
ANNUAL REPORT **2016**

YONGNAM

## 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, as it grows from strength to strength, year after year.**

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 40 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 9001:2008, ISO 14001:2004 and OSHAS 18001:2007 certified company and accredited fabricator of the highest S1 category from the Singapore Structural Steel Society and holds A1 Grades from the Singapore Building and Construction Authority for the categories of General Building and Civil Engineering. Our Quality 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.

# CONTENTS



# CHIEF EXECUTIVE OFFICER'S MESSAGE

**DEAR SHAREHOLDERS,**

The challenging business environment that we experienced in FY2015 continued into FY2016. While the Group's revenue increased by 19.2% to $321.4 million for FY2016, it incurred a gross loss of $13.8 million and a net loss after tax of $31.6 million. A key factor leading to the gross loss was unabsorbed overheads which resulted from the low level of project activities in Singapore and Hong Kong. Additionally, cost overruns in the Senoko Food Hub project, as well as provisions made in anticipation of lower values of variation orders for certain projects in Singapore and Hong Kong, aggravated the gross loss. As at December 31, 2016, the Group's order book stood at $274 million, which are expected to be substantially completed in FY2017.

The Building and Construction Authority ("BCA") expects public sector construction demand to be between $20.0 billion and $24.0 billion in the current year. Upcoming mega public sector infrastructure projects in FY2017 include various major contracts for the Deep Tunnel Sewerage System (DTSS phase 2), North-South Corridor and MRT Circle Line 6. The Singapore government has also announced in its Budget 2017 plans to bring forward $700 million worth of public sector infrastructure projects to start in FY2017 and FY2018, which include the upgrading of community clubs and sports facilities.

Going forward, the government will continue to make significant investments in critical economic infrastructure. Mega projects announced include Changi Airport Terminal 5, the Kuala Lumpur-Singapore High Speed Rail and the Tuas Terminal. Public transport infrastructure will also continue to be enhanced with the Jurong Regional Line and Cross Island Line, as part of the Government's plans to double the MRT network by 2030.

Backed by our strong track record and expertise as a steel specialist accumulated over the years, Yongnam will continue to focus on opportunities in Singapore and the region. The Group is currently in active pursuit of $1.5 billion worth of new

infrastructural and commercial projects in Singapore, Hong Kong, Malaysia and the Middle East. These include the North-South Corridor and MRT Circle Line 6 in Singapore, and Route 6 (running from West Kowloon through Kai Tak Development Area and to Tseung Kwan O) in Hong Kong, for our Specialist Civil Engineering business. For Structural Steelwork, we are targeting several commercial developments in Singapore's central business district.

Still, the Group expects our business environment to remain highly challenging in FY2017. With the tailing down of existing projects, the Group's overheads may not be fully absorbed in the current year. While the Group is actively pursuing several projects in Singapore and the region, most of the potential projects will only contribute from the fourth quarter of 2017 onwards even if they are awarded to the Group this year.

In parallel with our efforts to secure projects, the Group is also continuing to review our overall cost structure to better manage it and achieve greater efficiencies. In particular, we are focusing on the rationalization of our organization structure and headcount. We have reorganized our Engineering Department to ensure that engineering traverses our projects, from pre-sales to project completion. This reorganization promotes further coordination and communication with clients, and will be particularly useful in resolving engineering issues as soon as possible during our projects' early stages, hence reducing the risks of abortive or corrective works which would bear pressure on our profit margins. The Group is also raising productivity by promoting multi-tasking and minimizing lower value-add operations from the organization.

To further enhance cost competitiveness and operation efficiency, the Group will be relocating part of our factory operations in Singapore to a new site in Johor, Malaysia, in 2018. This will enable the Group to realize cost savings in terms of lower foreign worker levies, lower fabrication labour cost as well as ancillary staff cost such as accommodation and transportation. The Singapore factory will focus on furthering automation in our fabrication processes, and will strive to achieve similar levels of fabrication outputs but with lower headcount.

The Group, as part of a consortium comprising JGC Corporation and Changi Airports International Pte Ltd, was named as the Preferred Bidder for the Hanthawaddy International Airport ("HIA") project in Myanmar, which will be partially funded by the Official Development Assistance (ODA) loan from the Japanese government. A framework agreement with the Myanmar authorities for the HIA project was signed on 30 January 2016. Following the change in government in Myanmar last year, negotiations for the concession agreement have recently begun in January 2017, and we will keep shareholders updated of any substantial developments.

Mr. Tan Tin Nam, founder of Yongnam Group, stepped down as Non-Executive & Non-Independent Director on 13 July 2016. On behalf of the Board of Directors, I would like to take this opportunity to thank Mr. Tan for his invaluable contributions and guidance over the years.

I would also like to extend our appreciation to our staff, clients, bankers, suppliers and subcontractors for their dedication and hard work; and our shareholders for their support.

**SEOW SOON YONG**
Chief Executive Officer

# BOARD OF DIRECTORS

## SEOW SOON YONG

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
Appointed to the Board as Managing Director and CEO on 19 October 1994
Last appointed on 28 April 2014

Mr. Seow joined Yongnam in 1978 and acquired diverse experiences in marketing, project management and general management. He 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. Mr. Seow, who is multi-lingual, ventured the Group into overseas markets and secured significant projects such as the Dubai Metro Rail and the Delhi International Airport.

## SIAU SUN KING

EXECUTIVE DIRECTOR
Appointed to the Board on 19 October 1994
Last appointed on 28 April 2014

Mr. Siau was a founding partner of the Yongnam Group. A Mechanical Engineering graduate from the Ngee Ann Polytechnic, Mr. Siau was actively involved in the erection and commissioning of the first two container quay cranes in PSA in 1972. In 1973, Mr. Siau led the installation and commissioning of the Cable Car System in Sentosa. With extensive experience in mechanical engineering, Mr. Siau has held diverse responsibilities within the Group. He currently oversees the Group's operations in Malaysia as well as the Mechanical Engineering Division.

## SEOW SOON HEE

EXECUTIVE DIRECTOR
Appointed to the Board on 19 October 1994
Last appointed on 29 April 2016

Mr. Seow joined the Group in 1977. Starting his career with the Group in its Mechanical Engineering division, Mr. Seow expanded his portfolio to include accounting, finance and administration. He graduated from the Nanyang University, Singapore, with a Bachelor of Arts degree. Mr. Seow explores business opportunities for the Group in Combined Cycle Power Plant equipment, such as air intake and bypass systems, air cooled condenser and other plant related equipment, as well as business opportunities in solar and waste-to-energy sectors.

## CHIA SIN CHENG

EXECUTIVE DIRECTOR & FINANCE DIRECTOR
Appointed to the Board on 8 January 2007
Last appointed on 29 April 2016

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 ISCA.

## LIM GHIM SIEW, HENRY

NON-EXECUTIVE & INDEPENDENT DIRECTOR
Appointed to the Board on 15 October 2002
Last appointed on 28 April 2015

Mr. Lim is the owner of law firm G. S. Lim & Partners, conducting mainly corporate, conveyancing, insurance claims and general litigation works. He 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. He is also the chairman of a locally based shipping company.

## GOON KOK LOON

NON-EXECUTIVE & LEAD INDEPENDENT DIRECTOR
Appointed to the Board on 15 July 2003
Last appointed on 29 April 2016

Mr. Goon was Deputy Group President and President (International Business Division) of PSA Corporation Ltd, and has more than 30 years of experience in corporate management, operations and administration. He graduated from University of Liverpool, UK with 1st class honours in Engineering (Electrical), and attended the Post-graduate Study Program at the Massachusetts Institute of Technology, USA. Mr. Goon chairs the Audit Committee and is a member of the Remuneration and Nominating Committees. He also sits on the boards of Venture Corporation Ltd and Regal Holdings Ltd.

## LIEW JAT YUEN, RICHARD

NON-EXECUTIVE & INDEPENDENT DIRECTOR
Appointed to the Board on 23 January 2006
Last appointed on 28 April 2015

Professor Liew is an expert in steel structures. He graduated from the National University of Singapore ("NUS") with a 1st class Honours Degree in 1986 and a Master of Engineering Degree in 1988, and from Purdue University, USA, with a PhD in 1992. He is a registered Professional Engineer in Singapore, an ASEAN Chartered Professional Engineer and a Chartered Engineer in the UK. He is a fellow of the Academy of Engineering in Singapore, an Honorary Fellow and a Past President of the Singapore Structural Steel Society. He provides specialist advice to the design and construction of high-rise, large-span and deep excavation support structures and has served on numerous committees on material specifications and design practices in Singapore and the region. Currently a Professor in the Department of Civil and Environmental Engineering at NUS, he is a member of the Audit Committee and the Nominating Committee.

## TAN ENG KIAT, DOMINIC

NON-EXECUTIVE & INDEPENDENT DIRECTOR
Appointed to the Board on 3 March 2008
Last appointed on 29 April 2016

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. He started his career as a Trainee Quantity Surveyor with Gammon (Malaya) Ltd in 1966 and progressed to the rank of Executive Director (International Operations). He joined United Engineers (Singapore) Pte Ltd in 2000, where he spearheaded the company's regionalisation to West Malaysia, Brunei, Indonesia, Vietnam and the Middle East. Mr. Tan chairs the Nominating Committee and is a member of the Remuneration Committee. He also sits on the board of Sitra Holdings Ltd.

# KEY EXECUTIVES

### TAKEDAGAWA HIROYUKI
CHIEF OPERATIONS DIRECTOR

Mr. Takedagawa joined Yongnam in 2013. He has more than 40 years of experience in project management and marketing after an illustrious career with a Japanese construction company. He has overseen many mega projects in Japan, Singapore, Hong Kong, Taiwan, Vietnam, Cambodia, Sri Lanka, Thailand, Romania, Bulgaria, Indonesia, Malaysia and the Middle East. Notable projects managed by Mr. Takedagawa include the Tokyo Trans Bay Highway in Japan, KCRC East Rail Extension in Hong Kong, Tangguh LNG Project in Papua New Guinea and Marina Coastal Expressway in Singapore. He graduated from Nagasaki University in Japan, with a Bachelor of Science degree in Civil Engineering.

### CHELVADURAI HARENDRAN
ENGINEERING DIRECTOR

Mr. Harendran joined Yongnam in 1997. He has over 40 years of experience in the building and construction industry, having started his career in 1971 with Ove Arup & Partner in London as a Design Engineer, and transferred to their Singapore office in 1975 as Chief Engineer (Design), heading its Design Department. 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. 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 has been with Yongnam for more than 30 years and has comprehensive knowledge 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 close to 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.

### Dr. WILLIAM KOH HOCK ANN
DIRECTOR-BUILDING DIVISION

Dr. William Koh joined Yongnam in 2015 with more than 20 years of experience in the building and construction industry, having worked in local and foreign multi-national companies both locally and overseas. He has successfully completed notable projects in Singapore, Qatar, Vietnam and Myanmar, including The Sail Condominium, IBM Singapore Technology Park, Bell Helicopter & Cessna MRO Facility in Singapore; Asian Games Village in Qatar; a power facility in Vietnam and the design of Somerset Kabar Aye Yangon/68 Residences mixed development in Myanmar. Dr. William Koh obtained a Bachelor of Science degree in Construction Management and a Master of Science in Project Management from Heroit-Watt University, UK, and a PhD in Project Management from University of Canterbury, UK. He is also a Chartered Building Engineer (CABE) of the Chartered Association of Building Engineers.

### CHEONG HOCK CHOON
PROJECT DIRECTOR

Mr. Cheong joined Yongnam in 1978 and has more than 30 years of experience in steel structure and infrastructure projects. From 1999 onwards he was seconded to Hong Kong to manage the Group's Hong Kong/China operations which included a number of projects such as Hong Kong Police Headquarters, KCRC East Rail Extension and other Hong Kong infrastructure development projects. Between 2006 to 2012, Mr. Cheong was concurrently managing projects in the Middle East, notably the Dubai Metro project. Mr. Cheong currently heads the Group's operations in Hong Kong.

### SIK KAY LEE
PROJECT DIRECTOR

Mr. Sik joined Yongnam in 2006 and has more than 30 years of working experience in building and civil engineering projects, having started his career as a site engineer in 1982. He has worked in local and foreign multi-national companies as Project Manager and Project Director. Notable projects managed by Mr. Sik include the Seraya Power Station, SAFTI Military Institute and Singapore Post Centre. In Yongnam, Mr. Sik was instrumental in the successful completion of MBS South Podium, temporary steel works of several projects for Marina Coastal Expressway, MRT Circle Line 5 and Down Town Line 2 and 3. Mr. Sik graduated from the University of Leicester, UK, with a Bachelor of Science degree in Engineering.

### KOH ENG SENG
PROJECT DIRECTOR

Mr. Koh joined Yongnam in 1981 and has more than 30 years of experience in infrastructure projects. He was instrumental in the successful completion of several major MRT 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.

### TAKASHI WATABE
DIRECTOR-ENGINEERING

Mr. Watabe joined Yongnam in 2009 after having worked for JFE Engineering Corporation, a leading engineering and construction company in Japan. He graduated from Waseda University of Tokyo, Japan, with a Bachelor of Science degree in Structural Engineering. Mr. Watabe has amassed many years of experience in the field of structural steel engineering and construction as well as project management. He has worked on many mega projects for both the Japanese and international markets. His signature projects in Singapore are One Raffles Quay Building, Skypark and Crystal Pavilions at the Marina Bay Sands Integrated Resort, Civic, Cultural and Retail Complex, International Cruise Terminal and the Singapore Sports Hub.

### HO WAN BOON
**DIRECTOR-TECHNICAL**

Mr. Ho joined Yongnam in 2007 after more than 20 years in structural design, investigation and engineering quality management in the former Public Works Department, Indeco Consortium, CPG Consultants and CPG Laboratories. He obtained his German professional qualification Diplom-Ingenieur (Fachhochschule) in Civil Engineering with specialisation in Structural Engineering in 1981, Master of Science in Engineering with Distinction from Imperial College, UK, in 1990, and Diploma of International Welding Engineer from International Institute of Welding in 2012. Mr. Ho is a Professional Engineer (Civil) in Singapore, a Chartered Engineer of the UK Engineering Council and the UK Institution of Structural Engineers, a Technical Assessor for Structural Steelwork Inspection of the Singapore Accreditation Council and an MOM Design-for-Safety Professional. He is the Technical Controller for BCA General Builder Class One and Specialist Builder (structural steelwork, piling works and precast concrete works) licences for Yongnam Engineering & Construction (Pte) Ltd. Mr. Ho is the current Immediate Past President of the Singapore Structural Steel Society.

### 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.

# CORPORATE INFORMATION

### BOARD OF DIRECTORS
Seow Soon Yong
*(Managing Director/CEO)*
Siau Sun King
Seow Soon Hee
Chia Sin Cheng
Lim Ghim Siew, Henry
Goon Kok Loon
Liew Jat Yuen, Richard
Tan Eng Kiat, Dominic

### AUDIT COMMITTEE
Goon Kok Loon *(Chairman)*
Lim Ghim Siew, Henry
Liew Jat Yuen, Richard

### REMUNERATION COMMITTEE
Lim Ghim Siew, Henry *(Chairman)*
Goon Kok Loon
Tan Eng Kiat, Dominic

### NOMINATING COMMITTEE
Tan Eng Kiat, Dominic *(Chairman)*
Goon Kok Loon
Liew Jat Yuen, Richard

### COMPANY SECRETARIES
Lim Lan Sim, Joanna, ACIS
Pan Mi Keay, ACIS

### REGISTERED OFFICE
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Singapore 637644
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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
Philip Ling Soon Hwa (Appointed with effect from financial year ended 31 December 2012)

### PRINCIPAL BANKERS
United Overseas Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
CIMB Bank Berhad, Singapore Branch
Chinatrust Commercial Bank Co. Limited, Singapore Branch

# OPERATIONS REVIEW

### MARINA ONE

Marina One, an iconic integrated development at Marina Bay Singapore with a gross floor area of 3.67 million sq ft, is developed by M+S Pte. Ltd., which is 60:40 owned by Khazanah Nasional Bhd and Temasek Holdings Pte Ltd. Featuring a unique vibrant green garden surrounded by four green mark platinum rated towers (two 30-storey office blocks and two 34-storey residential blocks), four basement levels, an underground pedestrian network, an ancillary road network, complete with lush greenery and waterfalls, Marina One is expected to be a landmark feature at Singapore's new central business district when completed in 2017.

Yongnam's subcontract comprises three packages to fabricate and construct a record of almost 30,000 tonnes of structural steelwork. One of the three packages involved the conversion of the original reinforced concrete design of the office towers to a composite structural steel design. Work for the subcontract is expected to be completed by early 2017.

