



DRIVING GROWTH VALUE

ANNUAL REPORT 2022

CORPORATE PROFILE

Shaping the city skyline, adding structural and aesthetic value to buildings, laying solid foundations that give people the confidence to build upon – these are the ideals that Yongnam has become synonymous with.

Steel is increasingly the material of choice for the construction of buildings and temporary support for deep excavations. The advantages of using steel over conventional materials such as concrete for building construction are numerous. The higher speed of construction, superior material strength to volume ratio, flexibility in design and aesthetics are just some of the benefits of using steel.

With more than 50 years of experience in steel fabrication, Yongnam excels in adding value to steel construction. The Group's two production facilities in Singapore and Nusajaya, Johor, Malaysia have a total annual production capacity of 84,000 tonnes of steel fabrication. Yongnam utilizes the latest fabrication technologies and design innovation to offer solutions to its clients on a fast-track basis. Our modular strutting system continues to give the Group a strong competitive edge in meeting increasingly stringent design and project requirements in infrastructure and construction projects. With a traceability procedure that meets the requirements of the Singapore Building Construction Authority, our modular strutting system is the first to be certified by an independent auditor for reusability in earth retaining or stabilizing structures.

Yongnam's technical and value engineering solutions for steel fabrication and erection have resulted in increased productivity, improved yield and lower costs. Our in-house pool of experienced and qualified engineers, detailers, technicians, welders, riggers and fitters are consistently adding value to our clients' projects.

Yongnam is an ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 certified company and a certified manufacturer of CE-marked structural steelwork to EN 1090-1, EN 1090-2 and EN ISO 3834-2 for the highest execution class EXC4 for the EU market. It is also an accredited fabricator of the highest S1 category from the Singapore Structural Steel Society and holds A2 Grades from the Singapore Building and Construction Authority for the categories of General Building and Civil Engineering. Our Quality, Environmental, Occupational Safety and Health Integrated Management System takes a planned approach towards continuous improvement of our products, processes and services. Yongnam has also achieved a bizSAFE Star Level award.

Moving forward, Yongnam aims to be the partner of choice in providing solutions for the steel construction industry.



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CHIEF EXECUTIVE OFFICER'S MESSAGE



In order to position ourselves to take advantage of the recovery, the Group embarked on a search to strengthen its balance sheet.

DEAR SHAREHOLDERS,

As highlighted in our Letter to Shareholders dated 23 November 2022 as well as SGX announcements dated 23 November 2022 and 19 January 2023, the Group continued to operate under difficult conditions made worse by COVID-19, whose impact was substantially felt in FY2020 and FY2021, and lingered on through FY2022. Substantial increases in utility and construction costs, triggered by the Russo-Ukrainian war and other global factors, added further downward pressure on the battered margins of our projects, especially those entered into prior to the onset of COVID-19.

The lack of construction projects in an already highly competitive market, as well as the aforesaid tough conditions, placed the Group's cash flows in a precarious situation, leading to the Group having to engage its lenders in discussions for restructuring of its obligations. This in turn resulted in higher borrowing costs to the Group.

With the pending reintroduction of certain mega projects that were postponed due to COVID-19 and weak market conditions, the construction market is poised for a recovery. In order to position ourselves to take advantage of the recovery, the Group embarked on a search to strengthen its balance sheet, either by way of refinancing or strategic investment. As announced on 19 January 2023, we have entered into definitive agreements with a strategic investor ("Subscriber"), comprising:

- a. a loan agreement for a \$3 million term loan to provide interim funding for the Group;

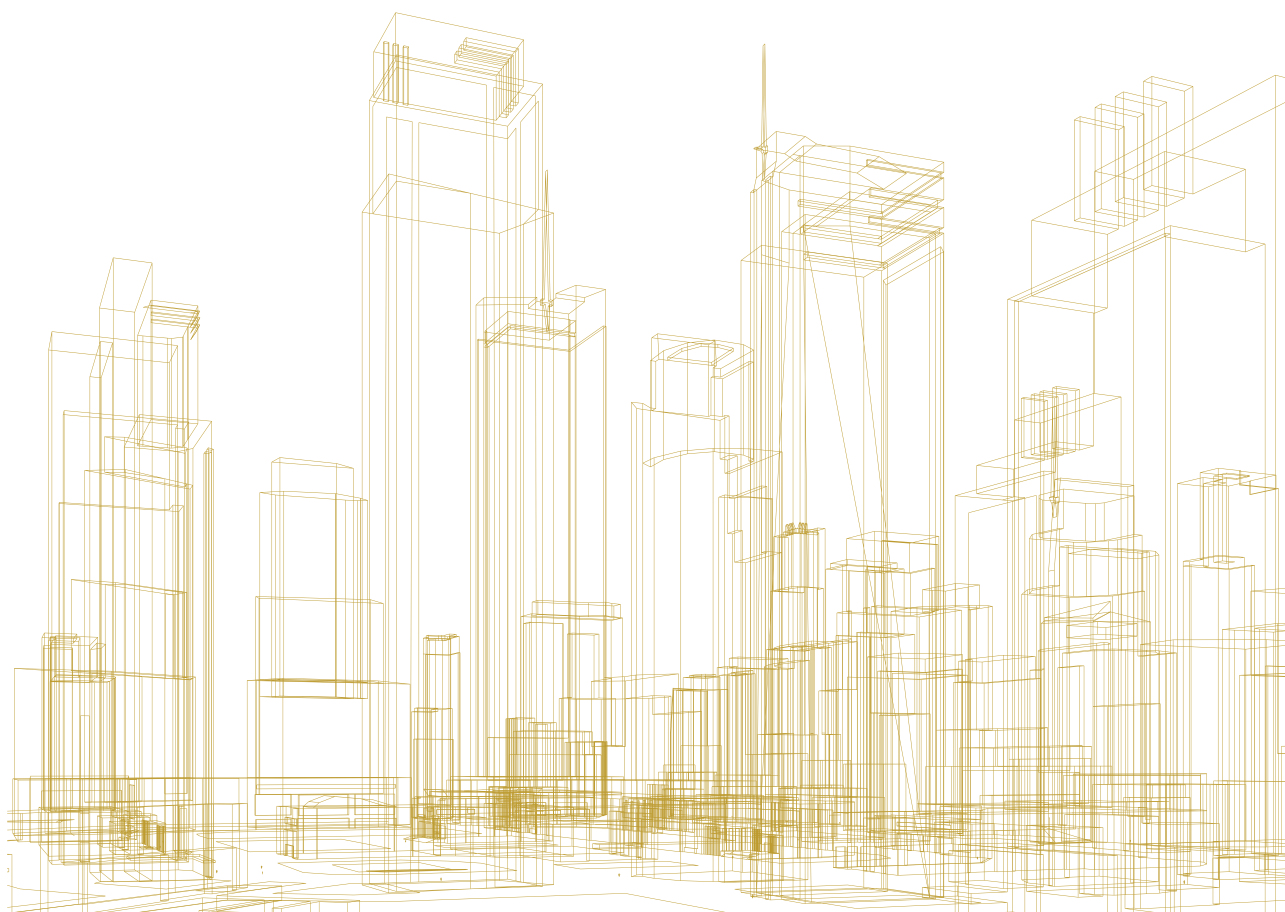
- b. a conditional subscription agreement for subscription by the Subscriber of \$20 million in new ordinary shares in the Company, and a further \$10 million in principal amount of unlisted and non-transferrable share options.

Together with the above proposed transactions, the Group 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 ("YNEC") to restructure certain debts and liabilities owing to the unsecured creditors of YNEC;
- b. restructuring of existing financing facilities with its respective lenders;
- c. a rights issue to raise a further approximate amount of \$6.3 million.

The aforesaid transactions and corporate actions, except the proposed rights issue, are expected to be completed before the end of FY2023. The rights issue will be undertaken at a future date to be determined.

CHIEF EXECUTIVE OFFICER'S MESSAGE



As mentioned earlier, the construction industry is poised for a recovery with the reintroduction of several mega projects that were postponed due to COVID-19 and other factors. These include the Changi Airport Terminal 5 construction and the integrated resorts expansion projects. Construction works have already begun on the MRT Cross Island Line, and we are working on securing new projects on this latest addition to the MRT network. We are also working on potential projects, such as the Suburban Rail Loop development in Melbourne and other infrastructural developments in Australia. Hong Kong continues to offer opportunities as the Special Administrative Region develops and renews its infrastructure.

While the Singapore and regional governments continue to develop and renew their infrastructure, there has not been many commercial projects introduced to the market. As the Group's fabrication facilities are primarily meant for structural steelwork projects, the lack of commercial projects effectively caused such facilities to be under-utilized. Considering that the Changi Airport Terminal 5 and integrated resorts expansion projects would take some time before construction works commences, the Group has decided to shut down its fabrication facility in Malaysia for the time being. This move, while painful as layoffs had to be made, would reduce the Group's operating costs until such time that the Singapore fabrication facility needs to be supplemented.

FY2023 would remain very challenging as the Group has to vie for new projects while carrying out its restructuring. Nevertheless, we believe that the industry reputation and expertise that the Group has painstakingly built over the past 50 years would continue to instill confidence in our stakeholders that the Group would weather the storm and emerge stronger.

On behalf of the Board of Directors, I would like to express our gratitude to our shareholders, staff, clients, bankers, suppliers and subcontractors for their continued support.

SEOW SOON YONG
Chief Executive Officer

BOARD OF DIRECTORS



SEOW SOON YONG

MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

Appointed to the Board as Director and CEO on 19 October 1994

Last re-elected on 29 June 2020

Mr. Seow joined Yongnam in 1978 and acquired diverse experiences in marketing, project management and general management. Appointed as CEO since 1994, Mr. Seow was instrumental in pioneering the development of the Group's Modular Strutting System. Introduced to the industry in 1995, the system is now accepted as the defacto cost-effective temporary support for deep excavation works.



SIAU SUN KING

EXECUTIVE DIRECTOR

Appointed to the Board on 19 October 1994

Last re-elected on 29 June 2020

Mr. Siau is a founding member of the Yongnam Group. A Mechanical Engineering graduate from the Ngee Ann Polytechnic, Mr. Siau has held diverse responsibilities within the Group. With extensive experience in mechanical engineering, he currently oversees the Group's operations in Malaysia as well as the Mechanical Engineering Division.



CHIA SIN CHENG

EXECUTIVE DIRECTOR & FINANCE DIRECTOR

Appointed to the Board on 8 January 2007

Last re-elected on 29 July 2021

Mr. Chia obtained his Chartered Accountancy qualification from the Institute of Chartered Accountants in England & Wales, UK ("ICAEW"), in 1980. He worked with Ernst & Young in both London and Singapore for seven years, before joining WBL Corporation Ltd for 15 years, where he served as Group Internal Audit Manager, Group Financial Controller and Group General Manager, Finance & Treasury. Mr. Chia joined Yongnam in 2002 as CFO and was instrumental in conceptualising and implementing a restructuring plan for the Group. He left in 2003 to join Singapore Computer Systems Ltd as CFO, and returned to Yongnam in 2006. Mr. Chia attended the Advance Management Program at Harvard Business School and is a member of the ICAEW and Institute of Singapore Chartered Accountants.

BOARD OF DIRECTORS

**LIM GHIM SIEW, HENRY**

NON-EXECUTIVE & INDEPENDENT DIRECTOR

Appointed to the Board on 15 October 2002

Last re-elected on 29 April 2022

Mr. Lim is the owner of law firm G. S. Lim & Partners, conducting mainly corporate, property, wills and estate matters and insurance claims work. He is also actively involved in the Law Society's Criminal Legal Aid Scheme. Mr. Lim obtained his law degree from the University of London in 1988 and was called to the English Bar in 1992. He is a member of the Honorable Society of Lincoln's Inn. Mr. Lim chairs the Remuneration Committee and is a member of the Audit Committee as well as Nominating Committee. He is also the chairman of a locally based shipping company.

**TAN ENG KIAT, DOMINIC**

NON-EXECUTIVE & LEAD INDEPENDENT DIRECTOR

Appointed to the Board on 3 March 2008

Last re-elected on 29 April 2022

Mr. Tan has over 40 years of experience in business development, corporate management and management of large civil engineering, building, industrial and environmental engineering projects throughout the Asia Pacific region. He started his career as a Trainee Quantity Surveyor with Gammon (Malaya) Ltd in 1966 and progressed to the rank of Executive Director. He joined United Engineers Group in 1993 and was promoted to Managing Director in 2000, where he spearheaded the company's regionalisation drive and business activities in West Malaysia, Brunei, Indonesia, Vietnam and the Middle East. This was achieved through his strong linkages, associations and joint ventures with leading international companies. Mr. Tan retired from the United Engineers Group in 2007. Mr. Tan is the Lead Independent Director and chairs the Audit and Nominating Committees. He is also a member of the Remuneration Committee.

**TENG KIAN JEN, BEN**

NON-EXECUTIVE & INDEPENDENT DIRECTOR

Appointed to the Board on 15 October 2020

Last re-elected on 29 July 2021

Mr. Ben Teng has more than 20 years of experience in infrastructure projects. He holds an Honours degree from National University of Singapore in Civil Engineering. He was an infrastructure manager in Changi Airport Investments from 2001-2005. Mr. Teng has been based in Dubai since 2006 where he was Vice President for CNA Integrated Technologies (a subsidiary of listed CNA Group Ltd), in charge of Merger and Acquisition and business development in the Gulf Corporation Council. In 2011, he joined Abu Dhabi Airports Company as Head of Commercial and Risk management for the construction of the USD3.5 billion Midfield Terminal Complex. Mr. Teng began his entrepreneurial journey in 2016 where he invested in Singapore companies based in the United Arab Emirates. He is currently the Managing Director of Vector Infotech Pte Ltd. Mr. Teng is a Qualified Listed Entity Director and a member of the Singapore Institute of Directors. He is a member of Yongnam's Audit, Nominating and Remuneration Committees.

KEY EXECUTIVES

CHELVADURAI HARENDRAN

ENGINEERING DIRECTOR

Mr. Harendran joined Yongnam in 1997. He has 50 years of experience in the building and construction industry, having started his career in 1971 with Ove Arup & Partners in London as a Design Engineer, and transferred to their Singapore office in 1975. He joined Woh Hup Pte Ltd in 1979 as Chief Engineer (Design) and Head of Design Department. In 1984 he joined Low Keng Huat (S) Ltd as Project Manager and managed several key projects including New Tech Park and Keppel Distripark. Since joining Yongnam Mr. Harendran has been responsible for the installation of several notable structural steel projects including Suvarnabhumi International Airport, Ion Orchard, Delhi International Airport T3, Gardens by The Bay, Mumbai International Airport T2, Singapore Sports Hub, Marina One, Jewel Changi Airport and Bangalore International Airport T2. He now leads Yongnam's Engineering Division. Mr. Harendran graduated in 1971 with a Bachelor of Science degree from University College, London, and is a member of the Institution of Civil Engineers, a Chartered Engineer in the UK and a Professional Engineer in Singapore.

SEOW SOON HOCK

PRODUCTION DIRECTOR

Mr. Seow joined Yongnam in 1978 and has more than 40 years of experience in production, production planning and logistics management. He is responsible for all fabrication, scheduling, allocation of resources and progress tracking as well as providing technical assistance and innovative methods to engineering design.

YANG EUN KYU

DIRECTOR-TECHNICAL (CIVIL)

Mr. Yang joined Yongnam in 2015. He has more than 40 years of experience in project management and marketing with a Korean construction company. He has completed many mega projects in South Korea, Singapore, Hong Kong, India and the Middle East, including the MRT Northeast Line, Marina Coastal Expressway and Kallang Paya Lebar Expressway in Singapore, MTR (Shatin-Central) in Hong Kong, Seoul Metro in South Korea, and a sewerage project in the Middle East. Mr. Yang graduated from Hanyang University, Seoul, South Korea in 1980, with a Bachelor of Science degree in Civil Engineering.

SIK KAY LEE

PROJECT DIRECTOR

Mr. Sik joined Yongnam in 2020 and has close to 40 years of working experience in building and civil engineering projects, having started his career as site engineer in 1982 after graduating from University of Leicester, UK, with a Bachelor of Science degree in Engineering. He has worked with local and multi-national companies as Project Manager and Project Director. Notable projects managed by Mr. Sik include the Seraya Power Station, Singapore Post Centre, MBS South Podium, and temporary steel works for Marina Coastal Expressway, MRT DTL2 & DTL3.

KEY EXECUTIVES

CHEONG HOCK CHOON

PROJECT DIRECTOR

Mr. Cheong joined Yongnam in 1978 and has more than 40 years of experience in steel structure and infrastructure projects. From 1999 onwards he was seconded to Hong Kong to manage the Group's overseas operations which included managing projects in Malaysia, Brunei, Middle East and Hong Kong. Mr. Cheong currently heads the Group's operations in Hong Kong.

KOH ENG SENG

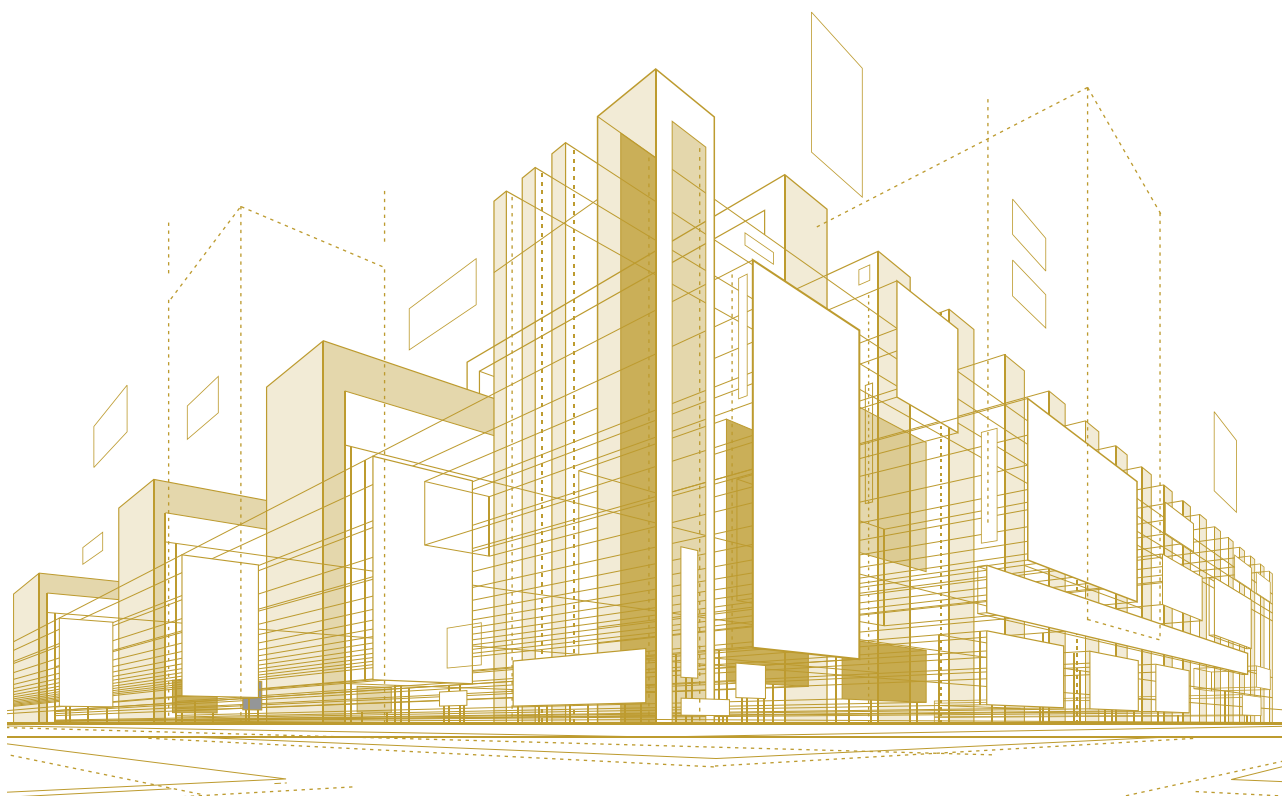
DIRECTOR-SPECIALIST CIVIL ENGINEERING

Mr. Koh joined Yongnam in 1981 and has about 40 years of experience in managing infrastructure projects. He was instrumental in the successful completion of several major MRT projects, including Down Town Line and Circle Line, and vehicle tunnel projects such as the Kallang Paya Lebar Expressway and the Marina Coastal Expressway, which involved the construction of a cofferdam in the open sea at Marina Bay. Some of the notable projects currently managed by Mr. Koh include Changi Airport T5 early works, MRT Circle Line 6 and MRT Thomson-East Coast Line. He is also involved in managing the Melbourne Metro and West Gate Tunnel Project in Australia.

