general meeting of the Company (the "EGM") to be convened.

The approval of the SGX-ST for the listing and quotation of all the Consolidated Shares arising from the Proposed Share Consolidation is also required. An application will be made to the SGX-ST for permission to deal in and for the listing of and quotation for the Consolidated Shares arising from the Proposed Share Consolidation on the Main Board of the SGX-ST. An announcement will be made upon receipt of the listing and quotation notice from the SGX-ST. Any approval granted by the SGX-ST for the listing and quotation of all the Consolidated Shares shall not be taken as an indication of the merits of the Proposed Share Consolidation.

Subject to the receipt of the approval in-principle from the SGX-ST, a circular containing further information on the Proposed Share Consolidation will be despatched to Shareholders in due course.

3. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their Shares and should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

4. 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 Share Consolidation, 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.

BY ORDER OF THE BOARD

SEOW SOON YONG

Chief Executive Officer

13 March 2015