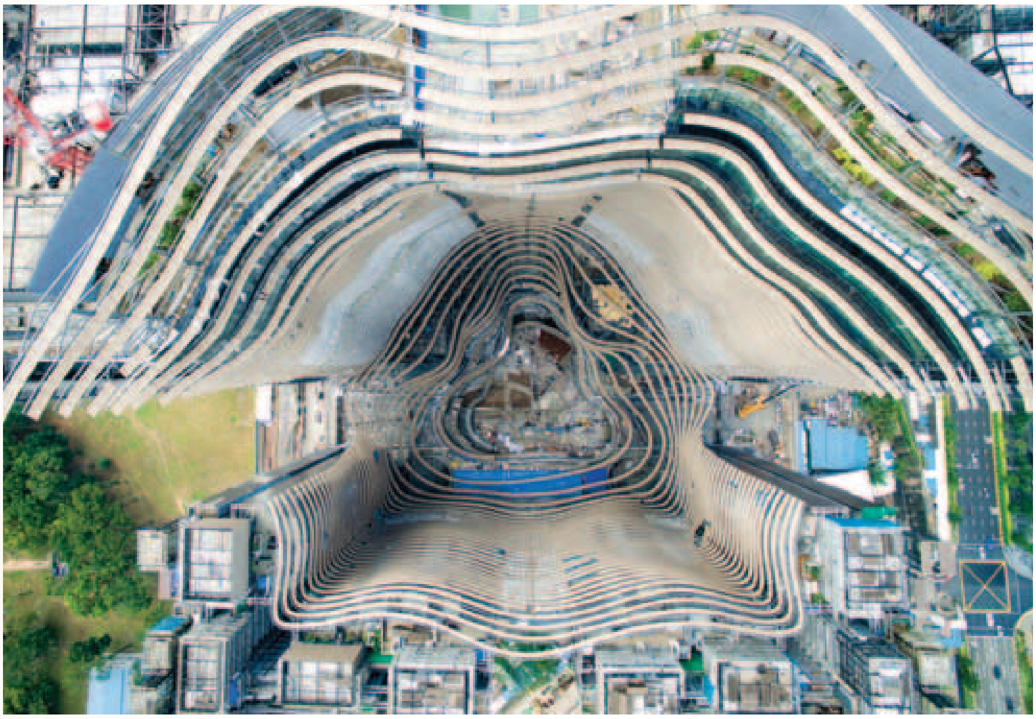
### JEWEL CHANGI AIRPORT

Jewel Changi Airport ("Jewel"), a mixed-use complex located in front of Terminal 1 of Singapore's Changi Airport, is designed to be a world-class lifestyle destination that will boost the air hub's appeal as a stopover point for travellers. It features a glass and steel façade that will be a visually stunning addition to the airport landscape. Its total gross floor area of about 134,000 sq m is spread over five storeys above ground and five basement storeys. It will also be the first in Singapore to seamlessly integrate a refreshing environment of lush greenery amid other attractions and facilities within the same building which includes retail offerings, a hotel and facilities for airport operations. With about 22,000 sq m of space dedicated to landscaping throughout the complex featuring thousands of trees, plants, ferns and shrubs, Jewel will house one of the largest indoor collection of plants in Singapore. A breathtaking 40 m high Rain Vortex, expected to be the world's tallest indoor waterfall, will be its centrepiece. Facilities in Jewel to enhance passengers' journey include an integrated multi-modal transport lounge within the complex offering dedicated services for fly-cruise and fly-coach passengers, such as ticketing, issuance of boarding passes and baggage transfer services. In addition, early check-in and bag deposit facilities in Jewel will provide passengers with added convenience.

Yongnam secured a contract in 2014 to fabricate and erect the structural framing system of Jewel's main building as well as other associated structures such as the pedestrian bridges to Terminals 2 and 3. In 2016, Yongnam secured a second contract, awarded by the façade contractor, for the fabrication and erection of structural steelwork for Jewel's glass dome. Works for both contracts are expected to complete by second half of 2017.

### THOMSON-EAST COAST LINE

Thomson-East Coast Line ("TEL"), a 43km joint line between the Thomson Line and the Eastern Region Line, will add 31 new stations to the existing rail network. With seven interchange stations,



the TEL will link to the East-West Line, North-South Line, North-East Line, Circle Line and the Downtown Line, cutting commuters' travelling time to the Central Business District or to the northern part of Singapore. Commuters can start enjoying the TEL in stages from 2019. When fully operational in 2024, the 31 stations on TEL are expected to serve about 500,000 commuters daily in the initial years, rising to one million commuters daily in the longer term.

Yongnam secured a total of nine subcontracts for the TEL, more notably the Napier Station and Marina South Station and Tunnels. The scope of work for the Napier Station includes supply, installation and dismantling of steel struts, while that for the Marina South Station and Tunnels covers supply, installation and dismantling of a pipe pile cofferdam system, steel struts as well as decking works. The subcontracts are targeted for completion by the latter half of 2018.

### JTC FOOD HUB @ SENOKO

JTC Food Hub @ Senoko comprises 50 modular factory units built on a land area of 33,000 sq m with the flexibility for space configuration and features an integrated Coldroom-Warehouse facility. When completed, this integrated facility will be operated by a third party logistics service provider, thereby offering a full suite of logistics services to Food Hub tenants.

# OPERATIONS REVIEW

The Group, in a joint venture with a local construction company, won the main contract for this new development in early 2015. Construction work on this project has commenced, with completion slated for the second quarter of 2017.

## OUTRAM COMMUNITY HOSPITAL

Outram Community Hospital ("OCH") is located within the Singapore General Hospital ("SGH") campus. Patients at OCH will benefit from the seamless continuity of care as they transit from the SGH to the OCH. They will also benefit from the co-management of the clinical care provided by SGH, the SingHealth National Specialty Centres and the OCH healthcare teams at every stage of their care. Facilities in OCH include inpatient and outpatient rehabilitation and dialysis facilities, synergistic clinical facilities with SGH, inpatient and palliative wards. The complex also includes space for clinical support offices, a campus logistics centre and staff facilities.

Yongnam's scope of work involves the fabrication and erection of structural steelwork for the hospital complex's building structure, link bridges, roof crown structure, trellis supports, and other structural components. The sub-contract is expected to be completed by the second half of 2018.

## SHATIN TO CENTRAL LINK

Shatin to Central Link ("SCL") is a strategic railway line of the Hong Kong MTR that stretches from Tai Wai to Admiralty, connecting several existing railway lines and passing through multiple districts in Hong Kong. It will serve areas in East Kowloon that currently do not have any MTR service, such as Kowloon City, To Kwa Wan, Ma Tau Wai and Ho Man Tin; and strengthen the linkage between the New Territories and Hong Kong Island. Convenient interchanges with other railway lines will also facilitate traveling across the New Territories.

The Group is currently working on four subcontracts on the SCL which involves the design, supply, installation and subsequent dismantling of steel struts at three MTR stations for the SCL, namely Sung Wong Toi, To Kwa Wan and Diamond Hill Station, including the tunnels and entrances, as well as for the provision of temporary shoring and working platform for the cut and cover portion of the SCL Cross Harbour Tunnel. The subcontracts are expected to be completed progressively by 2018.

## CENTRAL-WAN CHAI BYPASS

Central-Wan Chai Bypass, a new 4.5 km-long trunk road consisting of a 3.7 km tunnel underneath land and seabed, running along the northern shore of Hong Kong Island, will provide an expressway for east-west traffic in Central and Wan Chai to divert from the commercial centre, alleviating the traffic congestion along the existing Gloucester

Road – Harcourt Road – Connaught Road Central corridor.

The Group has secured four subcontracts for the Central-Wan Chai Bypass. The scope of work includes the design, supply, erection and subsequent removal of struts and walers between newly constructed diaphragm walls; approximately 2,000 tonnes of steel for the construction of temporary steel bridges between the tunnel's North Point section and Island Eastern Corridor link at the East Ventilation Building and cut-and cover tunnel; and Excavation Lateral Support (ELS) works. The contracts are expected to be completed progressively by 2017.

## KAI TAK DEVELOPMENT

The relocation of the airport at Kai Tak to Chek Lap Kok in July 1998 has offered a good opportunity for major development in the metro area. Kai Tak Development ("KTD") is a huge and highly complex development project spanning over 320 hectares covering the ex-airport site and the adjoining hinterland districts of Kowloon City, Wong Tai Sin and Kwun Tong, bringing together a mix of community, housing, business, tourism and infrastructural projects.

The Group won a contract for the design, supply, installation and dismantling of an underground Excavation and Lateral Support (ELS) System to support the KTD infrastructure works involving the east-west express link between West Kowloon and Tseung Kwan O. The project is expected to complete by end 2018.

# FINANCIAL REVIEW

Group revenue in FY2016 increased by 19.2% to $321.4 million compared to $269.6 million in FY2015. The increase in revenue came from Structural Steelwork and Mechanical Engineering projects, offset by a decrease in revenue from Specialist Civil Engineering projects, as follows:

- Structural Steelwork: Revenue of $215.6 million (FY2015: $177.1 million), mainly contributed by Marina One, Senoko Food Hub and Jewel Changi Airport projects;
- Mechanical Engineering: Revenue of $32.1 million in FY2016 (FY2015: $5.8 million), due to the supply and fabrication of Heat Recovery Steam Generator ("HRSG") non-pressure parts for two power plants in Qatar and Egypt;
- Specialist Civil Engineering: Revenue of $66.2 million (FY2015: $86.0 million), due to tailing down of the MRT Downtown Line 2 and MRT Downtown Line 3 projects at the end of FY2015. Key revenue contributors for this business division include MRT Thomson-East Coast Line and Hong Kong MTR projects.

Geographically, revenue generated from projects in Singapore accounted for 90.1% in FY2016 (FY2015: 87.6%), with revenue from Hong Kong accounting for the remaining 9.9%.

The Group reported gross loss of $13.8 million in FY2016, mainly due to the Senoko Food Hub project incurring cost-overrun and provisions made in anticipation of lower negotiated awards in variation orders for certain projects in Singapore and Hong Kong. Additionally, the overall lower level of strutting and other project activities in Singapore and Hong Kong resulted in overhead costs not being fully absorbed, hence further depressing the Group's gross margin.

As a result, the Group reported a net loss of $32.8 million in FY2016, compared to a net loss of $2.7 million in FY2015.

The Group's order book at the end of FY2016 stood at $274.0 million. New projects secured in FY2016, for execution in Singapore, included the Outram Community Hospital, Jewel Changi Airport (structural steelwork for the glass dome), Robinson Tower Development, and light industrial developments at Kallang Junction. Overseas, the Group secured power plant projects in Qatar and Egypt, and Specialist Civil Engineering projects for the Kai Tak Development and MTR Shatin to Central Line Cross Harbour Tunnel in Hong Kong.

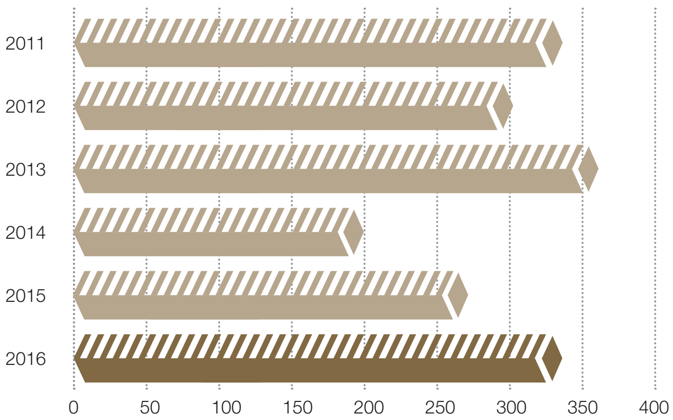
The Group's gearing improved to 0.33 times at the end of FY2016, compared to 0.45 times at the end of FY2015. Net cash flow from operating activities contributed $40.0 million in FY2016, compared to $14.0 million in FY2015, while net cash flow used in investing activities was $31.5 million, mainly due to purchase of industrial land in Malaysia and additional strutting assets. Cash and cash equivalents as at the end of FY2016 totaled $15.9 million (FY2015: $8.1 million).

# FINANCIAL HIGHLIGHTS

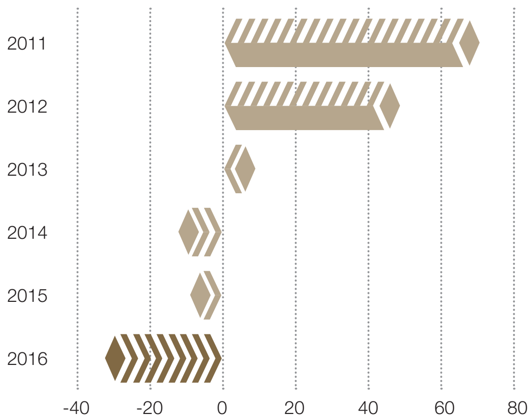
| | 2016 $'000 | 2015 $'000 | 2014 $'000 | 2013 $'000 | 2012 $'000 | 2011 $'000 |
|---|---|---|---|---|---|---|
| **PROFIT AND LOSS ACCOUNT** | | | | | | |
| Revenue | 321,378 | 269,618 | 212,083 | 361,636 | 301,600 | 332,722 |
| (Loss)/Profit before taxation | (38,133) | (4,138) | (19,009) | 4,350 | 48,912 | 75,238 |
| (Loss)/Profit after taxation | (32,793) | (2,695) | (8,491) | 5,539 | 43,508 | 63,376 |
| (Loss)/Earnings Per Share (Basic) (cents) | (7.99) | (1.05) | (2.68) | 1.76 | 13.80 | 20.24 |
| **BALANCE SHEET** | | | | | | |
| Property, plant and equipment | 314,203 | 307,410 | 320,997 | 356,867 | 346,320 | 302,769 |
| Other non-current assets | 1,500 | 1,608 | 1,608 | 5,584 | 2,137 | 632 |
| Net current assets[1] | 110,207 | 148,848 | 175,034 | 166,203 | 124,430 | 132,808 |
| | 425,910 | 457,866 | 497,639 | 528,654 | 472,887 | 436,209 |
| Shareholders' equity | 299,033 | 297,373 | 300,053 | 316,808 | 323,126 | 291,450 |
| Short and long-term borrowings | 114,066 | 142,404 | 178,873 | 182,597 | 119,355 | 115,330 |
| Deferred taxation | 12,811 | 18,089 | 18,713 | 29,249 | 30,406 | 29,429 |
| | 425,910 | 457,866 | 497,639 | 528,654 | 472,887 | 436,209 |
| NAV per share (cents) | 62.94 | 93.89 | 94.72 | 100.04 | 102.40 | 93.00 |

**Note:**
(1) In arriving at "Net current assets", current borrowings and hire purchase creditors have been excluded.

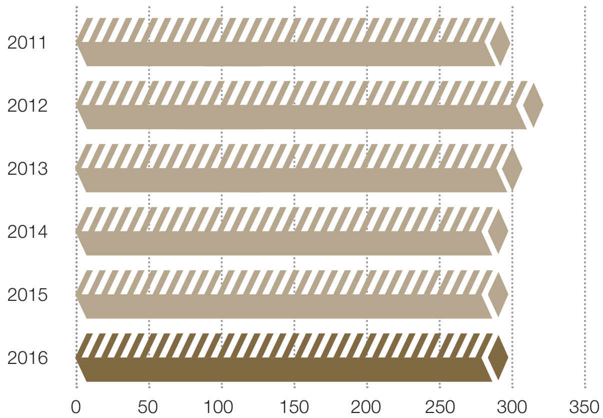
**REVENUE** ($ MILLION)




**(LOSS)/PROFIT AFTER TAX** ($ 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 2016 ("**FY2016**") in keeping pace with the evolving corporate governance practices and complying with the Code of Corporate Governance 2012 (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 Board will continue to improve its practices with developments by enhancing its principles and framework.

## BOARD MATTERS

### *Principle 1: The Board's Conduct of its Affairs*

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.

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 compliances.

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.

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.

# CORPORATE GOVERNANCE REPORT

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. These Board Committees are made up of Non-Executive Directors and Independent Directors and each chaired by Independent Director. Each Board Committee has its own specific Terms of Reference which clearly set out its objectives, scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which 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. 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 Constitution of the Company provides for the Board to convene meetings via telephone conferencing and electronic means in the event when Directors were unable to attend meetings in person.

The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings during FY2016 is tabulated below:

| | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|
| No. of meetings held | 4 | 4 | 1 | 1 |
| No. of meetings attended by respective directors | | | | |
| **Executive Directors:** | | | | |
| 1. Seow Soon Yong (Chief Executive Officer) | 4 | – | – | – |
| 2. Siau Sun King | 4 | – | – | – |
| 3. Seow Soon Hee | 4 | – | – | – |
| 4. Chia Sin Cheng | 4 | – | – | – |
| **Non-Executive and Non-Independent Director:** | | | | |
| 5. Tan Tin Nam *(Resigned w.e.f 13 July 2016)* | 2 | – | – | – |
| **Independent Directors:** | | | | |
| 6. Goon Kok Loon | 4 | 4 | 1 | 1 |
| 7. Lim Ghim Siew, Henry | 4 | 4 | – | 1 |
| 8. Liew Jat Yuen, Richard | 4 | 4 | 1 | – |
| 9. Tan Eng Kiat, Dominic | 4 | – | 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. Newly appointed Directors will be provided a formal letter setting out their duties and obligations. 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.

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.

# CORPORATE GOVERNANCE REPORT

***Principle 2: Board Composition and Guidance***

The Board currently has eight (8) Directors comprises of four (4) of Independent Directors and four (4) Executive Directors. 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 | Finance and Executive Director | – | – | – |
| Seow Soon Hee | Executive Director | – | – | – |
| Siau Sun King | Executive Director | – | – | – |
| Goon Kok Loon | Lead Independent Director | Chairman | Member | Member |
| Lim Ghim Siew, Henry | Independent Director | Member | – | Chairman |
| Tan Eng Kiat, Dominic | Independent Director | – | Chairman | Member |
| Liew Jat Yuen, Richard | Independent Director | 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 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 criterion of independence is based on the guidelines provided in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officer that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Group.

The independence of each Independent Director is assessed at least annually by the NC. Particular scrutiny is applied in assessing the continued independence of Directors having served beyond nine (9) years from the date of his first appointment, with attention to ensuring their allegiance remains clearly aligned with the shareholders' interest.

In respect of each of the four Independent Directors, namely Mr Goon Kok Loon, Professor Liew Jat Yuen, Richard, Mr Dominic Tan Eng Kiat and Mr Lim Ghim Siew, Henry having served more than 9 years, the Board has considered specifically their length of services and their continued independence. The Board has 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 four 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.

The Board does not consider it to be in the interests of the Company or shareholders to require all Directors who have served more than 9 years or longer to retire and favours ensuring continuity and stability.

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 challenged and helped develop the Group's business strategies. Management's progress in implementing such agreed business strategies were monitored by the Independent Directors.

The Independent Directors communicated without the presence of Management as and when the need arose. The Company also benefited 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.

***Principle 3: Chairman and CEO***

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 represent 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 Goon Kok Loon 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. Mr Goon Kok Loon will also take the lead in ensuring compliance with the Code.

# CORPORATE GOVERNANCE REPORT

***Principle 4: Board Membership***

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 |
| Professor Liew Jat Yuen, Richard | – | Member |
| Mr Goon Kok Loon | – | Member |

The NC meets at least once a year. The NC, which has written Terms of Reference, is responsible for identifying and maintaining a formal and transparent process for appointment of the 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 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 annual basis whether a Director is independent, bearing in mind the circumstances set forth in the Code and any 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 have spent adequate time on the Company's affairs and carried 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 Committee as well as the contribution by each Director to the effectiveness of the Board.

Currently, the Company does not have any alternate Director.

The NC has in place a process for the selection of new Directors and re-appointment of Directors to increase 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 fulfill 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.

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.

# CORPORATE GOVERNANCE REPORT

The NC also reviews the independence and number of years served by each of the Independent Directors as mentioned under Guideline 2.3 of the Code. The NC has affirmed that Mr Goon Kok Loon, Mr Lim Ghim Siew, Henry, Mr Tan Eng Kiat, Dominic and Professor Liew Jat Yuen, Richard are independent and free from any relationship outlined in 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 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.