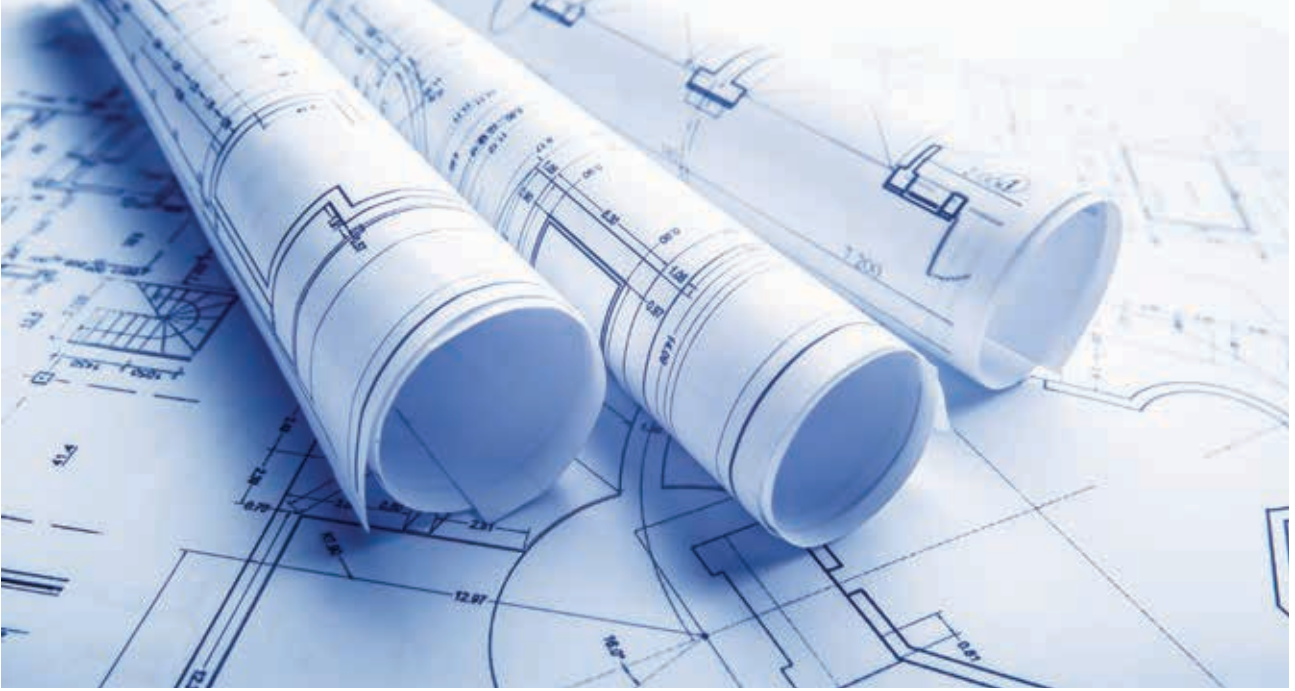
TEO SHENG KIONG

GROUP FINANCIAL CONTROLLER

Having served Yongnam from 2002 to 2004, Mr. Teo returned in 2007. He has worked in listed companies such as Inter-Roller Engineering Ltd and Singapore Computer Systems Ltd and has regional exposure to countries including China and Malaysia. Mr. Teo graduated from Lancaster University, UK, with 1st Class Honours in Accounting & Finance in 1994.



OPERATIONS REVIEW



NORTH-SOUTH CORRIDOR N103 MAIN CONTRACT

The scope of work for the North-South Corridor contract N103 includes the design and construction of 640 metres of twin, three-lane vehicular tunnels, the underpinning of an existing expressway flyover, a new facility building, as well as an entrance ramp and an exit ramp. This contract was secured by the Group's 30%-owned joint venture with Leighton Asia, a leading international construction company with headquarters in Australia. Work has commenced in the second half of 2019 and is expected to complete by 2026.

NORTH-SOUTH CORRIDOR SUBCONTRACTS

The Group has also secured several subcontracts for the North-South Corridor development, providing temporary steelwork, temporary pedestrian overhead bridge and traffic decking. These subcontracts will be progressively completed by 2025.

INFRASTRUCTURAL DEVELOPMENT IN EASTERN SINGAPORE

The Group won two subcontracts to undertake specialist civil engineering works encompassing the design, supply, installation and dismantling of temporary earth retaining works for a mega infrastructural development in the eastern part of Singapore. The subcontracts are expected to be progressively completed by first quarter of 2024.

CHANGI MRT T316

This infrastructural development entails the construction and completion of twin bored tunnels which connect Changi Airport Terminal 5 to Changi Airport Station Terminal 2 North Finger Pier. The development also includes the construction and completion of associated cross passages, launch shaft, underground infrastructure, tunnels, low-point sumps and associated ancillary works. The Group will undertake specialist civil engineering works to supply, fabricate, install and dismantle sheet piles, soldier piles and steel struts. This contract is expected to be completed in 2024.

PUNGGOL REGIONAL SPORTS CENTRE

The new Punggol Regional Sports Centre will have a 5,000-seat football stadium, a swimming complex with five pools, an indoor sports hall with 20 badminton courts and a team sports hall with three convertible basketball courts. It will also include a gym, fitness studio, sheltered tennis and futsal courts, a water activity centre and an archery training centre. Yongnam will supply, fabricate and erect structural steelwork for this development. The contract is expected to be completed in mid-2023.

ICA BUILDING

The Group secured a contract covering the supply, fabrication, and installation of structural steelwork for the construction of a new integrated services centre and retrofitting works to the Immigration & Checkpoints Authority (ICA) Building in Singapore. The structural steelwork contract is expected to be completed by 2023.

OPERATIONS REVIEW

MANDAI CREMATORIUM

The expansion plan of the Mandai Crematorium, when completed, will have six service halls, six viewing halls, three waiting halls and 18 cremators. The Group was awarded a subcontract for the supply, fabrication and installation of a structural steel building with bolt and nut connections. The project is scheduled to complete by 2023.

J109 JURONG REGIONAL LINE

MRT Jurong Regional Line contract J109 involves the construction of three stations, comprising Toh Guan, Jurong Town Hall and Pandan Reservoir Stations and the associated viaducts. The Group was awarded a subcontract to supply, fabricate and install steel structures for the following:

- Temporary protection enclosure to the existing viaduct, entrance and roof structure for Toh Guan Station;
- Link bridge, entrance and roof Structure for Jurong Town Hall Station; and
- Link bridge, entrance and roof structure for Pandan Reservoir Station.

The project is scheduled to complete in 2026.

MRT C190 INTEGRATED TRAIN TESTING CENTRE

The Integrated Train Testing Centre ("ITTC") by Singapore's Land Transport Authority will support the testing and commissioning of both new and existing rail lines. The dedicated facility will allow train testing works to be carried out round the clock and away from the rail lines, hence reducing the need to close the rail lines early, or open late, therefore minimising inconvenience to commuters. Yongnam will supply traffic decking and provide Earth Retaining Stabilising System for the development. The subcontracts are expected to complete in 2023.

CR102 STRUTTING WORKS

MRT Cross Island Line contract CR102 consists of the design and construction of tunnels connecting Aviation Park station to Changi East Depot. It is a part of the future 50-km Cross Island Line which will be the longest fully underground rail line in Singapore. The Group secured a subcontract for the supply, installation and dismantling of a pipe pile cofferdam system, steel struts, as well as decking works. The subcontract is targeted for completion by 2027.



OPERATIONS REVIEW



CENTRAL KOWLOON ROUTE – YAU MA TEI EAST

Central Kowloon Route (“CKR”) is a 4.7 km, dual 3-lane trunk road linking Yau Ma Tei Interchange in West Kowloon with the road network at Kai Tak Development and Kowloon Bay in East Kowloon, forming a trunk route through Central Kowloon. CKR will provide an alternative express route to relieve the traffic congestion on the major east-west corridors, which will significantly reduce travel time. After the completion of CKR, the travel time between West Kowloon and Kowloon Bay would take around 5 minutes, representing a reduction of about 25 minutes. The improved traffic conditions will also benefit areas adjacent to CKR including Wong Tai Sin, Ho Man Tin and Kowloon City.

The Group will supply, install and dismantle the temporary earth retaining systems and traffic decking for this project. The subcontract is expected to be completed in 2024.

LRT TIN WING STOP

The Group’s Hong Kong subsidiary clinched a contract for this residential development owned by the Hong Kong MTR Corporation in corroboration with Sung Hung Kai Properties. Yongnam’s scope of works involves the design, supply, installation and removal of the steelwork for the excavation lateral support works. The works are expected to complete in 2023.

OPERATIONS REVIEW

TRUNK ROAD T2 & INFRASTRUCTURE WORKS

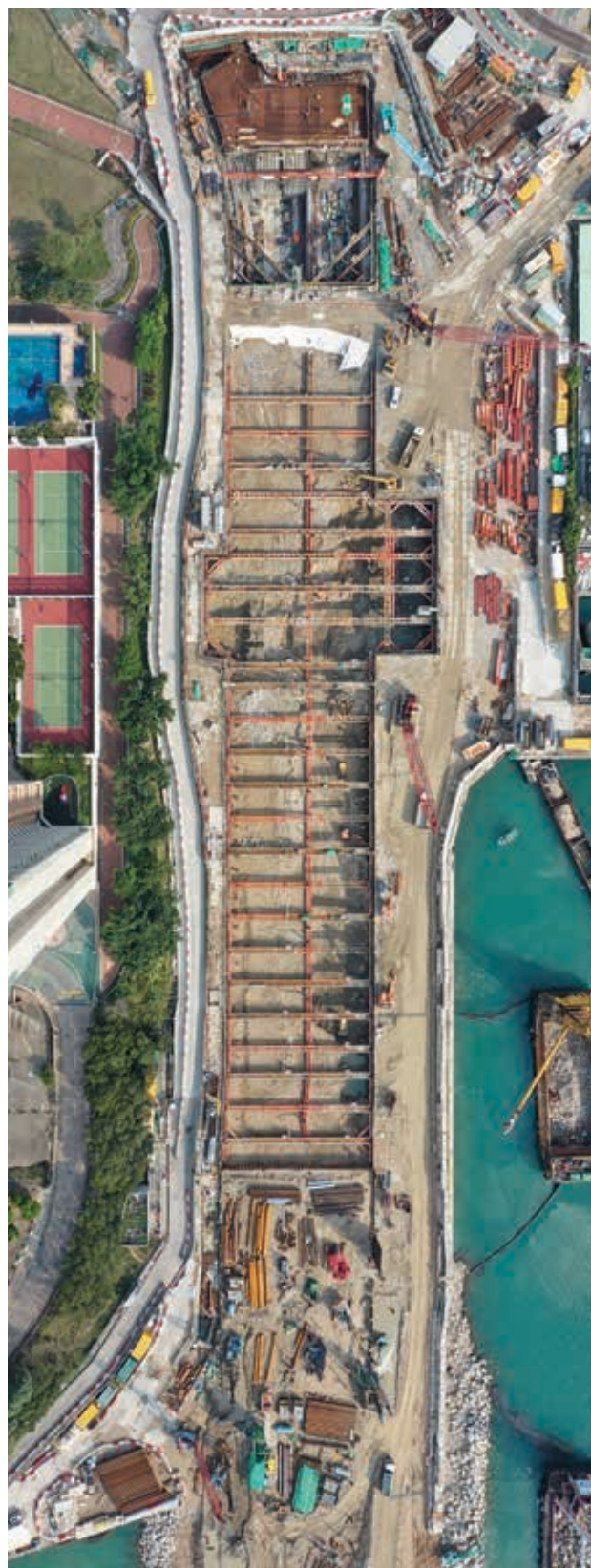
The Trunk Road T2, together with the proposed Central Kowloon Route ("CKR") and Tseung Kwan O – Lam Tin Tunnel, will form the Route 6 alignment in Hong Kong's Kowloon strategic road network. It will provide an east-west express link between West Kowloon and Tseung Kwan O and provide the necessary relief to the existing heavily utilized road network in the central and eastern Kowloon areas. The Trunk Road T2 is a dual two-lane trunk road of approximately 3.4km in length, with about 3.1km in the form of a tunnel. The Group provides the design, installation and dismantling of excavation lateral support works at the depressed road and West Ventilation Building. The works are expected to complete in 2023.

TUNG CHUNG NEW TOWN EXTENSION

With a planned increase in population of the Tung Chung New Town from 98,000 to about 124,000, the Hong Kong government has embarked on the Tung Chung New Town Extension ("TCNTE") development which will provide about 62,100 residential flats for a population of about 184,000, 500,000 sqm of gross floor area ("GFA") for office use, 327,000 sqm GFA for retail use and 50,000 sqm GFA for hotel use. Yongnam secured a subcontract in this development for the provision of excavation and lateral support works. The subcontract is expected to be completed by 2026.

HONG KONG – SHENZHEN INNOVATION AND TECHNOLOGY PARK

The Hong Kong – Shenzhen Innovation and Technology Park (the "Park") will be developed as a key base for cooperation in scientific research, as well as providing relevant higher education, cultural and creative industries, and other complementary facilities. With a view to attracting top-tier enterprises, R&D institutions and higher education institutes, both local and worldwide, the Park will provide unprecedented opportunities for the development of innovation and technology in Hong Kong. The Group secured a subcontract for the provision of earth retaining system to the development. The subcontract is expected to complete by 2023.



FINANCIAL REVIEW

Group revenue in FY2022 increased by 15.8% to \$141.2 million, compared to \$121.9 million in FY2021. Both Specialist Civil Engineering and Structural Steelwork divisions registered increases.

Segmental Performance:

- Specialist Civil Engineering: Revenue increased by 27.9% to \$91.3 million in FY2022, compared to \$71.4 million in FY2021. Key contributors were projects for the Singapore Changi Terminal 5, North-South Corridor N103, and projects in Hong Kong;
- Structural Steelwork: Revenue increased by 8.0% to \$49.8 million in FY2022, compared to \$46.1 million in FY2021. Key contributors included projects for Singapore General Hospital H9A, Punggol Sports Hub and ICA Building.

Geographically, projects in Singapore accounted for 73.9% of total revenue, compared to 82.4% in FY2021. Projects in the rest of the Asia-Pacific countries accounted for the remaining 26.1%.

The Group's gross loss increased from \$4.1 million in FY2021 to \$8.5 million in FY2022. This increase, despite a reduction in overheads, came as a result of higher construction costs which eroded our project margins.

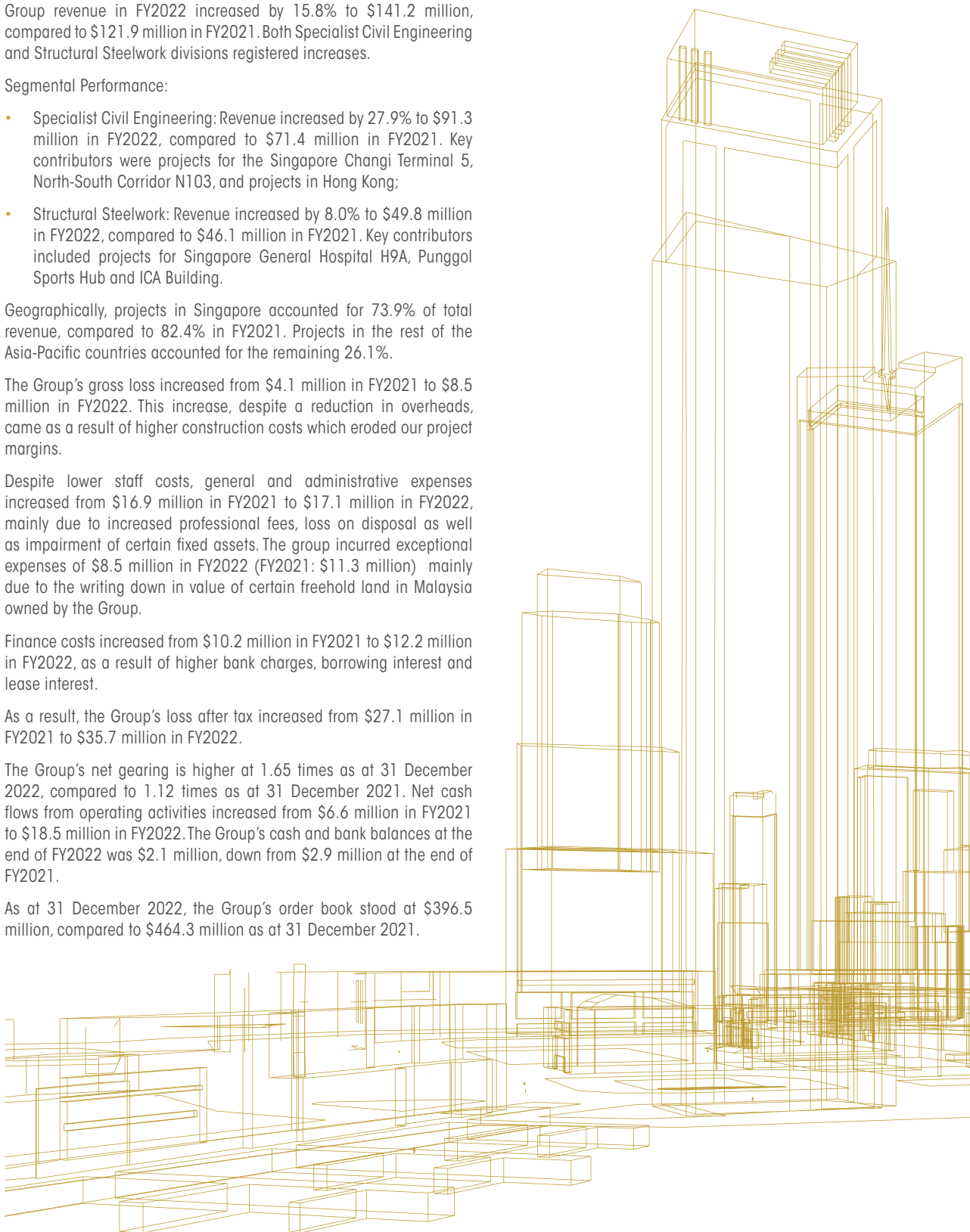
Despite lower staff costs, general and administrative expenses increased from \$16.9 million in FY2021 to \$17.1 million in FY2022, mainly due to increased professional fees, loss on disposal as well as impairment of certain fixed assets. The group incurred exceptional expenses of \$8.5 million in FY2022 (FY2021: \$11.3 million) mainly due to the writing down in value of certain freehold land in Malaysia owned by the Group.

Finance costs increased from \$10.2 million in FY2021 to \$12.2 million in FY2022, as a result of higher bank charges, borrowing interest and lease interest.

As a result, the Group's loss after tax increased from \$27.1 million in FY2021 to \$35.7 million in FY2022.

The Group's net gearing is higher at 1.65 times as at 31 December 2022, compared to 1.12 times as at 31 December 2021. Net cash flows from operating activities increased from \$6.6 million in FY2021 to \$18.5 million in FY2022. The Group's cash and bank balances at the end of FY2022 was \$2.1 million, down from \$2.9 million at the end of FY2021.

As at 31 December 2022, the Group's order book stood at \$396.5 million, compared to \$464.3 million as at 31 December 2021.



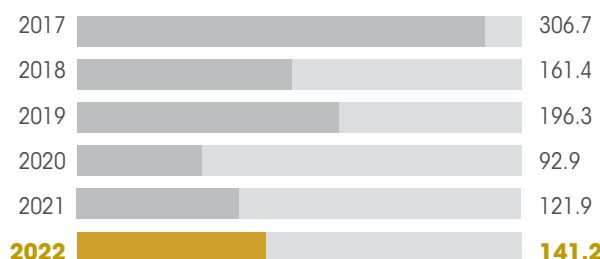
FINANCIAL HIGHLIGHTS

	2022	2021	2020	2019	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
PROFIT AND LOSS ACCOUNT						
Revenue	141,200	121,912	92,850	196,273	161,449	306,679
Loss before taxation	(35,598)	(27,146)	(72,309)	(59,564)	(66,053)	(24,676)
Loss after taxation	(35,723)	(27,085)	(77,826)	(54,703)	(54,209)	(21,403)
Loss per share (Basic) (Cents)	(6.40)	(4.63)	(14.93)	(10.29)	(9.76)	(3.50)
BALANCE SHEET						
Property, plant and equipment	184,585	215,026	251,243	268,677	314,804	327,479
Other non-current assets	37,888	45,647	49,371	53,573	60	–
Net current (liabilities)/assets ⁽¹⁾	(24,713)	(16,277)	(23,516)	47,485	71,784	81,012
	197,760	244,396	277,098	369,735	386,648	408,491
Shareholders' equity	59,805	101,890	121,484	199,850	253,813	304,290
Non-controlling interest	(604)	(8,766)	(8,920)	(9,097)	(8,149)	(4,959)
Short and long-term borrowings	138,559	151,272	164,465	178,982	140,069	96,392
Deferred taxation	–	–	69	–	915	12,768
	197,760	244,396	277,098	369,735	386,648	408,491
NAV per share (Cents)	8.50	15.86	23.25	38.24	48.57	58.23

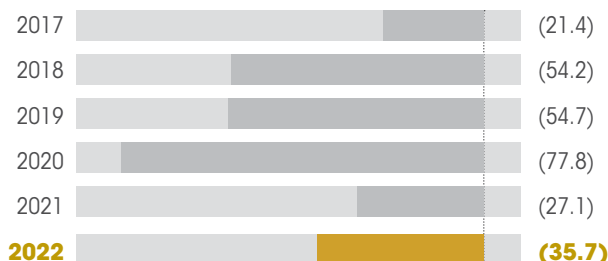
Note:

(1) In arriving at "Net current (liabilities)/assets", current borrowings and lease liabilities have been excluded.

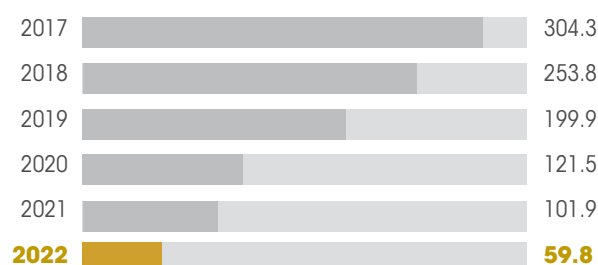
REVENUE (\$ MILLION)



LOSS AFTER TAXATION (\$ MILLION)



SHAREHOLDERS' EQUITY (\$ MILLION)



CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) of Yongnam Holdings Limited (the “**Company**”) is committed to maintaining high standards of corporate governance, business integrity and professionalism within the Company and its subsidiaries (the “**Group**”) to protect the interests of all its stakeholders and to promote investors’ confidence and support.

This report describes the Group’s ongoing efforts in the financial year ended 31 December 2022 (“FY2022”) in keeping pace with the evolving corporate governance practices and complying with the Code of Corporate Governance 2018 (the “Code”). The Company has adopted and complied, wherever feasible, relevant and practicable to the Group, with the principles and guidelines set out in the Code, except where otherwise stated. The Company is also guided by the voluntary Practice Guidance which was issued to complement the Code and which sets out best practice standards for companies. The Board will continue to improve its practices with developments by enhancing its principles and framework.

BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

The Board of Directors is primarily responsible for overseeing the management of the business affairs, corporate affairs and the overall performance of the Group. Board members are expected to act in good faith and exercise independent judgment in the best interests of the Group. A code of conduct and ethics has also been put in place by the Board to ensure proper accountability within the Company. Directors facing conflict of interest have recused themselves from discussions and decisions involving the issues of conflict.

