



# STRENGTH TO OVERCOME CHALLENGES

ANNUAL REPORT  
**2021**



# CORPORATE PROFILE



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

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

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

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

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

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



# CONTENTS

<b>2</b>	Chief Executive Officer's Message
<b>4</b>	Board of Directors
<b>6</b>	Key Executives
<b>8</b>	Operations Review
<b>12</b>	Financial Review
<b>13</b>	Financial Highlights
<b>14</b>	Corporate Governance Report
<b>34</b>	Disclosure of Information on Directors seeking re-election
<b>42</b>	Financial Contents
<b>117</b>	Statistics of Shareholding
<b>119</b>	Notice of Annual General Meeting
	Proxy Form





## CHIEF EXECUTIVE OFFICER'S MESSAGE



Infrastructure development in Singapore has remained dynamic. The Singapore government has kept up the pace of on-going projects such as the North-South Corridor, and pushed out new projects including the MRT Jurong Regional Line and Cross Island Line.

### DEAR SHAREHOLDERS,

The Group's revenue in FY2021 increased by 31.3% to \$121.9 million, compared to \$92.9 million in FY2020 which had no revenue for five months due to the coronavirus ("COVID-19") circuit breaker period. Revenue from Specialist Civil Engineering projects increased by 60.9% while the same from Structural Steelwork fell marginally by 0.3%.

Gross loss in FY2021 narrowed to \$4.1 million, compared to \$44.4 million in FY2020. The substantial reduction was due to several factors. Firstly, the management took steps to reduce the overheads. Secondly, with the increase in revenue, the Group was able to allocate more of its overheads to projects as compared to FY2020. Thirdly, downward adjustments to project margins were made in FY2020, in anticipation of higher project costs due to delays caused by COVID-19, which contributed to the much higher gross loss.

Loss after tax was also reduced from \$77.8 million in FY2020, to \$27.1 million in FY2021. Factors contributing to this reduction included lower general and administrative expenses as well as finance costs. The reduction would have been greater if not for a \$11.3 million charge due to the disposal of surplus steel beams and columns with low utilization, loss on derecognition of convertible bonds refinancing and preparation costs incurred on our storage yard, all of which were exceptional in nature.

The Group continued to operate under difficult conditions exacerbated by COVID-19. Construction activities in Singapore continued at a slow pace in FY2021, as the industry adjusted to new COVID-19 related policies and measures. In Malaysia, where the Group has a fabrication plant, work was interrupted as the Malaysian authorities implemented Movement Control Orders on several occasions which stretched over several months.

The closure of international borders led to a labour crunch for the construction industry, as it was almost impossible for foreign workers to enter Singapore, either as new entrants or returning workers. Competition for the already limited labour led to increased labour costs. Towards the end of 2021, the world was introduced to a new COVID-19 variant, the Omicron. Although less deadly, the Omicron variant spread much faster. The result was further lost man-days which aggravated the manpower shortage. Adding to the industry's woes were the increased steel prices as well as the drastic increase in the price of electricity which struck everyone, including residential users, by total surprise. Until now, these two phenomena are still chipping away at our margins.

## CHIEF EXECUTIVE OFFICER'S MESSAGE



The pandemic also affected the supply of projects. Several mega projects have been postponed of which notably, the Changi Airport Terminal 5 development and the integrated resorts expansion projects. While the Singapore government continued with infrastructure development with the North-South Corridor, MRT Jurong Regional Line and MRT Cross Island Line, there has not been many commercial projects introduced. As the Group's fabrication facilities are primarily meant for structural steelwork projects, the lack of commercial projects effectively caused such facilities to be under-utilized.

At the time of writing, it appears that there is finally light at the end of the tunnel. In line with most other countries, Singapore is transitioning from a COVID-19 pandemic to an endemic. Border restrictions are being gradually relaxed and lifted, in particular the land borders with Malaysia where more than a hundred thousand workers used to cross over on a daily basis for work prior to the onset of COVID-19. These measures will go a long way towards restoring the supply and cost of labour to more reasonable levels.

While it might take some time for more commercial projects and developments to be offered, the infrastructure development in Singapore has remained dynamic. Apart from Changi Terminal 5

development which has been postponed, the Singapore government has kept up the pace of on-going projects such as North-South Corridor, and pushed out new projects including the MRT Jurong Regional Line and Cross Island Line. A new MRT link between Punggol and Pasir Ris is also on the horizon. Similar impetus is seen in Hong Kong where road infrastructure development continues unabated. We expect to see similar trends soon in other markets such as India and Australia, where the Group has already made in-roads.