The Company's Constitution require one-third of the Directors to retire and subject for re-election by shareholders at every 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 will submit himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to the one-third rotation rule. The appointment of the Executive Directors including the CEO, is in accordance with a Service Agreement entered into between the respective individual 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.

The NC has recommended Mr. Seow Soon Yong, Mr. Siau Sun King and Mr. Lim Ghim Siew, Henry, who are retiring and to be re-elected at the forthcoming AGM. Three of them are retired under Article 103 of the Constitution of the Company and they had offered themselves for re-election. The Board has accepted the recommendation of NC.

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 will abstain from deliberation and voting on resolution (if applicable) in respect of his own assessment and re-nomination as Director.

Save for Mr Seow Soon Yong, Mr Siau Sun King and Mr Seow Soon Hee who are siblings, none of the Directors above are related and do not have any relationship with the Company or its related corporations or its officers.

Key information of each member of the Board including his directorships and chairmanships both present and those held over the preceding 3 years in other listed companies, other principal appointments, academic/professional qualifications, membership/chairmanship in Board committees, date of first appointment and last re-election, etc. can all be found under the Board of Directors section of this Annual Report.

***Principle 5: Board Performance***

Pursuant to its Term 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. In view of this, the NC, having considered the attendances and contributions of the Independent Directors at meetings of the Board and Board Committees, concluded that such multiple Board representation do not hinder each Director from carrying out his duties as a Director of the Company adequately.

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 listed company board appointments at not more than three (3) listed companies. Currently, none of the Directors holds more than three (3) directorships in listed companies.

# CORPORATE GOVERNANCE REPORT

The NC has in place a framework for annual Board and Board Committees performance evaluations to assess the effectiveness of the Board and its Board Committees and to facilitate discussion to enable the Board to discharge its duties more effectively. The annual Board and Board Committees performance evaluations will be 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 CEO/key management personnel 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.

***Principle 6: 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. In order 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 and SGX-ST Listing Manual ("**Listing Manual**") are complied with. 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, the Board Committees and the Management. The Company Secretary assists the Chairman of the Board, the Chairman of Board Committees and the Management in the development of the agendas for the various Board and Board Committee 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 Group's expense.

## REMUNERATION MATTERS

***Principle 7: Procedures for Developing Remuneration Policies***
***Principle 8: Level and Mix of Remuneration and Disclosure***

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 Goon Kok Loon | – | Member |
| Mr Tan Eng Kiat, Dominic | – | Member |

Matters relating to the remuneration of the Board, key management personnel and other employees who are related to the substantial shareholders, controlling shareholders and/or Directors (if any) 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. It 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 and key management personnel of the Group including those employees related to the Executive Directors and controlling shareholders of the Group;
- 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; and
- 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.

The RC is responsible for ensuring a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. 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 Directors and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also considers and recommends the CEO's remuneration package including salary, bonus and benefits-in-kind for endorsement by the Board.

During the financial year, none of the Independent Directors is on service contracts or have consultancies with the Company except for Professor Liew Jat Yuen, Richard and Mr Tan Tin Nam (resigned w.e.f. 13 July 2016) who were appointed as Technical Advisors with a monthly fee of $3,800 and $16,500 respectively. 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 Directors should not be 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.

# CORPORATE GOVERNANCE REPORT

The remuneration of employee who is immediate family members of Director and the CEO 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 will abstain from participating in the review. Where necessary, the RC will consult external professionals on remuneration matters of Directors and key management personnel.

Having reviewed and considered the salary components of the Executive Directors and the key management personnel which is considered 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.

### *Principle 9: Disclosure on Remuneration*

During the year, the RC held one meeting to review and revise the compensation structure of the Executive Directors. A breakdown showing the level and mix of the remuneration of the Directors is as follows:

| Name of Directors | Fees[1] (%) | Salary[2] (%) | Performance Related Income (%) | Others (%) | Total (%) | Total ($'000) |
|---|---|---|---|---|---|---|
| Seow Soon Yong | – | 96 | – | 4 | 100 | 524 |
| Chia Sin Cheng | – | 96 | – | 4 | 100 | 443 |
| Siau Sun King | – | 86 | – | 14 | 100 | 347 |
| Seow Soon Hee | – | 86 | – | 14 | 100 | 272 |
| Tan Tin Nam (resigned w.e.f. 13 July 2016) | 100 | – | – | – | 100 | 19 |
| Lim Ghim Siew, Henry | 100 | – | – | – | 100 | 52 |
| Goon Kok Loon | 100 | – | – | – | 100 | 69 |
| Liew Jat Yuen, Richard | 100 | – | – | – | 100 | 57 |
| Tan Eng Kiat, Dominic | 100 | – | – | – | 100 | 49 |

**Notes:**

(1) The Directors' fees are subject to the approval of the shareholders at the AGM.

(2) The salary includes CPF contribution.

# CORPORATE GOVERNANCE REPORT

The range of gross remuneration received by the top 5 key management personnel (excluding Executive Directors) of the Group is as follows:

| Remuneration Band | No. of Executives |
|---|---|
| $250,000 – $499,999 | 5 |

In aggregate, the total remuneration (including CPF contribution thereon and bonus) paid to the top 5 key management personnel in financial year ended 31 December 2016 is approximately $1,776,000.

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 band and not in named basis for key management personnel does provide sufficient overview of the remuneration of the key management personnel and does not prejudice the Group's interest. There is no termination, retirement and post-employment benefits granted to Directors, the CEO and top 5 key management personnel.

For FY2016, the following immediate family members of a Director or the CEO were the employees of the Group:–

| Remuneration band and name of employees who are immediate family members | Relationship with the Directors or CEO of the Group | Designation |
|---|---|---|
| Seow Zi Xian<br>$50,001 – $100,000 | Son of Seow Soon Yong | Deputy Project Manager |
| Seow Soon Kian<br>$50,001 – $100,000 | Brother of Seow Soon Yong, Siau Sun King and Seow Soon Hee | Senior Crane Operator |
| Siau Sze You<br>$150,001 – $200,000 | Son of Siau Sun King | Deputy General Manager |
| Seow Khng Chai<br>$150,001 – $200,000 | Brother of Seow Soon Yong, Siau Sun King and Seow Soon Hee | General Manager (Malaysia Operations) |
| Seow Soon Hock<br>$300,001 – $350,000 | Brother of Seow Soon Yong, Siau Sun King and Seow Soon Hee | Production Director |

The aggregate remuneration (including CPF contribution thereon and bonus) of these employees amounted to approximately $814,000.

Save as disclosed above, the Group does not have any other employee who is an immediate family member of a Director or the CEO and whose remuneration exceeded $50,000 during the financial year.

## ACCOUNTABILITY AND AUDIT

***Principle 10: Accountability***
***Principle 11: Risk Management and Internal Controls***

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, 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 appropriate. The Independent Directors in consultation with Management will request for Management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control.

On a quarterly basis, the Management will report to the AC ensuring the 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 quarterly financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Board is responsible for the governance of risk. It should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets and should 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 and information technology controls. 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 engaged PricewaterhouseCoopers LLP ("**PwC**") as the internal auditor 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 and information technology controls. 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.

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.

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 and information technology controls 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 and the AC also work with the internal auditors and the Management on their recommendations to institute and execute relevant controls with a view to managing such risks.

With the assistance of the internal auditors of the Group, the key risk areas which have been identified are continued to be analysed, monitored and mitigated. In this connection, the Group will conduct an enterprise risk assessment, with the assistance of internal auditors, and has developed a detailed risk registers and summary of comfort to ensure that the Group's risk management and internal control systems are adequate and effective.

# CORPORATE GOVERNANCE REPORT

The Board notes that no cost effective system of internal controls could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities. In view of the above and based on the internal controls established and maintained by the Group, work performed by the internal auditors, the statutory audit conducted by the external auditors, and reviews performed by the Management, various Board Committees and the Board so far, the AC and the Board are of the opinion that the Group's risk management and internal control systems, addressing financial, operational, compliance and information technology risks, put in place during the financial year were adequate and effective. This is in turn supported by the assurance from the CEO and the Finance Director that (a) 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 are in accordance with the relevant accounting standards; and (b) an effective risk management and internal control systems have been put in place.

The Board also notes that no system of risk management and internal control can provide absolute assurance against the occurrence of 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.

***Principle 12: Audit Committee***

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

| | | |
|---|---|---|
| Mr Goon Kok Loon | – | Chairman |
| Mr Lim Ghim Siew, Henry | – | Member |
| Professor Liew Jat Yuen, Richard | – | 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.

The AC meets on a quarterly 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.

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

- assist the Board in discharging of 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 and compliance 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);

# CORPORATE GOVERNANCE REPORT

- review the scope and results of the external audit, and the independence and objectivity of the external auditors;
- 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 and information technology 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;
- review arrangements by which the 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.

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 of 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 discussed with the Management on the accounting treatment and methodology applied as well as the assumptions used in judgemental assessment which might impact the results of financial statements. The external auditors had audited the financial statements of the Group and highlighted two key audit matters that might significantly impact the financial statements. These two key audit matters were reviewed by AC as follows:–

# CORPORATE GOVERNANCE REPORT

| | |
|---|---|
| • **Project account and analysis** | The project account and analysis was an area of focus for the external auditors as it has been included as one of the Key Audit Matters in its Auditor's Report for the FY2016. (Refer to pages 39 and 40 of this Annual Report)<br><br>The AC discussed with Management and considered the accounting treatment and methodology applied to the project account and analysis model in assessing the revenue recognition. It reviewed the reasonableness of variation order claims against the certified amounts during the progress of projects. The AC is satisfied that proper documentation is in place and there are instructions in written form to ensure the accuracy of revenue recognition. |
| • **Impairment review of strutting assets** | Impairment review was also an area of focus for the external auditors as it has been included as one of the Key Audit Matters in its Auditor's Report for the FY2016. (Refer to page 40 of this Annual Report).<br><br>The AC considered the accounting treatment and methodology applied to the valuation model in impairment of strutting assets. It reviewed the reasonableness of value-in-use of cash-generating unit, cash flow forecast, revenue growth rates and discounted rate used in the valuation model. The AC is satisfied with the accounting treatment, the judgmental assessment and the methodology applied. |

The AC also reviews the independence and objectivity of the external auditors and having 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 FY2016 are $240,000 and $48,000 respectively. The AC is satisfied that the nature and extent of such services will 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) 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 when there is AC meeting held. During the year, the AC was briefed on the new accounting standards that would impact the Group's consolidated financial statements by the external auditors at the AC meetings.

## 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 will stipulate the mechanism by which concerns about plausible improprieties in matters of financial reporting, etc that may be raised. A dedicated secured e-mail address allows whistle blowers to contact the AC. The Whistle-Blowing Policy and its procedures have been made available to all employees.

# CORPORATE GOVERNANCE REPORT

The Company's Whistle Blowing Policy allows employees to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle blowing in good faith.

The AC addresses issues/concerns raised and arranges for investigation 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 receives 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 governmental authorities for further investigation/action.

***Principle 13: Internal Audit***

The AC's responsibilities in the Group's internal controls include reviewing the scope and effectiveness of the overall internal audit system, programmes and various aspects of internal controls and risk management of the Group are complemented by the work of the internal auditors.

PwC has been engaged as independent internal auditor to perform internal audit review on various projects. The internal auditors report their findings and make recommendations to the AC.

The internal auditors' carrying out of their audit works is in accordance with the standards set by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The AC ensures that Management provides good support to the internal auditors and provides them with access to documents, records, properties and personnel when requested in order for the internal auditors to carry out their work accordingly. The internal auditors also have unrestricted access to the AC on internal audit matters. The AC reviews internal audit reports of the Group. Any material non-compliance or failures in internal control and recommendations for improvements are reported to the AC.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

***Principle 14: Shareholders Rights and Responsibilities***
***Principle 15: Communication with Shareholders***
***Principle 16: Conduct of Shareholders' Meetings***

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 has been 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 key management personnel, 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 communicates with shareholders and the investing community through the timely release of announcements to the SGXST via SGXNET. Financial results of the Company and the Group were released within 45 days from the respective quarter ended and 60 days from the full-year financial year ended during the year. In addition, the Annual Report 2016 is distributed to shareholders at least 14 days before the forthcoming AGM to be held on 26 April 2017.

The Constitution of the Company also allows all shareholders to appoint proxies to attend general meetings and vote on their behalf. As the authentication of shareholder identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax. 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. All Directors including Chairman of the Board and the respective Chairman of the Board Committees, Management, legal professional (if required) and the external auditors are intended to be in attendance at forthcoming AGM to address any queries of the shareholders.

The Company will record the minutes of general meetings that include substantial and pertinent comments from shareholders relating to the agenda of the meetings and responses from the Management. Such minutes will be made available to shareholders upon their written request.

The Board acknowledges voting by poll is integral in the enhancement of corporate governance and lead to greater transparency of the level of support for each resolution where shareholders are accorded rights proportionate to the shareholding and all votes counted. The AC and Board noted that for good corporate governance practices, the Company has been conducting its voting by poll at the general meetings.

The Company is committed to achieving sustainable income and growth to enhance total shareholder return although it does not have 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;
- future prospects; and
- capital expenditures and other investment plans;

as well as general economic and business operations and other factors deemed relevant by the Board and statutory restrictions on the payment of dividends.

# CORPORATE GOVERNANCE REPORT

## OTHER CORPORATE GOVERNANCE MATTERS

The Company has in place internal codes of conduct and practices for its Board members and employees on securities transactions while in possession of price-sensitive information and their conduct of business activities.

## 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 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 quarterly financial results or one month before the announcement of the Group's full-year financial results, and ending on the date of announcement of the relevant results.

The Directors and the senior management are also advised of the relevant provisions under the Securities and Futures Act of Singapore to prohibit for 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 who deal with 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 the financial year ended 31 December 2016.

## INTERESTED PERSON TRANSACTIONS

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

Details of the interested person transactions for the financial year ended 31 December 2016 as required pursuant to Rule 907 of the Listing Manual:

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) |
|---|---|---|
| Director: Mr Tan Tin Nam (Resigned w.e.f. 13 July 2016) | | |
| Provision of technical advisory services | $107,250 | – |

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.

# CORPORATE GOVERNANCE REPORT

## MATERIAL CONTRACTS

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

Save for service agreements between the Company and Executive Directors as well as the consultancies service agreement with Professor Liew Jat Yuen, Richard 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.

## USE OF PROCEEDS FROM THE RENOUNCEABLE PARTIALLY-UNDERWRITTEN RIGHTS ISSUE

*(Rule 1207(20) of the Listing Manual of SGX-ST)*

The Company has, pursuant to the Renounceable Partially-Underwritten Rights Issue ("Rights Issue") announced on 1 July 2016, issued and allotted 158,367,548 new ordinary shares in the capital of the Company at $0.21 each and raised net proceeds of $32.6 million after the deduction of expenses of $0.7 million.

As at the date of this Annual Report, the net proceeds of $32.6 million from the Rights Issue have been utilised as follows:

| Intended Use of Rights Issue Proceeds | Amount ($'million) |
|---|---|
| Gross Proceeds | 33.3 |
| Less: Rights Issue Expenses | 0.7 |
| **Net Proceeds** | **32.6** |

| Application of Rights Issue Proceeds | Amount ($'million) |
|---|---|
| Payment of operating expenses | 12.7 |
| Subcontractor and trade payables | 19.6 |
| **Balance as at the date of this Annual Report** | **0.3** |

The abovementioned use of the net proceeds from the Rights Issue is in accordance with the intended use as stated in the Company's announcement for the Rights Issue. The Company will make further announcement as and when the balance of the net proceeds from the Rights Issue is fully disbursed.

## 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.

# FINANCIAL CONTENTS



# 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 2016.

## 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 2016 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, there are reasonable grounds to believe that the Company will be able to 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
Seow Soon Hee
Chia Sin Cheng
Lim Ghim Siew, Henry
Goon Kok Loon
Liew Jat Yuen, Richard
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 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' INTEREST 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, Cap. 50, an interest in shares and share options of the Company and related corporations as stated below:

# DIRECTORS' STATEMENT

## DIRECTORS' INTEREST IN SHARES AND DEBENTURES (CONTINUED)

(a) **Yongnam Holdings Limited – ordinary shares**

| | Direct interest | | | Deemed interest | | |
|---|---|---|---|---|---|---|
| **Name of director** | **At 31.12.2015** | **At 31.12.2016** (1) | **At 21.1.2017** (1) | **At 31.12.2015** | **At 31.12.2016** | **At 21.1.2017** |
| Seow Soon Yong | 31,934,980 | 102,405,218 | 107,205,218 | 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 |
| Seow Soon Hee | 250,000 | 250,000 | 250,000 | 6,745,346 | 6,745,346 | 6,745,346 |
| Chia Sin Cheng | 2,475,663 | 2,475,663 | 3,713,494 | – | – | – |
| Lim Ghim Siew, Henry | 225,000 | 225,000 | 225,000 | – | – | – |
| Liew Jat Yuen, Richard | 287,500 | 600,000 | 600,000 | – | – | – |
| Tan Eng Kiat, Dominic | 225,000 | 225,000 | 225,000 | – | – | – |

(b) **Yongnam Holdings Limited – Options to subscribe for ordinary shares**

| **Name of director** | **At 31.12.2015** | **At 31.12.2016** (1) | **At 21.1.2017** (1) | **Exercise Price ($)** (1) | **Exercise period** |
|---|---|---|---|---|---|
| Seow Soon Yong | 2,462,500 | 2,600,400 | 2,600,400 | 0.655 | 12 April 2009 to 11 April 2017 |
| | 2,462,500 | 2,600,400 | 2,600,400 | 0.951 | 29 August 2009 to 28 August 2017 |
| | 1,975,000 | 2,085,600 | 2,085,600 | 0.568 | 25 July 2009 to 24 July 2018 |
| | 2,375,000 | 2,508,000 | 2,508,000 | 0.303 | 12 March 2010 to 11 March 2019 |
| Siau Sun King | 375,000 | 396,000 | 396,000 | 0.655 | 12 April 2009 to 11 April 2017 |
| | 375,000 | 396,000 | 396,000 | 0.951 | 29 August 2009 to 28 August 2017 |
| Seow Soon Hee | 375,000 | 396,000 | 396,000 | 0.655 | 12 April 2009 to 11 April 2017 |
| | 375,000 | 396,000 | 396,000 | 0.951 | 29 August 2009 to 28 August 2017 |
| Chia Sin Cheng | 750,000 | 792,000 | 792,000 | 0.655 | 12 April 2009 to 11 April 2017 |
| | 1,062,500 | 1,122,000 | 1,122,000 | 0.951 | 29 August 2009 to 28 August 2017 |
| | 850,000 | 897,600 | 897,600 | 0.568 | 25 July 2009 to 24 July 2018 |
| | 1,050,000 | 1,108,800 | 1,108,800 | 0.303 | 12 March 2010 to 11 March 2019 |

### DIRECTORS' INTEREST IN SHARES AND DEBENTURES (CONTINUED)

(b) **Yongnam Holdings Limited – Options to subscribe for ordinary shares** (Continued)

| Name of director | At 31.12.2015 | At 31.12.2016 (1) | At 21.1.2017 (1) | Exercise Price ($) (1) | Exercise period |
|---|---|---|---|---|---|
| Lim Ghim Siew, Henry | 187,500 | 198,000 | 198,000 | 0.655 | 12 April 2009 to 11 April 2017 |
| | 187,500 | 198,000 | 198,000 | 0.951 | 29 August 2009 to 28 August 2017 |
| Goon Kok Loon | 187,500 | 198,000 | 198,000 | 0.655 | 12 April 2009 to 11 April 2017 |
| | 125,000 | 132,000 | 132,000 | 0.951 | 29 August 2009 to 28 August 2017 |
| | 100,000 | 105,600 | 105,600 | 0.568 | 25 July 2009 to 24 July 2018 |
| | 125,000 | 132,000 | 132,000 | 0.303 | 12 March 2010 to 11 March 2019 |
| Liew Jat Yuen, Richard | 125,000 | 132,000 | 132,000 | 0.951 | 29 August 2009 to 28 August 2017 |

**Note:**

(1) The number of outstanding share options and exercise price were adjusted as a result of the Right Issue in 2016 in accordance to Rule 12.1 of the ESOS.