The Board’s key responsibilities include providing leadership and guidance to the Management on corporate strategy and business directions, evaluation of internal controls, risk management, financial reporting and compliance.

The Board recognises that its principal duties include:

- Setting the strategic directions and the long-term goals of the Group and ensuring that adequate resources are available to meet these objectives;
- Reviewing and approving corporate plans, annual budgets, investment proposal and merger & acquisition proposals of the Group;
- Reviewing and evaluating the adequacy and integrity of the Group’s internal controls, compliance, risk management and financial report systems;
- Reviewing and monitoring management performance towards achieving organisational goals;
- Overseeing succession planning for the Management;
- Setting corporate values and standards for the Group to ensure that the obligations to shareholders and other stakeholders are understood and met;
- Ensuring accurate and timely reporting in communication with shareholders; and
- Considering sustainability issues including environmental and social factors in the Group’s strategic formulation.

CORPORATE GOVERNANCE REPORT

The Board's approval is specifically required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposal of assets and release of the Group's quarterly and full-year financial results.

The Management is responsible for day-to-day operations/administration of the Group and they are accountable to the Board.

The Board has delegated specific responsibilities to the committees of the Board, namely, the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Audit Committee ("AC") (collectively, the "Board Committees") to assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively, and reporting back to the Board. These Board Committees are made up of, and each chaired by an Independent Director. Each Board Committee has its own specific Terms of Reference which clearly sets out its objectives, scope of its duties and responsibilities, rules and regulations, and procedures governing the manner it is to operate and how decisions are to be taken.

The Board meets on a quarterly basis to approve, among others, announcements of the Group's quarterly and full-year financial results. The Company is required to make quarterly reporting announcement pursuant to Rule 705(2) of the SGX-ST Listing Manual commencing from the third quarterly financial results in respect of FY2022.

Ad-hoc meetings are also convened to discuss and deliberate on urgent substantive matters or issues. The Board may also have informal discussions on matters requiring urgent attention which would then be formally approved by circular resolutions in writing.

The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings during FY2022 is tabulated below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	7	3	1	1
No. of meetings attended by respective directors				
Executive Directors:				
1. Seow Soon Yong (Chief Executive Officer)	7	–	–	–
2. Siau Sun King	7	–	–	–
3. Chia Sin Cheng	7	–	–	–
Independent Directors:				
4. Lim Ghim Siew, Henry	7	3	1	1
5. Tan Eng Kiat, Dominic	7	3	1	1
6. Teng Kian Jen, Ben	7	3	1	1

The Board ensures that incoming new Directors are given comprehensive and tailored induction on joining the Board including onsite visits, if necessary, to get familiarised with the business of the Group and corporate governance practices upon their appointment and to facilitate the effectiveness in discharging their duties. They will be given briefings by the Management on the business activities of the Group and its strategic directions as well as its corporate governance practices. A new Director who has no prior experience as a director of an issuer listed on the SGX-ST must undergo mandatory training in his roles and responsibilities as prescribed by the SGX-ST.

In addition, with effect from 1 January 2022, all Directors are required to undergo training on sustainability matters. In this connection, all the Board members have completed the mandated sustainability training course as required by the enhanced SGX sustainability reporting rules.

CORPORATE GOVERNANCE REPORT

Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. All Directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities for participation in the relevant training courses, seminars and workshops as relevant and/or applicable.

ACCESS TO INFORMATION

Management recognises the importance of ensuring the flow of complete, adequate and timely information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. To allow Directors sufficient time to prepare for the meetings, all Board and Board Committee papers are distributed to the Directors in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished.

Management papers are circulated to the Board every quarter to keep the Board updated on the key matters concerning the Group. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings. To keep Directors abreast of the Group's operations, the Directors are also updated on initiatives and developments on the Group's business as soon as practicable and/or possible and on an on-going basis.

To facilitate direct access to the Management, Directors are also provided with the names and contact details of the management team. The Directors also have separate and independent access to the Company Secretary through e-mail, telephone and face-to-face meetings. The Company Secretary is responsible for, among other things, ensuring that the Board's procedures are observed and the Constitution of the Company, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act 1967 (the "Companies Act") and SGX-ST Listing Manual ("Listing Manual") are complied with. He/She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The role of the Company Secretary is, inter alia, advising the Board on all governance matters and ensuring that all Board procedures are followed. The Company Secretary assists the Chairman in ensuring good information flows within the Board and its Board Committees and between senior management and the Independent Directors. The Company Secretary attends and prepares minutes for all Board and Board Committee meetings. As secretary for all Board Committees, the Company Secretary assists in ensuring coordination and liaison between the Board and the Board Committees with the Management. The Company Secretary assists the Chairman of the Board, the Chairmen of Board Committees and the Management in the development of the agendas for the various Board and Board Committees' meetings. The appointment and the removal of the Company Secretary are subject to the Board's approval. The Board has a process for Directors, either individually or as a group, in the furtherance of their duties, to seek independent professional advice, where appropriate, at the expense of the Company.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The Board currently has six (6) Directors comprising three (3) Independent Directors and three (3) Executive Directors.

CORPORATE GOVERNANCE REPORT

The current members of the Board and their membership on the Board Committees of the Company are as follows:

Name of Directors	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Seow Soon Yong	Managing Director & Chief Executive Officer	–	–	–
Chia Sin Cheng	Executive Director & Finance Director	–	–	–
Siau Sun King	Executive Director	–	–	–
Tan Eng Kiat, Dominic	Lead Independent Director	Chairman	Chairman	Member
Lim Ghim Siew, Henry	Independent Director	Member	Member	Chairman
Teng Kian Jen, Ben	Independent Director	Member	Member	Member

The Board's composition is to be reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience. The NC also conducts an annual review of the size and composition of the Board Committees to assess if any change is needed. As of the date of this report, the Board comprises six Directors, of whom 3 are independent and non-executive and 3 non-independent. As such, the Company is in compliance with Rule 210(5)(c) of the Listing Rules which requires that the Board must have at least two non-executive directors who are independent and free of any material business or financial connection with the issuer as well as at least one-third of the issuer's board be comprised of independent directors.

The Board is of the view that there are sufficient independent elements with independent directors making up half of the Board, safeguards and checks to ensure that the decision-making process of the Board is independent and based on collective decision without any individual or groups of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance. However, the Board would continue identifying suitable candidate to cause the Independent Non-Executive Directors make up a majority of the Board pursuant to Provisions 2.2 and 2.3 of the Code.

The NC is of the view that the current Board comprises persons whose diverse skills, experience and attributes provide for an effective Board. The Board members also collectively possess the necessary core competencies for the effective functioning of the Board and an informed decision-making process. The NC has reviewed and is satisfied that the current composition and board size is appropriate for effective decision making, having taken into consideration the nature and scope of the Group's operations.

The Group recognises that a diverse board that offers a range of perspectives, experiences, and skill sets would lead to better decision-making and improved business performance. To be in line with the SGX Listing Rules and Revised Code, the Company has adopted a board diversity policy ("Board Diversity Policy") with NC responsible to review and monitor its implementation. The Board is aware that the Board Diversity Policy should include the following:

- the Company's targets to achieve diversity of its Board;
- the Company's accompanying plans and timelines for achieving the targets;
- the Company's progress towards achieving the targets within the timelines; and
- a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the Company.

CORPORATE GOVERNANCE REPORT

In view of the entry into a conditional subscription agreement between the Company and UEM Assets Pte. Ltd. on 19 January 2023 as well as intentions by the Company to pursue other corporate actions, including but not limited to a debt restructuring exercise of its wholly-owned subsidiary, Yongnam Engineering & Construction (Private) Limited, through a scheme of arrangement, it is envisaged that there would be a change of board composition in the Company as it is one of the conditions for completion of the above conditional subscription agreement.

In this connection, the Board believes that no diversity targets and action plans are appropriate to be set and implemented for the time being until the completion of the above restructuring exercise.

Notwithstanding the foregoing, the NC will continue to review the Group's Board Diversity Policy from time to time, as appropriate, to ensure its continued effectiveness and relevance, where necessary, and recommend to the Board for approval.

The criterion of independence is based on the guidelines provided in the Code and Rule 210(5)(d) of the SGX Listing Rules. The Board considers an "independent" director as one who does not have such relationships with the Company, its related corporations, its substantial shareholders or its officer that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement to attain the best interests of the Group.

The independence of each Independent Director is assessed at least annually by the NC.

Independent Directors contribute to the Board's process by monitoring and reviewing the Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. They constructively challenge and help develop the Group's business strategies. Management's progress in implementing such agreed business strategies is monitored by the Directors.

The Independent Directors communicate without the presence of Management as and when the need arose. The Company also benefits from the Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board Committees meetings.

In respect of each of the two (2) Independent Directors, namely Mr Tan Eng Kiat, Dominic and Mr Lim Ghim Siew, Henry, both of whom have served more than nine (9) years from the date of their first appointments, the Board has considered specifically their length of services and their continued independence. Having observed and evaluated each Independent Director through the various factors and personal conduct, the NC affirmed each other's independence, despite serving more than nine (9) years on the Board. The Board has rigorously reviewed and determined that the Directors concerned remained independent of character and judgement and there were no relationships or circumstances which were likely to affect, or could appear to affect, the Directors' judgement. The independence of character and judgement of each of the Directors concerned was not in any way affected or impaired by the length of services. The Board has also conducted a review of the performance of each of the two (2) Independent Directors and considers that each of these Directors brings invaluable expertise, experience, and knowledge to the Board and that they continue to contribute positively to the Board and Board Committee deliberation. Therefore, the Board is satisfied as to the performance and continued independence of judgement of each of these Directors.

However, on 11 January 2023, Singapore Exchange Regulation Pte Ltd ("SGX RegCo") announced changes to the Listing Rules limiting the tenure of independent directors (IDs) serving on the boards of listed companies to nine (9) years and to remove with immediate effect the two-tier vote mechanism for listed companies to retain long-serving IDs who have served for more than nine years.

A transition period is given to existing directors whose tenure exceeds the nine-year limit to continue to serve as independent directors until the listed companies' annual general meeting (AGM) held for the financial year ending on or after 31 December 2023.

CORPORATE GOVERNANCE REPORT

In view of the above revised Listing Rules, Mr Tan Eng Kiat, Dominic and Mr Lim Ghim Siew, Henry will be stepping down from the Board by 2024 AGM in respect of the financial year ending 31 December 2023. The Company will commence its search process for suitable ID candidates to replace Mr Tan Eng Kiat, Dominic and Mr Lim Ghim Siew, Henry.

The Board reviews the composition and size of the Board and each Board Committee and the skills and core competencies of its members from time to time to ensure that the Board has the appropriate balance and diversity of skills, experience and knowledge of the Company to maximize the effectiveness of the Board and Board Committees. The Board is of the opinion that, given the scope and nature of the Group's operations, the present size of the Board is appropriate for effective decision making. The Board is made up of Directors who are qualified and experienced in various fields including business and management, accounting and finance, engineering and industry as well as law, the Board considers that its composition of Directors is well-balanced, with each Director having appropriate knowledge, business network and commercial experience. The profiles of each of the Directors are provided in pages 4 and 5 of this Annual Report. Accordingly, the current Board comprises persons who as a group, has core competencies necessary to lead and oversee the Company.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Code advocates that there should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business and no one individual should hold a considerable concentration of power.

Mr. Seow Soon Yong, the Chief Executive Officer ("CEO"), has the executive responsibility for the day-to-day operations of the Group. He also assumes the responsibilities of the Chairman of the Board, which among other things, include the following:

- leads the Board to ensure its effectiveness in all aspects of its role and sets its agenda;
- ensures that the Board receives accurate, timely and clear information;
- ensures effective communication with shareholders;
- encourages constructive relations between the Board and Management;
- encourages constructive relations between Executive Directors and Independent Directors; and
- promotes high standards of corporate governance.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence. In order to ensure good corporate governance practice, Mr Tan Eng Kiat, Dominic has been appointed as the Lead Independent Director of the Company for the shareholders in situations where there are concerns or issues which communication with the Chief Executive Officer and/or Finance Director has failed to resolve or where such communication is inappropriate. During FY2022, Mr Tan Eng Kiat, Dominic took the lead in ensuring compliance with the Code. Led by the Lead Independent Director, the Independent Directors would meet in the absence of the other Directors as and when circumstances warrant.

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

As at the date of this report, the NC consists of three (3) members, including the NC Chairman, all of whom are Independent:

Mr Tan Eng Kiat, Dominic – Chairman

Mr Lim Ghim Siew, Henry – Member

Mr Teng Kian Jen, Ben- Member

The NC meets at least once a year. The NC carries out its duties in accordance with a set of written Terms of Reference, responsible for identifying and maintaining a formal and transparent process for the appointment of new Directors to the Board and to review nominations for the re-election of Directors. The key terms of reference of the NC include the following:

- reviewing the Board structure, size and composition and making recommendations to the Board, where appropriate;
- determining the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment and re-election/re-appointment to the Board;
- reviewing Board succession plans for Directors, in particular, the Chairman and CEO;
- making recommendations to the Board on the nomination of retiring Directors and those appointed during the year standing for re-election at the Company's Annual General Meeting ("AGM"), having regard to the Director's contribution and performance and ensuring that all Directors submit themselves for re-election at regular intervals;
- determining on an annual basis whether a Director is independent, bearing in mind the circumstances set forth in the Code and Listing Rules as well as other salient factors;
- reviewing training and professional development programmes for the Board;
- deciding on the ability and adequacy of Directors with multiple board representations to carry out their duties and responsibilities to ensure that Directors spend adequate time on the Company's affairs and carry out their responsibilities; and
- to propose, for Board's approval, objective performance criteria to evaluate the effectiveness of the Board as a whole and the Board Committees as well as the contribution by each Director to the effectiveness of the Board.

During FY2022, the NC held one (1) meeting with full attendance.

The NC has in place a process for the selection of new Directors and re-appointment of Directors to increase the transparency of the nominating process in identifying and evaluating nominees or candidates for appointment or re-appointment. In selecting potential new Directors, the NC will seek to identify the competencies and expertise required to enable the Board to fulfil its responsibilities. The NC will evaluate the suitability of the nominee or candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board, before making its recommendation to the Board. In recommending a candidate for re-appointment to the Board, the NC considers, amongst other things, his/her contributions to the Board (including attendance and participation at meetings, time and effort accorded to the Company's or Group's business and affairs) and his/her independence. The Board ensures that the selected candidate is aware of the expectations and the level of commitment required.

CORPORATE GOVERNANCE REPORT

To ensure that the Directors are competent in carrying out their expected roles and responsibilities, newly appointed Directors are given briefings by the CEO on the strategies of the Company and its key subsidiaries. The Directors will also, where necessary, receive appropriate training and orientation from time to time on other matters which would help them in the discharge of their duties as Directors of the Board or as members of the Board Committees.

The NC also reviews the independence and number of years served by each of the Independent Directors as mentioned under Rule 210(5)(d) of the Listing Manual of SGX-ST and Provision 2.1 of the Code. The NC has affirmed that Mr Lim Ghim Siew, Henry, Mr Tan Eng Kiat, Dominic and Mr Teng Kian Jen, Ben are independent and free from any relationship outlined in the Rule 210(5)(d) of the Listing Rules and the Code. Each of the Independent Directors has also confirmed his independence. Having considered their in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of providing impartial and constructive advice, the Board is of the view that there is no material conflict between their tenure and their ability to discharge their role as Independent Directors.

All Directors, including the CEO, submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. The Company's Constitution requires one-third of the Directors to retire and subject for re-election by shareholders at every annual general meeting ("AGM") ("**one-third rotation rule**"). In other words, no Director stays in office for more than three years without being re-elected by shareholders. In addition, a newly appointed Director shall retire and submit himself for re-election at the AGM immediately following his appointment. Thereafter, he is subject to the one-third rotation rule. The appointment of Executive Directors including the CEO, is in accordance with service agreements entered into between the respective individuals and the Company. Under the terms of the said agreement, the Company or the relevant executives may terminate the respective Director's service by giving 6 months' notice in writing or 6 months' salary in lieu of notice.

In making the recommendations for retirement and re-election, the NC considers the overall contribution and performance of the Directors. Each member of the NC shall abstain from deliberation and voting on resolution (if applicable) in respect of his own assessment and re-nomination as Director.

Pursuant to Regulation 103 of the Company's Constitution, the NC recommended and the Board accepted the nomination of the following Directors who will stand for re-election/re-appointment at the forthcoming AGM:–

- Mr Seow Soon Yong; and
- Mr Siau Sun King

The Board provides for the appointment of alternate directors when any of the Directors think fit. The Board will take into consideration the same criteria for selection of Directors such as qualification, credential, experience and competency. The Company has no alternate Director during FY2022.

Key information of each member of the Board can be found under the "Board of Directors" and "Disclosure of information on Directors seeking re-election as required under Appendix 7.4.1 to the Listing Manual of the SGX-ST" sections appearing on pages 4 & 34 of this Annual Report.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.

Pursuant to its Terms of Reference, the NC is also required to determine annually whether a Director with multiple board representations is able to and has been adequately carrying out his duties as a Director of the Company. To address the competing time commitments that are faced when Directors serve on multiple boards, the NC has reviewed and made recommendation to the Board accordingly on the maximum number of listed company board appointments which any Director may hold. Based on the recommendation, the Board has determined and set the maximum number of other listed company board appointments at not more than four (4) other listed companies. Currently, none of the Directors holds more than four (4) directorships in other listed companies. The considerations in assessing the capacity of Directors include the following:

- Expected and/or competing time commitments of Directors, including whether such commitment arises from a full-time or part-time employment capacity;
- Geographical location of Directors;
- Size and composition of the Board;
- Nature and scope of the Group's operations and size; and
- Capacity, complexity and expectations of the other listed directorships and principal commitments held.

The NC, having reviewed each Director's directorships in other listed companies as well as each Director's contributions to the Board, is satisfied that all Directors have discharged their duties adequately for FY2022.

The NC has in place a framework for annual performance evaluations of the Board and Board Committees to assess the effectiveness of the Board and its Board Committees and to facilitate discussions to enable the Board to discharge its duties more effectively. The annual performance evaluations of the Board and Board Committees is carried out by means of a questionnaire relating to the size and composition of the Board, information flow to the Board, Board procedures and accountability, matters concerning the Chief Executive Officer ("CEO")/ Key Management Personnel ("KMP") and standards of conduct of Board members being completed by each individual Director. Completed questionnaires will be collated by the Company Secretary and the findings analysed and discussed with the Board and Board Committees. Recommendations to further enhance the effectiveness of the Board and Board Committees will be implemented, as appropriate.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual Directors and Key Management Personnel. No Director is involved in deciding his or her own remuneration.

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and Key Management Personnel are appropriate and proportionate to the sustainable performance and value creation of the company, taking into account the strategic objectives of the Company.

As at the date of this report, the RC consists of three (3) members, including the RC Chairman, all of whom are Independent.

Mr Lim Ghim Siew, Henry – Chairman

Mr Tan Eng Kiat, Dominic – Member

Mr Teng Kian Jen, Ben – Member

Matters relating to the remunerations of the Board, CEO, KMP and other employees who are substantial shareholders of the Company or are immediate family members of the Directors or CEO or substantial shareholder of the Company, are handled by the RC whose primary function is to develop formal and transparent policies on remuneration matters in the Group. The RC also ensures that the Company's remuneration system is appropriate to attract, retain and motivate the required talents to run the Company successfully.

The RC meets at least once a year. For FY2022, the RC held one meeting with full attendance.

The RC has access to the Group Human Resource Manager when clarification and advice are needed. The key responsibilities of the RC are:

- to review and recommend to the Board in consultation with the Chairman of the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the Executive Directors, CEO, KMP and other employees who are substantial shareholders of the Company, or are immediate family members of the Directors or CEO or substantial shareholder of the Company;
- to recommend to the Board in consultation with the Chairman of the Board, the Employees' Share Option Scheme or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith;
- to carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time; and
- To ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate the directors to provide good stewardship of the Company and KMP without being excessive as well as maximise shareholders' value in long term.

The RC is responsible for ensuring a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors, CEO, KMP and other employees who are Substantial Shareholders of the Company or are immediate family members of the Directors or CEO or Substantial Shareholder of the Company. All aspects of remuneration frameworks, including but not limited to Directors' fees, salaries, allowances, bonuses and other benefits-in-kind are reviewed by the RC. The recommendations of the RC are submitted for endorsement by the Board. Such frameworks are reviewed periodically to ensure that the above personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies.

CORPORATE GOVERNANCE REPORT

The Independent Directors are paid Directors' fees, which comprise basic fees and additional fees for serving on Board Committees. Payment of these fees is subject to the shareholders' approval at the forthcoming AGM. The RC ensures that the Independent Non-Executive Directors are not over-compensated to the extent that their independence may be compromised. Each member of the RC abstains from voting on any resolutions in respect of his own remuneration package.

The remuneration of employees who are immediate family members of Director, the CEO or Substantial Shareholders will be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses and pay increments for these employees will also be subject to the review and approval of the RC. In the event that a member of the RC is related to the employee under review, he shall abstain from participating in the review and approval. Where necessary, the RC will consult external professionals on remuneration matters of Directors and KMP.

The RC has reviewed the salary components of the Executive Directors and the KMP and consider them to be reasonable and commensurate with their respective job scope and level of responsibilities, the RC is of the view that there is no requirement to use contractual provisions to allow the Company to reclaim incentive components of the remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

Disclosure on Remuneration

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

During the year, the RC held one meeting to review and revise the compensation structure of the Directors. A breakdown showing the level and mix of the remuneration of the Directors for the year ended 31 December 2022 is set out below:

Name of Directors	Performance Related				Total (%)	Total (\$'000)
	Fees ¹ (%)	Salary ² (%)	Income (%)	Others (%)		
Seow Soon Yong (CEO and MD)	–	89	–	11	100	347
Chia Sin Cheng	–	94	–	6	100	280
Siau Sun King	–	77	–	23	100	240
Lim Ghim Siew, Henry	100	–	–	–	100	51
Tan Eng Kiat, Dominic	100	–	–	–	100	61
Teng Kian Jen, Ben	100	–	–	–	100	48

Notes:

- (1) The Directors' fees are subject to the approval of the shareholders at the AGM.
- (2) The salary includes CPF contribution from the Company.

