



YONGNAM ENGINEERING & CONSTRUCTION (PRIVATE) LIMITED

Informal Town Hall with Creditors

14 April 2023

Important Notes

- This presentation has been prepared for the purpose of providing an update on the proposed restructuring plan of Yongnam Engineering & Construction (Private) Limited (“**YEC**” or “**Yongnam**” or the “**Company**”) to the creditors of the Company whose debts are intended to be restructured via a proposed scheme of arrangement.

Basis of Information

- Our presentation deals primarily with financial data and other matters which we consider to be of relevance and interests to the creditors of the Company. Our primary source of information has been the unaudited management accounts, records, explanations and representations made available to us and/or made to us by the Directors and management of the Company.

Disclaimer

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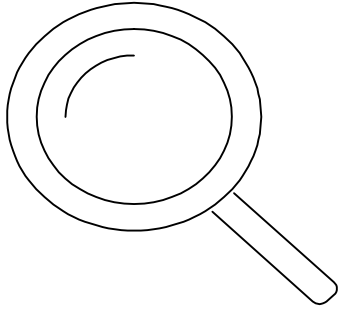
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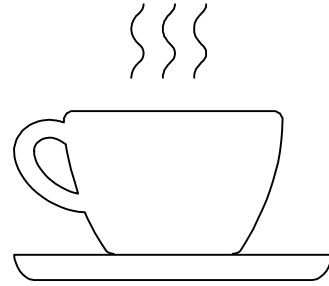
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Meeting Protocol



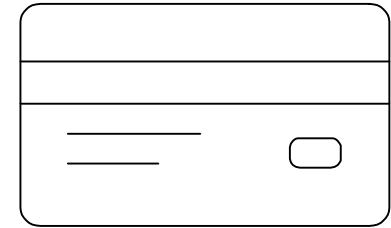
Without
prejudice



Informal
meeting



No
recording
and photo
taking



Identification
for Q&A

Representatives from the Company and Advisors

Management team

1. Mr Seow Soon Yong, Chief Executive Officer
2. Mr Chia Sin Cheng, Finance Director

RSM Corporate Advisory Pte Ltd – Advisor to Company

1. Mr Ng Kian Kiat (proposed Scheme Manager)
2. Mr Chio Kian Huat
3. Mr Stuart Ong
4. Ms Trisha Ng

Oon & Bazul LLP – Solicitor representing Company

1. Mr Keith Han
2. Ms Angela Phoon

Agenda

1. Presentation by the Company
2. Restructuring Plan
3. Key Terms of Proposed Scheme
4. Alternative Scenario
5. Estimated Timeline
6. Key Takeaways
7. Sample Letter of Support
8. Q&A

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**PRESENTATION
BY THE
COMPANY**



Singapore, Jewel Changi Airport

Overview of the Group

Structural Steelworks (SS)

1 of the 16 Steel Fabricators accredited with the highest S1 category and is recognised as among the best in the industry, having achieved the required standards and technical capabilities.

Completed projects include landmark, large-scale commercial and institutional projects, and public infrastructure projects

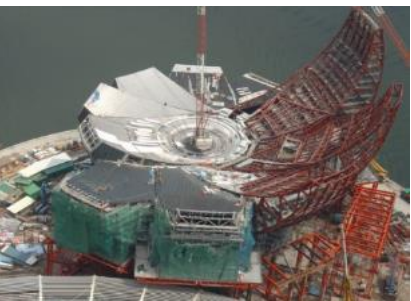
Notable Projects Completed over the Years