Except as disclosed in this report, 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 2017.

### SHARE OPTIONS

The Employee Share Option Scheme is administered by the Remuneration Committee (the "Committee") comprising the following members:

Lim Ghim Siew, Henry (Chairman)
Goon Kok Loon
Tan Eng Kiat, Dominic

Details of the scheme are as follows:

(a) **Employee Share Option Scheme ("ESOS")**

The ESOS was approved by the shareholders during the Extraordinary General Meeting held on 16 June 2004. Executive and non-executive directors, and employees of the Group or associated companies are eligible to participate in the ESOS.

# DIRECTORS' STATEMENT

## SHARE OPTIONS (CONTINUED)

(a) **Employee Share Option Scheme ("ESOS")** (Continued)

The ESOS share options granted are exercisable for ten years after date of grant, and are exercisable at an exercise price set at:

(i) a discount to a price ("Market Price") equal to the average of the last dealt prices for the Shares on the official list of the SGX-ST for the five consecutive market days immediately preceding the relevant date of grant of the ESOS share option, subject to a maximum of 20% discount ("Incentive Option"); or

(ii) a fixed Market Price ("Market Price Option")

The Committee has the discretion to grant options set at a discount to Market Price, and determine the participants to whom, and the options to which, such reduction in exercise prices will apply.

Incentive Options granted are exercisable after the second anniversary from the date of grant of the option, and Market Price Options granted may be exercised after the first anniversary of the date of grant of that option.

The ESOS shall continue in operation for a maximum duration of ten years and may be continued for any further periods thereafter with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Details of all the options to subscribe for ordinary shares of the Company pursuant to ESOS are as follows:

| Date of grant | Balance as at 1.1.2016 | Adjustment due to right issue during the year | Balance as at 31.12.2016 | Exercise Price $ | Exercisable period |
|---|---|---|---|---|---|
| 12 April 2007 | 5,075,000 | 284,200 | 5,359,200 | 0.655 | 12 April 2009 to 11 April 2017 |
| 29 August 2007 | 6,021,000 | 337,176 | 6,358,176 | 0.951 | 29 August 2009 to 28 August 2017 |
| 15 October 2007 | 87,500 | 4,900 | 92,400 | 1.114 | 15 October 2009 to 14 October 2017 |
| 25 July 2008 | 3,377,000 | 189,112 | 3,566,112 | 0.568 | 25 July 2009 to 24 July 2018 |
| 12 March 2009 | 3,744,500 | 209,692 | 3,954,192 | 0.303 | 12 March 2010 to 11 March 2019 |
| | 18,305,000 | 1,025,080 | 19,330,080 | | |

## SHARE OPTIONS (CONTINUED)

(a) **Employee Share Option Scheme ("ESOS")** (Continued)

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to ESOS are as follows:

| Name of director | Aggregate options granted since commencement of ESOS to end of financial year | Aggregate options exercised/ lapsed since commencement of ESOS to end of financial year | Aggregate options outstanding as at end of financial year before right issue | Aggregate options outstanding as at end of financial year after right issue |
|---|---|---|---|---|
| Seow Soon Yong | 9,275,000 | – | 9,275,000 | 9,794,400 |
| Tan Tin Nam *(resigned w.e.f. 13 July 2016)* | 1,387,500 | (1,387,500) | – | – |
| Siau Sun King | 1,387,500 | (637,500) | 750,000 | 792,000 |
| Seow Soon Hee | 1,387,500 | (637,500) | 750,000 | 792,000 |
| Chia Sin Cheng | 4,962,500 | (1,250,000) | 3,712,500 | 3,920,400 |
| Lim Ghim Siew, Henry | 600,000 | (225,000) | 375,000 | 396,000 |
| Goon Kok Loon | 537,500 | – | 537,500 | 567,000 |
| Liew Jat Yuen, Richard | 537,500 | (412,500) | 125,000 | 132,000 |
| Tan Eng Kiat, Dominic | 225,000 | (225,000) | – | – |

(b) **Other information**

Since the commencement of the ESOS till the end of the financial year:

(i) No options have been granted to the controlling shareholders of the Company and their associates;

(ii) Except for Mr. Seow Soon Yong and Mr. Chia Sin Cheng, no other participants have received 5% or more of the total number of options available under the ESOS;

(iii) No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted; and

(iv) The options under the ESOS have been granted at a discount of 20% of the average market price for the 5 consecutive market days preceding the date of the grants, except for the options granted on 25 July 2008, 16 October 2008 and 12 March 2009 which were based on the average market price for the 5 consecutive market days preceding the date of the grants.

# DIRECTORS' STATEMENT

## AUDIT COMMITTEE

The audit committee ("AC") comprises three members, namely Mr. Goon Kok Loon (Chairman), Mr. Lim Ghim Siew, Henry and Professor Liew Jat Yuen, Richard. The AC comprises entirely of Independent Directors.

The AC performs the functions specified in Section 201B(5) of the Singapore Companies Act, Cap. 50 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.

## AUDITOR

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

On behalf of the board of directors,

Seow Soon Yong
Director

Chia Sin Cheng
Director

Singapore

7 April 2017

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF YONGNAM HOLDINGS LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

We have audited the financial statements of Yongnam Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and Company as at 31 December 2016, statements of changes in equity of the Group and 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.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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 the 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### ACCOUNTING FOR CONSTRUCTION CONTRACTS

The Group is involved in construction projects for which it applies the percentage of completion method in recognising revenue. The amount of revenue and profit recognised in a year on these projects is dependent on the percentage of completion of the projects, which is determined based on actual costs incurred to-date to the total expected costs for each project. The subjectivity involved in determining the percentage of completion may have a significant impact on the results of the Group. As such, we determined this to be key audit matter.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF YONGNAM HOLDINGS LIMITED

## ACCOUNTING FOR CONSTRUCTION CONTRACTS (CONTINUED)

As part of our audit, we evaluated the design and tested the effectiveness of internal controls with respect to project management, the project costs estimation process, and accounting for construction contracts.

We performed audit procedures on individually significant projects relating to contractual terms and conditions, revenue and costs incurred. We also performed procedures with respect to project cost calculations and result forecasts, and management's assessment thereof. In connection with this, we discussed a range of financial and other risks, ongoing disputes and related estimation uncertainties with the Group's various project officials and management and reviewed correspondences in assessing whether these have been factored in the accounting for construction contracts. With the knowledge gained from those discussions and the results of our audit procedures, we assessed the appropriateness of the estimation of claims, variation orders, provisions for foreseeable losses and any recoverability of the related receivables for significant projects and considered whether these estimates showed any evidence of management bias. Our assessment was based on the historical accuracy of management's estimation of claims and variation orders in previous periods, identification and analysis of changes in assumptions used in the estimation process from prior periods, and an assessment of the consistency of assumptions used across projects. We also assessed the mathematical accuracy of the revenue and profit based on the percentage of completion calculations and considered the implications of identified errors and changes in estimates.

Furthermore, we assessed the adequacy of disclosures of significant accounting policies for construction contracts, and work-in-progress and the related risks (credit risk, liquidity risk and aging of receivables) in Notes 2.19(a) and 3.2(a).

## IMPAIRMENT OF STRUTTING ASSETS

A history of low utilisation of strutting assets and recent losses gave rise to indication of impairment for the Group's strutting assets. The impairment assessment was significant to our audit due to the size of the strutting assets' carrying amounts (representing 61.6% of the total non-current assets as at 31 December 2016) and the judgment involved in making various assumptions to the underlying value in use computation in the impairment assessment. As such, we considered impairment assessment of strutting assets to be a key audit matter.

As part of our audit, we evaluated and assessed the key assumptions such as projection of success rate in winning construction projects. We also engaged our internal valuation specialist to assist us in assessing methodology used by management and management's key assumptions on the sustainability of the working capital improvement in coming years and the Weighted Average Cost of Capital ("WACC") used as the discount rate. Furthermore, we focused on the adequacy of the disclosures on the assumptions and the outcome of the impairment test, and the adequacy of the sensitivity analysis disclosed in Note 3.2(d) to the financial statements.

## OTHER INFORMATION

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF YONGNAM HOLDINGS LIMITED

## OTHER INFORMATION (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 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 Act and FRSs, 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.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF YONGNAM HOLDINGS LIMITED

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors 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 Philip Ling.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
7 April 2017

# CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| | Note | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Revenue** | 31 | **321,378** | 269,618 |
| Cost of sales | | **(335,145)** | (249,935) |
| **Gross (loss)/profit** | | **(13,767)** | 19,683 |
| Other income | 4 | **581** | 539 |
| General and administrative expenses | | **(19,352)** | (18,967) |
| Finance income | 5 | **42** | 152 |
| Finance costs | 6 | **(5,637)** | (5,545) |
| **Loss before taxation** | 7 | **(38,133)** | (4,138) |
| Taxation | 8 | **5,340** | 1,443 |
| **Net loss for the year** | | **(32,793)** | (2,695) |
| **Attributable to:** | | | |
| Owners of the Company | | **(31,637)** | (3,340) |
| Non-controlling interest | | **(1,156)** | 645 |
| **Net loss for the year** | | **(32,793)** | (2,695) |
| **Earnings per share (cents)** | 9 | | |
| – Basic | | **(7.99)** | (1.05) |
| – Diluted | | **(7.99)** | (1.05) |

*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 2016

| | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|
| **Loss, net of tax** | **(32,793)** | (2,695) |
| **Item that may be reclassified subsequently to profit or loss** | | |
| Gain on exchange differences on translation | **1,196** | 15 |
| **Total comprehensive loss for the year** | **(31,597)** | (2,680) |
| **Attributable to:** | | |
| Owners of the Company | **(30,441)** | (3,325) |
| Non-controlling interest | **(1,156)** | 645 |
| **Total comprehensive loss for the year** | **(31,597)** | (2,680) |

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

# BALANCE SHEETS

AS AT 31 DECEMBER 2016

| | Note | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | **314,203** | 307,410 | **–** | – |
| Investments in subsidiaries | 11(a) | **–** | – | **39,430** | 39,064 |
| Amounts due from subsidiaries | 11(b) | **–** | – | **103,551** | 70,796 |
| Investment in joint venture | 12 | **1,468** | 1,468 | **–** | – |
| Other investment | 13 | **32** | 140 | **–** | – |
| | | **315,703** | 309,018 | **142,981** | 109,860 |
| **Current assets** | | | | | |
| Inventories | 14 | **40,353** | 50,121 | **–** | – |
| Gross amount due from customers for contract work-in-progress | 15 | **104,790** | 123,171 | **–** | – |
| Trade receivables | 16 | **35,979** | 31,032 | **–** | – |
| Other receivables and deposits | 17 | **13,547** | 16,365 | **113** | 684 |
| Prepayments | | **2,974** | 2,576 | **4** | 5 |
| Cash and cash equivalents | 18 | **15,914** | 8,095 | **192** | 121 |
| | | **213,557** | 231,360 | **309** | 810 |
| **Current liabilities** | | | | | |
| Gross amount due to customers for contract work-in-progress | 15 | **13,206** | 10,371 | **–** | – |
| Trade payables | 19 | **79,395** | 61,461 | **–** | – |
| Other payables and accruals | 20 | **9,912** | 9,865 | **522** | 1,257 |
| Borrowings | 21 | **54,782** | 69,675 | **–** | – |
| Hire purchase creditors | 26(c) | **2,864** | 4,513 | **–** | – |
| Provision for taxation | | **837** | 815 | **–** | 4 |
| | | **160,996** | 156,700 | **522** | 1,261 |
| **Net current assets/(liabilities)** | | **52,561** | 74,660 | **(213)** | (451) |
| **Non-current liabilities** | | | | | |
| Borrowings | 21 | **51,921** | 65,000 | **–** | – |
| Hire purchase creditors | 26(c) | **4,499** | 3,216 | **–** | – |
| Deferred taxation | 8(c) | **12,811** | 18,089 | **–** | – |
| | | **69,231** | 86,305 | **–** | – |
| **Net assets** | | **299,033** | 297,373 | **142,768** | 109,409 |
| **Equity** | | | | | |
| Share capital | 22 | **129,636** | 96,379 | **129,636** | 96,379 |
| Capital reserves | 23 | **6,837** | 6,837 | **–** | – |
| Share option reserve | 24 | **12,800** | 12,800 | **12,800** | 12,800 |
| Foreign currency translation reserve | 25 | **(3,451)** | (4,647) | **–** | – |
| Retained earnings | | **153,722** | 185,359 | **332** | 230 |
| | | **299,544** | 296,728 | **142,768** | 109,409 |
| Non-controlling interest | | **(511)** | 645 | **–** | – |
| **Total equity** | | **299,033** | 297,373 | **142,768** | 109,409 |

*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 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| **Share capital** | 22 | | | | |
| Balance at beginning of year | | **96,379** | 96,379 | **96,379** | 96,379 |
| Issuance of shares during the year | | **33,257** | – | **33,257** | – |
| Balance at end of year | | **129,636** | 96,379 | **129,636** | 96,379 |
| **Capital reserves** | 23 | | | | |
| Balance at beginning and end of year | | **6,837** | 6,837 | **–** | – |
| **Share option reserve** | 24 | | | | |
| Balance at beginning and end of year | | **12,800** | 12,800 | **12,800** | 12,800 |
| **Foreign currency translation reserve** | 25 | | | | |
| Balance at beginning of year | | **(4,647)** | (4,662) | **–** | – |
| Other comprehensive income for the year | | **1,196** | 15 | **–** | – |
| Balance at end of year | | **(3,451)** | (4,647) | **–** | – |
| **Retained earnings** | | | | | |
| Balance at beginning of year | | **185,359** | 188,699 | **230** | 189 |
| (Loss)/Profit for the year | | **(31,637)** | (3,340) | **102** | 41 |
| Balance at end of year | | **153,722** | 185,359 | **332** | 230 |
| **Non-controlling interest** | | | | | |
| Balance at beginning of year | | **645** | – | **–** | – |
| (Loss)/Profit for the year | | **(1,156)** | 645 | **–** | – |
| Balance at end of year | | **(511)** | 645 | **–** | – |
| **Total equity** | | **299,033** | 297,373 | **142,768** | 109,409 |

*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 2016

| | Note | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before taxation | | **(38,133)** | (4,138) |
| Add/(less): | | | |
| Depreciation on property, plant and equipment | 7 | **27,765** | 27,441 |
| Consumption allowance for steel beams and columns | 7 | **2,613** | 4,844 |
| Finance income | 5 | **(42)** | (152) |
| Finance costs | 6 | **5,637** | 5,545 |
| Write-back of steel materials | 14 | **–** | (24) |
| Allowance of receivables | 16 | **2,600** | 2,160 |
| Impairment loss on other investment | | **108** | – |
| Loss on disposal of property, plant and equipment | 7 | **190** | 2,799 |
| Effects of changes in foreign exchange | | **1,486** | (542) |
| **Operating cash flows before changes in working capital** | | **2,224** | 37,933 |
| Increase in trade and other receivables | | **(5,080)** | (19,775) |
| Increase in trade and other payables | | **17,934** | 4,232 |
| Decrease/(increase) in steel materials and work-in-progress | | **30,512** | (2,950) |
| **Cash flows generated from operations** | | **45,590** | 19,440 |
| Income tax refund/(paid) | | **15** | (39) |
| Interest received | 5 | **42** | 152 |
| Interest paid | 6 | **(5,637)** | (5,545) |
| **Net cash flows generated from operating activities** | | **40,010** | 14,008 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | 10(a) | **(35,205)** | (23,963) |
| Proceeds from disposal of property, plant and equipment | | **3,680** | 52,106 |
| **Net cash flows (used in)/from investing activities** | | **(31,525)** | 28,143 |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of shares | 22 | **33,257** | – |
| Proceeds from borrowings | | **8,143** | 9,096 |
| Repayment of borrowings | | **(36,586)** | (41,222) |
| Payments for hire purchase instalments | | **(5,482)** | (8,004) |
| **Net cash flows used in financing activities** | | **(668)** | (40,130) |
| **Net increase in cash and cash equivalents** | | **7,817** | 2,021 |
| Effect of exchange rate changes on cash and cash equivalents | | **2** | 85 |
| Cash and cash equivalents at beginning of year | | **8,095** | 5,989 |
| **Cash and cash equivalents at end of year** | | **15,914** | 8,095 |

*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 2016

## 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 11 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 (FRS).

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 $) and all values in the tables are recorded to the nearest thousand ($'000), except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

### 2.2 *Changes in accounting policies*

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 financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 *Standards issued but not yet effective*

The Company has not adopted the following standards applicable to the Company that have been issued but not yet effective:

| *Description* | *Effective for annual periods beginning on or after* |
|---|---|
| Amendments to FRS 7 *Disclosure Initiative* | 1 January 2017 |
| Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* | 1 January 2017 |
| Improvements to FRSs (December 2016) | |
| (a) Amendments to FRS 112: *Classifications of the Scope of the Standard* | 1 January 2017 |
| (b) Amendments to FRS 28: *Measuring an Associate or Joint Venture at fair value* | 1 January 2018 |
| Amendments to FRS 40: *Transfers of Investment Property* | 1 January 2018 |
| FRS 109 *Financial Instruments* | 1 January 2018 |
| FRS 115 *Revenue from Contracts with Customers* | 1 January 2018 |
| FRS 116 *Leases* | 1 January 2019 |
| Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Date to be determined |

Except for FRS 115, FRS 116 and FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 116 and FRS 109 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date.