The remuneration packages for employees including KMP comprise a fixed component (base salary), a variable component (cash-based annual bonus) and benefits-in-kind, where applicable, taking into account amongst other factors, the individual's performance, the performance of the Group and industry and market practices as well as information gathered from market surveys. If required, the Company will engage professional services to provide guidance on remuneration matters.

CORPORATE GOVERNANCE REPORT

The range of gross remuneration received by each of the top 5 KMP (excluding Executive Directors and CEO) of the Group as named under the section on "Profile of Key Management" in the applicable band of \$250,000 for FY2022 are set out below:-

Remuneration Band	No. of Executives
\$250,000 – \$499,999	1
\$1 – \$249,999	4

In aggregate, the total remuneration (including CPF contribution thereon and bonus) paid to the top 5 KMP in FY2022 is approximately \$1,120,000.

The Board is of the view that given the highly competitive industry conditions coupled with the sensitivity and confidentiality of remuneration matters, the disclosure of remuneration in bands and not on named basis for KMP provides sufficient overview of the remuneration of the KMP and does not prejudice the Group's interest. There are no termination, retirement and post-employment benefits granted to Directors, the CEO, substantial shareholder and the top 5 KMP.

The following immediate family members of a Director, CEO or substantial shareholder were the employees of the Group:

Name of employees who are immediate family members	Relationship with the Directors, CEO or substantial shareholder of the Group	Designation	Remuneration band
Seow Zi Chen	Son of Seow Soon Yong	Deputy Project Director	\$100,001 – \$200,000
Siau Sze You	Son of Siau Sun King	Deputy General Manager	\$100,001 – \$200,000
Seow Khng Chai	Brother of Seow Soon Yong and Siau Sun King	General Manager (Malaysia Operation)	\$100,001 – \$200,000
Seow Soon Kian	Brother of Seow Soon Yong and Siau Sun King	Senior Crane Operator	\$100,001 – \$200,000
Seow Soon Hock	Brother of Seow Soon Yong and Siau Sun King	Production Director	\$200,001 – \$300,000

The aggregate remuneration (including CPF contribution thereon and bonus) of these employees amounted to approximately \$716,000 for FY2022.

Save as disclosed above, the Group does not have any other employee who is an immediate family member of a Director, CEO or substantial shareholder and whose remuneration exceeded \$100,000 during the financial year.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls to safeguard the interests of the company and its shareholders

In discharging its responsibility of providing accurate relevant information on a timely basis to shareholders in compliance with statutory and regulatory requirements, the Board strives to ensure the timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, financial position and prospects.

CORPORATE GOVERNANCE REPORT

The Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual, where applicable. The Independent Directors in consultation with Management will request for Management's consideration for the establishment of written policies on any particular matter that is deemed to be essential to form part of management control.

The Management will report to the AC formally (Quarterly and Full Year) and informally as and when necessary to ensure that financial processes and controls are in place, highlighting material financial risks and impacts and providing updates on status of significant financial issues of the Group, if any.

In accordance with the Singapore Exchange's requirements, the Board issued negative assurance statements in its interim financial results announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the interim financial statements false or misleading in any material aspect.

The Board is responsible for the governance of risk. It ensures that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets and determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk tolerance and risk policies. The Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance, information technology as well as sanctions-related risks.

The Board also recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

The Company outsources its internal audit function to an independent service provider, PricewaterhouseCoopers Risk Services Pte. Ltd. ("PwC" or "Internal Auditors") to assist the Board and the AC in their review of the Group's risk management and internal control systems focusing on financial, operational, compliance, information technology and sanctions-related risks. The Board believes that adequate internal controls within the Group are crucial to ensure that the Group continues to meet or exceed its standards in all key aspects, at the same time to safeguard shareholders' interest and the Group's assets through effective risk management. There was no specific internal audit review carried out by PwC during the financial year.

The AC is satisfied that the internal auditor has the relevant qualifications and experience and has met the standards established by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditor reports directly to the AC on audit matters and the AC approves the hiring, removal, evaluation and fees of the internal auditor. The AC is of the view that the internal auditor has adequate resources to perform its functions effectively and has to the best of its ability, maintained its independence from the activities that it audits.

A risk management assessment has been performed by the Management with the assistance of the internal auditor. On an annual basis, the AC reviews and reports to the Board the Group's risk profile, evaluates results and counter-measures to mitigate potential risks so as to assure itself and the Board that the process is operating effectively as planned. The Group recognises risk management as a collective effort beginning with the individual subsidiaries and business units. The process identifies relevant potential risks across the Group's operations with the aim to bring them to within acceptable cost and tolerance parameters.

CORPORATE GOVERNANCE REPORT

The Management regularly reviews and updates the Board on the Group's business and operational activities in respect of the key risk control areas including financial, operational, compliance, information technology and sanctions-related risks and continues to apply appropriate measures to control and mitigate these risks. All significant matters are highlighted to the Board and the AC for further discussion.

The Board notes that no system of risk management and cost-effective system of internal controls could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities and the containment of business risk. Nonetheless, the Board believes its responsibility of overseeing the Group's risk management framework and policies are well supported. In view of the above and based on the internal controls established and maintained by the Group, the statutory audit conducted by the external auditors, and reviews performed by the Management, various Board Committees and the Board so far, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems, addressing financial, operational, compliance, information technology and sanctions-related risks, put in place during the financial year were adequate and effective. This is in turn supported by (a) the assurance from the CEO and the Finance Director that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and are prepared in accordance with the relevant accounting standards; and (b) the assurance from the CEO and other KMP who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

International bodies and national governments have imposed sanctions on certain activities or transactions with targeted jurisdictions, entities and persons, with the primary aim of achieving foreign policy or national security goals. The Board confirmed there has been no material change in its risk of being subject to any Sanctions Law. The Board and AC will be responsible for (a) monitoring the issuer's risk of becoming subject to, or violating, any Sanctions Law; and (b) ensuring timely and accurate disclosures to SGX and other relevant authorities.

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

As at the date of this report, the AC consists of three (3) members, including the AC chairman, all of whom are Independent.

Mr Tan Eng Kiat, Dominic – Chairman

Mr Lim Ghim Siew, Henry – Member

Mr Teng Kian Jen, Ben- Member

The members of the AC have many years of experience at senior management positions in the financial and industrial sectors. They have sufficient financial management expertise and experience to discharge the AC's functions. None of the AC members is a former partner or director of the Company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

The AC meets on a quarterly-yearly basis and plays a key role in assisting the Board to review significant financial reporting issues and judgments to ensure the quality and integrity of the accounting reports, the audit procedures, internal controls, financial statements and any announcements relating to the Group's financial performance.

CORPORATE GOVERNANCE REPORT

The members of the AC carry out their duties in accordance with a set of terms of reference which includes the following:

- assist the Board in discharging its responsibilities on financial reporting matters;
- review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and management's response, and results of the audits compiled by internal and external auditors;
- review the periodic consolidated financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Listing Rules and any other statutory and regulatory requirements;
- review the effectiveness and adequacy of the internal control procedures addressing financial, operational, compliance, information technology and sanctions-related risks, and ensure co-ordination between the internal and external auditors, and the Management, reviewing the assistance given by the Management to the auditors, and discuss problems and concern, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);
- review the assurance from the CEO and the Finance Director on the financial records and financial statements;
- review the adequacy, effectiveness, independence, scope and results of the external audit, and the Company's internal audit function;
- review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- review significant financial reporting issues and judgments with the Finance Director and the external auditors so as to ensure the integrity of the financial statements of the Group;
- review any formal announcements relating to the Group's financial performance before their submission to the Board of Directors;
- review and report to the Board at least annually the adequacy and effectiveness of the Group's material internal controls with the Finance Director, the finance manager and the internal and external auditors, including financial, operation, compliance, information technology and sanctions-related controls via reviews carried out by the internal auditors;
- review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Rules (if any);
- review any potential conflicts of interest;

CORPORATE GOVERNANCE REPORT

- review arrangements by which any staff may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters, and to ensure that those arrangements are in place for independent investigations of such matters and for appropriate follow-up; and
- review the Company's risk of becoming subject to, or violating, any Sanctions Law and ensure timely and accurate disclosure to SGXNet and other relevant authorities.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

The AC reviews the audit plan and scope of examination prepared by the external auditors and the assistance given by the Group's officers to the external auditors. The AC also discusses with the external auditors the results of their examinations and at least once a year holds separate sessions with them without the presence of the Management to discuss any matters deemed appropriate to be discussed privately. In addition, the AC reviews announcements relating to the Group's quarterly and full-year financial results, the financial statements of the Company and the consolidated financial statements of the Group prior to its recommendations to the Board for approval. The AC discusses with the Management the accounting treatment and methodology applied as well as the assumptions used in judgemental assessment which might impact the results of financial statements. There were no key audit matters for FY2022.

The AC also reviews the independence and objectivity of the external auditors and reviewed the scope and value of non-audit services provided to the Group by the external auditors, Ernst & Young LLP. The aggregate amount of audit and non-audit fees paid or payable to the external auditors for FY2022 are \$250,000 and \$37,000 respectively. The AC is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the external auditors. The AC has recommended to the Board the nomination of Ernst & Young LLP for re-appointment as auditors of the Company at the forthcoming AGM. The Group has also complied with Rules 712 and 715 (1) and (2) of the Listing Manual of SGX-ST in relation to the appointment of its external auditors.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and has had the full co-operation of the Management. It also has full discretion to invite any Director or any member of the Management to attend its meetings or be provided with reasonable resources to enable it to discharge its functions properly.

To keep abreast of the changes in accounting standards and issues which have a direct impact on the financial statements, the AC will seek advice from the external auditors. During the year, the AC was briefed on the new accounting standards and issues which are relevant to the Group and that would have direct impact to the Group's consolidated financial statements by the external auditors at the AC meeting.

WHISTLE-BLOWING POLICY

In order to encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Group has implemented a Whistle-Blowing Policy. The Whistle-Blowing Policy stipulates the mechanism for a Whistle-Blower to make report to the Company on misconduct or wrongdoing relating to the Company and its officer. A dedicated secured e-mail address allows whistle blowers to contact the AC, which is responsible for oversight and monitoring of Whistleblowing. The Whistle-Blowing Policy and its procedures have been made available to all employees.

CORPORATE GOVERNANCE REPORT

The Group's Whistle Blowing Policy allows employees to raise concerns and offers reassurance that their identity is kept confidential and they will be protected from reprisals, victimisation, detrimental or unfair treatment for whistle blowing in good faith.

The Group addresses issues/concerns raised and arranges for investigation by the AC and/or follow-up of appropriate action. The AC reports to the Board any issues/concerns received by it at the ensuing Board meeting. Should the AC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant government authorities for further investigation/action. There was no whistle blowing report received in FY2022.

SHAREHOLDERS RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Engagement with Shareholders

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation by shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected. The Group is committed to providing shareholders with adequate, timely and relevant information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Company believes in regular, effective and fair communication with members of the investment community and investing public and has adopted a comprehensive policy to provide clear, timely and fair disclosure of information about the Company's business developments and financial performance.

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst safeguarding its commercial interests. Material information on the Group is released to the public through the Company's announcements via SGXNET.

The Group strongly encourages shareholders' participation at the AGM. Shareholders are able to proactively engage the Board and the Management on the Group's business activities, financial performance and other business related matters through dialogue sessions. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and KMP, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the Company's website.

The Company currently does not have an investor relations policy.

CORPORATE GOVERNANCE REPORT

The Company strives to communicate with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET. Financial results of the Company and the Group were released within 45 days from the quarter ended and within 60 days from the full-year financial year ended. The Company will continue to keep shareholders updated on material developments relating to the Company and the Group in compliance with its continuing disclosure obligations, as and when appropriate.

Pursuant to the Company's Constitution, the Company also allows all members to appoint not more than two proxies to attend general meetings and vote on their behalf. A member who is a relevant intermediary (as defined under the Section 181 of the Companies Act) may appoint more than two (2) proxies to attend, speak and vote at the shareholders' meetings, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

As the authentication of shareholder identity information and other related security issues remain a concern, the Group has decided, for the time being, not to implement voting in absentia. Separate resolutions on each distinct issue are tabled at general meetings and explanatory notes are set out in the notices of general meetings where appropriate.

Shareholders are informed of shareholders' meetings through notice contained in the Company's annual report or circulars sent to all Shareholders. These notices are also posted onto the SGXNet within the mandatory period. Due to the COVID-19 situation in Singapore, the Company's AGM in 2022 was held by way of electronic means. The annual report, notice, proxy form as well as details of the alternative arrangements of the AGM were disseminated to Shareholders through publication on SGXNet and the Company's website. Shareholders could submit their questions relating to the resolutions to be tabled for approval at the AGM to the Chairman of the Meeting, in advance of the AGM. The Company was required to provide its responses to the substantial queries, if any through publication on SGXNet and the Company's website at least 48 hours prior to the closing date and time of the lodgement of the proxy form. In the event that the question was submitted after the cut-off time, the Company would address the same at the AGM. In 2022, the Company did not receive any queries from the shareholders prior to the AGM.

For FY2021, all Directors including Chairman of the Board and the respective Chairman of the Board Committees, Management, legal professional and the external auditor were present at the AGM held on 29 April 2022.

The Board acknowledges voting by poll is integral in the enhancement of corporate governance and leads to greater transparency of the level of support for each resolution where shareholders are accorded rights proportionate to their shareholding. The AC and Board noted that for good corporate governance practices, the Company has been conducting its voting by poll at the general meetings. As the authentication of shareholder identity and other related security and integrity issues still remain a concern, the Company has decided for the time being, not to implement absentia voting methods such as voting via mail, e-mail or fax.

DIVIDEND POLICY

The Company is committed to achieving sustainable income and growth to enhance total shareholder return although it does not have a fixed dividend policy. The Group aims to balance cash return to shareholders and investment for sustaining growth, while aiming for an efficient capital structure. In considering the form, frequency and amount of dividends that the Board may recommend or declare in respect of any particular year or period, the Board takes into account various factors including:

- the results of operations and cash flow;
- the expected financial performance and working capital needs;

CORPORATE GOVERNANCE REPORT

- future prospects; and
- capital expenditures and other investment plans;

as well as general economic, business and other factors deemed relevant by the Board and statutory restrictions on the payment of dividends. The Board does not declare any dividend in respect of FY2022 after taking into account various factors mentioned above.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Group has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. For more information on the Company's stakeholder engagement, please refer to the Company's Sustainability Report 2022 which will be published by 30 April 2023.

The Company maintains a corporate website at <http://www.yongnamgroup.com> to communicate and engage with stakeholders.

DEALINGS IN SECURITIES

(Rule 1207(19) of the Listing Manual of SGX-ST)

The Company has adopted the SGX-ST's Listing Rule 1207(19) in relations to dealings in the Company's securities. The Group has in place an internal compliance policy to inform and advise its Directors, Senior Management as well as employees who are in possession of unpublished price-sensitive information. The Directors and the Senior Management are advised not to deal in the Company's shares during the period commencing two weeks before the announcement of the Group's financial results for each of the first three quarters of its financial year and one month before the announcement of the Group's full-year financial results, and ending on the date of announcement of the relevant results, also known as then blackouts period.

The Directors and Senior Management are also advised of the relevant provisions under the Securities and Futures Act of Singapore to prohibit dealing with the Company's securities on short-term considerations or while in possession of unpublished material price-sensitive information in relation to the securities.

Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading periods and they are also discouraged from dealing in the Company's securities on short-term considerations. To facilitate compliance, reminders via electronic mail are issued prior to the applicable trading black-out periods.

Directors who deal with the Company's shares are required to notify the Company Secretary to make necessary announcements in accordance with the requirements of the SGX-ST.

In view of the above, the Company has complied with the SGX-ST's Listing Rules on best practices on dealing in the Company's securities in FY2022.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

(Rule 907 of the Listing Manual of SGX-ST)

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and the transactions are carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its minority shareholders.

There was no interested person transaction, as defined in Chapter 9 of the Listing Manual of SGX-ST entered into by the Group during FY2022.

MATERIAL CONTRACTS

(Rule 1207(8) of the Listing Manual of SGX-ST)

Save for service agreements between the Company and Executive Directors as disclosed in this report, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO or any Director or controlling shareholder, either subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

CORPORATE DISCLOSURE

The Company believes that a high level of disclosure is essential to enhance the standard of corporate governance. Hence, the Company is committed to provide a high level of disclosure in all public announcements, press releases and annual reports.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Seow Soon Yong and Mr Siau Sun King are the Directors seeking re-election at the forthcoming AGM of the Company to be convened on 28 April 2023 (collectively, the “Retiring Directors” and each a “Retiring Director”).

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	SEOW SOON YONG	SIAU SUN KING
Date of Appointment	19 October 1994	19 October 1994
Date of last re-appointment	29 June 2020	29 June 2020
Age	68	75
Country of principal residence	Singapore	Singapore
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (“NC”) and has reviewed and considered the contribution, performance, attendance, preparedness, participation, candour and suitability for the following re-election of Directors of the Company:</p> <ul style="list-style-type: none"> • Mr Seow Soon Yong – Managing Director and Chief Executive Officer • Mr Siau Sun King – Executive Director <p>The Board has reviewed and concluded that Mr Seow Soon Yong and Mr Siau Sun King possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p>	
Whether appointment is executive, and if so, the area of responsibility	<p><u>Executive</u></p> <p>Mr Seow is responsible for the day-to-day management of the Group’s operations, setting the Group’s strategic direction and executing the Group’s business strategies.</p>	<p><u>Executive</u></p> <p>Mr Siau currently oversees the Group’s operations in Malaysia as well as the Mechanical Engineering Division.</p>
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Managing Director and Chief Executive Officer	Executive Director
Professional qualifications	N/A	Mechanical Engineering graduate from the Ngee Ann Polytechnic
Working experience and occupation(s) during the past 10 years	Managing Director and Chief Executive Officer of Yongnam Holdings Limited	Executive Director of Yongnam Holdings Limited
Shareholding interest in the listed issuer and its subsidiaries	<p><u>Direct interest</u> 86,105,007 ordinary shares</p> <p><u>Deemed Interest</u> 4,082,108 held through Yongnam Private Limited</p>	<p><u>Direct interest</u> 2,784,217 ordinary shares</p> <p><u>Deemed Interest</u> 4,082,108 held through Yongnam Private Limited</p>

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	SEOW SOON YONG	SIAU SUN KING
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Seow Soon Yong and Mr Siau Sun King are siblings.	
Conflict of interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships	Yes	Yes
Past (for the last 5 years)	None	None
Present	<p>Yongnam Engineering & Construction (Private) Limited</p> <p>YNE Project Engineering Pte. Ltd.</p> <p>Yongnam Development Pte Ltd</p> <p>Yongnam Engineering Sdn Bhd</p> <p>Yongnam Engineering & Construction Sdn Bhd</p> <p>Jiwa Harmoni Offshore Sdn Bhd</p> <p>Yongnam Steel Work System Engineering (Shanghai) Co. Ltd</p> <p>Yongnam Steel Work System Engineering (Jinjiang) Co. Ltd</p> <p>Yongnam Engineering (HK) Limited</p> <p>Yongnam Engineering & Construction (Thailand) Ltd</p> <p>Yongnam Myanmar Co., Limited</p> <p>Yongnam Investment Pte Ltd</p> <p>Yongnam – Jian Huang Joint Venture</p>	<p>Yongnam Engineering & Construction (Private) Limited</p> <p>YNE Project Engineering Pte. Ltd.</p> <p>Yongnam Development Pte Ltd</p> <p>Yongnam Engineering Sdn Bhd</p> <p>Yongnam Engineering & Construction Sdn Bhd</p> <p>Jiwa Harmoni Offshore Sdn Bhd</p> <p>Yongnam Steel Work System Engineering (Shanghai) Co. Ltd</p> <p>Yongnam Steel Work System Engineering (Jinjiang) Co. Ltd</p> <p>Yongnam Engineering (HK) Limited</p> <p>Yongnam Private Limited</p>

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	SEOW SOON YONG	SIAU SUN KING
Information required		
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c) Whether there is any unsatisfied judgment against him?	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

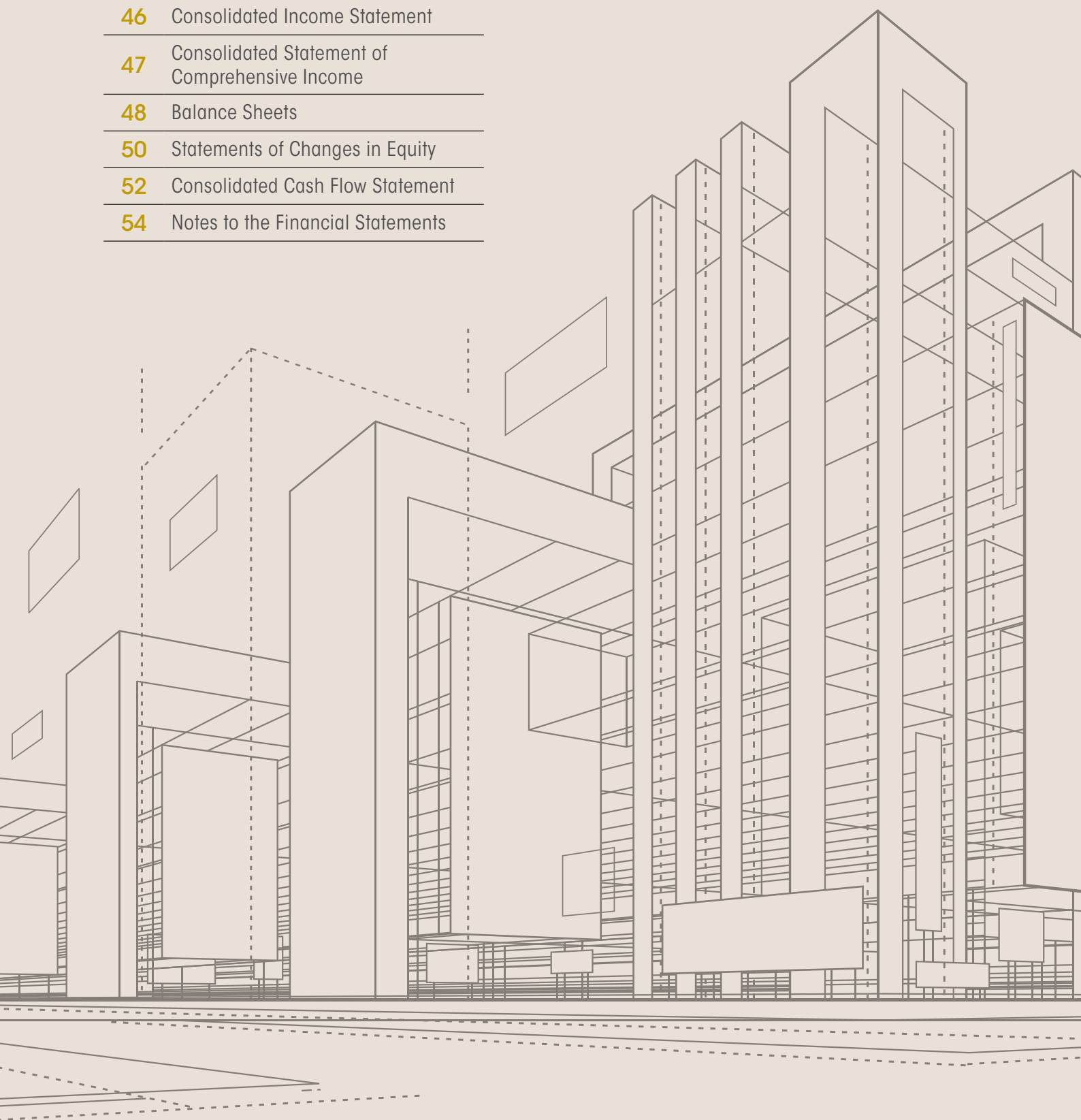
	SEOW SOON YONG	SIAU SUN KING
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	SEOW SOON YONG	SIAU SUN KING
<p>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	No
<p>k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	No	No
<p>Information required</p> <p>Disclosure applicable to the appointment of Director only</p>		
<p>Any prior experience as a director of an issuer listed on the Exchange?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	N/A	N/A

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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Yongnam Holdings Limited (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2022.

Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement, based on the factors as described in Note 2.1 to the financial statements, there are reasonable grounds to believe that the Company will be able to complete its restructuring exercise and pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Seow Soon Yong
Siau Sun King
Chia Sin Cheng
Lim Ghim Siew, Henry
Teng Kian Jen, Ben
Tan Eng Kiat, Dominic

Arrangements to enable directors to acquire shares and debentures

Except as disclosed in the subsequent paragraphs, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act 1967, an interest in shares and share options of the Company and related corporations as stated below:

Yongnam Holdings Limited - Ordinary shares

Name of director	Direct interest			Deemed interest		
	At 31.12.2021	At 31.12.2022	At 21.1.2023	At 31.12.2021	At 31.12.2022	At 21.1.2023
Seow Soon Yong	86,105,007	86,105,007	86,105,007	4,082,108	4,082,108	4,082,108
Siau Sun King	2,784,217	2,784,217	2,784,217	4,082,108	4,082,108	4,082,108
Chia Sin Cheng	3,713,494	3,713,494	3,713,494	–	–	–
Lim Ghim Siew, Henry	225,000	225,000	225,000	–	–	–
Tan Eng Kiat, Dominic	225,000	225,000	225,000	–	–	–

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year, or on 21 January 2023.

Audit Committee

The Audit Committee (AC) comprises three members, namely Mr. Tan Eng Kiat, Dominic (Chairman), Mr. Lim Ghim Siew, Henry and Mr. Teng Kian Jen, Ben. The AC comprises entirely of non-executive and independent directors.

The AC performs the functions specified in Section 201B(5) of the Singapore Companies Act 1967 and the Listing Manual of the SGX-ST. It meets with the external auditors, reviews the audit plan, the results of their examination and findings and their evaluation of the system of internal controls. The AC also reviews all the non-audit services provided by the external auditors to ensure that such services will not affect the independence of the external auditors together with their appointment and re-appointment.

In addition, the AC reviews the quarterly announcement and annual financial statements and all interested party transactions.

The AC also met up with the external auditors without the presence of management to discuss any matters that should be discussed privately with the AC.

Further information regarding the AC is disclosed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Seow Soon Yong
Director

Chia Sin Cheng
Director

Singapore
11 April 2023

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Report on the audit of the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Yongnam Holdings Limited (the Company) and its subsidiaries (collectively, the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2022, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the balance sheet and the statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Use of the going concern assumptions

As at 31 December 2022, the Group and the Company are in net current liability positions of \$128,860,000 and \$7,852,000 respectively. For the financial year ended on that date, the Group recorded a net loss of \$35,723,000. The Group has defaulted on certain of its bank and debt obligations as at 31 December 2022 resulting in those obligations becoming due and payable.

As further disclosed in Notes 2.1 to the financial statements, in February 2023 the Company and the Group's key subsidiary, Yongnam Engineering & Construction (Private) Limited ("YEC") was granted a Moratoria pursuant to Sections 64 & 65 of The Insolvency, Restructuring And Dissolution Act 2018. In January 2023, the Group also announced that it had entered into a definitive agreement with a potential new investor, UEM Assets Pte Ltd ("UEM").

The Group has been in discussion with the major secured creditors of the Group ("Secured Lenders") and the unsecured creditors (including the bondholders) on the restructuring of the financial indebtedness of the Group ("Debt Restructuring Plan"). The proposed Debt Restructuring Plan includes, amongst other things, the entry into Lenders Settlements with the Secured Lenders in relation to the outstanding loan amounts and to revise repayment periods, negotiations with the Group's major unsecured creditors to agree to a reduction in the value of unsecured debt payable by cash and ordinary shares of the Company and settlement of the convertible bond amounts with the existing convertible bondholders, all of which are subject to the agreement and approval by the creditors, sanction from the Singapore High Court, and to the satisfaction of UEM.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Basis for Disclaimer of Opinion (cont'd)

Use of the going concern assumptions (cont'd)

These financial statements have been prepared using the going concern assumption as the Directors are of the view that the Group and the Company will be able to successfully complete the Debt Restructuring Plan as discussed in Note 2.1 and complete the investment plan by UEM. However, based on the information available to us, we are unable to obtain sufficient appropriate audit evidence to conclude whether the going concern assumption used to prepare these financial statements is appropriate as the Debt Restructuring Plan is inherently uncertain, ongoing and has yet to be finalised as at the date of these financial statements.

The carrying value of the assets as recorded on the balance sheet of the Group and Company as at 31 December 2022 has been determined based on the continuation as a going concern and recovery in the normal course of business. If the going concern assumption is not appropriate and the financial statements were presented on a realisation basis, the carrying value of assets and liabilities may be materially different from that currently recorded in the balance sheet. If the Group and Company were unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to reclassify non-current assets and non-current liabilities as current assets and current liabilities. No such adjustments have been made to these financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and the Singapore Financial Reporting Standards in Singapore (International) ("SFRS(I)"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Responsibilities of Auditor for the Audit of the Financial Statements

Our responsibility is to conduct the audit of the Group and Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis of Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis of Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Alvin Phua.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

11 April 2023

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 \$'000	2021 \$'000
Revenue	4	141,200	121,912
Cost of sales		(149,675)	(126,001)
Gross loss		(8,475)	(4,089)
Other income	5	2,163	3,456
General and administrative expenses		(17,069)	(16,854)
Finance income	6	3	1
Finance costs	7	(12,231)	(10,206)
Share of results of investment in joint venture, net of tax	14	11	546
Loss before taxation	8	(35,598)	(27,146)
Taxation	9	(125)	61
Net loss for the year		(35,723)	(27,085)
Attributable to:			
Owners of the Company		(43,885)	(27,239)
Non-controlling interests		8,162	154
Net loss for the year		(35,723)	(27,085)
Loss per share (cents)			
- Basic	10	(6.40)	(4.63)
- Diluted	10	(6.40)	(4.63)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	2022 \$'000	2021 \$'000
Loss, net of tax	(35,723)	(27,085)
Item that may be reclassified subsequently to profit or loss		
Foreign currency translation	(1,004)	(188)
Net fair value loss on equity instruments at fair value through other comprehensive income	(181)	(106)
Total comprehensive income for the year, net of tax	<u>(36,908)</u>	<u>(27,379)</u>
Attributable to:		
Owners of the Company	(45,070)	(27,533)
Non-controlling interests	8,162	154
Total comprehensive income for the year	<u>(36,908)</u>	<u>(27,379)</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Non-current assets					
Property, plant and equipment	11	184,585	215,026	–	–
Right-of-use assets	12	33,738	41,317	–	–
Investments in subsidiaries	13	–	–	62,769	120,120
Investment in joint venture	14	641	630	–	–
Deferred tax assets	9(c)	1	11	–	–
Restricted bank balances	15	2,505	2,505	–	–
Investment securities	16	1,003	1,184	–	–
		222,473	260,673	62,769	120,120
Current assets					
Inventories	17	14,030	17,606	–	–
Contract assets	18	42,693	45,043	–	–
Trade receivables	19	18,583	16,857	–	–
Other receivables and deposits	20	8,132	6,592	–	–
Prepayments		2,439	1,189	34	4
Cash and bank balances	15	2,090	2,914	14	19
		87,967	90,201	48	23
Current liabilities					
Contract liabilities	18	23,050	29,316	–	–
Trade payables	21	60,849	52,927	–	–
Other payables and accruals	22	22,994	15,002	2,149	1,342
Borrowings	23	96,427	37,240	–	–
Lease liabilities	12	7,720	11,290	–	–
Bond payable	24	336	900	336	900
Convertible bonds (liability)	24	5,415	7,363	5,415	7,363
Convertible bonds (derivative)		–	905	–	737
Income tax payable		36	65	–	–
		216,827	155,008	7,900	10,342

BALANCE SHEETS

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Net current liabilities		(128,860)	(64,807)	(7,852)	(10,319)
Non-current liabilities					
Borrowings	23	–	63,115	–	–
Lease liabilities	12	34,412	39,627	–	–
		34,412	102,742	–	–
Net assets		59,201	93,124	54,917	109,801
Equity					
Share capital	25	152,369	149,384	152,369	149,384
Capital reserves	26	6,837	6,837	–	–
Share option reserve	26	12,800	12,800	12,800	12,800
Foreign currency translation reserve	27	(7,745)	(6,741)	–	–
Fair value reserve	28	(590)	(409)	–	–
Retained earnings		(103,866)	(59,981)	(110,252)	(52,383)
		59,805	101,890	54,917	109,801
Non-controlling interests		(604)	(8,766)	–	–
Total equity		59,201	93,124	54,917	109,801

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Share capital	25				
Balance at beginning of year		149,384	141,445	149,384	141,445
Issuance of shares		–	6,670	–	6,670
Conversion of bonds		2,985	1,269	2,985	1,269
Balance at end of year		152,369	149,384	152,369	149,384
Capital reserves	26				
Balance at beginning and end of year		6,837	6,837	–	–
Share option reserve					
Balance at beginning and end of year		12,800	12,800	12,800	12,800
Foreign currency translation reserve	27				
Balance at beginning of year		(6,741)	(6,553)	–	–
Foreign currency translation (other comprehensive income)		(1,004)	(188)	–	–
Balance at end of year		(7,745)	(6,741)	–	–
Fair value reserve	28				
Balance at beginning of year		(409)	(303)	–	–
Fair value loss (other comprehensive income)		(181)	(106)	–	–
Balance at end of year		(590)	(409)	–	–
Retained earnings					
Balance at beginning of year		(59,981)	(32,742)	(52,383)	(51,632)
Loss for the year		(43,885)	(27,239)	(57,869)	(751)
Balance at end of year		(103,866)	(59,981)	(110,252)	(52,383)

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Non-controlling interests					
Balance at beginning of year		(8,766)	(8,920)	–	–
Profit for the year		8,162	154	–	–
Balance at end of year		(604)	(8,766)	–	–
Total equity		59,201	93,124	54,917	109,801

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Loss before taxation		(35,598)	(27,146)
Add/(less):			
Finance income	6	(3)	(1)
Finance costs	7	12,231	10,206
Net gain on fair value of derivative instruments held at fair value through profit or loss	5	(837)	(298)
Depreciation on property, plant and equipment	8	17,096	18,376
Depreciation on right of use assets	8	8,411	9,063
Consumption allowance for steel beams and columns	8	1,982	2,989
Impairment on freehold land	8	6,515	–
Impairment on trade receivables	8	92	–
Write back on contract assets		–	(2,257)
Write back on provision for unutilised leave		(378)	(2,257)
Loss on de-recognition of convertible bonds		–	1,263
Loss on disposal of property, plant and equipment	8	1,631	7,527
Share of results of joint venture		(11)	(546)
Effects of changes in foreign exchange		(108)	128
Operating cash flows before changes in working capital		11,023	19,304
Decrease/(Increase) in trade receivables, other receivables and deposits and contract assets		2,560	(1,461)
Increase/(decrease) in trade payables, other payables and accruals and contract liabilities		11,051	(3,956)
Decrease in inventories		5,228	2,161
Cash flows generated from operations		29,862	16,048
Income tax paid		(138)	(251)
Interest received	6	3	1
Interest paid		(11,261)	(9,246)
Net cash flows generated from operating activities		18,466	6,552
Cash flows from investing activities			
Increase in cash in joint operation		–	4,677
Purchase of property, plant and equipment	11(a)	(13,506)	(20,765)
Proceeds from disposal of property, plant and equipment		9,187	22,149
Net cash flows (used in)/from investing activities		(4,319)	6,061

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from financing activities			
Proceeds from issuance of shares	25	–	5,407
Repayment of bond payable	24	(564)	(2,100)
Decrease in restricted bank balances		–	762
Proceeds from borrowings	23(c)	1,116	1,437
Repayment of borrowings	23(c)	(4,420)	(8,425)
Payment of principal for lease liabilities	12	(11,045)	(12,316)
Net cash flows used in financing activities		(14,913)	(15,235)
Net decrease in cash and cash equivalents			
Effect of exchange rate changes on cash and cash equivalents		(766)	(2,622)
Cash and cash equivalents at beginning of year		2,914	5,500
Cash and cash equivalents at end of year		2,090	2,914

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1. Corporate information

Yongnam Holdings Limited (the Company) is a limited liability company incorporated and domiciled in Singapore and listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 51 Tuas South Street 5, Singapore 637644.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 13 to the financial statements. There have been no significant changes in the nature of the activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$'000), except when otherwise indicated.

Going concern assumption

As at 31 December 2022, the Group and the Company are in net current liabilities positions of \$128,860,000 (2021: \$64,807,000) and \$7,852,000 (2021: \$10,319,000) respectively. For the financial year ended on that date, whilst the Group generated positive operating cash flow of \$18,764,000 (2021: \$6,552,000), it recorded a net loss of \$35,723,000 (2021: \$27,085,000). These factors indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as going concern.

On 19 January 2023, the Group announced that it had entered into definitive agreement with a potential new investor, UEM Assets Pte Ltd ("UEM"), a private company wholly owned by a sole director.

On 25 January 2023, the Group had filed a Moratoria Pursuant To Sections 64 & 65 of The Insolvency, Restructuring And Dissolution Act 2018 to the Singapore High Court, which was then granted to both the Company and the Group's key subsidiary, Yongnam

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Going concern assumption (cont'd)

Engineering & Construction (Private) Limited ("YEC") on 13 February 2023. The Moratoria will expire on 15 May 2023.

The Group has been in discussion with the major secured creditors of the Group ("Secured Lenders"), unsecured creditors including the bondholders, and a potential investor, UEM, on the restructuring of the financial indebtedness of the Group ("Debt Restructuring Plan").

The Debt Restructuring Plan includes, amongst other things:

- (a) the entry into Lenders Settlements with existing secured bank lenders in relation to the outstanding loan amounts and revised repayment period
- (b) negotiation with the Group's major unsecured creditors through the Company and its subsidiary, Yongnam Engineering & Construction (Private) Limited ("YEC") each proposing schemes of arrangements with their respective creditors to agree to a reduction in the value of unsecured debt payable by cash and ordinary shares of the Company.
- (c) to negotiate the settlement on the convertible bond with the existing convertible bondholders.

Subject to the satisfaction of the potential investor UEM Assets Pte Ltd ("UEM"), the Group's agreement with UEM would entail:

- (a) a loan agreement for a term loan of \$3 million; and
- (b) a conditional subscription agreement for the subscription by UEM of \$20 million in new ordinary shares in the Company and \$10 million of unlisted and non-transferable share options with each option carrying the right to subscribe for one new ordinary share in the Company.

Taking into consideration that the Group had entered into definitive agreement with UEM and that the Group had commenced the Debt Restructuring Plan, the directors are of the opinion that the use of going concern assumption in preparing the accompanying financial statements is appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Going concern assumption (cont'd)

If the financial statements were presented on a realisation basis, the carrying value of its assets and liabilities may be materially different. If the Group and Company were unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and Company may have to reclassify its non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to these financial statements.

2.2 Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2022. The adoption of these standards did not have any effect on the financial performance or position of the Group.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to SFRS(I) 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to SFRS(I) 1-1: Non-current Liabilities with Covenants	1 January 2024
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective (cont'd)*

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations and goodwill (cont'd)

recognised on the acquisition date at either fair value, or the noncontrolling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 Foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency (cont'd)

(a) Transactions and balances (cont'd)

at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent to recognition, property, plant and equipment other than freehold land are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are replaced, the Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacement when that cost is incurred if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.6 *Property, plant and equipment (cont'd)*

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold property	–	Over remaining lease period
Plant and machinery	–	3 to 10 years
Motor vehicles	–	3 to 6 years
Office equipment and furniture	–	3 to 5 years
Steel beams and columns	–	15 years
Cranes	–	10 and 20 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

Allowance is made for consumption of steel beams and columns deployed to projects which are not expected to be physically recoverable upon the completion of the projects.

2.7 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.8 *Equity-accounted investments*

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in the associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses,

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.8 *Equity-accounted investments (con't)*

unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates or joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint venture are prepared as at the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.9 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement category for classification of debt instruments is:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.9 *Financial assets (cont'd)*

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income which will not be reclassified subsequently to profit or loss. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payment is established.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.10 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of financial liability not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.10 *Financial liabilities (cont'd)*

method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between carrying amounts and the consideration paid is recognised in profit or loss.

2.11 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.12 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at bank, and do not include balances that are restricted in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.13 *Convertible bonds*

On issuance of the convertible bonds, the proceeds are allocated between the embedded equity conversion option and the liability component. The embedded equity conversion option is recognised at its fair value. The liability component is recognised as the difference between total proceeds and the fair value of the equity conversion option.

The embedded equity conversion option is subsequently carried at its fair value with fair value changes recognised in profit or loss. The liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

2.14 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition is accounted for as follows:

- Steel materials: purchase costs on a first-in first-out basis
- Consumable materials: purchase costs on a weighted average basis

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.15 Impairment of non-financial assets (cont'd)

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.16 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

The Group recognises right-to-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter lease term and the estimated useful lives of the assets as follows:

Leasehold property	–	Over remaining lease period
Lease equipment	–	2 to 3 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.16 Leases (cont'd)

(a) *Right-of-use assets (cont'd)*

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.16 Leases (cont'd)

Group as a lessee (cont'd)

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

(d) *Sale and leaseback*

At commencement date, the Group assesses sale and leaseback transactions to determine whether a sale has occurred in accordance with SFRS(I) 15.

Upon identification of a sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Additionally, the Group recognises only the amount of any gain or loss that relates to the rights transferred.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. The accounting policy for rental income is set out in Note 2.20(c).

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.18 *Borrowing costs*

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 *Employee benefits*

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by the employees up to the end of the reporting period.

(c) *Share option plans*

Employees (including directors and senior executives) of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share-based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted, which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense. The share option reserve will be retained upon expiry of the share options.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.20 Revenue and other income

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Construction revenue

The Group is involved in construction projects whereby they are restricted contractually from directing the product for another use as they are being constructed and has an enforceable right to payment for performance completed to date. Revenue is recognised over time using input method, based on the construction costs incurred to date as a proportion of the estimated total construction costs to be incurred.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

For contract modifications that add distinct goods or services but not at their standalone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and is recognised as a cumulative adjustment to revenue at the date of modification.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other Contract costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.20 Revenue and other income (cont'd)

(a) Construction revenue (cont'd)

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income arises from operating leases income from the subletting of yard premises and is accounted for on a straight-line basis over the lease term.

2.21 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.21 Taxes (cont'd)

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.21 Taxes (cont'd)

(b) *Deferred tax (cont'd)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. Summary of significant accounting policies (cont'd)

2.21 Taxes (cont'd)

(c) Sales tax (cont'd)

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.22 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.23 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are deducted in reporting the related expenses.

3. Significant accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management makes judgements, apart from those involving estimations, which affect the amounts recognised in the consolidated financial statements. In management's opinion, there are no key judgements which significantly impact financial statement amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Revenue recognition on construction contracts*

For construction contracts where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the construction contracts to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the construction contracts. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the construction contracts.

Significant assumptions are required to estimate the total construction and other related costs and the recoverable variation works that affect the progress of construction contracts. In making these estimates, management has relied on past experience and knowledge of the project directors and managers. Management takes into consideration the historical trends of the amounts incurred in its other construction contracts of similar nature.

Contract revenue and contract costs recognised for the financial year ended 31 December 2022 are disclosed in the consolidated income statement. Contract assets and liabilities are disclosed in Note 18 to the financial statements.