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

**SEOW SOON YONG**  
Chief Executive Officer

## BOARD OF DIRECTORS



### SEOW SOON YONG

MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER

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

Last re-elected on 29 June 2020

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



### SIAU SUN KING

EXECUTIVE DIRECTOR

Appointed to the Board on 19 October 1994

Last re-elected on 29 June 2020

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



### CHIA SIN CHENG

EXECUTIVE DIRECTOR & FINANCE DIRECTOR

Appointed to the Board on 8 January 2007

Last re-elected on 29 July 2021

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

## BOARD OF DIRECTORS



### LIM GHIM SIEW, HENRY

NON-EXECUTIVE & INDEPENDENT DIRECTOR

Appointed to the Board on 15 October 2002

Last re-elected on 29 July 2021

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



### TAN ENG KIAT, DOMINIC

NON-EXECUTIVE & LEAD INDEPENDENT DIRECTOR

Appointed to the Board on 3 March 2008

Last re-elected on 29 July 2021

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



### TENG KIAN JEN, BEN

NON-EXECUTIVE & INDEPENDENT DIRECTOR

Appointed to the Board on 15 October 2020

Last re-elected on 29 July 2021

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





## KEY EXECUTIVES

### **CHELVADURAI HARENDRAN** ENGINEERING DIRECTOR

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

### **SEOW SOON HOCK** PRODUCTION DIRECTOR

Mr. Seow joined Yongnam in 1978 and has more than 30 years of experience in production, production planning and logistics management. He is responsible for all fabrication, scheduling, allocation of resources and progress tracking as well as providing technical assistance and innovative methods to engineering design.

### **YANG EUN KYU** DIRECTOR-TECHNICAL (CIVIL)

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

### **SIK KAY LEE** PROJECT DIRECTOR

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



## KEY EXECUTIVES

### CHEONG HOCK CHOON

PROJECT DIRECTOR

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

### KOH ENG SENG

DIRECTOR-SPECIALIST CIVIL ENGINEERING

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

### TEO SHENG KIONG

GROUP FINANCIAL CONTROLLER

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



## OPERATIONS REVIEW



### **NORTH-SOUTH CORRIDOR N103 MAIN CONTRACT**

The scope of work for the North-South Corridor contract N103 includes the design and construction of 640 metres of twin, three-lane vehicular tunnels, the underpinning of an existing expressway flyover, a new facility building, as well as an entrance ramp and an exit ramp.

This contract was secured by the Group's 30%-owned joint venture with Leighton Asia, a leading international construction company with headquarters in Australia. Work has commenced in the second half of 2019 and is expected to complete by 2026.

### **NORTH-SOUTH CORRIDOR SUBCONTRACTS**

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

### **INFRASTRUCTURAL DEVELOPMENT IN EASTERN SINGAPORE**

The Group won two subcontracts to undertake specialist civil engineering works encompassing the design, supply, installation and dismantling of temporary earth retaining works for a mega infrastructural development in the eastern part of Singapore. The subcontracts are expected to be progressively completed by first quarter of 2023.

### **WOODLANDS HEALTH CAMPUS**

Woodlands Health Campus will be a 1,800 bedded facility comprising an acute hospital, a community hospital, outpatient clinics and a long-term care facility within a 7.7 hectare site located at Woodlands Drive 17 and Woodlands Avenue 12. Yongnam's scope of work involves the supply, fabrication, delivery and erection of structural steelwork. The contract is expected to be completed in 2022.

### **CENTRAL KOWLOON ROUTE - YAU MA TEI EAST**

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

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



# OPERATIONS REVIEW

## SINGAPORE GENERAL HOSPITAL H9A

Singapore General Hospital is expanding its accident and emergency facilities with a 12-storey emergency medicine building to replace the hospital’s existing A&E facilities. When completed, the new facilities will have about four times the space of the existing emergency facilities.

The Group was awarded a subcontract for the supply, fabrication and erection of structural steelwork for the new facilities. The subcontract is expected to be completed in 2022.

## CHANGI MRT T316

This infrastructural development entails the construction and completion of twin bored tunnels which connect Changi Airport Terminal 5 to Changi Airport Station Terminal 2 North Finger Pier. The development also includes the construction and completion of associated cross passages, launch shaft, underground infrastructure, tunnels, low-point sumps and associated ancillary works.

The Group will undertake specialist civil engineering works to supply, fabricate, install and dismantle sheet piles, soldier piles and steel struts. This contract is expected to be completed in 2023.

## PUNGGOL REGIONAL SPORTS CENTRE

The new Punggol Regional Sports Centre will have a 5,000-seater football stadium, a swimming complex with five pools, an indoor sports hall with 20 badminton courts and a team sports hall with three convertible basketball courts. It will also include a gym, fitness studio, sheltered tennis and futsal courts, a water activity centre and an archery training centre.

Yongnam will supply, fabricate and erect structural steelwork for this development. The contract is expected to be completed in 2022.

## MRT C190 INTEGRATED TRAIN TESTING CENTRE

The Integrated Train Testing Centre (“ITTC”) by Singapore’s Land Transport Authority will support the testing and commissioning of both new and existing rail lines. The dedicated facility will allow train testing works to be carried out round the clock and away from the rail lines, hence reducing the need to close the rail lines early, or open late, therefore minimising inconvenience to commuters.

Yongnam will supply traffic decking and provide Earth Retaining Stabilising System for the development. The subcontracts are expected to complete in 2023.





## OPERATIONS REVIEW



### LRT TIN WING STOP

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

### TRUNK ROAD T2 & INFRASTRUCTURE WORKS

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

The Group provides the design, installation and dismantling of excavation lateral support works at the depressed road and West Ventilation Building. The works are expected to complete in 2023.