The Group has assessed that the performance obligations for contracts with customer will be satisfied over time. Under FRS 115, revenue is recognised using an input or an output method to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time. The Group will implement the input method in revenue recognition of its contract with customer. Input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Input method is also known as cost-to-cost method which is similar to the previous FRS 11 Construction Contracts (using the same cost-to-cost method). Accordingly, the revenue will continued to be recognised based on percentage of completion method computed on a cost-to-cost method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 ***Standards issued but not yet effective*** *(Continued)*

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

(a) Classification and measurement

For equity securities, the Group will continue to measure its available-for-sale quoted equity securities at fair value though profit or loss (FVTPL). The Group does not expect any significant impact arising from these changes.

(b) Impairment

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expects a significant impact on its equity.

*Transition*

The Group plans to adopt the standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 ***Basis of consolidation and business combinations*** *(Continued)*

(b) *Business combinations*

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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

### 2.5 ***Transactions with non-controlling interests***

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 *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 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 purposes, 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 the consolidated income statement.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### 2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.15. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 ***Property, plant and equipment*** *(Continued)*

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

| | | |
|---|---|---|
| Freehold building | – | 50 years |
| 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 to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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 de-recognition 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.

### 2.8 ***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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 *Joint arrangements*

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.

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method from the date on which it becomes a 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 is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture's profit or loss in the period in which the investment is acquired.

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

When the Group's share of losses in the joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the 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 joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the 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 joint venture and its carrying value and recognises the amount in profit or loss.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 *Financial assets*

*Initial recognition and measurement*

Financial assets are recognised on the balance sheet 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 assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) Available-for-sale financial assets

Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

*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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 ***Financial assets*** *(Continued)*

*Regular way purchase or sale of a financial asset*

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

### 2.11 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and at bank, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### 2.12 ***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.

### 2.13 ***Impairment***

(a) *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 to sell 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 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 ***Impairment*** *(Continued)*

(a) *Impairment of non-financial assets (Continued)*

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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.

(b) *Impairment of financial assets*

The Group assesses at each reporting period whether there is any objective evidence that a financial asset is impaired.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 *Impairment* (Continued)

(b) *Impairment of financial assets (Continued)*

(i) Financial assets carried at amortised cost (Continued)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (a) significant financial difficulty of the issuer or obligor, (b) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (c) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 *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*

The measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(b) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, 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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other 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.

### 2.16 *Leases*

(a) *Operating leases*

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *Finance leases*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

### 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 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 *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 benefit expense.

No expense is recognised for options that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The share option reserve is transferred to retained earnings upon expiry of share options.

Where the terms of an equity-settled option are modified, as a minimum an expense is recognised over the remaining vesting period as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of the modification.

Where an equity-settled option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the option is recognised immediately. The resultant share option reserve is transferred to retained earnings upon cancellation of share options. However, if a new option is substituted for the cancelled option, and designated as a replacement option on the date that it is granted, the cancelled and new options are treated as if they were a modification of the original option, as described in the previous paragraph.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) *Construction contracts*

Contract revenue and contract costs are recognised in profit or loss as revenue and costs of sales respectively, by reference to the stage of completion of the contract activity at the end of the reporting period, when the outcome of a construction contract can be estimated reliably.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that the total contract costs will exceed total contract revenue.

Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they can be reliably measured.

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. The stage of completion is determined by reference to the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

(b) *Interest income*

Interest income is recognised using the effective interest method.

### 2.20 *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 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 *Taxes*

(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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 ***Taxes*** *(Continued)*

(b) *Deferred tax (Continued)*

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.

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.

### 2.21 ***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.

### 2.22 ***Warrants***

The assigned fair value of the warrants is capitalised as capital reserve. The value of warrants, when exercised by the holder, is capitalised as share capital. At the expiry of the warrants, if the warrants are not exercised, the balance of the capital reserve account in respect of the warrants not exercised will be transferred to retained earnings.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.23 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

### 2.24 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

### 2.25 *Government grants*

Government grants are recognised at their fair value 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 Group's consolidated 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 has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements.

*Taxation*

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. Tax is computed in accordance with taxation rules in each jurisdiction. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2016, the carrying amount of the Group's provision for current and deferred taxation amounted to $837,000 and $12,811,000 (2015: $815,000 and $18,089,000) respectively.

### 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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year 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*

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project directors and managers.

During the financial year ended 31 December 2016, contract revenue and costs recognised are disclosed in the consolidated income statement. The gross amount due from and to customers for contract work is disclosed in Note 15 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### 3.2 *Key sources of estimation uncertainty* (Continued)

(b) *Depreciation of plant and machinery, steel beams and columns*

The costs of plant and machinery (including cranes), steel beams and columns are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 3 to 20 years and steel beams and columns to be 15 years. The residual values of the steel beams and columns are estimated to be $430 (2015: $430) per ton.

Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. As at 31 December 2016, the carrying amount of plant and machinery, steel beams and columns and cranes amounted to $277,380,000 (2015: $284,898,000). A 5% difference in the expected useful lives of these assets from management's estimate would result in approximately 3.79% (2015: 46.0%) variance in the Group's loss for the year.

(c) *Impairment of loans and receivables*

The Group assesses at each end of the reporting period whether there is any objective evidence that any loans and receivables is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. As at 31 December 2016, the carrying amount of the Group's loans and receivables (excluding cash and cash equivalents) amounted to $49,526,000 (2015: $47,397,000). The carrying amounts of the Group's trade receivables and allowance for impairment are disclosed in Note 16.

(d) *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next four years, and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows. The discount rate used in the value-in-use calculation is 8.2% (2015: 8.6%). The carrying amount of the Group's steel beams and columns is disclosed in Note 10. As at 31 December 2016, the carrying amount of certain steel beams and columns which was subjected to impairment assessment amounted to $194,678,000 (2015: $204,217,000).

## 4. OTHER INCOME

| | Group | |
|---|---|---|
| | 2016<br>$'000 | 2015<br>$'000 |
| Rental income | **175** | 171 |
| Other operating income | **104** | 78 |
| Job credit | **302** | 290 |
| | **581** | 539 |

## 5. FINANCE INCOME

| | Group | |
|---|---|---|
| | 2016<br>$'000 | 2015<br>$'000 |
| Interest income from short term deposits | **42** | 152 |

## 6. FINANCE COSTS

| | Group | |
|---|---|---|
| | 2016<br>$'000 | 2015<br>$'000 |
| Interest expense: | | |
| – Borrowings | **4,922** | 4,635 |
| – Hire purchase | **272** | 487 |
| Bank charges | **443** | 423 |
| | **5,637** | 5,545 |

## 7. LOSS BEFORE TAXATION

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

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Audit fees: | | |
| – Auditors of the Company | **240** | 240 |
| – Other auditors | **72** | 144 |
| Non-audit fees: | | |
| – Auditors of the Company | **35** | 35 |
| – Other auditors | **4** | 5 |
| | **351** | 424 |
| Rental expense – operating lease (Note 26(b)) | **8,464** | 8,592 |
| Depreciation of property, plant and equipment [1] | **27,765** | 27,441 |
| Allowance for impairment of trade receivables | **2,600** | 2,160 |
| Loss on disposal of property, plant and equipment | **190** | 2,799 |
| Impairment loss on other investment (Note 13) | **108** | – |
| Write-back of steel material | **–** | (24) |
| Consumption allowance for steel beams and columns (Note 10) | **2,613** | 4,844 |
| Staff costs [2] | **70,896** | 74,273 |
| Steel materials recognised as an expense in cost of sales (Note 14) | **45,657** | 36,176 |

[1] The following had been allocated to construction costs incurred to-date:

| | **2016** | **2015** |
|---|---|---|
| | **$'000** | **$'000** |
| Depreciation of property, plant and equipment | **25,786** | 25,804 |

[2] This represents total staff costs for the year, out of which $62,520,000 (2015: $63,686,000) had been allocated to construction costs incurred to-date. Included in total staff costs are contributions to defined contribution schemes of $2,525,000 (2015: $1,868,000).

## 8. TAXATION

### (a) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December are:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| **Income statement:** | | |
| Current income tax | | |
| – Current income taxation | **(52)** | (311) |
| – Over provision in respect of prior years | **44** | 965 |
| Deferred income tax | | |
| – Origination and reversal of temporary differences | **5,686** | 829 |
| – Under provision in respect of prior years | **(338)** | (40) |
| | **5,340** | 1,443 |

### (b) *Relationship between tax expense and accounting profit*

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December are as follows:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Loss before taxation | **(38,133)** | (4,138) |
| Taxation at statutory tax rate of 17% (2015: 17%) | **6,483** | 703 |
| Effect of different tax rates in other countries | **(65)** | (36) |
| Non-deductible expenses | **(864)** | (1,362) |
| Income not subject to taxation | **377** | 211 |
| Deferred tax assets not recognised | **(401)** | (19) |
| Effect of tax benefits | **97** | 839 |
| Utilisation of deferred tax assets previously not recognised | **10** | 219 |
| (Under)/over provision in respect of prior years | **(294)** | 925 |
| Others | **(3)** | (37) |
| Taxation | **5,340** | 1,443 |

The corporate income tax rate applicable to the Malaysian companies and the Hong Kong company of the Group is 24% and 16.5% respectively.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 8. TAXATION (CONTINUED)

(c) ***Deferred taxation***

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| **Deferred tax liabilities:** | | |
| Differences in depreciation for tax purpose | **(43,534)** | (43,982) |
| Others | **(49)** | (406) |
| **Deferred tax assets:** | | |
| Unutilised tax losses and capital allowance | **30,406** | 25,903 |
| Sundry provisions | **366** | 396 |
| | **(12,811)** | (18,089) |

Certain overseas subsidiaries have unutilised tax losses of approximately $5,991,000 (2015: $5,971,000) 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.

## 9. EARNINGS PER SHARE

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

Diluted earnings 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 profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| Net loss attributable to ordinary equity holders of the Company | **(31,637)** | (3,340) |

| | 2016 No. of shares '000 | 2015 No. of shares '000 |
|---|---|---|
| Weighted average number of ordinary shares for basic and diluted earnings per share computation | **395,919** | 316,735 |

19,330,080 (2015: 18,305,000) share options granted to employees under the existing share option plans has not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current financial year presented.

## 10. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land and building $'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 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2015 | 641 | 39,069 | 39,715 | 5,415 | 6,548 | 321,574 | 59,805 | 472,767 |
| Additions | – | 32 | 1,253 | 1,215 | 949 | 21,553 | 2,654 | 27,656 |
| Disposals/write-offs | – | – | (32) | (520) | (210) | (14,550) | (9,209) | (24,521) |
| Transfer to inventory | – | – | – | – | – | (1,199) | – | (1,199) |
| Reclassification | (599) | 599 | – | – | – | – | – | – |
| Translation adjustments | (42) | (43) | (975) | (9) | (125) | 3,358 | 42 | 2,206 |
| At 31 December 2015 and 1 January 2016 | – | 39,657 | 39,961 | 6,101 | 7,162 | 330,736 | 53,292 | 476,909 |
| Additions | 14,835 | 388 | 2,254 | 1,757 | 815 | 16,312 | 4,061 | 40,422 |
| Disposals/write-offs | – | (8) | (236) | (652) | (152) | (7,408) | (2,467) | (10,923) |
| Translation adjustments | (489) | (25) | (125) | 7 | (12) | 1,497 | 74 | 927 |
| At 31 December 2016 | 14,346 | 40,012 | 41,854 | 7,213 | 7,813 | 341,137 | 54,960 | 507,335 |
| **Accumulated depreciation and impairment loss** | | | | | | | | |
| At 1 January 2015 | 219 | 18,556 | 22,754 | 3,560 | 6,139 | 71,906 | 28,636 | 151,770 |
| Depreciation | – | 1,581 | 3,420 | 692 | 366 | 15,796 | 5,586 | 27,441 |
| Disposals/write-offs | – | – | (27) | (425) | (122) | (8,659) | (5,049) | (14,282) |
| Transfer to inventory | – | – | – | – | – | (179) | – | (179) |
| Consumption allowance # | – | – | – | – | – | 4,844 | – | 4,844 |
| Reclassification | (206) | 206 | – | – | – | – | – | – |
| Translation adjustments | (13) | (16) | (611) | (13) | (116) | 714 | (40) | (95) |
| At 31 December 2015 and 1 January 2016 | – | 20,327 | 25,536 | 3,814 | 6,267 | 84,422 | 29,133 | 169,499 |
| Depreciation | – | 1,622 | 3,376 | 877 | 425 | 16,031 | 5,434 | 27,765 |
| Disposals/write-offs | – | (3) | (90) | (649) | (97) | (4,258) | (1,956) | (7,053) |
| Consumption allowance # | – | – | – | – | – | 2,613 | – | 2,613 |
| Translation adjustments | – | (7) | (101) | (3) | (12) | 379 | 52 | 308 |
| At 31 December 2016 | – | 21,939 | 28,721 | 4,039 | 6,583 | 99,187 | 32,663 | 193,132 |
| **Net book value** | | | | | | | | |
| At 31 December 2015 | – | 19,330 | 14,425 | 2,287 | 895 | 246,314 | 24,159 | 307,410 |
| At 31 December 2016 | 14,346 | 18,073 | 13,133 | 3,174 | 1,230 | 241,950 | 22,297 | 314,203 |

# 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 2016

## 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) ***Assets under hire purchase***

During the financial year, the Group acquired property, plant and equipment amounting to $40,422,000 (2015: $27,656,000) of which $5,217,000 (2015: $3,693,000) were acquired by means of hire purchase. The cash outflow on acquisition of property, plant and equipment excluding those on hire purchases, amounted to $35,205,000 (2015: $23,963,000).

As at 31 December 2016, the Group has certain cranes, motor vehicles and plant and machinery under hire purchase contracts with a net book value of $14,267,000 (2015: $21,927,000).

(b) ***Assets pledged as security***

In addition to assets held under finance leases, the Group's freehold land, leasehold property and steel beams and columns with a carrying amount of $225,198,000 (2015: Nil) are mortgaged to secure the Group's borrowings.

(c) ***Details of leasehold property***

The details of the leasehold property held by the Group as at 31 December 2016 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 |

## 11. SUBSIDIARIES

| | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|
| (a) ***Investments in subsidiaries*** | | |
| Unquoted equity, at costs | **39,529** | 39,163 |
| Impairment loss | **(99)** | (99) |
| | **39,430** | 39,064 |
| (b) ***Amounts due from subsidiaries*** | | |
| Due from subsidiaries (non-trade) | **109,184** | 76,429 |
| Allowance for impairment | **(5,633)** | (5,633) |
| | **103,551** | 70,796 |
| *Movement in allowance for impairment:* | | |
| At 1 January and at 31 December | **5,633** | 5,633 |

## 11. SUBSIDIARIES (CONTINUED)

The amounts due from subsidiaries are interest-free, unsecured and repayable in cash only when the cash flows of the subsidiaries permit. The amounts due from subsidiaries are denominated in Singapore Dollar.

(c) ***Details of subsidiaries***

| Name of company (Country of incorporation) | Principal activities | Company Cost of investment | | Interest held by the Group | |
|---|---|---|---|---|---|
| | | 2016 $'000 | 2015 $'000 | 2016 % | 2015 % |
| **Held by the Company** | | | | | |
| Yongnam Engineering & Construction (Private) Limited [1] (Singapore) | Engineering contractors | **37,945** | 37,945 | **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 | **99** | 99 | **48.4** | 48.4 |
| Yongnam Steel Work System Engineering (Shanghai) Co., Ltd [5] (People's Republic of China) | Dormant | **35** | 35 | **100** | 100 |
| Yongnam Steel Work Engineering (JinJiang) Co., Ltd [5] (People's Republic of China) | Dormant | * | * | **100** | 100 |
| Yongnam Myanmar Co. Ltd (Myanmar) | Dormant | **71** | 38 | **100** | 100 |
| Yongnam Engineering & Construction Sdn. Bhd. [4] (Malaysia) | Investment holding | **333** | * | **100** | 100 |
| | | **39,529** | 39,163 | | |

* Denotes less than $1,000

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 11. SUBSIDIARIES (CONTINUED)

(c) ***Details of subsidiaries*** *(Continued)*

| Name of company (Country of incorporation) | Principal activities | Interest held by the Group 2016 % | Interest held by the Group 2015 % |
|---|---|---|---|
| **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) | Engineering contractors | **51** | 51 |
| **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 KPJ Business Company Limited, Thailand.
(3) Audited by F. S. Li & Co, Hong Kong.
(4) Audited by SQ Morrison, Chartered Accountants (Malaysia).
(5) Not required to be audited in the country of incorporation.

# The Group holds 48.4% (2015: 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. Accordingly, the results and net assets of the subsidiary have been included in the consolidated financial statements.