(b) *Impairment assessment on steel beams and columns*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is determined based on value in use calculations. The value-in-use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used to present value the expected future cash flows. The Group also performed sensitivity analysis on the key assumptions, including discount rate, expected future cash inflows and projected revenue growth rate, to determine that reasonably possible change to the assumptions would not result in a material difference to the outcome of the impairment test.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. Significant accounting estimates and judgements (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(b) Impairment assessment on steel beams and columns (cont'd)

Steel beams and columns

The Group has used a discount rate of 9% to present value the expected future cash flows which are derived from budgeted net cash flows of the specialist civil engineering business segment over the remaining useful lives of the steel beams and columns.

The carrying amount of the Group's steel beams and columns can be found in Note 11 to the financial statements. No impairment loss was recorded as a result of the assessment by management.

(c) Impairment assessment on investments in subsidiaries

The Company has used a discount rate of 9% to present value the expected future cash flows which are derived from budgeted net cash flows of the subsidiary's business segments.

The carrying amount of the Company's investments in subsidiaries is disclosed in Note 13. As at 31 December 2022, the carrying amount of an investment including amount due from the subsidiary was subject to impairment assessment as the entity has been loss-making. As a result, an impairment loss of \$58,614,000 (2021: nil) was assessed on the cost of investment in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. Revenue

(a) *Disaggregation of revenue*

	Group	
	2022	2021
	\$'000	\$'000
<i>Major product or service line:</i>		
Structural steelworks	49,777	46,075
Specialist civil engineering	91,333	71,414
Mechanical engineering	51	2
Design and build	39	–
Others	–	4,421
	141,200	121,912
<i>Timing of transfer of goods or services:</i>		
Over time	141,200	121,912
At a point in time	–	–
	141,200	121,912

(b) *Transaction price allocated to remaining performance obligation*

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2022 is \$396 million (2021: \$464 million). This amount has not included the following:

- Performance obligations for which the Group has applied the practical expedient not to disclose information about its remaining performance obligations if:
 - The performance obligation is part of a contract that has an original expected duration for one year or less, or
 - The Group recognises revenue in the amount to which the Group has a right to invoice customers in amounts that correspond directly with the value of the Group's performance completed to date.
- Variable consideration that is constrained and therefore is not included in the transaction price.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. Revenue (cont'd)

(b) *Transaction price allocated to remaining performance obligation (cont'd)*

The Group expects to recognise all its unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2022 within 4 years of the reporting date.

5. Other income

	Group	
	2022	2021
	\$'000	\$'000
Rental income	63	127
Government grants (Note A)	1,259	2,905
Other operating income	4	126
Fair value gain on derivative instruments held at fair value through profit or loss (Note 24)	837	298
	2,163	3,456
	2,163	3,456

Note A:

Government grants relates to cash grants received from the Singapore government to help businesses cope with impacts from the COVID-19 pandemic under various schemes such as Foreign Worker Levy Rebate and Jobs Growth Incentive.

6. Finance income

	Group	
	2022	2021
	\$'000	\$'000
Interest income from short term deposits	3	1
	3	1
	3	1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

7. Finance costs

	Group	
	2022	2021
	\$'000	\$'000
Interest expense:		
– Borrowings	6,619	4,481
– Convertible bonds (Note 24)	1,267	1,397
– Lease liabilities	2,463	2,925
– Other interest	1,056	576
Bank charges	826	827
	<hr/>	<hr/>
	12,231	10,206
	<hr/> <hr/>	<hr/> <hr/>

8. Loss before taxation

The following items have been charged/(credited) in arriving at loss before taxation:

	Group	
	2022	2021
	\$'000	\$'000
Audit fees:		
– Auditor of the Company	250	217
– Other auditors	47	27
Non-audit fees:		
– Auditor of the Company	37	29
– Other auditors	7	1
Rental expense	474	906
Depreciation of property, plant and equipment ⁽¹⁾ (Note 11)	17,096	18,376
Depreciation of right-of-use assets ⁽¹⁾ (Note 12)	8,411	9,063
Loss on disposal of property, plant and equipment	1,631	7,527
Consumption allowance for steel beams and columns	1,982	2,989
Recovery of bad debt previously written off	(23)	(349)
Impairment on trade receivables	92	–
Employee benefits expense ⁽²⁾	39,747	39,313
Net gain on fair value of derivative instruments held at fair value through profit or loss	(837)	(298)
Steel materials recognised as an expense in cost of sales (Note 17)	18,009	19,729
Impairment on freehold land	6,515	–
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

8. Loss before taxation (cont'd)

(1) The following had been allocated to construction costs incurred to-date:

	2022 \$'000	2021 \$'000
Depreciation of property, plant and equipment	15,432	17,031
Depreciation of right-of-use assets	7,199	8,714
	<hr/> <hr/>	<hr/> <hr/>

(2) This represents total employee benefits expense for the year, out of which \$33,914,000 (2021: \$33,978,000) had been allocated to construction costs incurred to date. Included in total employee benefits expense are contributions to defined contribution schemes of \$1,441,000 (2021: \$1,513,000).

9. Taxation

(a) Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the years ended 31 December are:

	2022 \$'000	Group	2021 \$'000
Income statement:			
Current income tax			
– Current income taxation	90		–
– Under provision in respect of prior years	25		18
Deferred income tax			
– Origination and reversal of temporary differences	–		(435)
– Under provision in respect of prior years	10		356
– Impairment on deferred tax assets	–		–
	<hr/> <hr/>		<hr/> <hr/>
	125		(61)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9. Taxation (cont'd)

(b) *Relationship between tax expense/(credit) and accounting loss*

The reconciliation between tax expense/(credit) and the product of accounting loss multiplied by the applicable tax rate for the years ended 31 December are as follows:

	Group	
	2022	2021
	\$'000	\$'000
Loss before taxation	(35,598)	(27,146)
Taxation at statutory tax rate of 17% (2021: 17%)	(6,052)	(4,615)
Effect of different tax rates in other countries	56	(193)
Non-deductible expenses	2,350	470
Income not subject to taxation	(1,020)	(264)
Deferred tax assets not recognised	4,889	4,314
Under provision in respect of prior years	34	374
Others	(132)	(147)
Income tax expense/(credit)	125	(61)

The corporate income tax rates applicable to the Malaysian companies, Hong Kong subsidiary, India subsidiary and Myanmar subsidiary are 24%, 16.5%, 25% and 25% (2021: 24%, 16.5%, 25% and 25%) respectively.

Deferred tax as at 31 December relates to the following:

	Group	
	2022	2021
	\$'000	\$'000
Deferred tax liabilities:		
Differences in depreciation for tax purpose	–	–
Deferred tax assets:		
Unutilised tax losses and capital allowances	1	11
Deferred tax assets, net	1	11

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9. Taxation (cont'd)

(c) *Deferred taxation*

Certain subsidiaries have unutilised tax losses and capital allowances of approximately \$266,227,000 (2021: \$237,100,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with the certain provisions of the tax legislation of the respective countries in which the companies operate.

10. Loss per share

Basic loss per share is calculated by dividing the net loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share is calculated on the same basis as that of basic earnings per share except that the weighted average number of ordinary shares has been adjusted for the dilution effects of all the dilutive potential ordinary shares.

The following reflects the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December are as follows:

	Group	
	2022	2021
	\$'000	\$'000
Net loss attributable to ordinary equity holders of the Company	(43,885)	(27,239)
	No. of shares	No. of shares
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation	685,488	588,731

Convertible bonds have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

11. Property, plant and equipment

Group	Freehold land \$'000	Leasehold property \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Office equipment and furniture \$'000	Steel beams and columns \$'000	Cranes \$'000	Total \$'000
At 31 December 2020 and 1 January 2021	30,079	56,496	35,361	6,015	7,430	310,712	41,935	488,028
Additions	—	—	305	67	160	20,300	—	20,832
Disposals/write-offs	—	—	(714)	(942)	(116)	(68,580)	(5,264)	(75,616)
Translation adjustments	(412)	(22)	(85)	3	(13)	342	44	(143)
At 31 December 2021 and 1 January 2022	29,667	56,474	34,867	5,143	7,461	262,774	36,715	433,101
Additions	—	5	253	94	138	15,893	1,592	17,975
Disposals/write-offs	—	—	(139)	(608)	(62)	(38,205)	—	(39,014)
Translation adjustments	(1,777)	(85)	(441)	(15)	(59)	(317)	(280)	(2,974)
At 31 December 2022	27,890	56,394	34,540	4,614	7,478	240,145	38,027	409,088

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

11. Property, plant and equipment (cont'd)

Group	Freehold land \$'000	Leasehold property \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Office equipment and furniture \$'000	Steel beams and columns \$'000	Cranes \$'000	Total \$'000
Accumulated depreciation and impairment losses								
At 31 December 2020 and 1 January 2021	—	34,714	28,399	5,077	7,061	125,755	35,779	236,785
Depreciation	—	2,974	1,485	354	234	11,594	1,735	18,376
Disposals/write-offs	—	—	(714)	(750)	(112)	(33,593)	(4,902)	(40,071)
Consumption allowance #	—	—	—	—	—	2,989	—	2,989
Translation adjustments	—	(17)	(82)	1	(14)	61	47	(4)
At 31 December 2021 and 1 January 2022	—	37,671	29,088	4,682	7,169	106,806	32,659	218,075
Depreciation	—	2,963	1,336	234	164	11,409	990	17,096
Impairment loss	6,515	—	—	—	—	—	—	6,515
Disposals/write-offs	—	—	(139)	(608)	(59)	(12,803)	—	(13,609)
Consumption allowance #	—	—	—	—	—	(2,693)	—	(2,693)
Translation adjustments	—	(75)	(415)	(14)	(55)	(59)	(263)	(881)
At 31 December 2022	6,515	40,559	29,870	4,294	7,219	102,660	33,386	224,503
Net book value								
At 31 December 2021	29,667	18,803	5,779	461	292	155,968	4,056	215,026
At 31 December 2022	21,375	15,835	4,670	320	259	137,485	4,641	184,585

Relates to steel beams and columns deployed to Specialist Civil Engineering projects which are not expected to be physically recovered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

11. Property, plant and equipment (cont'd)**(a) Assets under hire purchase**

During the financial year, the Group acquired property, plant and equipment amounting to \$17,970,000 (2021: \$20,832,000) of which \$1,331,000 (2021: \$67,000) were acquired by means of hire purchase. The cash outflow on acquisition of property, plant and equipment excluding those on hire purchases, amounted to \$13,506,000 (2021: \$20,765,000).

As at 31 December 2022, the Group has certain cranes, motor vehicles and plant and machinery under hire purchase contracts with a net book value of \$4,751,000 (2021: \$5,577,000).

(b) Assets pledged as security

In addition to assets held under leases, the Group's freehold land, leasehold property, cranes and certain steel beams and columns with a carrying amount of \$152,142,000 (2021: \$186,066,000) are mortgaged to secure the Group's borrowings (Note 23).

(c) Details of leasehold property

The details of the leasehold property held by the Group as at 31 December 2022 and 31 December 2021 are as follows:

Location	Site area (sq metres)	Build-up area (sq metres)	Tenure of lease
51 Tuas South Street 5 Singapore	75,635	30,253	30 years expiring on 31 March 2028

(d) Details of freehold land

The details of the freehold land held by the Group as at 31 December 2022 and 31 December 2021 are as follows:

Location	Land area (acres)	Lots Nos.	Tenure
Jeram Batu, Pontian, Johor, Malaysia	47	1972 to 1977	Grant in perpetuity

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

12. Leases

As a lessee

The Group has lease contracts for various items of plant, machinery and leasehold properties used in its operations. Leases of plant and machinery generally have lease terms between 24 to 60 months, while leasehold properties generally have lease terms between 12 to 96 months. The Group's obligations under its leases are secured by the lessors' title to the respective leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets and the movements during the year:

	Group	
	2022	2021
	\$'000	\$'000
As at 1 January	41,317	44,459
Additions	1,035	6,029
Depreciation expense	(8,411)	(9,063)
Derecognition of right-of-use assets*	(198)	–
Remeasurement	–	(125)
Translation adjustment	(5)	17
	<hr/>	<hr/>
As at 31 December	33,738	41,317
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The following are the amounts recognised in profit or loss:

	Group	
	2022	2021
	\$'000	\$'000
Depreciation expense of right-of-use assets	8,411	9,063
Interest expense on lease liabilities	2,463	2,925
Rental expense – short term leases	475	906
	<hr/>	<hr/>
Total amount recognised in profit or loss	11,349	12,894
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* Derecognition of right-of-use assets during 2022 is as a result of early termination of certain leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

12. Leases (cont'd)**As a lessee (cont'd)**

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group	
	2022 \$'000	2021 \$'000
As at 1 January	50,917	57,245
Additions	2,366	6,096
Accretion of interest	2,258	2,680
Payments	(13,303)	(14,996)
Derecognition of lease liabilities*	(102)	–
Remeasurement	–	(125)
Translation adjustment	(4)	17
	<hr/>	<hr/>
As at 31 December	42,132	50,917
	<hr/>	<hr/>
Current	7,720	11,290
Non-current	34,412	39,627
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* Derecognition of lease liabilities during 2022 is as a result of early termination of certain leases.

During the year, the Group had total cash outflows for leases of \$13,778,000 (2021: \$15,903,000).

13. Investment in subsidiaries

	Note	Company	
		2022 \$'000	2021 \$'000
<i>Investments in subsidiaries</i>			
Unquoted equity, less impairment	(a)	29,815	58,430
Amounts due from subsidiaries, less impairment (non-current)	(b)	32,954	61,690
		<hr/>	<hr/>
		62,769	120,120
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13. Investment in subsidiaries (cont'd)

	Company	
	2022 \$'000	2021 \$'000
(a) Investments in subsidiaries		
Unquoted equity, at cost	154,529	124,529
Allowance for impairment	(124,714)	(66,099)
	29,815	58,430

On 28 December 2022, the Company had capitalised the amount due from its wholly owned subsidiary, Yongnam Engineering & Construction Pte Ltd amounting to \$30,000,000.

The movements in the allowance for impairment during the year were as follows:

	2022 \$'000	2021 \$'000
At the beginning of reporting period	(66,099)	(66,099)
Impairment charge	(58,615)	–
At the end of reporting period	(124,714)	(66,099)

The Company performed an impairment assessment on investment in a subsidiary and amount due from the entity which has been loss-making. An impairment loss of \$58,615,000 (2021: nil) was recorded on the investment based on a value-in-use that was determined using a discount rate of 9%.

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use, if the discount rate has been 50 basis points higher, the impairment charge will increase by \$8,353,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13. Investment in subsidiaries (cont'd)

	Company	
	2022	2021
	\$'000	\$'000
(b) Amounts due from subsidiaries		
Due from subsidiaries (non-trade)	38,587	67,323
Allowance for impairment	(5,633)	(5,633)
	32,954	61,690

The movement in the allowance for impairment in respect of the year was as follows:

	2022	2021
	\$'000	\$'000
At the beginning and end of reporting period	5,633	5,633

The amounts due from subsidiaries are interest-free, unsecured and are to be settled in cash. The amounts are denominated in Singapore Dollar and are not expected to be settled within 12 months from the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13. Investment in subsidiaries (cont'd)	(c) Details of subsidiaries	Name of company (Country of incorporation)	Principal activities	Company Cost of investment		Proportion of ownership interest	
				2022 \$'000	2021 \$'000	2022 %	2021 %
		Held by the Company					
		Yongnam Engineering & Construction (Private) Limited ⁽¹⁾ (Singapore)	Engineering contractors	28,330	56,945	100	100
		Yongnam Development Pte Ltd ⁽⁵⁾ (Singapore)	Dormant	*	*	100	100
		Yongnam Investment Pte Ltd ⁽⁵⁾ (Singapore)	Dormant	*	*	100	100
		Yongnam Engineering Sdn. Bhd. ⁽⁴⁾ (Malaysia)	Engineering contractors	1,046	1,046	100	100
		Yongnam Engineering & Construction (Thailand) Ltd (2) # (Thailand)	Engineering contractors	—	—	48.4	48.4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13. Investment in subsidiaries (cont'd)

(c) Details of subsidiaries (cont'd)

Held by the Company	Name of company (Country of incorporation)	Principal activities	Company Cost of investment		Proportion of ownership interest	
			2022 \$'000	2021 \$'000	2022 %	2021 %
	Yongnam Steel Work System Engineering (Shanghai) Co., Ltd ⁽⁵⁾ (People's Republic of China)	Dormant	37	37	100	100
	Yongnam Steel Work Engineering (JinJiang) Co., Ltd ⁽⁶⁾ (People's Republic of China)	Dormant	*	*	100	100
	Yongnam Myanmar Co. Ltd (Myanmar) ⁽⁶⁾	Engineering contractors	69	69	100	100
	Yongnam Engineering & Construction Sdn. Bhd. ⁽⁴⁾ (Malaysia)	Investment holding	333	333	100	100
			29,815	58,430		

* Denotes amount less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13. Investment in subsidiaries (cont'd)

(c) Details of subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Proportion of ownership interest	
		2022 %	2021 %
Held by Yongnam Engineering & Construction (Private) Limited			
YNE Project Engineering Pte. Ltd. ⁽¹⁾ (Singapore)	Engineering contractors	100	100
Yongnam Engineering (HK) Limited ⁽³⁾ (Hong Kong)	Engineering contractors	100	100
Yongnam Jian Huang Joint Venture (Singapore) ⁽⁷⁾	Engineering contractors	51	51
Global Maritime and Port Services Pte Ltd /Yongnam Engineering & Construction (Pte) Ltd (Singapore) ⁽⁷⁾	Port operator	60	60
Yongnam Engineering India Private Limited ⁽⁸⁾	Engineering contractors	100	100
Held by YNE Project Engineering Pte. Ltd.			
Jiwa Harmoni Offshore Sdn. Bhd. ⁽⁴⁾ (Malaysia)	Engineering contractors	100	100

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by SPA Audit Co, Ltd, Thailand.

(3) Audited by F. S. Li & Co, Hong Kong.

(4) Audited by ASQ PLT, Chartered Accountants (Malaysia).

(5) Not required to be audited in the country of incorporation.

(6) Audited by Ngwe Inzaly, Myanmar.

(7) Not required to be audited as it is unincorporated joint venture.

(8) Audited by SKP Business Consulting LLP, India

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13. Investment in subsidiaries (cont'd)**(c) Details of subsidiaries (cont'd)**

- # The Group holds 48.4% (2021: 48.4%) equity in Yongnam Engineering & Construction (Thailand) Ltd ("YNET"). The Group considers YNET as a subsidiary by virtue of the Group having board control and therefore has the ability to direct the relevant activities of YNET. Accordingly, the results and net assets of the subsidiary have been included in the consolidated financial statements.

(d) Interest in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
			\$'000	\$'000
31 December 2022:				
Yongnam Jian Huang Joint Venture	Singapore	49%	8,162	86
Global Maritime and Port Services Pte Ltd /Yongnam Engineering & Construction (Pte) Ltd	Singapore	40%	–	(690)
31 December 2021:				
Yongnam Jian Huang Joint Venture	Singapore	49%	151	(8,076)
Global Maritime and Port Services Pte Ltd /Yongnam Engineering & Construction (Pte) Ltd	Singapore	40%	3	(690)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13. Investment in subsidiaries (cont'd)

(e) Summarised financial information about subsidiaries with material NCI

Summarised financial information includes consolidation adjustments but before intercompany eliminations of the subsidiary with material non-controlling interests are as follows:

(i) Summarised balance sheets

	2022 \$'000	2021 \$'000
Non-current asset	–	–
Current assets	848	484
Current liabilities	(2,398)	(18,691)
Net current liabilities	(1,550)	(18,207)
Net liabilities	(1,550)	(18,207)

(ii) Summarised statement of comprehensive income

	2022 \$'000	2021 \$'000
Revenue	555	16
Profit after income tax	16,658	314

Included in profit after income tax of subsidiaries with material NCI, is a waiver of intercompany debts of \$15,968,000 which comprise \$13,696,000 owing to a fellow subsidiary of the Group, which is eliminated on consolidation, and \$2,272,000 owing to the material NCI.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13. Investment in subsidiaries (cont'd)

(e) *Summarised financial information about subsidiaries with material NCI (cont')*

(iii) Other summarised information

	2022 \$'000	2021 \$'000
Net cash flows used in operating activities	(139)	(160)
Net cash flows generated from financing activities	–	831

14. Investment in joint venture and joint operations

(a) *Interest in joint venture*

Details of the Group's significant joint venture are as follows:

Name of company (Country of incorporation)	Principal activities	Proportion of ownership interest	
		2022 %	2021 %
Leighton Yongnam Joint Venture (Singapore) *	Engineering contractors	30	30

*Audited by Ernst & Young LLP, Singapore.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

14. Investment in joint venture and joint operations (cont'd)

(a) *Interest in joint venture (cont'd)*

Aggregate information about the Group's investment in the joint venture are as follows:

	2022 \$'000	2021 \$'000
Summarised balance sheet		
Non-current assets	208	311
Current assets	19,191	13,486
Current liabilities	(17,262)	(11,698)
Net current assets	1,929	1,788
Net assets	2,137	2,099
Proportion of the Group's interest	30%	30%
Group's carrying amount of the investment at 31 December	641	630
	2022 \$'000	2021 \$'000
Summarised profit or loss		
Profit after tax	38	1,819
Total comprehensive income	38	1,819
Proportion of the Group's interest	30%	30%
Group's share of profit	11	546

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

14. Investment in joint venture and joint operations (cont'd)

(b) *Interest in joint operations*

Details of the Group's joint operations are as follows.

Name of joint arrangement	Principal place of business	Principal activities	Proportion of ownership interest	
			2022 \$'000	2021 \$'000
Daewoo-Yongnam Joint Venture ⁽¹⁾	Singapore	Engineering contractors	0.01%	0.01%

⁽¹⁾ Audited by Ernst & Young LLP, Singapore.

