



YONGNAM HOLDINGS LIMITED

(the “Company”)

(Company Registration No. 199407612N)

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

DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the “Board”) of Yongnam Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) would like to announce that the Company’s Independent Auditor, Ernst & Young LLP (“EY”) had issued a Disclaimer of Opinion in its Independent Auditor’s Report in respect of the Group’s Audited Financial Statements for the financial year ended 31 December 2022 (“FY2022”).

Please refer to the Independent Auditor’s Report annexed to this announcement.

Shareholders of the Company are advised to read the Audited Financial Statements as contained in the Company’s annual report for the financial year ended 31 December 2022.

By Order of the Board

SEOW SOON YONG

Chief Executive Officer

12 April 2023



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Extracted from the Independent Auditors’ Report to the Audited Financial Statements of Yongnam Holdings Limited for the financial year ended 31 December 2022.

Independent Auditor’s Report to the Members of Yongnam Holdings Limited

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.



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**Independent Auditor’s Report
For the financial year ended 31 December 2022**

Independent Auditor’s Report to the Members of Yongnam Holdings Limited

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.



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**Independent Auditor’s Report
For the financial year ended 31 December 2022**

Independent Auditor’s Report to the Members of Yongnam Holdings Limited

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