## 11. SUBSIDIARIES (CONTINUED)

(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 $'000 | Accumulated NCI at the end of reporting period $'000 | Dividends paid to NCI $'000 |
|---|---|---|---|---|---|
| 31 December 2016: | | | | | |
| Yongnam Jian Huang Joint Venture | Singapore | 49% | (1,156) | (511) | – |

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

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

**Summarised balance sheets**

| | Yongnam Jian Huang Joint Venture | |
|---|---|---|
| | As at 31 December 2016 $'000 | As at 31 December 2015 $'000 |
| **Current** | | |
| Assets | **27,522** | 8,451 |
| Liabilities | **(28,564)** | (7,134) |
| Net current assets | **(1,042)** | 1,317 |
| Net assets | **(1,042)** | 1,317 |

**Summarised statement of comprehensive income**

| | Yongnam Jian Huang Joint Venture | |
|---|---|---|
| | 2016 $'000 | 2015 $'000 |
| Revenue | **91,347** | 19,676 |
| (Loss)/Profit before income tax | **(2,359)** | 1,587 |
| Income tax expense | **–** | (270) |
| Profit after tax – continuing operations | **(2,359)** | 1,317 |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **(2,359)** | 1,317 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 11. SUBSIDIARIES (CONTINUED)

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

**Other summarised information**

| | Yongnam Jian Huang Joint Venture | |
|---|---|---|
| | 2016 $'000 | 2015 $'000 |
| Net cash flows from operations | **(2,713)** | 695 |
| Net cash flows from financing activities | **1,198** | 1,724 |

## 12. INVESTMENT IN JOINT VENTURE

***Geodesic Yongnam Structurals Private Limited***

The Group has 50% (2015: 50%) equity interest and voting rights in a joint venture entity that is held through a subsidiary. The joint venture is incorporated in the Republic of India and is in the business of engineering contractors. The Group jointly controls the venture with one other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

## 13. OTHER INVESTMENT

| | Group | |
|---|---|---|
| | 2016 $'000 | 2015 $'000 |
| *Available-for-sale investment:* | | |
| Equity instrument (quoted) | **250** | 250 |
| Less: Impairment loss | **(218)** | (110) |
| | **32** | 140 |

## 14. INVENTORIES

| | Group | |
|---|---|---|
| | 2016 $'000 | 2015 $'000 |
| **Balance sheet:** | | |
| Consumable materials | **1,532** | 1,426 |
| Steel materials | **38,821** | 48,695 |
| | **40,353** | 50,121 |
| **Income statement:** | | |
| Steel materials recognised as an expense in cost of sales | **45,657** | 36,176 |
| Inclusive of the following: | | |
| – Write-back of steel material | **–** | 24 |

## 15. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK IN PROGRESS

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Contract costs incurred to-date | **1,146,563** | 1,186,205 |
| Attributable profit less recognised losses to date | **90,598** | 321,010 |
| | **1,237,161** | 1,507,215 |
| Less: Progress billings | **(1,145,577)** | (1,394,415) |
| | **91,584** | 112,800 |
| *Presented as:* | | |
| – Gross amount due from customers for contract work | **104,790** | 123,171 |
| – Gross amount due to customers for contract work | **(13,206)** | (10,371) |
| | **91,584** | 112,800 |
| Advances received included in gross amount due to customers for contract work | **163** | 1,662 |
| Retention sums on construction contract included in trade receivables | **–** | 391 |

## 16. TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Trade receivables | **40,779** | 33,232 |
| Less: Allowance for impairment | **(4,800)** | (2,200) |
| | **35,979** | 31,032 |

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

***Trade receivables denominated in foreign currencies as at 31 December are as follows:***

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| United States Dollar | **1,506** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 16. TRADE RECEIVABLES (CONTINUED)

(a) ***Trade receivables that are past due but not impaired***

As at 31 December 2016, the Group has trade receivables amounting to $4,394,000 (2015: $8,703,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | 2016 $'000 | 2015 $'000 |
| *Trade receivables past due but not impaired:* | | |
| Less than 30 days | **2,555** | 5,191 |
| 30 to 60 days | **991** | 392 |
| 61 to 90 days | **106** | 256 |
| More than 90 days | **742** | 2,864 |
| | **4,394** | 8,703 |

(b) ***Trade receivables that are impaired***

The Group's trade receivables that are individually impaired at the end of the reporting period and the movement of the allowance account used to record the impairment are as follows:

| | Group | |
|---|---|---|
| | 2016 $'000 | 2015 $'000 |
| Trade receivables – nominal amounts | **7,708** | 7,708 |
| Allowance for impairment | **(4,800)** | (2,200) |
| | **2,908** | 5,508 |
| *Movement in allowance for impairment:* | | |
| At 1 January | **2,200** | 2,818 |
| Charge for the year | **2,600** | 2,200 |
| Written back | **–** | (40) |
| Written off against receivable | **–** | (2,778) |
| At 31 December | **4,800** | 2,200 |

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are long overdue. These receivables are not secured by any collateral or credit enhancements.

## 17. OTHER RECEIVABLES AND DEPOSITS

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Sundry debtors | **8,203** | 10,652 | 113 | 684 |
| Deposits | **5,344** | 5,696 | – | – |
| Forward currency contract | **–** | 17 | – | – |
| | **13,547** | 16,365 | 113 | 684 |

Sundry debtors are unsecured, non-interest bearing and are repayable on demand.

## 18. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents denominated in foreign currencies as at 31 December are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| United States Dollar | **155** | 107 | **–** | – |
| Indian Rupee | **598** | 48 | **–** | – |

## 19. 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 31 December are as follows:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Indian Rupee | **2** | 481 |
| United States Dollar | **5,898** | 10,963 |
| Euro | **145** | 257 |
| British Pound | **–** | 14 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 20. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Other payables | **4,096** | 2,224 | **89** | 840 |
| Accrued operating expenses | **5,816** | 7,641 | **433** | 417 |
| | **9,912** | 9,865 | **522** | 1,257 |

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

## 21. BORROWINGS

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Trade facility | **13,149** | 11,997 |
| Revolving term loans | **21,120** | 37,678 |
| Transferable term loan | **65,000** | 85,000 |
| Term loans | **7,434** | – |
| | **106,703** | 134,675 |
| *Comprise:* | | |
| Within one year | **54,782** | 69,675 |
| After one year but not more than five years | **51,921** | 65,000 |
| | **106,703** | 134,675 |

As at 31 December 2016, total secured and unsecured borrowings amounted to $94,967,000 and $11,736,000 (2015: all unsecured) respectively.

(a) ***Borrowings denominated in foreign currencies as at 31 December are as follows:***

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| United States Dollar | **10,578** | 6,764 |
| British Pound | **109** | 201 |

## 21. BORROWINGS (CONTINUED)

(b) ***Terms of borrowings***

(i) *Trade facility*

The trade facility relates to trust receipts in relation to some 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 lease hold 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 lease hold 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 Group secured a Transferable Term Loan ("TTL") facility of $130 million in financial year 2013. The TTL is repayable in agreed 19 instalments on a quarterly basis. The TTL is interest bearing based on a fixed margin above Swap Offer Rate for each interest period. The TTL is secured by a legal mortgage over the Group's lease hold property at 51 Tuas South Street 5, Singapore and an asset charge over the Group's steel beams and columns.

(iv) *Term loans*

The term loans are repayable over 96 monthly instalments. They are interest bearing 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 Lot 1972, 1973 and 1974 in Mukim Jeram Batu, District of Pontian, Johor, Malaysia.

(c) ***Effective interest rates***

The weighted average effective interest rates per annum for the Group's borrowings as at 31 December are as follows:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **%** | **%** |
| Trade facility | **2.17** | 1.90 |
| Revolving term loans | **2.16** | 2.65 |
| Transferable term loan | **2.86** | 3.46 |
| Term loans | **5.24** | – |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | No. of shares '000 | $'000 | No. of shares '000 | $'000 |
| **Issued and fully paid:** | | | | |
| At 1 January | **316,735** | **96,379** | 316,735 | 96,379 |
| Issuance of shares during the year | **158,368** | **33,257** | – | – |
| At 31 December | **475,103** | **129,636** | 316,735 | 96,379 |

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.

The Company has granted share options to subscribe for the Company's ordinary shares (Note 24).

On 1 June 2016, the Company announced to undertake a renounceable partially-underwritten rights issue ("Rights Issue") at an issue price of $0.21 for each Rights Share (the "Issue Price"), on the basis of one rights share for every two existing ordinary shares in the capital of the Company held by shareholders of the Company.

On 5 July 2016, 158,367,548 Rights Shares with a consideration of $33,257,185 had been allotted and issued.

## 23. CAPITAL RESERVES

| | Group | |
|---|---|---|
| | 2016 $'000 | 2015 $'000 |
| Capital reserve on consolidation arising from acquisition of subsidiaries | **6,837** | 6,837 |

The capital reserves are non-distributable.

## 24. SHARE OPTION RESERVE

The Employee Share Option Scheme 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.

***Employee Share Option Scheme ("ESOS")***

The ESOS was approved by the shareholders during the Extraordinary General Meeting held on 16 June 2004. Executive and non-executive directors, and employees of the Group or associated companies are eligible to participate in the ESOS.

## 24. SHARE OPTION RESERVE (CONTINUED)

***Employee Share Option Scheme ("ESOS")*** *(Continued)*

The ESOS share options granted are exercisable for ten years after date of grant, and are exercisable at an exercise price set at:

- a discount to a price ("Market Price") equal to the average of the last dealt prices for the Shares on the official list of the SGX-ST for the five consecutive market days immediately preceding the relevant date of grant of the ESOS share option, subject to a maximum of 20% discount ("Incentive Option"); or

- a fixed Market Price ("Market Price Option")

The Committee has the discretion to grant options set at a discount to Market Price, and determine the participants to whom, and the options to which, such reduction in exercise prices will apply.

Incentive Options granted are exercisable after the second anniversary from the date of grant of the option, and Market Price Options granted may be exercised after the first anniversary of the date of grant of that option.

The ESOS shall continue in operation for a maximum duration of ten years and may be continued for any further periods thereafter with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

***Movement of share options under ESOS during the year***

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, share options under ESOS during the year.

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | No. '000 | WAEP ($) | No. '000 | WAEP ($) |
| Outstanding at beginning of the year | **18,305** | **0.704** | 18,305 | 0.704 |
| Adjustment due to right issue during the year | **1,025** | **–** | – | – |
| Outstanding at end of year | **19,330** | **0.667** | 18,305 | 0.704 |
| Exercisable at end of year | **19,330** | **0.667** | 18,305 | 0.704 |

The range of exercise prices for options outstanding at the end of the year was $0.303 to $1.114 (2015: $0.320 to $1.176). The weighted average remaining contractual life for these options is 1.05 years (2015: 2.05 years).

## 25. 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.

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Balance at beginning of year | **(4,647)** | (4,662) |
| Net effects of exchange differences arising from: | | |
| Translation of financial statements of foreign operations | **(196)** | (4,365) |
| Long term intercompany loan (quasi-equity in nature) | **1,392** | 4,380 |
| Balance at end of year | **(3,451)** | (4,647) |

## 26. COMMITMENTS

### (a) *Capital commitments*

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Capital commitments in respect of property, plant and equipment | **16,344** | 19,032 | **–** | – |

### (b) *Operating lease commitments*

The Group leases land and building under non-cancellable operating leases which have remaining lease terms of between one to fourteen years. The lease rental for the land is subject to revision on an annual basis based on prevailing market conditions and the remaining leases are fixed. None of these leases includes contingent rentals. Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2016 amounted to $8,464,000 (2015: $8,592,000).

Future minimum lease commitments under these non-cancellable leases as at 31 December are as follows:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Within one year | **7,809** | 7,812 |
| After one year but not more than five years | **21,068** | 20,886 |
| After five years | **47,386** | 52,684 |
| | **76,263** | 81,382 |

## 26. COMMITMENTS (CONTINUED)

(c) ***Hire purchase creditors***

The Group leases certain property, plant and equipment under hire purchase arrangements. The liabilities are secured on the property, plant and equipment and expire over the next one to five years. The weighted average effective interest rates implicit in the leases of the Group at the end of the reporting period is 3.39% (2015: 2.90%) per annum.

Future minimum payments together with the present value of the net minimum payments are as follows:

| Group | 2016 Minimum payments $'000 | 2016 Present value of payments $'000 | 2015 Minimum Payments $'000 | 2015 Present value of payments $'000 |
|---|---|---|---|---|
| Within one year | **3,056** | **2,864** | 4,757 | 4,513 |
| After one year but not more than five years | **4,769** | **4,399** | 3,434 | 3,192 |
| More than five years | **118** | **100** | 24 | 24 |
| | **4,887** | **4,499** | 3,458 | 3,216 |
| Total minimum lease payments | **7,943** | **7,363** | 8,215 | 7,729 |
| Less: Amounts representing finance charges | **(580)** | **–** | (486) | – |
| Present value of minimum lease payments | **7,363** | **7,363** | 7,729 | 7,729 |

## 27. RELATED PARTY TRANSACTIONS

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financing decisions of the Group or vice versa; or (ii) it is subject to common control or common significant influence.

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 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|
| Technical advisory service provided by directors of the Company | **153** | 244 | **–** | – |
| Management fee income from subsidiaries | **–** | – | **1,620** | 854 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 27. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) ***Compensation of key management personnel***

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Salaries, bonuses and other costs | **4,687** | 4,923 | **–** | – |
| Contributions to Central Provident Fund | **136** | 104 | **–** | – |
| Directors' fees | **245** | 255 | **245** | 255 |
| | **5,068** | 5,282 | **245** | 255 |
| *Comprise:* | | | | |
| Directors of the Company | **1,831** | 1,901 | **245** | 255 |
| Other key management personnel | **3,237** | 3,381 | **–** | – |
| | **5,068** | 5,282 | **245** | 255 |

(c) ***Guarantees***

The Company has provided corporate guarantees to financial institutions for banking facilities entered into by certain subsidiaries amounting to $238 million (2015: $315 million).

## 28. 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 year, 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, 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 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 or through financial instruments, such as forward currency contracts. To manage the currency risk, individual Group entities in consultation with Group Treasury enter into currency forwards, either in their respective countries or with Group Treasury itself. Group Treasury in turn manages the overall currency exposure mainly through currency forwards, where feasible.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) ***Foreign currency risk*** *(Continued)*

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, mainly UAE, Malaysia and Hong Kong. The Group's net investments are not hedged as currency positions in UAE Dirham, Malaysia Ringgit and Hong Kong Dollar are considered to be long-term in nature.

*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.

| | | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|---|
| USD/SGD | – strengthened by 5% (2015: 5%) | **(741)** | (881) |
| | – weakened by 5% (2015: 5%) | **741** | 881 |

(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.

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

| Group | Less than one year<br>$'000 | One to five years<br>$'000 | More than five years<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **2016** | | | | |
| Trade payables | 79,395 | – | – | 79,395 |
| Other payables and accruals | 9,912 | – | – | 9,912 |
| Borrowings | 57,188 | 50,471 | 4,051 | 111,710 |
| Hire purchase creditors | 3,056 | 4,769 | 118 | 7,943 |
| | 149,551 | 55,240 | 4,169 | 208,960 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) ***Liquidity risk*** *(Continued)*

| Group | Less than one year $'000 | One to five years $'000 | More than five years $'000 | Total $'000 |
|---|---|---|---|---|
| **2015** | | | | |
| Trade payables | 61,461 | – | – | 61,461 |
| Other payables and accruals | 9,865 | – | – | 9,865 |
| Borrowings | 72,754 | 68,184 | – | 140,938 |
| Hire purchase creditors | 4,757 | 3,434 | 24 | 8,215 |
| Forward currency contract – gross payments | 26,887 | – | – | 26,887 |
| | 175,724 | 71,618 | 24 | 247,366 |

(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.

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 21 and Note 26(c).

*Sensitivity analysis for interest rate risk*

At 31 December 2016, if interest rates had been 75 (2015: 75) basis points lower/higher with all other variables held constant, the Group's loss for the year would have been $800,000 lower/higher (2015: $1,010,000 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 exposure to credit risk arises primarily from trade and sundry receivables and deposits. For other financial assets (including other investment, bank balances, fixed deposits and derivatives), the Group minimises 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, receivables are monitored on an ongoing basis.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) ***Credit risk*** *(Continued)*

*Exposure to credit risk*

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets, recognised in the balance sheet.

*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.

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

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Singapore | **26,038** | 21,066 |
| Hong Kong | **5,526** | 3,977 |
| India | **2,908** | 5,989 |
| Others | **1,507** | – |
| | **35,979** | 31,032 |

At the end of the reporting period, approximately:

– 79% (2015: 72%) of the Group's trade receivables from Singapore is due from 4 customers (2015: 4) in respect of 4 (2015: 5) 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.

*Financial assets that are either past due or impaired*

Information regarding trade receivables that are either past due or impaired is disclosed in Note 16.

## 29. 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 2016 and 31 December 2015.

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, hire purchase creditors, less cash and cash equivalents. Net tangible assets value is the total assets less total liabilities of the Group. The Group's policy is to keep the gearing ratio not more than 100%.

| | Group | |
|---|---|---|
| | 2016<br>$'000 | 2015<br>$'000 |
| Borrowings | **106,703** | 134,675 |
| Hire purchase creditors | **7,363** | 7,729 |
| | **114,066** | 142,404 |
| Cash and cash equivalents | **(15,914)** | (8,095) |
| Net debt | **98,152** | 134,309 |
| Net tangible assets value | **299,033** | 297,373 |
| **Gearing ratio** | **33%** | 45% |

## 30. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

(a) ***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 cash equivalents, trade receivables, other receivables and deposits, trade payables, other payables and accruals

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 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.

## 30. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) ***Fair value of financial instrument that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value***

*Amount due from subsidiaries*

No disclosure of fair value is made for amounts due from subsidiaries as it is not practicable to determine their fair values with sufficient reliability since these balances have no fixed terms of repayment.

*Hire purchase creditors*

The fair value of hire purchase creditors is determined by their present value of minimum lease payments (Note 26(c)).

(c) ***Fair value of financial instrument that is carried at fair value***

*Fair value hierarchy*

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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.

| | | 2016 | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Total** |
| | **$'000** | **$'000** | **$'000** |
| **Financial asset:** | | | |
| Available-for-sale financial assets (Note 13) | | | |
| Quoted equity instruments | **32** | **–** | **32** |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 30. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) ***Fair value of financial instrument that is carried at fair value*** *(Continued)*

| | 2015 | | |
|---|---|---|---|
| | **Level 1 $'000** | **Level 2 $'000** | **Total $'000** |
| **Financial asset:** | | | |
| Available-for-sale financial assets (Note 13) | | | |
| Quoted equity instruments | 140 | – | 140 |
| Forward currency contract (Note 20) | – | 17 | 17 |
| At 31 December 2015 | 140 | 17 | 157 |

There have been no transfers between Level 1 and Level 2 during the financial years ended 31 December 2016 and 2015.

*Determination of fair value*

Quoted equity instrument (Note 13): Fair value is determined by reference to its published market bid price at the end of the reporting period which is categorised in Level 1.