# OPERATIONS REVIEW





## FINANCIAL REVIEW



Group revenue in FY2021 increased by 31.3% to \$121.9 million, compared to \$92.9 million in FY2020, largely due to no revenue for five months in FY2020 resulting from the suspension of construction activities during the circuit breaker period introduced to combat COVID-19, and similar measures taken in Malaysia, India and Hong Kong. However, the pick-up in construction activities in FY2021 was constrained by tight manpower resources due to border closures and other COVID-19 related restrictions, hence impacting the progress of projects.

### Segmental Performance:

- **Specialist Civil Engineering:** Revenue increased by 60.9% to \$71.4 million in FY2021, compared to \$44.4 million in FY2020. Key contributors were projects for the Singapore Changi Terminal 5, MRT Thomson Line and Circle Line, MRT Integrated Train Testing Centre, and projects in Hong Kong and Australia;
- **Structural Steelwork:** Revenue decreased marginally by 0.3% to \$46.1 million in FY2021, compared to \$46.2 million in FY2020. Key contributors included Surbana Jurong Campus, N105 Temporary Pedestrian Overhead Bridge, IOI Building Development, SGH, Punggol Sports Hub and remaining works at JTC Logistic Hub.

Geographically, projects in Singapore accounted for 82.4% of total revenue, compared to 68.7% in FY2020. Projects in the rest of the Asia-Pacific countries accounted for the remaining 17.6%.

The Group narrowed its gross loss to \$4.1 million in FY2021, compared to a gross loss of \$44.4 million in FY2020. This came as a result of lower unallocated overheads which resulted from higher levels of strutting and fabrication activities to support the increased revenue, as well as steps taken by management to reduce the Group's overheads. Additionally, the higher gross loss in FY2020 contained downward adjustments to project gross margins in anticipation of

higher project costs due to delays in completion of projects caused by COVID-19. Nevertheless, COVID-19 continued to impact the Group's gross margins as our production facility in Malaysia was affected by several rounds of movement control order, and progress at project sites was slow due to manpower and other COVID-19 related constraints.

General and administrative expenses fell from \$23.3 million in FY2020 to \$16.8 million in FY2021. This was mainly due to the absence of a \$8.4m provision on project receivables made in FY2020, as well as lower staff and general expenses, and gain on disposal of certain fixed asset. The reduction was however partially offset by an exceptional item of \$11.3 million due to the disposal of surplus steel beams and columns with low utilization, loss of derecognition of convertible bonds refinancing and preparation costs incurred on our storage yard.

Finance costs decreased by 17.1% in FY2021 at \$10.2 million compared to \$12.3 million in FY2020. This was mainly due to lower borrowing costs resulting from lower bank charges, borrowing interest and lease interest.

As a result, the Group's loss after tax fell from \$77.8 million in FY2020 to \$27.1 million in FY2021. Excluding the exceptional item of \$11.3 million (\$2.0 million in FY2020), the Group's net loss would be lower at \$15.8 million in FY2021, compared to \$75.8 million in FY2020.

The Group's net gearing is higher at 1.12 times as at 31 December 2021, compared to 0.94 times as at 31 December 2020. Net cash flows from operating activities fell from \$35.9 million in FY2020 to \$6.6 million in FY2021. The Group's cash and bank balances at the end of FY2021 was \$2.9 million, down from \$5.5 million at the end of FY2020.

As at 31 December 2021, the Group's order book stood at \$464.3 million, compared to \$543.0 million as at 31 December 2020.

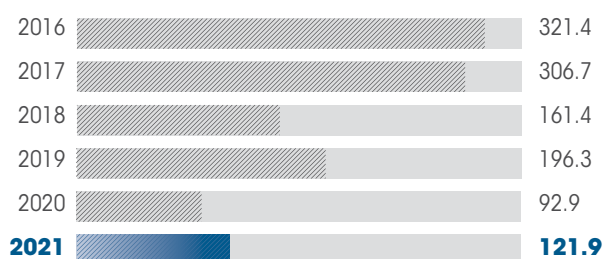
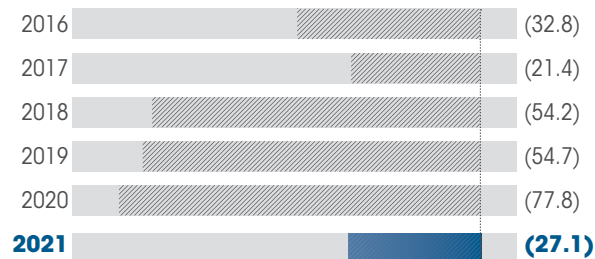
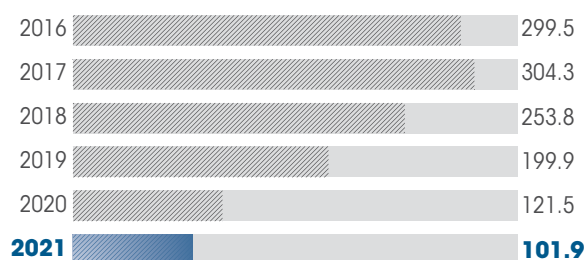