Gardens by the Bay



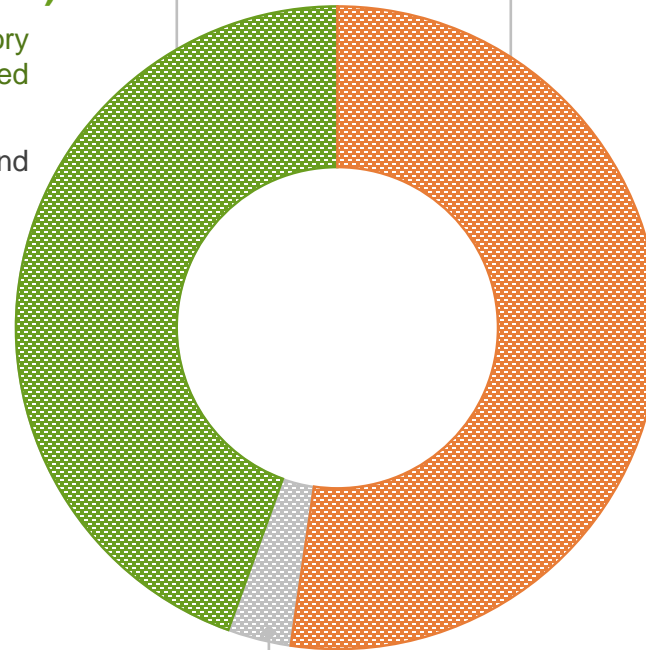
Singapore Sports Hub



Art Science Museum



Jewel Changi Airport



Mechanical Engineering (ME) & others

1. Installation of Mechanical Equipment and Plant
2. Supply, fabrication and installation of mechanical components
3. Plant maintenance

Completed projects include installation of turbine generators and auxiliary equipment for the Senoko, Jurong and Seraya power stations in Singapore and the Kenyir hydroelectric power plant in Malaysia, etc.

Specialist Civil Engineering (SCE)

Modular Strutting System developed by Yongnam has greater load carrying capacity and provides larger clear spans than other similar systems currently available in the market.

Completed projects include strutting for the basement of commercial buildings in Singapore, MRT underground stations and expressway tunnels, etc.

Notable Projects Completed over the Years



Marina Coastal Expressway (MCE)



Dubai Metro



Various MRT lines in Singapore

Business Climate and Challenges

1

Industry-wide slowdown

General slowdown in overall construction industry after mega projects such as Marina Bay Sands, Marina Coastal Expressway and Jewel were completed, leading to stiff price competition from contractors in the market after the wave of mega projects.

2

Impact of COVID-19 pandemic leading to steep and unexpected increases in operating costs

- Circuit breaker measures.
- Significant public and private sector infrastructure projects put on hold and delayed.
- Travel restrictions and tightening labour policies meant that it became difficult and costly to procure sufficient labour for ongoing projects.
- Severe supply chain disruptions coupled with steep increases in the prices of construction materials, fuel and steel resulted in the Group having to increase its cash outlay in order to secure goods and services and avoid further delays to its ongoing projects.

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RESTRUCTURING PLAN



Singapore, Marina Bay Sands

Investor Updates

Termination of Agreements with UEM Assets Pte. Ltd. previously entered into 19 January 2023

- Yongnam Holdings Limited (“YHL”) earlier announced on 19 January 2023 in relation to the entry of the loan agreement and conditional subscription agreement (“**19 January Agreements**”) entered into between YHL and UEM Assets Pte. Ltd. (“**UEM**”).
- Pursuant to discussions on the restructuring exercise with various stakeholders, the Company and such stakeholders were not able to reach any settlement arrangements and therefore, the Company and UEM had agreed to mutually and amicably terminate the 19 January Agreements on 13 April 2023 (the “**Termination**”).

Entry into Agreements with Turbo Vision Pte. Ltd. entered into 13 April 2023

- In conjunction with the Termination, YHL entered into agreements with Turbo Vision Pte Ltd for the Loan, Proposed Subscription and Proposed Grant of Options.
- The terms of the Loan, Proposed Subscription and Proposed Grant of Options are set out in the next page.

Key Terms of Investment by the Investor

Proposed Investment into the Group

Investor – Turbo Vision Pte Ltd (the “Subscriber”)

- The Subscriber is a private company incorporated in Singapore on 21 May 2018 with its business activities being the wholesale of electronic components and industrial design activities. It has an issued and paid-up share capital of S\$10,000,000 and is wholly-owned by Mr. Wang Jinyu (“**Mr. Wang**”). Mr. Wang is the sole director of the Subscriber.
- Mr. Wang is a Singapore permanent resident businessman with multiple companies established in China, India, Hong Kong, France and Singapore covering fields such as electronic technology, software research and development, construction and building materials with business coverage in more than 50 countries worldwide, and annual sales of approximately US\$120 million. In particular, Mr. Wang established Beijing Orient View Technology Co., Ltd. in 2002, which specialises in the research and development as well as manufacturing and marketing of interactive video products for the broadcast and telecommunications industry.