15. Cash and bank balances

	Group	
	2022 \$'000	2021 \$'000
Cash and cash equivalent	2,090	2,914
	2,090	2,914

As at the end of the reporting period, bank balances of \$2,505,000 (2021: \$2,505,000) are restricted in use as they are pledged as securities in connection with the transferable term loan (Note 23). For purposes of the consolidated cash flow statement, these restricted bank balances have been excluded from cash and cash equivalents.

Bank balances earn interest at floating rates based on daily bank deposit rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

15. Cash and bank balances (cont'd)

Cash and cash equivalents denominated in foreign currencies are as follows:

	2022	Group	2021
	\$'000		\$'000
United States Dollar	366		27
Australian Dollar	–		1
Indian Rupee	2		2

16. Investment securities

	2022	Group	2021
	\$'000		\$'000
At fair value through other comprehensive income:			
Equity securities (quoted) in JP Nelson Holdings (Cayman)	1,003		1,184
	1,003		1,184

These equity securities were received by the Group as settlement of part of outstanding trade receivable balance with a customer during the year. The Group has elected to measure these equity securities at FVOCI due to its current intention to hold these equity instruments for long-term appreciation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

17. Inventories

	Group	
	2022 \$'000	2021 \$'000
Balance sheet (lower of cost or net realisable value):		
Consumable materials	932	1,306
Steel materials	13,098	16,300
	14,030	17,606
Income statement:		
Steel materials recognised as an expense in cost of sales	18,009	19,729

18. Contract assets and liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	2022 \$'000	Group 2021 \$'000	1.1.2021 \$'000
Receivables from contracts with customers (Note 19)	18,583	16,857	14,847
Contract assets	42,693	45,043	36,568
Contract liabilities	(23,050)	(29,316)	(37,212)

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for its construction contracts. Contract assets are transferred to receivables when the rights become unconditional. As such, the balances of this account vary and depend on the number of ongoing project activities at the end of the year. Included within contract assets is a provision for onerous contracts of \$1,156,000 (2021: \$506,000).

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

18. Contract assets and liabilities (cont'd)

construction contracts. Contract liabilities are recognised as revenue as the Group performs under the construction contracts. Included within contract liabilities is a provision for onerous contracts of \$1,133,000 (2021: \$Nil).

(i) Significant changes in contract assets are explained as follows:

	2022	Group	2021
	\$'000		\$'000
Contract assets re-classified to trade receivables	36,899		30,431
(Write back of)/impairment loss on contract assets	–		(2,257)
			<hr/>

(ii) Significant changes in contract liabilities are explained as follows:

	2022	Group	2021
	\$'000		\$'000
Revenue recognised that was included in contract liabilities at the beginning of the year	8,378		21,710
			<hr/> <hr/>

19. Trade receivables

	2022	Group	2021
	\$'000		\$'000
Trade receivables	18,675		16,857
Less: Allowance for expected credit loss (Note 31(d))	(92)		–
	<hr/>		<hr/>
	18,583		16,857
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19. Trade receivables (cont'd)

Movement in allowance account:

	Group	
	2022 \$'000	2021 \$'000
At 1 January	–	2,307
Charge for the year	92	–
Write off against trade receivables	–	(2,307)
At 31 December	92	–

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies at the end of the reporting period are as follows:

	Group	
	2022 \$'000	2021 \$'000
United States Dollar	–	91

20. Other receivables and deposits

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Other debtors	4,390	3,104	–	–
Deposits	3,742	3,488	–	–
	8,132	6,592	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

20. Other receivables and deposits (cont'd)

Other debtors are unsecured, non-interest bearing and are repayable on demand and includes cash collateral placed to secure certain financial guarantees in relation to the Group's borrowings.

21. Trade payables

Trade payables are non-interest bearing and are generally on credit terms of 30 to 90 days.

Trade payables denominated in foreign currencies as at reporting period are as follows:

	Group	
	2022	2021
	\$'000	\$'000
United States Dollar	12,388	12,506

22. Other payables and accruals

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Accrued operating expenses	7,667	8,169	1,066	1,094
Accrued payroll expenses	6,341	3,443	–	–
Sales tax payable	1,628	993	–	13
Loan from a director	1,058	–	–	–
Other payable	6,300	2,397	1,083	235
	22,994	15,002	2,149	1,342

Other payables are non-interest bearing and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23. Borrowings

	Group	
	2022	2021
	\$'000	\$'000
Trade facility	14,717	14,500
Revolving term loans	3,400	4,900
Transferable term loan*	61,162	62,662
Term loans*	8,844	9,592
Sale and leaseback financing arrangement	3,996	3,996
Bridging loan*	4,308	4,705
	96,427	100,355
<i>Comprise:</i>		
Within one year	96,427	37,240
After one year but not more than five years	–	63,115
	96,427	100,355

At 31 December 2022, total secured and unsecured borrowings amounted to \$86,402,000 and \$10,025,000 (2021: \$90,191,000 and \$10,164,000) respectively. The Group's borrowings bear effective interest rates ranging from 3.24% to 8.49% (2021: 1.56% to 4.15%) per annum.

*During the year, the Group has missed the repayments for certain principal of the term loan and are charged an additional interest of 3% on the missed principal repayments.

(a) ***Borrowings denominated in foreign currencies at end of the reporting period are as follows:***

	Group	
	2022	2021
	\$'000	\$'000
United States Dollar	8,311	8,504
	8,311	8,504

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23. Borrowings (cont'd)

(b) *Terms of borrowings*

(i) *Trade facility*

The trade facility relates to trust receipts in relation to construction contracts. They are interest bearing at predetermined rate above cost of funds. Trust receipts are secured by a guarantee from the Company. Pursuant to a Security Sharing Deed, certain trust receipts are secured by a legal mortgage over the Group's leasehold property at 51 Tuas South Street 5, Singapore and an asset charge over the Group's steel beams and columns.

(ii) *Revolving term loans*

The revolving term loans are for general working capital. They are interest bearing at a predetermined rate above the cost of funds. Revolving term loans are secured by a guarantee from the Company. Pursuant to a Security Sharing Deed, certain revolving term loans are secured by a legal mortgage over the Group's leasehold property at 51 Tuas South Street 5, Singapore and an asset charge over the Group's steel beams and columns.

(iii) *Transferable term loan*

The loan relates to a \$100 million Transferable Term Loan facility which has a final maturity date in July 2023.

The loan is interest bearing based on a fixed margin above Swap Offer Rate for each interest period. It is secured by a legal mortgage over the Group's leasehold property at 51 Tuas South Street 5, Singapore and an asset charge over the Group's steel beams and columns.

Under the terms of the loan, the Group is required to comply with certain financial covenants every six-month period.

(iv) *Term loans*

The term loans are repayable over 45 to 96 monthly instalments with the final maturity date being 31 January 2023 and 30 April 2025 for each respective loan tranche. They bear interest at a predetermined rate above the banks' cost of fund. Term loans are secured by a guarantee from the Company and legal mortgage over the Group's freehold land at

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23. Borrowings (cont'd)

(b) *Terms of borrowings (cont'd)*

(iv) *Term loans (cont'd)*

Lot 1972, 1973, 1974, 1975, 1976 and 1977 in Mukim Jeram Batu, District of Pontian, Johor, Malaysia.

(v) *Sale and leaseback financing arrangement*

The Group entered the sale and leaseback arrangement with a non-financial institution lender on 15 June 2022. The arrangement involves an agreement by the Group to sell certain steel materials to the lender on that date and to repurchase these assets back from the lender. Obligations under this sale and leaseback financing arrangement will mature on 3 February 2023.

The non-financial institution has called on the bond that guaranteed this financing arrangement.

(vi) *Bridging loan*

The bridging loan is a 5-year loan issued under the Enterprise Financing Scheme. The loan shall be used for working capital requirements with fixed interest fixed rate. The loan is repayable over 60 monthly instalments from the date of first drawdown on 3 September 2021. For the first 12 monthly instalments, the Group is required to only service the interest on the loan. Thereafter, the Group pays principal and interest over the remaining 48 monthly instalments. The loan is secured by a corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23. Borrowings (cont'd)

(c) Reconciliation of borrowings

A reconciliation of changes in borrowings arising from financing activities is as follows:

	Cash flows		Non-cash changes		31 December 2022 \$'000	
	1 January 2022 \$'000	Proceeds \$'000	Repayments \$'000	Foreign exchange movement \$'000		Others \$'000
Borrowings						
- Current	37,240	1,116	(4,420)	(624)	63,115	96,427
- Non-current	63,115	–	–	–	(63,115)	–
Total	100,355	1,116	(4,420)	(624)	–	96,427

A reconciliation of changes in borrowings arising from financing activities is as follows:

	Cash flows		Non-cash changes		31 December 2021 \$'000	
	1 January 2021 \$'000	Proceeds \$'000	Repayments \$'000	Foreign exchange movement \$'000		Others \$'000
Borrowings						
- Current	93,378	1,437	(8,425)	123	(49,273)	37,240
- Non-current	13,842	–	–	–	49,273	63,115
Total	107,220	1,437	(8,425)	123	–	100,355

During the current financial year, the “Others” column relates to reclassification of non-current portion of borrowings due to the passage of time and reclassification of current portion of borrowings due to restructuring of transferrable term loan.

In the previous financial year, the “Others” column relates to reclassification of non-current portion of borrowings due to the passage of time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

24. Convertible bonds

On 4 June 2019, the Company issued convertible bonds at a nominal value of \$12,500,000 due on 4 June 2021. On 4 June 2021, the Group entered into agreements with the convertible bondholders to retire the existing \$12,500,000 convertible bonds and issue new redeemable 7% bonds of \$9,500,000 to existing bondholders. The balance of \$3,000,000 is to be repayable over 10 equal monthly tranches from June 2021 to March 2022. As at 31 Dec 2022, \$336,000 remain unpaid. Additionally, 19,736,836 of new ordinary shares (Note 25) were issued as facilitation payment to existing bondholders which resulted in a loss on derecognition of convertible bond of \$1,263,000 recorded in the profit or loss.

During the year, new redeemable convertible bonds were issued on 27 October 2022, maturing six months after its date of issuance on 27 April 2023.

The convertible bonds liability recognised in the balance sheet are as follows:

	Group and Company	
	2022	2021
	\$'000	\$'000
Liability component of convertible bond at the beginning of financial year/initial recognition	7,363	11,875
- Interest expense (Note 7)	1,202	1,062
- Interest payments	(288)	(437)
- Bond payable	-	(3,000)
- Conversion	(2,917)	-
- Derecognition of old convertible bond	(5,360)	(9,500)
	-	-
Liability component of convertible bond issued during the year/subsequent to initial issue	5,360	8,124
- Interest expense (Note 7)	65	335
- Interest payments	-	-
- Bond payments	(10)	-
- Conversion	-	(1,096)
	5,415	7,363
Liability component at end of financial year	5,415	7,363

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

24. Convertible bonds (cont'd)

Reconciliation of convertible bonds liability and associated derivative

	Cash flows		Non-cash changes				31 December
	1 January	Repayments	De- recognition & Re- issuance	Accretion of interest	Fair value gains	Others	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Convertible bonds							
- Liability	7,363	(298)	–	1,267	–	(2,917)	5,415
- Derivative	905	–	–	–	(837)	(68)	–
Bond payable	900	(564)	–	–	–	–	336
	9,168	(862)	–	1,267	(837)	(2,985)	5,751

	Cash flows		Non-cash changes				31 December
	1 January	Repayments	De- recognition & Re- issuance	Accretion of interest	Fair value gains	Others	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Convertible bonds							
- Liability	11,875	(437)	(4,376)	1,397	–	(1,096)	7,363
- Derivative	–	–	1,376	–	(298)	(173)	905
Bond payable	–	(2,100)	3,000	–	–	–	900
	11,875	(2,537)	–	1,397	(298)	(1,269)	9,168

During the current financial year, the “Others” column relates to conversion of the convertible bond into share capital.

The estimate of the fair value of the conversion and early redemption option derivative is measured based on the Black-Scholes model. Details of the assumptions of the conversion and early redemption option derivative are as follow:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

24. Convertible bonds (cont'd)***Reconciliation of convertible bonds liability and associated derivative (cont'd)***

Date of valuation	Group	
	31 December 2022	31 December 2021
Share price (\$)	0.026	0.049
Exercise price (\$)	0.050	0.050
Expected volatility	–	31%
Maturity period	0.32 year	0.83 year
Conversion period	0.32 year	0.83 year

25. Share capital

	Group and Company			
	2022		2021	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid:				
At 1 January	642,543	149,384	522,603	141,445
Issuance of shares	–	–	75,003	5,407
New shares issued (Note 24)	–	–	19,737	1,263
Conversion of bonds	61,400	2,985	25,200	1,269
At 31 December	703,943	152,369	642,543	149,384

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

26. Capital reserves and Share option reserve

	2022 \$'000	Group	2021 \$'000
Capital reserves on consolidation arising from acquisition of subsidiaries	6,837		6,837

The capital reserves are non-distributable.

Share option reserve

The Employee Share Option Scheme (“ESOS”) is administered by the Remuneration Committee. Share option reserve represents the equity-settled share options granted to employees and directors. The reserve is made up of the cumulative value of services received from employees and directors recorded on grant of equity-settled share options.

As at 31 December 2021, all ESOS have fully lapsed.

27. Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group’s presentation currency.

28. Fair value reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of investments in equity instruments designated at fair value through other comprehensive income.

29. Commitments and contingencies

Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

29. Commitments and contingencies (cont'd)***Capital commitments (cont'd)***

	Group	
	2022	2021
	\$'000	\$'000
Capital commitments in respect of property, plant and equipment	248	428

Contingencies

The table below shows the contractual expiry by maturity of the Company's financial guarantee contracts. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

Company	Less than one year	Two to five years	Total
	\$'000	\$'000	\$'000
2022			
Financial guarantees	92,996	3,840	96,836
2021			
Financial guarantees	36,965	64,669	101,634

Contingent liability

During the year, a subsidiary in Malaysia has missed the rental payments for its factory and a total amount of RM8,456,000 (approximately S\$2,577,000) was claimed in relation to arrears of rental, compensation charges and legal fees due.

Additionally, certain subsidiaries of the Company has missed the repayments of certain principal of the term loan as disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

29. Commitments and contingencies (cont'd)

Contingent liability (cont'd)

As the Company had provided corporate guarantees for the Malaysian factory's rental contract as well as the Group's term loan facilities, the exposure of the Company under these financial guarantee contracts is \$2,577,000 and \$74,314,000 respectively.

As at the 31 December 2022, the Company has not recognised any liability in respect of the corporate guarantees, as the Malaysia subsidiary is in a net assets position, has fully accrued the amounts demanded and is expected to be able to meet the contractual cash flow obligations. In relation to the corporate guarantee on the term loans, none of the lenders have called upon and enforced the corporate guarantee as at the date of the financial statements.

30. Related party transactions

During the year, in addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions with related parties based on terms agreed between the parties were as follows:

(a) *Purchase of services and management fees*

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Management fee income from subsidiaries	–	–	1,604	980
Salaries, bonuses and other costs	2,264	2,357	–	–
Contributions to Central Provident Fund	59	50	160	–
Directors' fees	160	178	–	178
	2,483	2,585	160	178

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

30. Related party transactions (cont'd)**(a) Purchase of services and management fees (cont'd)***Comprise:*

Directors of the Company	1,026	1,184	160	178
Other key management personnel	1,457	1,401	–	–
	2,483	2,585	160	178

(b) Financial arrangement

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Loan from a director	1,058	–	–	–

The loan from director is non-interest bearing and is repayable on demand.

31. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, liquidity risk, interest rate risk and credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Finance Director. It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use of hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, and policies and processes for the management of these risks.

(a) Foreign currency risk

There is no foreign currency risk arising from the Group's revenue as they are denominated in the respective functional currencies of the Group entities. The

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. Financial risk management objectives and policies (cont'd)

(a) Foreign currency risk (cont'd)

Group has transactional currency exposures arising from purchases that are denominated in a currency other than the respective functional currencies of Group entities, mainly relating to purchases of steel materials denominated in United States Dollar.

The Group seeks to manage its foreign currency exposure by constructing natural hedges when it matches receivables and payables in any single currency.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in United States Dollar against the respective functional currencies of the Group entities, with all other variables held constant.

		2022	2021
		\$'000	\$'000
<u>(Increase)/decrease loss net of tax</u>			
USD/SGD	– strengthened by 5% (2021: 5%)	(1,017)	(1,045)
	– weakened by 5% (2021: 5%)	1,017	1,045

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. There is no significant exposure to liquidity risk. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's liquidity risk management policy is to match the maturities of financial assets and liabilities and to maintain sufficient liquid financial assets and stand-by credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. Financial risk management objectives and policies (cont'd)**(b) Liquidity risk (cont'd)**

The table below summarises the maturity profile of the Group's and Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

Group	Less than one year \$'000	Two to five years \$'000	More than five years \$'000	Total \$'000
2022				
Trade payables	60,849	–	–	60,849
Other payables and accruals*	21,366	–	–	21,366
Lease liabilities	9,886	28,603	11,518	50,007
Borrowings	102,768	–	–	102,768
Bond Payable	336	–	–	336
Convertible bonds (liability)	5,548	–	–	5,548
	200,753	28,603	11,518	240,874
2021				
Trade payables	52,927	–	–	52,927
Other payables and accruals*	14,009	–	–	14,009
Lease liabilities	13,823	29,293	17,904	61,020
Borrowings	39,403	64,762	–	104,165
Bond Payable	900	–	–	900
Convertible bonds (liability)	8,240	–	–	8,240
	129,302	94,055	17,904	241,261

* Excludes GST/VAT payables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Company	Less than one year \$'000	Two to five years \$'000	More than five years \$'000	Total \$'000
2022				
Other payables and accruals*	2,149	–	–	2,149
Bond Payable	336	–	–	336
Convertible bonds (liability)	5,548	–	–	5,548
	<u>8,033</u>	<u>–</u>	<u>–</u>	<u>8,033</u>

* Excludes GST/VAT payables.

The table below summarises the maturity profile of the Group's and Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments. (cont'd)

Company	Less than one year \$'000	Two to five years \$'000	More than five years \$'000	Total \$'000
2021				
Other payables and accruals*	1,329	–	–	1,329
Bond Payable	900	–	–	900
Convertible bonds (liability)	8,240	–	–	8,240
	<u>10,469</u>	<u>–</u>	<u>–</u>	<u>10,469</u>

* Excludes GST/VAT payables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. Financial risk management objectives and policies (cont'd)

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its borrowings with floating interest rates.

The Group's policy is to obtain the most favourable interest rate available. The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates.

Information regarding the interest rates of the Group's borrowings is in Note 23.

Sensitivity analysis for interest rate risk

At 31 December 2022, if interest rates had been 75 (2021: 75) basis points lower/higher with all other variables held constant, the Group's loss for the year would have been \$723,000 lower/higher (2021: \$753,000 lower/higher), arising mainly as a result of lower/higher interest expense on borrowings.

(d) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade receivables and contract assets. For other financial assets (including investment securities, cash, other receivables and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Head of Credit Control.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. Financial risk management objectives and policies (cont'd)

(d) *Credit risk (cont'd)*

basis throughout each reporting period. The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. Financial risk management objectives and policies (cont'd)

(d) *Credit risk (cont'd)*

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due.

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. Financial risk management objectives and policies (cont'd)

(d) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

31 December 2022		Trade receivables					
		Days past due					
	Contract assets \$'000	Current \$'000	Less than 30 days past due \$'000	More than 30 days past due \$'000	More than 60 days past due \$'000	More than 90 days past due \$'000	Total \$'000
Gross carrying amount	42,693	11,473	5,566	130	444	1,062	61,368
Loss allowance provision	—	—	—	—	—	(92)	(92)
	42,693	11,473	5,566	130	444	970	61,276

31 December 2021		Trade receivables					
		Days past due					
	Contract assets \$'000	Current \$'000	Less than 30 days past due \$'000	More than 30 days past due \$'000	More than 60 days past due \$'000	More than 90 days past due \$'000	Total \$'000
Gross carrying amount	45,043	13,626	1,439	293	267	1,232	61,900
Loss allowance provision	—	—	—	—	—	—	—
	45,043	13,626	1,439	293	267	1,232	61,900

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. Financial risk management objectives and policies (cont'd)

(d) *Credit risk (cont'd)*

Other receivables and deposits

The Group has assessed and concluded that there has been no significant increase in the credit risk of other receivables and deposits since the initial recognition of these financial assets. Accordingly, the group measured the impairment loss allowance using the 12-months ECL and determined that ECL is insignificant.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the balance sheets.
- Corporate guarantees provided by the Company (Note 29).

Credit risk concentration

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affect groups of counterparts whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group is principally involved in the construction industry and consequently, the risk of non-payment of its trade receivables is affected by any unfavourable economic changes to the construction industry.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. Financial risk management objectives and policies (cont'd)

(d) Credit risk (cont'd)

Credit risk concentration (cont'd)

The credit risk concentration profile of the Group's trade receivables (before impairment allowance) by country at the end of the reporting period are as follows:

	Group	
	2022	2021
	\$'000	\$'000
Singapore	11,283	11,870
Hong Kong	6,529	4,106
Myanmar	–	26
India	761	844
Others	10	11
	18,583	16,857
	18,583	16,857

At the end of the reporting period, approximately:

- 62% (2021: 49%) of the Group's trade receivables and contract assets from Singapore is due from 7 customers (2021: 7) in respect of 8 (2021: 8) construction contracts.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Cash and cash equivalents and deposits are placed with reputable financial institutions or companies with no history of default.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by net tangible assets value. The Group's net debt includes borrowings less cash and bank balances. Net tangible assets value is the value of total assets less total liabilities of the Group.