## FINANCIAL HIGHLIGHTS

	2021	2020	2019	2018	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>PROFIT AND LOSS ACCOUNT</b>						
Revenue	121,912	92,850	196,273	161,449	306,679	321,378
Loss before taxation	(27,146)	(72,309)	(59,564)	(66,053)	(24,676)	(38,133)
Loss after taxation	(27,085)	(77,826)	(54,703)	(54,209)	(21,403)	(32,793)
Loss per share (Basic) (Cents)	(4.63)	(14.93)	(10.29)	(9.76)	(3.50)	(7.99)
<b>BALANCE SHEET</b>						
Property, plant and equipment	215,026	251,243	268,677	314,804	327,479	314,203
Other non-current assets	45,647	49,371	53,573	60	-	1,500
Net current (liabilities)/assets <sup>(1)</sup>	(16,277)	(23,516)	47,485	71,784	81,012	110,207
	244,396	277,098	369,735	386,648	408,491	425,910
Shareholders' equity	101,890	121,484	199,850	253,813	304,290	299,544
Non-controlling interest	(8,766)	(8,920)	(9,097)	(8,149)	(4,959)	(511)
Short and long-term borrowings	151,272	164,465	178,982	140,069	96,392	114,066
Deferred taxation	-	69	-	915	12,768	12,811
	244,396	277,098	369,735	386,648	408,491	425,910
NAV per share (Cents)	15.86	23.25	38.24	48.57	58.23	63.05

**Note:**

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

**REVENUE (\$ MILLION)****LOSS 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 2021 (“FY2021”) in keeping pace with the evolving corporate governance practices and complying with the Code of Corporate Governance 2018 (the “Code”). The Company has adopted and complied, wherever feasible, relevant and practicable to the Group, with the principles and guidelines set out in the Code, except where otherwise stated. The Company is also guided by the voluntary Practice Guidance which was issued to complement the Code and which sets out best practice standards for companies. The Board will continue to improve its practices with developments by enhancing its principles and framework.

## BOARD MATTERS

### The Board’s Conduct of its Affairs

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

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

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

## CORPORATE GOVERNANCE REPORT

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

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

The Board has delegated specific responsibilities to the committees of the Board, namely, the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Audit Committee ("AC") (collectively, the "Board Committees") to assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively, and reporting back to the Board. These Board Committees are made up of, and each chaired by 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 half-yearly basis to approve, among others, announcements of the Group's half-yearly 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 attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings during FY2021 is tabulated below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	2	2	1	1
<b>No. of meetings attended by respective directors</b>				
<b><u>Executive Directors:</u></b>				
1. Seow Soon Yong (Chief Executive Officer)	2	–	–	–
2. Siau Sun King	2	–	–	–
3. Chia Sin Cheng	2	–	–	–
<b><u>Independent Directors:</u></b>				
4. Goon Kok Loon (retired at the last AGM held on 29 June 2021)	1	1	1	1
5. Lim Ghim Siew, Henry	2	2	–	1
6. Tan Eng Kiat, Dominic	2	1	1	1
7. Teng Kian Jen, Ben	2	2	1	–

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

With effect from 1 January 2022, all Directors are required to undergo training on sustainability matters. The Company will arrange for Directors to attend the mandated sustainability training in due course and to provide a confirmation that its Directors have attended such training in its sustainability report for financial year 2022 to be issued in 2023.



# CORPORATE GOVERNANCE REPORT

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

## ACCESS TO INFORMATION

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

Management papers are circulated to the Board every quarter to keep the Board updated on the key matters concerning the Group. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings. 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 1967 (the "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 expense of the Company.

## Board Composition and Guidance

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

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

# CORPORATE GOVERNANCE REPORT

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

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

The Board's composition is to be reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience. The NC also conducts an annual review of the size and composition of the Board Committees to assess if any change is needed. As of the date of this report, the Board comprises six Directors, of whom 3 are independent and 3 non-independent. The Board is of the view that there are sufficient independent elements with independent directors making up half of the Board, safeguards and checks to ensure that the decision making process of the Board is independent and based on collective decision without any individual or groups of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance. However, the Board would continue identifying suitable candidate so as to cause the Independent Non-Executive Directors make up a majority of the Board pursuant to Provisions 2.2 and 2.3 of the Code.

The NC is of the view that the current Board comprises persons whose diverse skills, experience and attributes provide for an effective Board. The Board members also collectively possess the necessary core competencies for the effective functioning of the Board and an informed decision making process. The NC has reviewed and is satisfied that the current composition and board size is appropriate for effective decision making, having taken into consideration the nature and scope of the Group's operations. The NC will further consider other aspects of diversity such as gender and age, and assist the Board to put in place a board diversity policy and progress for implementation of such policy, so as to avoid group think and foster constructive debate. To be in line with the Listing Rules, the Company will adopt a Diversity Policy which is to be disclosed in the annual report of the Company for the financial year 2022.

The criterion of independence is based on the guidelines provided in the Code and Rule 210(5)(d) of the SGX Listing Rules. The Board considers an "independent" director as one who has no relationship with the Company, its related corporations, its substantial shareholders or its officer that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement 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.

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 Directors.

## CORPORATE GOVERNANCE REPORT

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.

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

The Board is of the view that Mr Tan Eng Kiat, Dominic and Mr Lim Ghim Siew, Henry should continue to be deemed independent notwithstanding having been on the Board for more than nine (9) years.