## 31. 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 three geographical areas, namely Singapore, Rest of Asia and Middle East. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

(a) ***Geographical segments***

| **2016** | **Singapore $'000** | **Hong Kong $'000** | **Rest of Asia $'000** | **Middle East $'000** | **Elimination $'000** | **Group $'000** |
|---|---|---|---|---|---|---|
| Revenue from external customers | 289,750 | 31,622 | 6 | – | – | 321,378 |
| Inter-segment revenue | 13,103 | – | 26,396 | – | (39,499) | – |
| Total revenue | 302,853 | 31,622 | 26,402 | – | (39,499) | 321,378 |
| Depreciation | 22,733 | 3,853 | 1,179 | – | – | 27,765 |
| Segment profit/(loss) | (30,833) | (3,573) | 1,215 | – | 653 | (32,538) |
| Finance income | | | | | | 42 |
| Finance costs | | | | | | (5,637) |
| Loss before taxation | | | | | | (38,133) |
| Taxation | | | | | | 5,340 |
| Net loss | | | | | | (32,793) |

## 31. SEGMENT INFORMATION (CONTINUED)

(a) ***Geographical segments*** *(Continued)*

| 2015 | Singapore $'000 | Hong Kong $'000 | Rest of Asia $'000 | Middle East $'000 | Elimination $'000 | Group $'000 |
|---|---|---|---|---|---|---|
| Revenue from external customers | 236,146 | 33,430 | 42 | – | – | 269,618 |
| Inter-segment revenue | 6,119 | – | 18,016 | – | (24,135) | – |
| Total revenue | 242,265 | 33,430 | 18,058 | – | (24,135) | 269,618 |
| Depreciation | 22,521 | 3,633 | 1,287 | – | – | 27,441 |
| Segment profit/(loss) | (342) | 4,585 | (2,859) | (28) | (101) | 1,255 |
| Finance income | | | | | | 152 |
| Finance costs | | | | | | (5,545) |
| Loss before taxation | | | | | | (4,138) |
| Taxation | | | | | | 1,443 |
| Net loss | | | | | | (2,695) |

(b) ***Business segments***

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| *Revenue:* | | |
| Structural steelworks | **215,584** | 177,082 |
| Specialist civil engineering | **66,182** | 85,999 |
| Mechanical engineering | **32,078** | 5,751 |
| Design and build | **7,534** | 786 |
| | **321,378** | 269,618 |

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 segment and not separately identifiable by business segments.

## 32. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

(a) ***Available-for-sale financial asset***

| | Note | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|---|
| Other investment | 13 | **32** | 140 | **–** | – |
| **Total available-for-sale financial asset** | | **32** | 140 | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 32. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) ***Loans and receivables***

| | Note | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|---|
| Amounts due from subsidiaries | 11(b) | **–** | – | **103,551** | 70,796 |
| Trade receivables | 16 | **35,979** | 31,032 | **–** | – |
| Other receivables and deposits | 17 | **13,547** | 16,365 | **113** | 684 |
| Cash and cash equivalents | | **15,914** | 8,095 | **192** | 121 |
| **Total loans and receivables** | | **65,440** | 55,492 | **103,856** | 71,601 |

(c) ***Financial liabilities measured at amortised cost***

| | Note | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|---|
| Trade payables | 19 | **79,395** | 61,461 | **–** | – |
| Other payables and accruals | 20 | **9,912** | 9,865 | **522** | 1,257 |
| Borrowings | 21 | **106,703** | 134,675 | **–** | – |
| Hire purchase creditors | 26(c) | **7,363** | 7,729 | **–** | – |
| Total financial liabilities measured at amortised cost | | **203,373** | 213,730 | **522** | 1,257 |

## 33. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 7 April 2017.

# STATISTICS OF SHAREHOLDING
AS AT 24 MARCH 2017

## SHARE CAPITAL AS AT 24 MARCH 2017

| | | |
|---|---|---|
| Issued and fully paid-up capital | : | $129,667,317.06 |
| Total number of issued shares | : | 475,102,931 |
| Treasury shares | : | Nil |
| Class of shares | : | Ordinary shares |
| Voting right | : | One vote per share |

## DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS AS AT 24 MARCH 2017

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 – 99 | 225 | 1.84 | 5,332 | 0.00 |
| 100 – 1,000 | 949 | 7.76 | 525,643 | 0.11 |
| 1,001 – 10,000 | 7,185 | 58.73 | 33,093,473 | 6.97 |
| 10,001 – 1,000,000 | 3,852 | 31.49 | 171,958,410 | 36.19 |
| 1,000,001 and above | 22 | 0.18 | 269,520,073 | 56.73 |
| Total | 12,233 | 100.00 | 475,102,931 | 100.00 |

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | CIMB SECURITIES (SINGAPORE) PTE LTD | 74,315,726 | 15.64 |
| 2 | MAYBANK NOMINEES (S) PTE LTD | 46,375,750 | 9.76 |
| 3 | PHILLIP SECURITIES PTE LTD | 41,108,187 | 8.65 |
| 4 | CITIBANK NOMINEES SINGAPORE PTE LTD | 17,054,949 | 3.59 |
| 5 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 13,426,649 | 2.83 |
| 6 | OCBC SECURITIES PRIVATE LTD | 10,754,658 | 2.26 |
| 7 | MAYBANK KIM ENG SECURITIES PTE LTD | 10,371,476 | 2.18 |
| 8 | RAFFLES NOMINEES (PTE) LTD | 9,191,616 | 1.93 |
| 9 | SUSTAINED LAND PTE LTD | 8,800,000 | 1.85 |
| 10 | DBS NOMINEES PTE LTD | 8,745,234 | 1.84 |
| 11 | HSBC (SINGAPORE) NOMINEES PTE LTD | 4,605,646 | 0.97 |
| 12 | UOB KAY HIAN PTE LTD | 4,400,675 | 0.93 |
| 13 | YONGNAM PRIVATE LIMITED | 4,082,108 | 0.86 |
| 14 | OCBC NOMINEES SINGAPORE PTE LTD | 3,485,255 | 0.73 |
| 15 | SIAU SUN KING | 2,784,217 | 0.59 |
| 16 | WAH LEONG CO PTE LTD | 2,250,000 | 0.47 |
| 17 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 1,914,277 | 0.40 |
| 18 | LIM & TAN SECURITIES PTE LTD | 1,466,900 | 0.31 |
| 19 | WOO KOON CHEE | 1,136,700 | 0.24 |
| 20 | BOON GEK PTE LTD | 1,125,000 | 0.24 |
| 21 | NAM LEONG CO PTE LTD | 1,125,000 | 0.24 |
| **Total:** | | **268,520,023** | **56.51** |

# STATISTICS OF SHAREHOLDING
AS AT 24 MARCH 2017

| Substantial Shareholders | Direct Interest Shares | % | Deemed Interest Shares | % | Total Interest Shares | % |
|---|---|---|---|---|---|---|
| Seow Soon Yong | 107,205,218 | 22.56 | 4,082,108[(1)] | 0.86 | 111,287,326 | 23.42 |
| Mohamed Abdul Jaleel S/O Muthumaricar Shaik Mohamed | 32,325,000 | 6.80 | – | – | 32,325,000 | 6.80 |

(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.

## SHARES HELD IN PUBLIC HANDS

Approximately 66.47% of the shares of the Company are held in the hands of the public as at 24 March 2017 and Rule 723 of the Listing Manual is complied with.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of Yongnam Holdings Limited (the "Company") will be held at 51 Tuas South Street 5, Singapore 637644 on Wednesday, 26 April 2017 at 10.00 a.m. to transact the following businesses:

## ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Directors' Statement together with the Reports of the Independent Auditor thereon. **(Resolution 1)**

2. To approve the payment of proposed Directors' fees of $244,653 for the financial year ended 31 December 2016 (2015: $255,000). **(Resolution 2)**

3. To re-elect the following Directors who are retiring by rotation pursuant to Article 103 of the Constitution of the Company:–

   (a) Mr. Seow Soon Yong; **(Resolution 3)**
   (b) Mr. Siau Sun King; and **(Resolution 4)**
   (c) Mr. Lim Ghim Siew, Henry. **(Resolution 5)**

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 6)**

5. To transact any other ordinary business that may be properly transacted at an Annual General Meeting of the Company.

## SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

6. **Authority to allot and issue shares**

   That pursuant to Section 161 of the Companies Act, Chapter 50 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 shares in the capital of the Company ("**Shares**") 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) issue Shares in pursuance of any Instruments made or granted by the Directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

# 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 in pursuance of Instruments made or granted pursuant to such authority), does not exceed 50% of the total number of issued Shares in the capital of the Company, excluding treasury shares, if any (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 in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20% of the total number of issued Shares in the capital of the Company, excluding treasury shares, if any (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, shall be based on the total number of issued Shares of the Company, excluding treasury shares, at the time such authority was conferred, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from the exercising of share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and

(c) any subsequent bonus issue or consolidation or subdivision of the Shares;

and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

(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 in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 7)**

7. **Authority to issue shares under the Yongnam Employee Share Option Scheme**

That, pursuant to Section 161 of the Companies Act, Chapter 50 and the provisions of the Yongnam Employee Share Option Scheme (the "**Scheme**"), authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) of the Company from time to time, as determined in accordance with the provisions of the Scheme. **(Resolution 8)**

8. **Renewal of Share Purchase Mandate**

That:

(a) for the purposes of Section 76E of the Companies Act, Chapter 50, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Ordinary Shares in the capital of the Company not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the SGX-ST; and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**"),

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or

(ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated.

(c) in this Resolution:

"**Maximum Percentage**" means that number of issued Ordinary Shares representing 10% of the total number of the issued Ordinary Shares as at the date of the passing of this Resolution;

NOTICE OF
# ANNUAL GENERAL MEETING

"**Maximum Price**", in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:–

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase, 110% of Average Closing Price (as defined hereinafter), pursuant to an equal access scheme;

"**Average Closing Price**" means the average of the closing market prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Listing Rules for any corporate action which occurs after the relevant five Market Days;

"**Date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution."

**(Resolution 9)**

**BY ORDER OF THE BOARD**

**SEOW SOON YONG**
Chief Executive Officer
10 April 2017

**Explanatory Notes:**

(a) Key information on Mr. Seow Soon Yong and Mr. Siau Sun King who are siblings, is found on pages 4 of the Annual Report. Details of share interest of Mr. Seow Soon Yong and Mr. Siau Sun King in the Company can be found on page 34 of the Annual Report.

(b) Mr. Lim Ghim Siew, Henry will remain as the Chairman of the Remuneration Committee and a Member of the Audit Committee upon re-election as a Director of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual. Key information on Mr. Lim Ghim Siew, Henry is found on page 5 of the Annual Report. Details of Mr. Lim Ghim Siew, Henry's share interest in the Company can be found on pages 34 and 35 of the Annual Report. There are no relationships (including immediate family relationships) between Mr. Lim Ghim Siew, Henry and the other Directors, or the Company, or its 10% shareholders.

(c) The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company from the date of the Meeting to allot and issue Shares in the Company up to an amount not exceeding 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

(d) The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company to allot and issue Shares pursuant to the exercise of such options under the Yongnam Employee Share Option Scheme. The aggregate amount of new Shares over which the Company may grant options on any date, when added to the amount of new Shares to be issued in respect of (a) all options granted under the Scheme, and (b) all awards granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed 15% of the total number of issued Shares (excluding treasury shares) of the Company from time to time.

(e) The proposed ordinary resolution 9, if passed, will empower the Directors of the Company from the date of the above meeting until the date of the next Annual General Meeting to purchase or acquire up to 10% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution. Details of the proposed Share Purchase Mandate are set out in the Appendix to this Notice of Annual General Meeting.

(i) As at the date of this Notice, the Company has not purchased any share by way of market acquisition for cancellation.

(ii) The amount of financing required for the Company to further purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as this will depend on the number of the shares purchased or acquired and the price at which such shares were purchased or acquired.

(iii) The financial effects of the purchase or acquisition of shares by the Company pursuant to the proposed Share Purchase Mandate on the Group's audited financial statements for the financial year ended 31 December 2016 are set out in the Appendix to this Notice of Annual General Meeting and are for illustration only.

**Notes:**

(1) A shareholder of the Company entitled to attend and vote at the Annual General Meeting of the Company may appoint not more than two proxies to attend and vote in his/her stead. A shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a shareholder of the Company.

(2) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member.

(3) If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644 not later than 48 hours before the time appointed for the holding of the Annual General Meeting.

(4) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

(5) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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.

# APPENDIX

## PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

### 1. INTRODUCTION

The purpose of this Appendix is to provide Shareholders with information pertaining to the proposed renewal of Share Purchase Mandate, and to seek Shareholders' approval in respect of the same at the annual general meeting ("**AGM**") to be held on 26 April 2017 at 10.00 a.m. ("**2017 AGM**").

### 2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

The Share Purchase Mandate was first obtained at an extraordinary general meeting of Shareholders dated 27 April 2011 (the "**2011 EGM**"). The details of the Share Purchase Mandate was set out in the Company's circular to the Shareholders dated 5 April 2011 (the "**April 2011 Circular**"). The Share Purchase Mandate was renewed at the last AGM held on 29 April 2016, such mandate being expressed to take effect until the conclusion of the Company's forthcoming AGM. Accordingly, the Directors propose that the Share Purchase Mandate be renewed at the forthcoming 2017 AGM to be held on 26 April 2017, to take effect until the conclusion of the AGM to be held in 2018. The April 2011 Circular contained the terms of the mandate for the purchase or acquisition by the Company of its issued Shares. The terms of the mandate for the share repurchased by the Company in respect of which the Share Purchase Mandate is sought to be renewed are set out in this Appendix for the easy reference of the Shareholders.

### 2.1 Rationale

The renewal of the Share Purchase Mandate authorising the Company to purchase or acquire its ordinary shares in the issued and paid-up share capital of the Company ("**Shares**") would give the Company the flexibility to undertake purchases of its Shares up to the 10% limit described in paragraph 2.2.1 below at any time, subject to market conditions and funding arrangements, during the period when the Share Purchase Mandate is in force.

The Directors believe that a share purchase will provide the Company and its Directors with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. It also allows the Directors to exercise control over the Company's share capital structure and may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the Earning Per Share ("**EPS**") and/or Net Tangible Assets ("**NTA**") per share of the Company.

The Directors will take into account the impact of the share purchases may have on the liquidity of the Shares and only make a share purchase as and when the circumstances permit. The Director are also committed to ensuring that any share purchase by the Company will not have a material adverse impact on the free float or the liquidity of the Shares and only if the Directors are of the view that such purchase are in the best interests of the Company and the shareholders.

The Directors will ensure that the share purchase will not have any effect on the listing of the Company's securities including the ordinary shares listed on the SGX-ST. Rule 723 of the Listing Manual of the SGX-ST requires at least ten per cent. (10%) of any class of a company's listed securities (disregarding shares held in treasury) to be held by the public at all times. The Directors shall safeguard the interests of public shareholders before undertaking any share purchase. Before exercising the Shares Purchase Mandate, the Directors shall at all times take due cognisance of (a) the then shareholding spread of the Company in respect of the number of Shares held by substantial shareholders and by non-substantial shareholders and (b) the volume of trading on SGX-ST in respect of the Shares immediately before the exercise of any share purchase.

Based on 475,102,931 Shares in issued as at 30 March 2017 (the "**Latest Practicable Date**"), 315,807,904 Shares (approximately 66.47%) are held by the public. The Company is of the view that there is sufficient number of Shares in issue held by public shareholders, which would permit the Company to undertake share purchases of up to ten per cent. (10%) of its issued ordinary share capital without affecting the listing status of the Shares on SGX-ST.

### 2.2 Authority and Limits on the Share Purchase Mandate

The authority and limitations placed on share purchase or acquisitions of Shares by the Company under the Proposed Renewal of Share Purchase Mandate, are similar in terms to those previously approved by Shareholders, and are summarised below:

#### 2.2.1 *Maximum Number of Shares*

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares of the Company (ascertained as at the date of the forthcoming 2017 AGM), unless the share capital of the Company has been reduced in accordance with the applicable provisions of the Companies Act, Chapter 50 of Singapore (the "**Act**"), at any time during the Relevant Period (as defined in paragraph 2.2.2 below), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit. As at the Latest Practicable Date, the Company does not hold any treasury shares.

#### 2.2.2 *Duration of Authority*

Purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the AGM of the Company to be held on 26 April 2017, at which the Share Purchase Mandate is approved, up to:

(a) the date on which the next AGM is held or required by law to be held;

(b) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

The authority conferred on the Directors by the Share Purchase Mandate to purchase Shares may be renewed at the next AGM or any other general meeting of the Company. When seeking the approval of the Shareholders for the renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the Share Purchase Mandate made during the previous 12 months, including the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for such purchases or acquisitions of Shares, where relevant, the total consideration paid for such purchases or acquisitions.

# APPENDIX

2.2.3 ***Manner of Purchases or Acquisitions of Shares***

Purchases or acquisitions of Shares may be made by way of:

(a) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(b) off-market purchases ("**Off-Market Purchase**") effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy Back Mandate, the Listing Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all of the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements, (2) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable) and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Listing Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed purchase or acquisition of Shares;

(d) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;

(e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;

(f) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether by way of Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and

(g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.2.4 ***Maximum Purchase Price***

The purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) ("**related expenses**") to be paid for a Share will be determined by the Directors of the Company.

However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, up to 110% of the Average Closing Price (as defined hereinafter),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

### 2.3 Shares Purchase since Last Approval

The Company did not purchase any share during the 12-month period preceding the Latest Practicable Date.

### 2.4 Status of Purchased Shares

Under Section 76B of the Act, any Shares purchased or acquired by the Company through a Share purchase shall be deemed to be cancelled immediately on purchase or acquisition unless such Shares are held by the Company as treasury shares in accordance with Section 76H of the Act. Upon such cancellation, all rights and privileges attached to that Share will expire. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Act) will be automatically de-listed by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

# APPENDIX

**2.5 Treasury Shares**

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares.

Some of the provisions on treasury shares under the Act are summarised below:

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10 per cent (10%) of the total number of issued Shares.

(b) Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings. For the purposes of the Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

Where shares are held as treasury shares, the Company may at any time:

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister of Finance.

**2.6 Reporting Requirements**

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Registrar.