Investor Parameters



Cash Injection by Investor:

- S\$3 million** in the form of Loan
(that can be drawn prior to Completion)
- S\$20 million Proposed Subscription**
(at Subscription Price of S\$0.018 per share)



S\$30 million of options to acquire additional shares:

- S\$10 million 1-year options at S\$0.018 per share
- S\$20 million 3-year options at S\$0.0198 per share, being a 10% premium to Subscription Price (S\$0.018)



Settlement arrangements in relation to existing facilities to be entered into by the Group with its respective lenders through relevant amendment agreements



Restructuring of debts and liabilities owing to unsecured creditors of YEC via settlement in cash and issue of new shares in YHL

Conditions to the Proposed Transaction

The completion of the Proposed Transaction with the Investor is subject to, among others, the following:

Approval of the YEC Proposed Scheme of Arrangement (by Scheme creditors and the Singapore Court)

Entry into the Lenders Settlement on terms and conditions being satisfactory to the Investor

Approval by the Securities Industry Council (the “**SIC**”) on the whitewash waiver

No objection from SGX-ST for the proposal for the resumption of trading of the Shares

Approval by SGX-ST for the listing and quotation of the shares to be issued

Approval by Yongnam Holdings Limited’s shareholders

Regulatory approvals for the transactions contemplated as may be required

If the approvals above cannot be obtained, the Proposed Transaction with the Investor will not be able to go through.

Please refer to the Company’s announcement dated 13 April 2023 for further details on the Proposed Transaction.

Proposed Restructuring Plan

Investor	Lenders	Company	Shareholders	Creditors
<p>Cash injection by Investor:</p> <ul style="list-style-type: none"> i. S\$3 million in the form of Loan (that can be drawn prior to Completion). ii. S\$20 million Proposed Subscription (at Subscription Price of S\$0.018 per share). <p>S\$30 million worth of options to acquire additional shares:</p> <ul style="list-style-type: none"> i. S\$10 million 1-year options at S\$0.018 per share. ii. S\$20 million 3-year options at S\$0.0198 per share, being a 10% premium to Subscription Price (S\$0.018). 	<p>The Group is in discussion with its bank lenders to:</p> <ul style="list-style-type: none"> i. Revise amortisation schedule to reduce the cash outlay in the initial years. ii. Extend maturity of loans for a further 3 years. 	<p>In light of the Company's cashflow situation:</p> <ul style="list-style-type: none"> i. Management of the Group has taken a reduction in compensation and certain management staff have continued working without pay (for up to 15 months). ii. Fixed overheads have been reduced from S\$5.2m to S\$4.2m per month. iii. The Company is looking at avenues for further cost reduction. 	<p>Last rights issue conducted in 2016 and a total of S\$32.6 million was raised.</p> <p>The current investor exercise is expected to dilute the shareholding of the existing shareholders by more than 80% (after issuance of shares to YEC scheme creditors and issuance of shares to the investor and exercise of options by the investor).</p> <p>As part of the current exercise, the Group is intending to conduct a 1-for-2 rights issue for existing shareholders to raise an additional up to S\$6.3 million for working capital requirements.</p>	<p>YEC has been granted moratorium relief pursuant to Section 64 of the Insolvency, Restructuring and Dissolution Act 2018 (No. 40 of 2018) (the "IRDA") up to 15 May 2023.</p> <p>YEC is intending to propose a Scheme of Arrangement for its creditors.</p> <p>Details of the scheme terms are set out in the subsequent slides.</p>

The Group is reaching out to all stakeholders for support

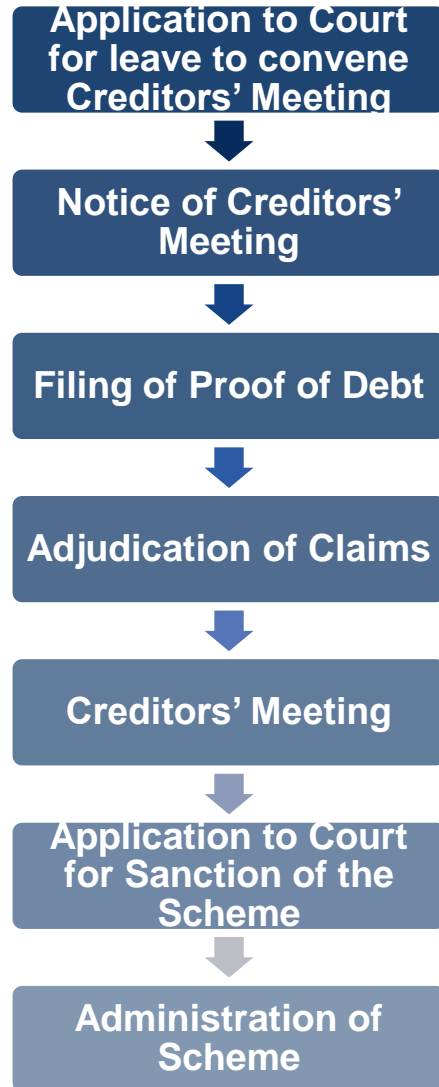
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KEY TERMS OF PROPOSED SCHEME



What is a Scheme of Arrangement (“SOA”)?