With effect from 1 January 2022, a director will not be independent if he has served for an aggregate of more than nine (9) years and his continued appointment as an independent director has to be sought and approved in separate resolutions by (a) all shareholders and (b) shareholders, excluding the directors and chief executive officer of the issuer, and associates of such directors and chief executive officer (the "Two-Tier Voting"). Such resolutions approved by a Two-Tier Voting may remain in force for three (3) years from the conclusion of the annual general meeting ("AGM") following the passing of the resolutions or the retirement or resignation of the director, whichever the earlier.

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

The Board is of the opinion that it would be most effective to draw on the appropriate core competencies and diversity of experience from the longer serving directors and believes that the Company will benefit from having Directors on its Board who, over time, have gained valuable insights into the Company, its business and the industry in which it operates; while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed required.

The shareholders' approval had been obtained through a Two-Tier Voting process at the last AGM of the Company duly held on 27 July 2021 for Mr Tan Eng Kiat, Dominic and Mr Lim Ghim Siew, Henry, who have served on the board beyond non (9) years from the date of their first appointment, to continue in office as Independent Non-Executive Directors of the Company.

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

# CORPORATE GOVERNANCE REPORT

## Chairman and Chief Executive Officer

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

The Code advocates that there should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business and no one individual should 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 Tan Eng Kiat, Dominic has been appointed as the Lead Independent Director of the Company for the shareholders in situations where there are concerns or issues which communication with the Chief Executive Officer and/or Finance Director has failed to resolve or where such communication is inappropriate. During FY2021, Mr Tan Eng Kiat, Dominic took the lead in ensuring compliance with the Code. Led by the Lead Independent Director, the Independent Directors would meet in the absence of the other Directors as and when circumstances warrant.

## Board Membership

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

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

Mr Tan Eng Kiat, Dominic – Chairman

Mr Lim Ghim Siew, Henry – Member

Mr Teng Kian Jen, Ben – Member



# CORPORATE GOVERNANCE REPORT

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

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

During FY2021, the NC held one (1) meeting with full attendance.

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

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

The NC also reviews the independence and number of years served by each of the Independent Directors as mentioned under Rule 210(5)(d) of the Listing Manual of SGX-ST and Provision 2.1 of the Code. The NC has affirmed that Mr Lim Ghim Siew, Henry, Mr Tan Eng Kiat, Dominic and Mr Teng Kian Jen, Ben are independent and free from any relationship outlined in the Rule 210(5)(d) of the Listing Rules and the Code. Each of the Independent Directors has also confirmed his independence. Having considered their in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of 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.

## CORPORATE GOVERNANCE REPORT

All Directors, including the CEO, submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. The Company's Constitution requires one-third of the Directors to retire and subject for re-election by shareholders at every 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.

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.

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

- Mr Tan Eng Kiat, Dominic; and
- Mr Lim Ghim Siew, Henry.

The Board provides for the appointment of alternate directors when any of the Directors think fit. The Board will take into consideration the same criteria for selection of Directors such as qualification, credential, experience and competency. The Company has no alternate Director during FY2021.

Key information of each member of the Board can be found under the "Board of Directors" and "Disclosure of information on Directors seeking re-election as required under Appendix 7.4.1 to the Listing Manual of the SGX-ST" sections appeared on pages 34 to 41 of this Annual Report.

### Board Performance

***Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.***

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

- Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity;
- Geographical location of Directors;
- Size and composition of the Board;
- Nature and scope of the Group's operations and size; and

# CORPORATE GOVERNANCE REPORT

- Capacity, complexity and expectations of the other listed directorships and principle commitments held.

The NC, having reviewed each Director's outside directorships as well as each Director's contributions to the Board, is satisfied that all Directors have discharged their duties adequately for FY2021.

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

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

***Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.***

### Level and Mix of Remuneration

***Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.***

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

Mr Lim Ghim Siew, Henry – Chairman

Mr Tan Eng Kiat, Dominic – Member

Mr Teng Kian Jen, Ben – Member

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

The RC meets at least once a year. For FY2021, the RC held one scheduled meeting with full attendance. It has access to the Group Human



## CORPORATE GOVERNANCE REPORT

Resource Manager when clarification and advice are needed. The key responsibilities of the RC are:

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

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

The Independent Directors are paid Directors' fees, which comprise basic fees and additional fees for serving on Board Committees. Payment of these fees is subject to the shareholders' approval at the forthcoming AGM. The RC ensures that the Independent Non-Executive Directors 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.

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

Having reviewed and considered the salary components of the Executive Directors and the KMP which are 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.

### **Disclosure on Remuneration**

# CORPORATE GOVERNANCE REPORT

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

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

Name of Directors	Fees <sup>1</sup> (%)	Salary <sup>2</sup> (%)	Performance Related Income (%)	Others (%)	Total (%)	Total (\$'000)
Seow Soon Yong (CEO and MD)	–	90%	–	10%	100%	403
Chia Sin Cheng	–	95%	–	5%	100%	323
Siau Sun King	–	77%	–	23%	100%	280
Lim Ghim Siew, Henry	100	–	–	–	100	49
Tan Eng Kiat, Dominic	100	–	–	–	100	50
Teng Kian Jen, Ben	100	–	–	–	100	45
Goon Kok Loon <sup>3</sup>	100	–	–	–	100	34

**Note:**

- (1) The Directors' fees are subject to the approval of the shareholders at the AGM.
- (2) The salary includes CPF contribution.
- (3) Mr Goon Kok Loon retired as Director at the last AGM held on 29 July 2021.