The Company shall notify the Registrar within 30 days of a purchase of Shares by the Company on the SGX-ST or otherwise. Such notification shall include details of the purchase, including the date of the purchase, the total number of Shares purchased by the Company, the number of Shares cancelled and the number of Shares held as treasury shares, the Company's issued ordinary share capital before and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, whether the shares were purchased or acquired out of the profits or capital of the Company, and such other information as required by the Act.

Rule 886(1) of the Listing Manual specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

(a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and

(b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the closing of acceptances of the offer for the Off-Market Purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall include details of the total number of Shares authorised for purchase, the date of purchase, prices paid for the total number of Shares purchased, the purchase price per Share or the highest and lowest purchase price per Share, the number of Shares cancelled, the number of Shares held as treasury shares, and the number of issued Shares excluding treasury shares after purchase, in the form prescribed under the Listing Rules. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

The Company, upon undertaking any sale, transfer, cancellation and/or use of treasury shares, will comply with Rule 704(28) of the Listing Manual, which provides that an issuer must make an immediate announcement thereof, stating the following:

(a) date of the sale, transfer, cancellation and/or use;

(b) purpose of such sale, transfer, cancellation and/or use;

(c) number of treasury shares sold, transferred, cancelled and/or used;

(d) number of treasury shares before and after such sale, transfer, cancellation and/or use;

(e) percentage of the number of treasury shares against the total number of Shares outstanding before and after such sale, transfer, cancellation and/or use; and

(f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

### 2.7 Funding of Share Purchase

The Company may purchase or acquire its Shares out of its distributable profits as well as out of capital so long as the Company is solvent. The Company intends to use its internal sources of funds and/or external borrowings to finance the purchase or acquisition of Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that it would materially affect the working capital requirements of the Group.

Based on 475,102,931 Shares in issue and paid-up in the share capital of the Company as at the Latest Practicable Date, the purchase by the Company of 10% of its issued Consolidated Shares, disregarding any treasury share held by the Company and assuming no further ordinary Shares are issued, and no Shares are purchased or acquired by the Company on or prior to the 2017 AGM, will result in the purchase or acquisition of 47,510,293 Shares.

Assuming that the Company purchases or acquires the 47,510,293 Shares by way of Market Purchases at the Maximum Price of $0.22 for each Share (being the theoretical price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Consolidated Shares were traded on the Official List of SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the market purchase or acquisition of 47,510,293 Shares is approximately $10,452,000.

# APPENDIX

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires Consolidated Shares at the Maximum Price of $0.23 for each Consolidated Share (being the theoretical price equivalent to 110% of the Average Closing Price of the Consolidated Shares for the five consecutive Market Days on which the Consolidated Shares were traded on the Official List of SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the off-market purchase or acquisition of 47,510,293 Shares is approximately $10,927,000.

**2.8 Illustrative Financial Effects**

2.8.1 The financial effects on the Company and the Group arising from the proposed purchases of the Company's Shares which may be made pursuant to the proposed Shares Purchase Mandate will depend on, inter alia, whether the purchase or acquisition is made out or profits and/or capital of the Company, the number of Shares purchased or acquired and the consideration paid at the relevant time and whether the Shares purchased or acquired are held in treasury or cancelled.

*Purchases or Acquisition out of Profits/Capital*

Under the Act, purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company (the "**Purchase Price**").

Where the consideration paid by the Company for the purchase or acquisition of Shares is made entirely out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of both the capital and the profits of the Company, the Company shall reduce the amount of its share capital and profits proportionately by the total amount of the Purchase Price.

The illustrative financial effects set out below are based on the consolidated financial statements for the financial year ended 31 December 2016, on the conditions set out in paragraphs 2.2.4 and 2.6 above and assuming the following:

(a) the purchase or acquisition of 47,510,293 Shares by the Company pursuant to the Shares Purchase Mandate by way of Market Purchases made entirely out of profits and cancelled;

(b) there was no issuance of Shares pursuant to the exercise of share options and/or vesting of Awards after the Latest Practicable Date;

(c) such Share purchases are funded equally by short term and long term borrowings after allowing for working capital.

# APPENDIX

***Scenario 1: Shares purchased are cancelled***

| As at 31 December 2016 | Company | | | Group | | |
|---|---|---|---|---|---|---|
| | Before Share Purchase $'000 | After Market Purchase $'000 | After Off-Market Purchase $'000 | Before Share Purchase $'000 | After Market Purchase $'000 | After Off-Market Purchase $'000 |
| Shareholders' funds (before minority interests) | 142,768 | 132,316 | 131,841 | 299,544 | 289,092 | 288,617 |
| NTA[1] | 142,768 | 132,316 | 131,841 | 299,544 | 289,092 | 288,617 |
| Total borrowings[2] | – | 10,452 | 10,927 | 114,066 | 124,518 | 124,993 |
| NTA per Share (cents)[3] | 30.05 | 30.94 | 30.83 | 63.05 | 67.61 | 67.50 |
| Basic EPS (cents)[4] | 0.02 | 0.03 | 0.03 | (7.96) | (9.00) | (9.00) |
| Financial Ratios | | | | | | |
| Gearing ratio (times)[6] | – | 0.08 | 0.08 | 0.38 | 0.43 | 0.43 |
| Current ratio (times)[7] | 0.6 | 0.1 | 0.1 | 1.3 | 1.3 | 1.3 |

***Scenario 2: Shares purchased are held as Treasury Shares***

| As at 31 December 2016 | Company | | | Group | | |
|---|---|---|---|---|---|---|
| | Before Share Purchase $'000 | After Market Purchase $'000 | After Off-Market Purchase $'000 | Before Share Purchase $'000 | After Market Purchase $'000 | After Off-Market Purchase $'000 |
| Shareholders' funds (before minority interests) | 142,768 | 132,316 | 131,841 | 299,544 | 289,092 | 288,617 |
| NTA[1] | 142,768 | 132,316 | 131,841 | 299,544 | 289,092 | 288,617 |
| Total borrowings[2] | – | 10,452 | 10,927 | 114,066 | 124,518 | 124,993 |
| NTA per Share (cents)[5] | 30.05 | 27.85 | 27.75 | 63.05 | 60.85 | 60.75 |
| Basic EPS (cents)[5] | 0.02 | 0.02 | 0.02 | (7.96) | (7.96) | (7.96) |
| Financial Ratios | | | | | | |
| Gearing ratio (times)[6] | – | 0.08 | 0.08 | 0.38 | 0.43 | 0.43 |
| Current ratio (times)[7] | 0.6 | 0.1 | 0.1 | 1.3 | 1.3 | 1.3 |

**Notes:**

(1) NTA refers to total net assets less intangible assets.

(2) Total borrowings refer to the total of short term and long term borrowings, finance lease obligations, net of cash and bank balances.

(3) NTA per Share before and after the purchase of Shares and where the Shares are cancelled are calculated based on 475,102,931 Shares and 427,592, 638 Shares respectively.

(4) EPS before and after the purchase of Shares and where the Shares are cancelled are calculated based on 411,755,912 Shares and 364,245,619 respectively.

(5) NTA per Share and EPS before and after the purchase of Shares and where the Shares purchased are held as Treasury Shares are calculated based on 411,755,912 Shares and 475,102,931 respectively, which includes the 47,510,293 Shares held in Treasury.

(6) Gearing ratio means total borrowings divided by shareholders' funds.

(7) Current ratio means current assets divided by current liabilities.

# APPENDIX

As illustrated above, the purchase of Shares made out of the capital of the Company and cancelled would have the effect of increasing the working capital and NTA of the Company and the Group. The consolidated NTA per Share of the Group as at 31 December 2016 would increase from 63.05 cents to 67.61 cents in the case of a Market Purchase and increase to 67.50 cents in the case of an Off-Market Purchase.

The consolidated basic EPS of the Group for the financial year ended 31 December 2016 would increase from loss per share of 7.96 cents to 9.00 cents if the shares were repurchased out of capital and cancelled.

As illustrated above, the purchase of Shares made out of the capital of the Company and held as treasury shares would have the effect of reducing the working capital and NTA of the Company and the Group. The consolidated NTA per Share of the Group as at 31 December 2016 would decrease from 63.05 cents to 60.85 cents in the case of a Market Purchase and to 60.75 cents in the case of an Off-Market Purchase.

The consolidated basic EPS of the Group for the financial year ended 31 December 2016 would remain at loss per share of 7.96 cents if the shares were repurchased out of capital and held in treasury.

**Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical unaudited numbers as at 31 December 2016, save for the number of Shares, which are based on the number of Shares as at the Latest Practicable Date, and is not necessarily representative of the Company or Group's real financial position or a forecast of its future financial performance.**

**Further, although the proposed Share Purchase Mandate would authorise the Company to Purchase up to 10% of the Shares, the Company may not necessarily Purchase or be able to Purchase all 10% of the Shares in full. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.**

2.8.2 The Directors do not propose to exercise the Shares Purchase Mandate in a manner and to such extent that the financial conditions of the Group would be materially adversely affected.

### 2.9 Taxation

Section 10J of the Income Tax Act, Chapter 134 of Singapore stipulates that when a company purchases or acquires its own shares from a shareholder using funds other than contributed capital of the Company, the payment by the Company shall be deemed to be a dividend paid by the Company to the shareholder.

**Shareholders who are in doubt as to their respective tax positions or the tax implications of a purchase or acquisition of Shares by the Company or who may be subject to tax whether in or outside Singapore should consult their own professional advisers.**

### 2.10 Take-over Code implications

Appendix 2 of the Take-over Code contains the Share Buy-back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.10.1 ***Obligations to make a Take-over Offer***

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

2.10.2 ***Persons acting in concert***

Under the Take-over Code, persons acting in concert ("**concert parties**") comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of the company.

Unless the contrary is established, the Take-over Code presumes, inter alia, the following individuals and companies to be persons acting in concert:

(a) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;

(b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

(f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

(g) partners; and

(h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

# APPENDIX

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders (including Directors) and persons acting in concert with each of them, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.10.3 ***Effect of Rule 14 and Appendix 2 of the Take-over Code***

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, a Shareholder and his concert parties will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Shareholder and his concert parties would increase to 30% or more, or in the event that such Shareholder and his concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Shareholder and his concert parties would increase by more than 1% in any period of 6 months. In calculating the percentages of voting rights of such Shareholder and his concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the information in the Company's Register of Shareholders as at the Latest Practicable Date, none of the Directors or Substantial Shareholders of the Company are obliged to make a general offer to other Shareholders under Rule 14 and Appendix 2 of the Take-over Code as a result of a purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate. The Directors are not aware of any potential Shareholder(s) who may have to make a general offer to the other Shareholders as a result of a purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate.

**Shareholders who are in doubt as to their obligations, if any, to make a mandatory takeover offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Singapore Securities Industry Council and/or their professional advisers at the earliest opportunity.**

## 2.11 Listing Manual

2.11.1 While the Listing Manual does not expressly prohibit any purchase of shares by an issuer during any particular time, because the issuer would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. Further, in conformity with the best practices on dealing with securities under the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

(a) one month immediately preceding the announcement of the Company's annual financial results; or

(b) two weeks immediately preceding the announcement of the Company's financial results for each of the first three quarters of its financial year; or

(c) if there is any unpublished material price-sensitive information of the Group.

2.11.2 The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of its Shares are in the hands of the public. The "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company or its subsidiaries, as well as the associates of such persons.

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 315,807,904 Shares (excluding treasury shares), representing 66.47% of the issued share capital of the Company, are in the hands of the public. Assuming the Company were to purchase or acquire the entire 10% of the total number of its issued Shares, there will be approximately 268,297,611 Shares (excluding treasury shares), representing 62.75% of the reduced issued share capital of the Company, being held in the hands of the public. In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that a sufficient float in the hands of the public will be maintained so that such purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGXST, cause market illiquidity or adversely affect the orderly trading of the Shares.

## 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save as disclosed, none of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect in the Shares of the Company as at the Latest Practicable Date:–

| Directors | Direct Interest | | Deemed Interest | | Total Interest | %(1) |
|---|---|---|---|---|---|---|
| | Shares | Options | Shares | Options(2) | | |
| Seow Soon Yong | 107,205,218 | 9,794,400 | 4,082,108(3) | – | 111,287,326 | 23.42 |
| Siau Sun King | 2,784,217 | 792,000 | 4,082,108(3) | – | 6,866,325 | 1.45 |
| Seow Soon Hee | 250,000 | 792,000 | 6,745,346(4) | – | 6,995,346 | 1.47 |
| Chia Sin Cheng | 3,713,494 | 3,920,400 | – | – | 3,713,494 | 0.78 |
| Goon Kok Loon | – | 567,600 | – | – | – | – |
| Lim Ghim Siew, Henry | 225,000 | 396,000 | – | – | 225,000 | 0.05 |
| Liew Jat Yuen, Richard | 600,000 | 132,000 | – | – | 600,000 | 0.13 |
| Tan Eng Kiat, Dominic | 225,000 | – | – | | 225,000 | 0.05 |

**Notes:**

(1) The percentage is calculated based on the total issued and paid-up share capital of 475,102,931 Shares as at the Latest Practicable Date. The percentage does not take into account Options (whether exercised or not).

(2) As at the Latest Practicable Date, there is no outstanding option issued.

(3) Mr Seow Soon Yong and Mr Siau Sun King each hold 75.0% and 25.0% respectively of the share capital of Yongnam Private Limited and each of them is accordingly deemed interested in the Shares held by Yongnam Private Limited.

(4) This represents the deemed interest of Mr Seow Soon Hee in the shares of the Company held by his spouse, Mdm Lee Pui Ching.

# APPENDIX

| Substantial Shareholders | Direct Interest | | Deemed Interest | | Total Interest | |
|---|---|---|---|---|---|---|
| | Shares | % | Shares | % | Shares | % |
| Seow Soon Yong | 107,205,218 | 22.56 | 4,082,108[1] | 0.86 | 111,287,326 | 23.42 |
| Mohamed Abdul Jaleel S/O Muthumaricar Shaik Mohamed | 32,325,000 | 6.80 | – | – | 32,325,000 | 6.80 |

**Note:**

(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.

## 4. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the Ordinary Resolution 9 as set out in the Notice of 2017 AGM relating to the proposed renewal of the Share Purchase Mandate.

## 5. ANNUAL GENERAL MEETING

The 2017 AGM, notice of which is set out on pages 99 and 103 of the Notice of 2017 AGM attached to the Annual Report 2016 of the Company, will be held at 51 Tuas South Street 5, Singapore 637644 on Wednesday, 26 April 2017 at 10.00 a.m. for the purpose of, inter alia, considering and, if thought fit, passing the ordinary resolution on the renewal of Share Purchase Mandate as set out in the Notice of the 2017 AGM.

## 6. ACTION TO BE TAKEN BY SHAREHOLDERS

**6.1** Shareholders who are unable to attend the 2017 AGM and wish to appoint a proxy to attend and vote at the 2017 AGM on their behalf must complete, sign and return the Proxy Form attached to the Annual Report 2016 in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644 not less than 48 hours before the time fixed for the 2017 AGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the 2017 AGM should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

**6.2** A Depositor shall not be regarded as a shareholder of the Company and not entitled to attend the 2017 AGM and to speak and vote thereat unless his name appears on the Depository Register as at 72 hours before the 2017 AGM.

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644 during normal business hours from the date hereof up to the date of the AGM:

(a) the Constitution of the Company; and

(b) the Annual Report of the Company for FY2016.

# APPENDIX

## 8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

## 9. SGX-ST'S DISCLAIMER

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinion expressed in this Appendix.

Yours faithfully,
For and on behalf of the Board of Directors of
**YONGNAM HOLDINGS LIMITED**

**SEOW SOON YONG**
Chief Executive Officer

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**YONGNAM HOLDINGS LIMITED**
Registration Number : 199407612N
(Incorporated in the Republic of Singapore)

**IMPORTANT**

1. For investors who have used their CPF monies to buy Yongnam Holdings Limited's shares, this Annual Report 2016 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

# PROXY FORM

I/We, ____________________ (name) ____________________ (NRIC/Passport no.)

of ________________________________________ (address)

being a member/members of Yongnam Holdings Limited (the "Company"), hereby appoint:

| Name | NRIC/Passport No. | Proportion of Shareholding(s) to be represented by proxy | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and/or (delete where appropriate)

| Name | NRIC/Passport No. | Proportion of Shareholding(s) to be represented by proxy | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

as my/our proxy/proxies to vote for me/us on my/our behalf at the AGM of the Company to be held at 51 Tuas South Street 5, Singapore 637644 on Wednesday, 26 April 2017 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the AGM as indicated with a cross "X" in the spaces provided hereunder. If no specific directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

☐ Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.

All resolutions put to the vote at the AGM shall be decided by way of poll.

| Resolution No. | Ordinary Resolutions | For | Against |
|---|---|---|---|
| 1. | Adoption of the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Directors' Statement together with the Reports of the Auditors thereon. | | |
| 2. | Approval of payment of proposed Directors' fees of S$244,653 for the financial year ended 31 December 2016. | | |
| 3. | Re-election of Mr. Seow Soon Yong as Director who is retiring by rotation pursuant to Article 103 of the Constitution of the Company. | | |
| 4. | Re-election of Mr. Siau Sun King as Director who is retiring by rotation pursuant to Article 103 of the Constitution of the Company. | | |
| 5. | Re-election of Mr. Lim Ghim Siew, Henry as Director who is retiring by rotation pursuant to Article 103 of the Constitution of the Company. | | |
| 6. | Re-appointment of Messrs Ernst & Young LLP as Auditors. | | |
| 7. | Authority to allot and issue shares. | | |
| 8. | Authority to issue shares under the Yongnam Employee Share Option Scheme. | | |
| 9. | Renewal of Share Purchase Mandate. | | |

Dated this ________ day of ____________________, 2017

| Total number of Shares in: | No. of Shares held |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________
Signature(s) of Member(s)/ Common Seal

**IMPORTANT: Please read notes overleaf**

**Notes:–**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 131 of the Companies Act, Cap. 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members of the Company, you 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 you.

2. A shareholder entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company.

3. Intermediaries such as banks and capital markets services licence holders which provide custodial services and are shareholders of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the shareholder. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644 not less than 48 hours before the time appointed for the AGM.

5. Where a shareholder appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy and, if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a shareholder 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 Section 179 of the Companies Act, Cap. 50.

9. The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the AGM if he so wishes.

10. he Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the shareholder, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

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

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**YONGNAM HOLDINGS LIMITED**

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