- A SOA is a court-sanctioned statutory contract for the variation of creditors' rights as against the company to facilitate the restructuring of a company.
- Requires at least 50% in number representing 75% in value of the creditors (across the different classes of creditors, if there is more than one class), present and voting at the creditors' meeting, either in person or by proxy, to vote in favour of the scheme.
- After receiving the requisite approval at the creditors' meeting, the SOA will have to be sanctioned in Court. Upon sanction by the Court and lodgement with ACRA, the SOA will bind all creditors, even if not all creditors approve it.
- Upon the scheme taking effect (i.e. upon Court sanction and ACRA lodgement), the admitted debts of the scheme creditors will be paid under the terms of the scheme.

Framework of Proposed YEC Scheme

**Cut-off Date
31 January 2023**

Debts Included in the Proposed Scheme

Scheme Creditors

- i. Unpaid amounts for costs incurred / work done or goods delivered and accepted on or before 31 January 2023 (“**Cut-off Date**”).
- ii. Retention sum retained or security deposits received by YEC for work done on or before the Cut-off Date.

Debts Excluded from the Proposed Scheme

Excluded Creditors

- i. Unpaid amounts for costs incurred / work done or goods delivered and accepted on or before the Cut-off Date, but total amount outstanding is equal or less than S\$20,000.
- ii. Essential Service Providers (i.e utilities, land rent, dormitories).
- iii. Hire Purchase Creditors, Secured Creditors and Financial Institutions.
- iv. Legal & Professional fees.

Debts incurred after the Cut-off Date (“**New Debts**”)

- i. Unpaid amounts for costs incurred / work done or good delivered and accepted after the Cut-off Date.
- ii. These debts will be settled under normal trading terms, subject to negotiation between the creditors and the Company, if necessary.

Proposed Terms of Payment under the YEC Scheme

For Scheme Creditors



6.25% Cash Payment [1]



93.75% Shares in Yongnam Holdings Limited
(issued at S\$0.10 per share)

Illustration

For every S\$1,000 of debts held

Cash **S\$62.50**

Shares **S\$937.50**
(equivalent to 9,375 shares)
worth of Yongnam Holdings
Limited shares at issue price
of S\$0.10 per share

[1] Please note that the total cash consideration to pay to all Scheme Creditors is subject to a cap of S\$2 million, out of estimated scheme debts of S\$32 million.