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

The range of gross remuneration received by each of the top 5 KMP (excluding Executive Directors or CEO) of the Group as named under the section on "Profile of Key Management" in the applicable band of \$250,000 as follows:–

Remuneration Band	No. of Executives
\$250,000 – \$499,999	2
\$1 – \$249,999	3

In aggregate, the total remuneration (including CPF contribution thereon and bonus) paid to the top 5 KMP in FY2021 is approximately \$1,221,000.

The Board is of the view that given the highly competitive industry conditions coupled with the sensitivity and confidentiality of remuneration

## CORPORATE GOVERNANCE REPORT

matters, the disclosure of remuneration in bands and not on named basis for KMP provides sufficient overview of the remuneration of the KMP and does not prejudice the Group's interest. There are no termination, retirement and post-employment benefits granted to Directors, the CEO, Substantial Shareholder and the top 5 KMP.

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

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

The aggregate remuneration (including CPF contribution thereon and bonus) of these employees amounted to approximately \$630,000.

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

### ACCOUNTABILITY AND AUDIT

#### Risk Management and Internal Controls

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

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

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.

The Management will report to the AC formally (Half Yearly and Full Year) and informally (1<sup>st</sup> and 3<sup>rd</sup> Quarter of the year) to ensure 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 half-yearly financial results announcements, 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 ensures that the Management maintains a sound system of risk management and



## CORPORATE GOVERNANCE REPORT

internal controls to safeguard shareholders' interests and the Group's assets and determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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

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

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

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

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

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

The Board notes that no system of risk management and cost effective system of internal controls could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities and the containment of business risk. Nonetheless, the Board believes its responsibility of overseeing the Group's risk management framework and policies are well supported. In view of the above and based on the internal controls established and maintained by the Group, the statutory audit conducted by the external auditors, and reviews performed by the Management, various Board Committees and the Board so far, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems, addressing financial, operational, compliance, information technology and

## CORPORATE GOVERNANCE REPORT

sanctions-related risks, put in place during the financial year were adequate and effective. This is in turn supported by (a) the assurance from the CEO and the Finance Director that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances are in accordance with the relevant accounting standards; and (b) the assurance from the CEO and other KMP who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

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

### **Audit Committee**

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

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

Mr Tan Eng Kiat, Dominic – Chairman

Mr Lim Ghim Siew, Henry – Member

Mr Teng Kian Jen, Ben – Member

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

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

The members of the 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, compliance, information technology and sanctions-related risks, and ensure co-ordination between the internal and external auditors, and the Management, reviewing the assistance given by the Management to the auditors, and discuss problems and concern, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);
- review the assurance from the CEO and the Finance Director on the financial records and financial statements;

## CORPORATE GOVERNANCE REPORT

- review the adequacy, effectiveness, independence, scope and results of the external audit, and the Company's internal audit function;
- review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- make recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- review significant financial reporting issues and judgments with the Finance Director and the external auditors so as to ensure the integrity of the financial statements of the Group;
- review any formal announcements relating to the Group's financial performance before their submission to the Board of Directors;
- review and report to the Board at least annually the adequacy and effectiveness of the Group's material internal controls with the Finance Director, the finance manager and the internal and external auditors, including financial, operation, compliance 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; and
- review the Company's risk of becoming subject to, or violating, any Sanctions Law and ensure timely and accurate disclosure to SGXNet and other relevant authorities.

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

The AC reviews the audit plan and scope of examination 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 half-yearly 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 reviewed the financial statements of the Group and highlighted some key audit matters that might significantly impact the financial statements and were reviewed by AC as follows:



## CORPORATE GOVERNANCE REPORT

<ul style="list-style-type: none"> <li>• <b>Accounting for construction contracts</b></li> </ul>	<p>Accounting for construction contracts 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 FY2021.</p> <p>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 process. 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.</p>
<ul style="list-style-type: none"> <li>• <b>Impairment of certain steel beams and columns</b></li> </ul>	<p>Impairment review of certain steel beams and columns 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 FY2021.</p> <p>The AC considered the accounting treatment and methodology applied to the valuation model in impairment of strutting assets. It reviewed the reasonableness of the value-in-use of cash-generating unit, cash flow forecast, revenue growth rates and discount rate used in the valuation model. The AC is satisfied with the accounting treatment, the judgments and the methodology applied.</p>

The AC also reviews the independence and objectivity of the external auditors and reviewed the scope and value of non-audit services provided to the Group by the external auditors, Ernst & Young LLP. The aggregate amount of audit and non-audit fees paid or payable to the external auditors for FY2021 are \$217,000 and \$29,000 respectively. The AC is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the external auditors. The AC has recommended to the Board the nomination of Ernst & Young LLP for re-appointment as auditors of the Company at the forthcoming AGM. The Group has also complied with Rules 712 and 715 (1) and (2) of the Listing Manual of SGX-ST in relation to the appointment of its external auditors.

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

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

### WHISTLE-BLOWING POLICY

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

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

# CORPORATE GOVERNANCE REPORT

The Group's addresses issues/concerns raised and arranges for investigation by AC and/or follow-up of appropriate action. The AC reports to the Board any issues/concerns received by it at the ensuing Board meeting. Should the AC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action. There was no whistle blowing report received in FY2021.

