



YONGNAM HOLDINGS LIMITED

(the "Company")

(Company Registration No. 199407612N)

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

RESPONSE TO QUERIES RAISED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON ANNOUNCEMENT OF CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

The Board of Directors (the "Board") of Yongnam Holdings Limited (the "Company") refers to the queries raised by the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 15 August 2022, and set out below its responses to the queries from the SGX-ST as follows:

Question 1

We note that General and Administrative Expenses had increased from \$4.107m as at 30 June 2021 to \$5.313m as at 30 June 2022 due to higher professional fees. Please disclose a breakdown of the professional fees and the nature of the engagement(s).

Company's responses:

The increase in the professional fees was mainly due to the following:

- 1) Professional Services rendered for corporate advisory services - \$300,000;
- 2) Legal fees in relation to arbitration proceedings - \$500,000; and
- 3) Initial facilitation fee in relation to a proposed fundraising exercise - \$415,000.

The arbitration proceedings referenced to in the above were commenced against Yongnam Engineering & Construction (Private) Limited (a wholly owned subsidiary of the Company) ("**Yongnam Engineering**") by SCB Building Construction Pte Ltd (formerly known as Jian Huang Construction Co. Pte Ltd) in December 2019.

This arbitration is presently ongoing. The Group will make further announcements as and when there are material updates on this matter.

Question 2

In relation to Note 1 of the Condensed Interim Consolidated Income Statement on page 1, please explain (i) what does "site expenses for preparation / return of yards" relate to; (ii) and the basis for categorising it as exceptional items.

Company's responses:

The Group rented a yard from Singapore Land Authority ("**SLA**") for storage of its steel materials for a project. After a short duration, the Group was informed by SLA to return the yard ("**Returned Yard**") and replacement yard in another site was given.

The Group incurred expenses to restore the Returned Yard in addition to incurring rentals on both yards during the transition period. The expenses incurred for restoring the Returned Yard and the rental paid for the Returned Yard during the transition period was categorised as exceptional items.

Question 3

Please reconcile the loss on disposal of property, plant and equipment on page 6 to Note 1 of the Condensed Interim Consolidated Income Statement on page 1. In your response, please also disclose the book value of the relevant assets and the sale proceeds.

Company's responses:

	NBV \$'000	Proceeds \$'000	(Gain)/Loss \$'000
Disposal categorised as exceptional items on page 1	2,661	1,898	763
Disposal under normal operating activities	4,120	4,263	(143)
Loss on disposal of property, plant and equipment on page 6	6,781	6,161	620

Question 4

As at 30 June 2022, the Group has net current liabilities of \$66.178m with cash and cash equivalents of \$2.623m.

- (i) Please assess the Company's ability to operate as a going concern;
- (ii) Please assess the Company's ability to meet its debt covenants (if any); and
- (iii) In relation to the Company's representation in Note 7 relating to "Net Current Liabilities" that it will consider monetizing non-current assets to meet short term cashflow gaps, please advise the nature of these assets, timeline required to monetize these assets and how the Group's businesses will be affected arising from such monetization efforts

Company's responses:

- (i) The Board has assessed that the Company is able to continue as a going concern on the basis of the following assumptions:
 - a. the Group has an order book of \$412.6 million at the end of 30 June 2022, and has a pipeline of potential projects;
 - b. the Group is able to monetise its non-current assets in the event of short-term cash flow gaps;
 - c. discussions with the Group's lenders on the revision of its repayment terms as described below; and
 - d. completion of a proposed fundraising exercise.
- (ii) The Company has been in close discussions and talks with its lenders on the Group's repayment obligations and is in discussions on the revision of the lenders' repayment terms to strengthen its cash flows.
- (iii) The assets are our steel beams and columns. As at 30 June 2022, these assets have a net book value of approximately \$149 million. If required, certain unutilised steel beams and columns can be sold to raise cash. Based on the Company's best estimates as at the date of this announcement, the timeline required to monetise these assets will take approximately a fortnight to a month. In doing so, the Group's business may be affected as the Group may have to purchase new steel beams and columns to carry out new projects if any such projects are awarded to the Group.

By Order of the Board,
YONGNAM HOLDINGS LIMITED

Seow Soon Yong
Chief Executive Officer
17 August 2022