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ALTERNATIVE SCENARIO



Singapore, Jewel Changi Airport

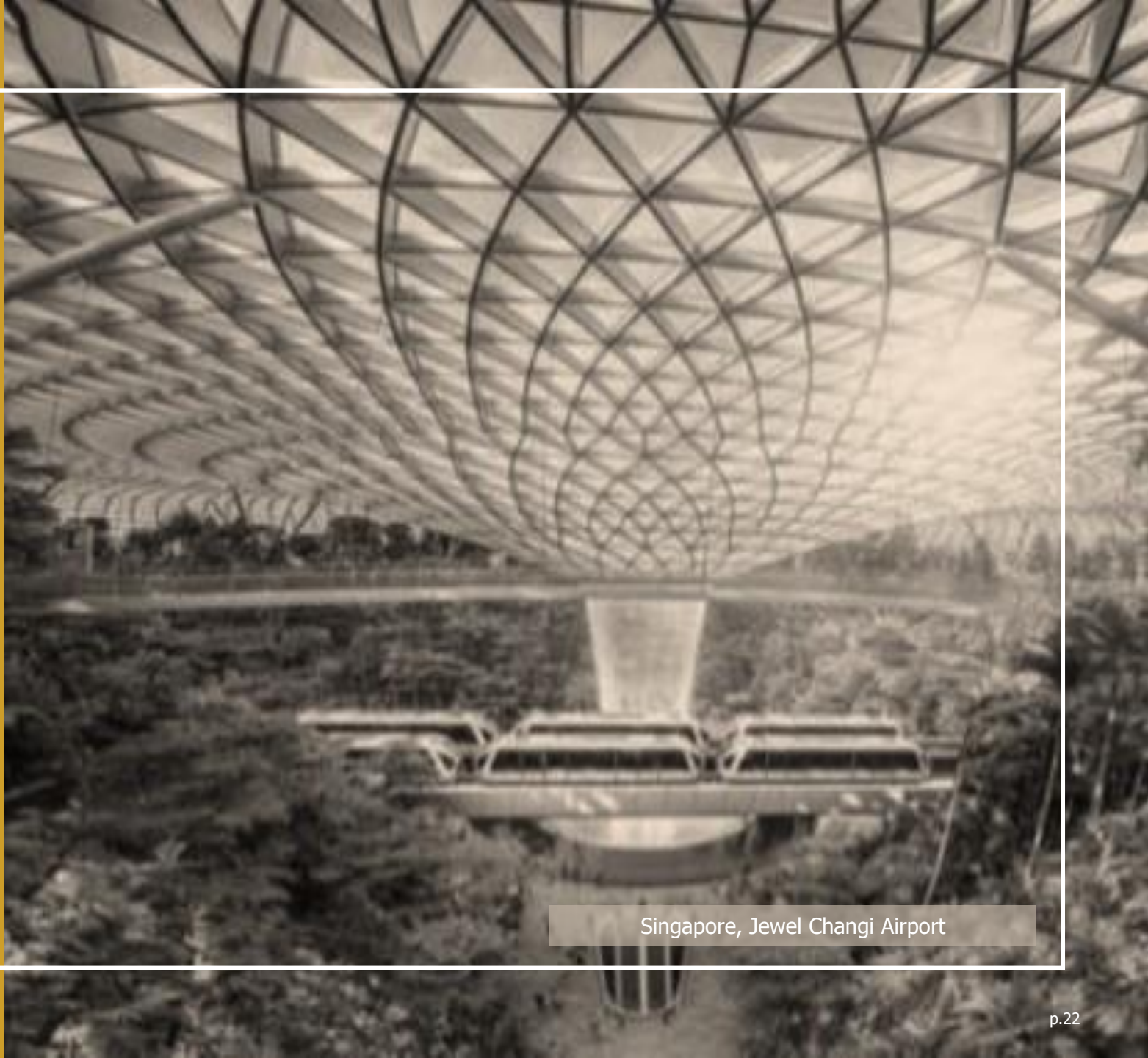
Alternative Scenario - Liquidation

- YEC may have to consider an eventual liquidation of the company if the requisite creditors' approvals are not obtained for the YEC Scheme, and/or the Scheme is not sanctioned by the Court.
- As substantially all of YEC's assets are secured against bank facilities, in the event of a liquidation, based on YEC's management accounts as at 30 September 2022 and as disclosed in Mr Seow Soon Yong's 2nd Affidavit dated 7 February 2023, YEC's creditors are likely to recover between 1.60 cents to 1.68 cents on the dollar (1.60% to 1.68%).

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ESTIMATED TIMELINE



Singapore, Jewel Changi Airport

Estimated Timeline

By	Milestone
14 April 2023	Townhall Meeting with Creditors
End April 2023	Application to Court for Permission to Convene a Scheme Meeting
End May 2023	Launch of Scheme Despatch scheme documents to creditors
End June 2023	Receive proofs of debt & adjudication of claims
End July 2023	Convene Creditors' Meeting
Mid August 2023	Court sanction of the Scheme
Upon completion of the Investor Transaction (estimated based on long-stop date of 12 December 2023)	Payments to Scheme Creditors

This indicative timeline may be extended due to factors not within the control of the Company.

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KEY TAKEAWAYS



Singapore, Jewel Changi Airport

In Summary

- The Group is **deeply impacted by the industry-wide slowdown and the impact of COVID-19 pandemic** leading to steep and unexpected increases in operating costs.
- As **substantially all of YEC's assets are secured against bank facilities**, in the event of a liquidation, YEC's creditors are likely to recover between 1.60 cents to 1.68 cents on the dollar (1.60% to 1.68%).
- The Proposed Scheme Terms offer a better recovery to YEC creditors, as compared to liquidation. The issuance of shares to YEC creditors will allow creditors to participate in the restructuring and recovery of the Group.
- If requisite creditors' approvals are not obtained for the YEC Scheme, and/or the Scheme is not sanctioned by the Court, YEC may have to consider an eventual liquidation of the company.
- **We need all stakeholders to play a part in supporting the Group:**
 - i. The **Shareholders** will be diluted by more than 80% (after issuance of shares to YEC scheme creditors and issuance of shares to the investor and exercise of options by the investor) by the investor and may potentially be putting in up to S\$6.3 million more.
 - ii. The **Management** Team has reduced their remuneration significantly and certain management staff have continued working without pay.
 - iii. The Company is in discussion with **Lenders** to revise amortization schedule to reduce the cash outlay in the initial years and extend maturity of loans for a further 3 years.