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.

## SHAREHOLDERS RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meetings

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

### Engagement with Shareholders

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

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

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

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst safeguarding its commercial interests. Material information on the Group 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 KMP, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the Company's website. The Company currently does not have an investor relations policy.

The Company strives to communicate with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET. Financial results of the Company and the Group were released within 45 days from the half-year ended and within 60 days from the full-year financial year ended during the year. The Company will continue to keep shareholders updated on material developments relating to the Company and the Group in compliance with its continuing disclosure obligations, as and when appropriate. To further enhance its communication with investors, the Company has also enhanced its website through its Investor Relations at <https://yongnam.listedcompany.com/> where the public can access information on the Group directly.



# CORPORATE GOVERNANCE REPORT

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

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. Separate resolutions on each distinct issue are tabled at general meetings and explanatory notes are set out in the notices of general meetings where appropriate.

Shareholders are informed of shareholders' meetings through notice contained in the Company's annual report or circulars sent to all Shareholders. These notices are also posted onto the SGXNet within the mandatory period. Due to the COVID-19 situation in Singapore, the Company's AGM and Extraordinary General Meetings ("EGM") in 2021 were held by way of electronic means. The notices together with proxy forms of AGM and EGM were disseminated to Shareholders through publication on SGXNet and the Company's website. The Company had also published the notices of AGM and EGM, detailing the alternative arrangements for the AGM and EGM. Shareholders participated in the AGM and EGM via electronic means, and their questions in relation to any resolution set out in the notices of AGM and EGM were sent to the Company in advance of the AGM and EGM. The Company provided their responses to the substantial queries and relevant comments from Shareholders at the AGM and EGM via electronic means, and the responses were subsequently published on the SGXNet and the Company's website together with the minutes of the AGM and EGM.

For FY2021, all Directors including Chairman of the Board and the respective Chairman of the Board Committees, Management, legal professional (if required) and the external auditors were present at the AGM & EGM held on 29 July 2021 and 21 October 2021 respectively.

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. As the authentication of shareholder identity and other related security and integrity issues still remain a concern, the Company has decided for the time being, not to implement absentia voting methods such as voting via mail, e-mail or fax.

## **DIVIDEND POLICY**

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

- the results of operations and cash flow;
- the expected financial performance and working capital needs;
- 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. The Board does not declare any dividend after taking into account various factors mentioned above.



# CORPORATE GOVERNANCE REPORT

## MANAGING STAKEHOLDERS RELATIONSHIPS

### Engagement with Stakeholders

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

The Group has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. For more information on the Company's stakeholder engagement, please refer to the Company's Sustainability Report 2021 which is to be published in May 2022.

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

## DEALINGS IN SECURITIES

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

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

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

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

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 FY2021.

## INTERESTED PERSON TRANSACTIONS

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

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

There was no interested person transaction, as defined in Chapter 9 of the Listing Manual of SGX-ST, above \$100,000 entered into by the Group during FY2021.

# 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 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 SHARE PLACEMENT

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

The Company had completed private share placements on 7 May 2021. The Company issued and allotted in total of 75,003,000 new ordinary shares in the capital of the Company as details below and raised a net proceed of \$5,370,000 after the deduction of expenses:

Date	No of shares	Price per share
7 May 2021	75,003,000	\$0.076

As at the date of this Annual Report, the net proceeds of \$5,370,000 from the Placements have been fully utilised as follows:–

	\$'000
Net proceeds	5,370
Less:	
Payment of operating expenses	(3,330)
Subcontractor and trade payables	(2,040)
Balance	–

The abovementioned use of the net proceeds from the Placements are in accordance with the intended use as stated in the Company's announcements for the Placements.

## CORPORATE DISCLOSURE

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

## DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST (THE "LISTING MANUAL")

Mr Tan Eng Kiat, Dominic, the Director seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 April 2022 ("AGM") (the "Retiring Director").

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

Date of Appointment	3 March 2008
Date of last re-appointment	29 June 2021
Age	79
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Tan Eng Kiat, Dominic ("Mr Tan") for re-election as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Tan possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p> <p>In addition, the Board, having reviewed independence of Mr Tan and taking into account the deliberations of the NC, is of the view that he is able to exercise independent and objective judgement considering that there are no relationships or circumstances which may affect his judgement and ability to discharge his duties and responsibilities as independent director.</p>
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Non-Executive Director, Chairman of the Audit and Nominating Committee as well as a member of the Remuneration Committee.
Professional qualifications	Mr Tan is the Technician member of The Chartered Institute of Building, United Kingdom.
Working experience and occupation(s) during the past 10 years	Retiree since year 2007
Shareholding interest in the listed issuer and its subsidiaries	<u>Direct Interest</u> 225,000 ordinary shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of Interest (including any competing business)	No

## DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST (THE “LISTING MANUAL”)

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments* Including Directorships#  Past (for the last 5 years)  Present	Present: Company Director of: Yongnam Holdings Limited (SGX Listed)
(a) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(b) Whether there is any unsatisfied judgment against him?	No
(c) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(e) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(f) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No



## DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST (THE "LISTING MANUAL")

(g) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(h) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(i) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–  i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or  ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or  iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere  in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–  i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or  ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No

## DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST (THE "LISTING MANUAL")

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

## DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST (THE “LISTING MANUAL”)

Mr Lim Ghim Siew, Henry, the Director seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 April 2022 (“AGM”) (the “Retiring Director”).