In 2022, the Group breached certain terms of the banks loans and commenced discussion with bank lenders and potential investors in relation to the restructuring of the Group's borrowings and capital structure. The Group had an informal arrangement with major lenders to temporarily suspend certain debt obligations of the Group

	Group	
	2022	2021
	\$'000	\$'000
Borrowings	96,427	100,355
Bond payable	336	900
Convertible bonds (liability)	5,415	7,363
Convertible bonds (derivative)	–	905
	<hr/>	<hr/>
Cash and bank balances	102,178 (4,595)	109,523 (5,419)
	<hr/>	<hr/>
Net debt	97,583	104,104
	<hr/>	<hr/>
Net tangible assets value	59,201	93,124
	<hr/>	<hr/>
Gearing ratio	NM	NM
	<hr/>	<hr/>

NM – not meaningful

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

33. Fair values of financial instruments

(a) Fair value hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Fair value of financial instruments by classes that are carried at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Fair value measurements at the end of the reporting period using			Total \$'000
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant un-observable inputs (Level 3) \$'000	
2022				
Group and Company				
Financial assets:				
Investment securities	1,003	–	–	1,003
Financial liabilities:				
Convertible bonds (derivative)	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

33. Fair values of financial instruments (cont'd)**(b) Fair value of financial instruments by classes that are carried at fair value (cont'd)**

	Fair value measurements at the end of the reporting period using			Total \$'000
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant un-observable inputs (Level 3) \$'000	
2021				
Group and Company				
Financial assets:				
Investment securities	1,184	–	–	1,184
Financial liabilities:				
Convertible bonds (derivative)	–	905	–	905

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and bank balances, trade receivables, other receivables and deposits, trade payables, other payables and accruals and current portion of lease liabilities

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

Borrowings

The carrying amount of borrowings due within one year approximates fair value because of the short period to maturity. The carrying amount of floating rate borrowings due after one year is a reasonable approximation of fair value as these are floating rate instruments that are repriced to market interest rates. For fixed rate borrowings, the difference between fair value and carrying value is not significant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

33. Fair values of financial instruments (cont'd)

- (c) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (con'd)***

Lease liabilities (non-current)

The carrying amount of non-current lease liabilities approximates fair value as their fixed contractual rates approximate year end prevailing market interest rates.

Convertible bonds

The carrying amount of convertible bonds (liability) approximates fair value as its fixed implicit rate approximates year end prevailing market interest rates.

34. Segment information

Segment information is presented in respect of the Group's segments. The primary format, by geographical segments, is based on the Group's management and internal reporting structure. Inter-segment pricing, if any, is determined on an arm's length basis.

The Group mainly operates in two geographical areas, namely Singapore and Rest of Asia Pacific. The Singapore geographical segments operate in all four of the Group's business segments, whilst the Rest of Asia Pacific geographical segments operate in the specialist civil engineering, structural steelworks and design and build business segments. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34. Segment information (cont'd)

(a) Geographical segments

	Singapore \$'000	Rest of Asia Pacific \$'000	Elimination \$'000	Group \$'000
2022				
Revenue from external customers	104,370	36,830	–	141,200
Inter-segment revenue	248	12,800	(13,048)	–
Total revenue	104,618	49,630	(13,048)	141,200
Depreciation	18,735	6,772	–	25,507
Segment profit/(loss)	(13,432)	(10,641)	692	(23,381)
Share of results of equity-accounted investment				11
Finance income				3
Finance costs				(12,231)
Loss before taxation				(35,598)
Taxation				(125)
Net loss				(35,723)
Non-current assets	136,877	85,595	–	222,472

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Singapore \$'000	Rest of Asia Pacific \$'000	Elimination \$'000	Group \$'000
34. Segment information (cont'd)				
(a) Geographical segments (cont'd)				
2021				
Revenue from external customers	100,420	21,492	—	121,912
Inter-segment revenue	3,202	10,311	(13,513)	—
Total revenue	103,622	31,803	(13,513)	121,912
Depreciation	21,073	6,366	—	27,439
Segment profit/(loss)	(13,416)	(6,908)	2,837	(17,487)
Share of results of equity-accounted investment				546
Finance income				1
Finance costs				(10,206)
Loss before taxation				(27,146)
Taxation				61
Net loss				(27,085)
Non-current assets	163,211	97,451	—	260,662

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34. Segment information (cont'd)**(a) Geographical segments (cont'd)****Reconciliation of non-current assets**

	2022 \$'000	Group	2021 \$'000
Total segment assets	222,472		260,662
Unallocated: Deferred tax assets	1		11
Total assets	222,473		260,673

(b) Business segments

It is not meaningful to show the total assets employed and the capital expenditure by business activities as these assets are generally shared across the segments and not separately identifiable by business segments. Disaggregation of revenue by major product or service line is presented in Note 4(a).

(c) Information about major customers

Revenue from nine major customers amounted to \$93,734,000 (2021: six major customers: \$51,163,000), arising from structural steel works and specialist civil engineering business segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

35. Categories of financial assets and liabilities

(a) *Financial assets at FVOCI*

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Investment securities	16	1,003	1,184	–	–

(b) *Financial assets carried at amortised cost*

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Trade receivables	19	18,583	16,857	–	–
Other receivables and deposits	20	8,132	6,592	–	–
Cash and bank balances	15	4,595	5,419	14	19
Total financial assets carried at amortised cost		31,310	28,868	14	19

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

35. Categories of financial assets and liabilities (cont'd)

(c) *Financial liabilities carried at amortised cost*

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Trade payables	21	60,849	52,927	–	–
Other payables and accruals*		21,366	14,009	2,419	1,329
Borrowings	23	96,427	100,355	–	–
Lease liabilities	12	42,132	50,917	–	–
Bond payable	24	336	900	336	900
Convertible bonds (liability)	24	5,415	7,363	5,415	7,363
Total financial liabilities carried at amortised cost		226,525	226,471	8,170	9,592

* Excludes GST/VAT payables.

(d) *Financial liabilities at FVPL*

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Convertible bonds (derivative)	–	905	–	737

36. Subsequent events

Other than as already disclosed in the financial statements, there are no material events that occurred after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

37. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 11 April 2023.

STATISTICS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 24 MARCH 2023

Issued and fully paid-up capital	:	\$152,368,784
Total number of issued shares	:	703,942,767
Treasury shares	:	Nil
Subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting right	:	One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDING AS AT 24 MARCH 2023

Size of Shareholding	No. of Shareholders	%	No. of Shares	%
1 – 99	334	3.18	11,156	0.00
100 – 1,000	917	8.74	498,909	0.07
1,001 – 10,000	5,790	55.20	26,181,453	3.72
10,001 – 1,000,000	3,392	32.34	234,041,453	33.25
1,000,001 and above	57	0.54	443,209,796	62.96
Total	10,490	100.00	703,942,767	100.00

LIST OF TWENTY LARGEST REGISTERED SHAREHOLDERS AS AT 24 MARCH 2023

No.	Name	No. of Shares	%
1	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	122,029,447	17.34
2	MOHAMED ABDUL JALEEL S/O MUTHUMARICAR SHAIK MOHAMED	54,217,835	7.70
3	PHILLIP SECURITIES PTE LTD	36,187,161	5.14
4	OCBC SECURITIES PRIVATE LTD	17,961,774	2.55
5	DBS NOMINEES PTE LTD	14,532,218	2.06
6	TAN SU LAN @ TAN SOO LUNG	14,188,100	2.02
7	TAN ENG CHUA EDWIN	13,428,000	1.91
8	SUSTAINED LAND PTE LTD	11,800,000	1.68
9	MAYBANK SECURITIES PTE. LTD.	8,847,122	1.26
10	ONG GIM LOO	8,800,600	1.25
11	SEM ANG NGI	8,359,900	1.19
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	7,055,399	1.00
13	TAN TIN NAM	6,889,473	0.98
14	SIAU SZE YOU JASON (XIAO ZIYOU)	6,272,887	0.89
15	RAFFLES NOMINEES (PTE) LIMITED	6,209,487	0.88
16	WINMARK INVESTMENTS PTE LTD	5,551,000	0.79
17	OCBC NOMINEES SINGAPORE PTE LTD	5,526,176	0.79
18	WANG YU HUEI	5,107,200	0.73
19	HSBC (SINGAPORE) NOMINEES PTE LTD	5,097,200	0.72
20	SOLIGNY BRUNO LUDOVIC	4,804,000	0.68
	Total:	362,864,979	51.56

STATISTICS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS AS AT 24 MARCH 2023

Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	Shares	%	Shares	%	Shares	%
Seow Soon Yong	86,105,007	12.23	4,082,108 ⁽¹⁾	0.58	90,187,115	12.81
Mohamed Abdul Jaleel S/O						
Muthumaricar Shaik Mohamed	54,217,835	7.70	4,007,376 ⁽²⁾	0.57	58,225,211	8.27

(1) Mr. Seow Soon Yong is deemed interested in the shares held by Yongnam Private Limited in the share capital of the Company through his 75% of interest held in Yongnam Private Limited.

(1) Mr. Mohamed Abdul Jaleel S/O Muthumaricar Shaik Mohamed holds 100% of the share capital of MES Group Holdings Pte Ltd and he is accordingly deemed interested in the Shares held by MES Group Holdings Pte Ltd.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 77.02% of the shareholding of the Company is held in the hands of the public as at 24 March 2023 and Rule 723 of the Listing Manual is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting (“AGM”) of Yongnam Holdings Limited (the “Company”) will be held at 51 Tuas South Street 5, Singapore 637644 on Friday, 28 April 2023 at 10.00 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2022 and the Directors’ Statement together with the Reports of the Auditors thereon.

(Resolution 1)
2. To approve the payment of proposed Directors’ fees of \$160,000 for the financial year ended 31 December 2022 (FY2021: \$177,500).

(Resolution 2)
3. To re-elect the following Directors who are retiring by rotation pursuant to Regulation 103 of the Constitution of the Company:
 - (a) Mr Seow Soon Yong

(Resolution 3)
(Please refer to the explanatory note (a))
 - (b) Mr Siau Sun King

(Resolution 4)
(Please refer to the explanatory note (b))
4. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

(Resolution 5)

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following ordinary resolution:

5. Authority to allot and issue shares

That pursuant to Section 161 of the Companies Act 1967 and the listing rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue and allot new shares (“Shares”) in the capital of the Company (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding that the authority conferred by this resolution may have ceased to be in force) issue Shares pursuant to any Instruments made or granted by the Directors while this resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of Shares to be issued pursuant to such authority (including Shares to be issued pursuant to Instruments made or granted pursuant to such authority), does not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below), and provided further that where shareholders of the Company ("**Shareholders**") are not given the opportunity to participate in the same on a pro-rata basis ("**non pro-rata basis**"), then the Shares to be issued under such circumstances (including Shares to be issued pursuant to Instruments made or granted pursuant to such authority) shall not exceed twenty per cent (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the total number of issued Shares, excluding treasury shares and subsidiary holdings, shall be based on the total number of issued Shares of the Company, excluding treasury shares and subsidiary holdings, at the time such authority was conferred, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of convertible securities;
 - (b) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company for the time being; and
- (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue to be in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(Resolution 6)

(Please refer to the explanatory note (c))

6. To transact any other ordinary business that may be properly transacted at an AGM of the Company.

BY ORDER OF THE BOARD

SEOW SOON YONG
Chief Executive Officer
13 April 2023

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (a) Mr Seow Soon Yong, upon re-election as a Director of the Company, will continue to serve as Managing Director and Chief Executive Officer of the Company. Mr Seow Soon Yong (Managing Director and Chief Executive Officer) is the brother of Mr Siau Sun King (Executive Director of the Company).

Detailed information of Mr Seow Soon Yong can be found under the "Board of Directors" and "Disclosure of Information on Director seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST" sections in the Company's Annual Report 2022.

- (b) Mr Siau Sun King, upon re-election as a Director of the Company, will continue to serve as Executive Director of the Company. Mr Siau Sun King (Executive Director) is the brother of Mr Seow Soon Yong (Managing Director and Chief Executive Officer of the Company).

Detailed information of Mr Siau Sun King can be found under the "Board of Directors" and "Disclosure of Information on Director seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST" sections in the Company's Annual Report 2022.

- (c) The proposed Ordinary Resolution 6, if passed, will empower the Directors from the date of the AGM until the date of the next AGM, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis. For the purpose of this resolution, the total number of issued Shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this proposed Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards, provided the options or awards granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST and any subsequent bonus issue, consolidation or subdivision of Shares.

NOTES

1. The AGM will be held physically with no option for shareholders to participate virtually. This Notice of AGM and the accompanying proxy form will be made available by electronic means via publication on the Company's website at the URL <http://www.yongnamgroup.com>, as well as on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. Printed copies of this Notice and the accompanying proxy form will not be sent to members.
2. A member may ask questions relating to the items on the agenda of the AGM by "live Question and Answer" at the physical AGM.
3. A member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
4. A member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore.

5. A proxy need not be a Member of the Company.
6. The instrument appointing a proxy or proxies must be submitted to the Company in the following manner:
 - a) if sent personally or by post, must be left at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644; or
 - b) if submitted by email, be received by the Company's Share Registrar, Tricor Barbinder Share Registration Services at sg.is.proxy@sg.tricorglobal.com

in either case, by 10.00 a.m. on 25 April 2023.

A member who wishes to submit an instrument of proxy must download the proxy form, then complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

7. Printed copies of the Annual Report 2022 (the "Annual Report") will not be sent to members. Instead, this Annual Report will be sent to members by electronic means via an announcement on the SGX website at the URL <https://www.sgx.com/securities/companyannouncements> and may be accessed at the Company's website at the URL <http://www.yongnamgroup.com>. For members who wish to receive a printed copy of the 2022 Annual Report, please refer to the Annual Report Request Form published on the Company's website, at the URL <http://www.yongnamgroup.com> and the SGX website, at the URL <https://www.sgx.com/securities/company-announcements> on how to make a request.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**YONGNAM HOLDINGS LIMITED**Company Registration no. 199407612N
(Incorporated in the Republic of Singapore)**IMPORTANT**

1. The Annual General Meeting ("AGM") is being convened and will be held physically with no option for shareholders to participate virtually. This Notice of AGM and the accompanying proxy form will be made available by electronic means via publication on the Company's website at the URL <http://www.yongnamgroup.com>, as well as on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. Printed copies of this Notice and the accompanying proxy form will not be sent to members.
2. For members who wish to receive a printed copy of the 2022 Annual Report, please refer to the Annual Report Request Form published on the Company's website, at the URL <http://www.yongnamgroup.com> and the SGX website, at the URL <https://www.sgx.com/securities/company-announcements> on how to make a request.
3. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the capital of Yongnam Holdings Limited, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective agent Banks/SRS Operators if they any queries regarding their appointment as proxies.
4. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.

PROXY FORM

*I/We, _____ (Name) _____ (*NRIC/Passport/Registration No.)
of _____ (Address)
being a *member/members of **YONGNAM HOLDINGS LIMITED** (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholding(s)	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholding(s)	
		No. of Shares	%
Address			

as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at 51 Tuas South Street 5, Singapore 637644 on Friday, 28 April 2023 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against or abstain from voting the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM and at any adjournment thereof. If no person is named in the above boxes, the Chairman of the AGM shall be *my/our proxy to vote, for or against the Resolutions to be proposed at the AGM as indicated hereunder, for *me/us and on *my/our behalf at the AGM and at any adjournment thereof.

Resolution No.	Ordinary Resolutions	**For	**Against	**Abstain
ORDINARY BUSINESS				
1.	Adoption of the Audited Financial Statements of the Company for the financial year ended 31 December 2022 and the Directors' Statement together with the Reports of the Auditors thereon			
2.	Approval of payment of proposed Directors' fees of S\$160,000 for the financial year ended 31 December 2022			
3.	Re-election of Mr Seow Soon Yong as Director			
4.	Re-election of Mr Siau Sun King as Director			
5.	Re-appointment of Messrs Ernst & Young LLP as Auditors			
SPECIAL BUSINESS				
6.	Authority to allot and issue shares			

* Delete accordingly

** Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick "✓" in the relevant box provided. Alternatively, please indicate the number of votes "For" or "Against" each resolution. If you mark "✓" in the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution.

Dated this _____ day of _____, 2023

Total Number of Shares Held_____
Signature(s) of Member(s)/Common Seal**IMPORTANT:** Please read notes overleaf

Notes:

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. A member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
3. A member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore.

4. A proxy need not be a Member of the Company.
5. The instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney or if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution and Section 179 of the Companies Act 1967 of Singapore.
7. The instrument appointing a proxy or proxies must be submitted to the Company in the following manner:
 - a. if sent personally or by post, must be left at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644; or
 - b. if submitted by email, be received by the Company's Share Registrar, Tricor Barbinder Share Registration Services at sg.is.proxy@sg.tricorglobal.com

in either case, by 10.00 a.m. on 25 April 2023.

A member who wishes to submit an instrument of proxy must download the proxy form, then complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

8. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company shall be entitled to reject any proxy form which has been lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

**AFFIX
POSTAGE
STAMP**

The Company Secretary
YONGNAM HOLDINGS LIMITED
51 Tuas South Street 5
Singapore 637644

CORPORATE INFORMATION

BOARD OF DIRECTORS

Seow Soon Yong
(Managing Director/CEO)
Chia Sin Cheng
Siau Sun King
Lim Ghim Siew, Henry
Tan Eng Kiat, Dominic
Teng Kian Jen, Ben

AUDIT COMMITTEE

Tan Eng Kiat, Dominic (Chairman)
Lim Ghim Siew, Henry
Teng Kian Jen, Ben

REMUNERATION COMMITTEE

Lim Ghim Siew, Henry (Chairman)
Tan Eng Kiat, Dominic
Teng Kian Jen, Ben

NOMINATING COMMITTEE

Tan Eng Kiat, Dominic (Chairman)
Lim Ghim Siew, Henry
Teng Kian Jen, Ben

COMPANY SECRETARIES

Pan Mi Keay, ACIS
Wang Sien Ting

REGISTERED OFFICE

51 Tuas South Street 5
Singapore 637644
Telephone: (65) 6758 1511
Fax: (65) 6758 0753
Email: info@yongnamgroup.com
Website: www.yongnamgroup.com

COMPANY REGISTRATION NUMBER

199407612N

SHARE REGISTRAR

Tricor Barbinder Share Registration
Services
80 Robinson Road
#02-00
Singapore 068898

AUDITORS

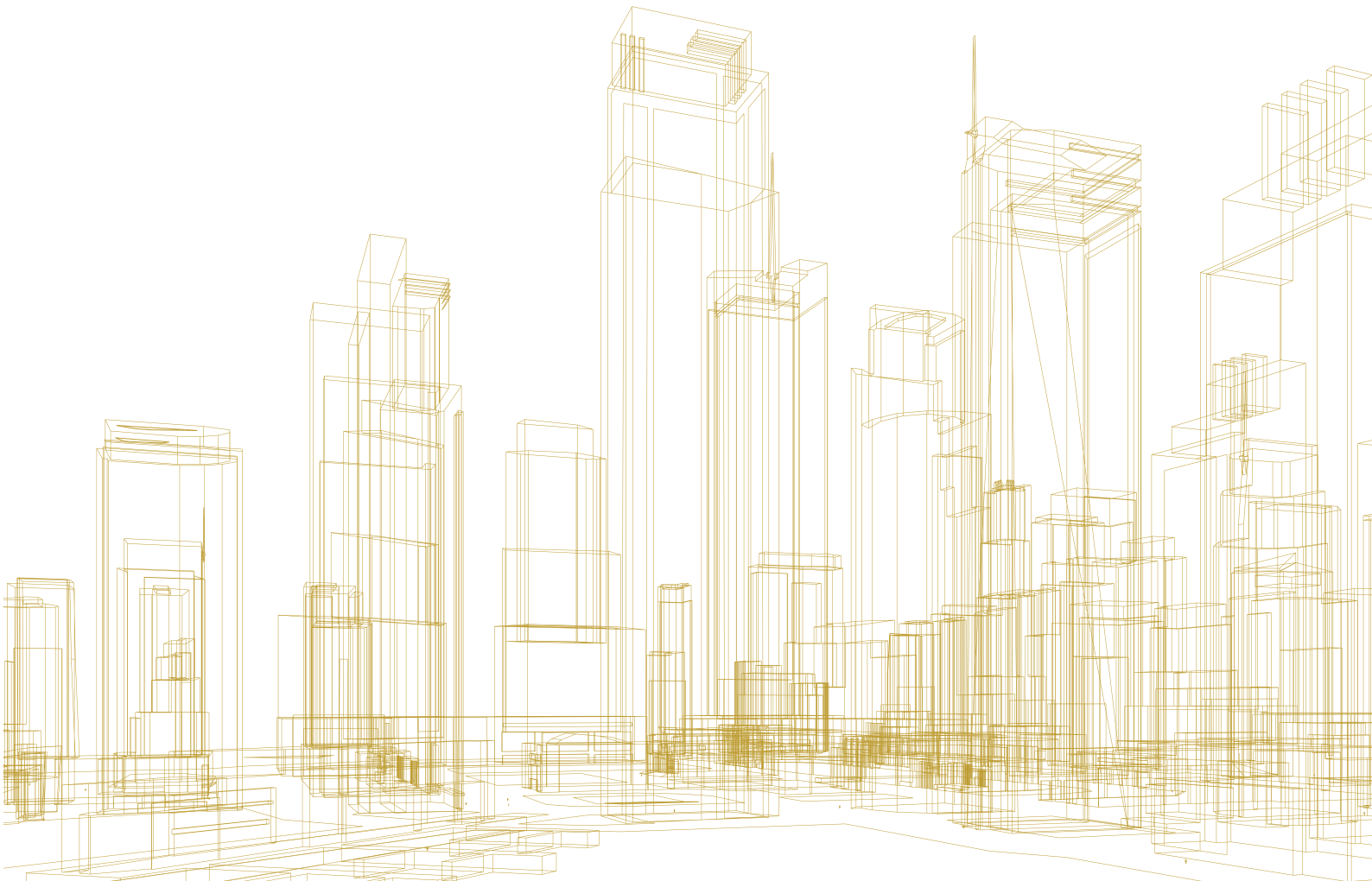
Ernst & Young LLP
One Raffles Quay North Tower, Level 18
Singapore 048583

AUDIT PARTNER

Alvin Phua
(Appointed with effect from financial year
ended 31 December 2021)

PRINCIPAL BANKERS

Malayan Banking Berhad, Singapore
Branch
United Overseas Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited





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