YEC is appealing to the creditors for their help in supporting the Group's restructuring

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SAMPLE LETTER OF SUPPORT



Singapore, Jewel Changi Airport

Sample in-principle approval letter to vote in favour of the Proposed YEC Scheme

[To be placed on creditor's letter head]

[date]

YONGNAM ENGINEERING & CONSTRUCTION (PTE) LTD

51 Tuas South Street 5

Singapore 637644

1. We, [name of creditor], are a creditor of Yongnam Engineering & Construction (Pte) Ltd (the "**Company**").
2. We understand that the Company intends to restructure its debt obligations and propose a scheme of arrangement (the "**Proposed Scheme**") under section 210 of the Companies Act 1967. We also understand that the Company will be filing an application to the General Division of the High Court of the Republic of Singapore (the "**Court**") under section 210(1) of the Companies Act 1967 for leave to convene a meeting of its creditors to consider and, if thought fit, approve the Proposed Scheme, as well as an extension of the moratorium granted in HC/OA 61/2023 by three (3) months, *i.e.* until 15 August 2023.
3. At the townhall meeting on 14 April 2023, the Company and its advisers explained the key terms of the Proposed Scheme. Having reviewed the said terms, we confirm that we are in-principle agreeable to the Proposed Scheme and prepared to vote in favour of the Proposed Scheme. We also confirm that we are supportive of, and have no objections to, the Company's intended application for leave to convene the scheme meeting and the aforesaid three-month extension of the moratorium.
4. Thank you.

Yours faithfully,

[sign]

[name of creditor]

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Q&A



Singapore, Marina Bay Sands

Questions Received from Creditors not addressed in slides

- a) How YNEC's projects are performing, since these projects supposedly are part of how YNEC is supposed to attract investor(s) and continue as a going concern?
- b) Please provide an update on the Group's financial situation including the order book and potential projections. We note from the 2022 financial statements that as at 31 December 2022, the Group had secured an order book of \$396.5 million and that the Group is in pursuit of potential projects amounting to about \$780 million.

Out of the order book of S\$396.5 million as at 31 December 2022, about S\$200 million worth of projects were secured at pre-pandemic prices. Given the steep increases in operating and raw materials costs, margins of these projects had been adversely impacted.

Notwithstanding, the recommencement of certain key infrastructure projects including the Jurong Regional Line, Cross Island Line, Changi Airport Terminal 5 and new Marina Bay Sands will bring new project opportunities to the local construction industry and the Group.

Questions Received from Creditors not addressed in slides

Will Yongnam/YEC be seeking an extension of the moratoria and if so, for how long?

Both Yongnam Holdings Limited (“**YHL**”) and Yongnam Engineering & Construction (Private) Limited (“**YEC**”) will be seeking an extension of at least a further 3 months to allow YEC’s scheme to proceed as well as to progress on the transaction conditions set forth by the investor.

Questions Received from Creditors not addressed in slides

How will the debts of the secured creditors be addressed? Will some of the funds from the investor be used to pay off some of the secured debt?

- As shared in the announcement dated 13 April 2023, the new monies raised from the Proposed Subscription of S\$20 million will be first used to meet the working capital needs of the Group.
- The Company will discuss separately with the secured creditors on the repayment terms.

Questions Received from Creditors not addressed in slides

Has Yongnam/YEC been able to dispose of some of its assets such as unutilised/underutilised equipment and machinery?

Most of YEC's assets have been charged in favour of secured lenders (banks) and hire purchase creditors. Any realisation from the secured assets would be used to reduce the amounts owing to these secured creditors.

The Company had identified and disposed certain equipment and machinery that were underutilised. Remaining equipment and machinery are required for projects.

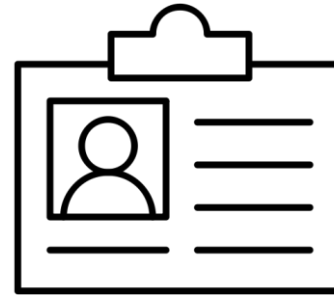
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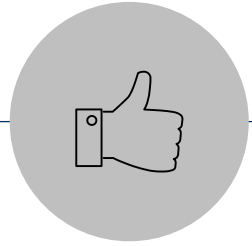
Please state your name and the creditor you are representing before asking your question

1



2





Contact Info

Email Address

questions@yongnamgroup.com