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

Date of Appointment	15 October 2002
Date of last re-appointment	29 June 2021
Age	69
Country of principal residence	Singapore
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (“NC”) and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Lim Ghim Siew, Henry (“<b>Mr Lim</b>”) for re-election as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Lim possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p> <p>In addition, the Board, having reviewed independence of Mr Lim and taking into account the deliberations of the NC, is of the view that he is able to exercise independent and objective judgement considering that there are no relationships or circumstances which may affect his judgement and ability to discharge his duties and responsibilities as independent director.</p>
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Remuneration Committee as well as a member of the Audit and Nominating Committee.
Professional qualifications	Mr. Lim obtained his law degree from the University of London in 1988 and was called to the English Bar in 1992. He is a member of the Honorable Society of Lincoln’s Inn.
Working experience and occupation(s) during the past 10 years	Mr. Lim is the owner of law firm G. S. Lim & Partners, conducting mainly corporate, property and insurance claims work. He is also actively involved in the Law Society’s Criminal Legal Aid Scheme. He is also the chairman of a locally based shipping company.
Shareholding interest in the listed issuer and its subsidiaries	<b>Yongnam Holdings Limited</b> 225,000 ordinary shares

## DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST (THE "LISTING MANUAL")

Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments* Including Directorships#  Past (for the last 5 years)  Present	Present: Company Director of: Yongnam Holdings Limited (SGX Listed)  Partner: G.S. Lim & Partners
(a) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(b) Whether there is any unsatisfied judgment against him?	No
(c) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(e) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No



## DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST (THE "LISTING MANUAL")

(f) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(g) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(h) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(i) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–  i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or  ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or  iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere  in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–  i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or  ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No

## DISCLOSURE OF INFORMATION ON DIRECTOR SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST (THE “LISTING MANUAL”)

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

# FINANCIAL CONTENTS

<b>43</b>	Directors' Statement
<b>46</b>	Independent Auditor's Report
<b>51</b>	Consolidated Income Statement
<b>52</b>	Consolidated Statement of Comprehensive Income
<b>53</b>	Balance Sheets
<b>55</b>	Statements of Changes in Equity
<b>56</b>	Consolidated Cash Flow Statement
<b>57</b>	Notes to the Financial Statements





## 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 2021.

### 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 2021 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  
Chia Sin Cheng  
Lim Ghim Siew, Henry  
Tan Eng Kiat, Dominic  
Teng Kian Jen, Ben

### Arrangements to enable directors to acquire shares and debentures

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



## DIRECTORS' STATEMENT

### Directors' interests in shares and debentures

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

#### Yongnam Holdings Limited - Ordinary shares

Name of director	Direct interest			Deemed interest		
	At 31.12.2020	At 31.12.2021	At 21.1.2022	At 31.12.2020	At 31.12.2021	At 21.1.2022
Seow Soon Yong	86,105,007	86,105,007	86,105,007	4,082,108	4,082,108	4,082,108
Siau Sun King	2,784,217	2,784,217	2,784,217	4,082,108	4,082,108	4,082,108
Chia Sin Cheng	3,713,494	3,713,494	3,713,494	–	–	–
Lim Ghim Siew, Henry	225,000	225,000	225,000	–	–	–
Tan Eng Kiat, Dominic	225,000	225,000	225,000	–	–	–

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year, or on 21 January 2022.

### Audit Committee

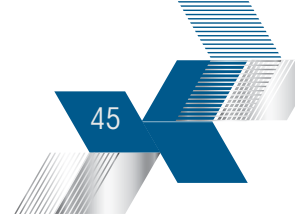
The Audit Committee (AC) comprises three members, namely Mr. Tan Eng Kiat, Dominic (Chairman), Mr. Lim Ghim Siew, Henry and Teng Kian Jen, Ben. The AC comprises entirely of non-executive and independent directors.

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

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

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

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



## DIRECTORS' STATEMENT

### **Auditor**

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

On behalf of the board of directors,

Seow Soon Yong  
Director

Chia Sin Cheng  
Director

Singapore  
5 April 2022

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 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 the Company as at 31 December 2021, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 1967 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) 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 2021 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.

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial statements. The Group reported a loss of \$27,085,000 for the financial year ended 31 December 2021 (2020: \$77,826,000) and as at that date, the Group's and the Company's net current liabilities are \$64,807,000 (2020: \$129,484,000) and \$10,319,000 (2020: \$12,613,000) respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as going concern.

As disclosed in Note 2 of the financial statements, the ability of the Group and the Company to continue as a going concern and meet its financial obligations depends on its ability to generate sufficient cash flows on a timely basis as planned through operations, scrapping idle steel beams and columns and continuing support from its lenders and bond holders. Such ability could be severely impaired should significant project delays occur as a result of events and circumstances not anticipated by management, or an adverse change in market demand for scrap steel which may limit the Group's ability to raise funds to meet working capital needs, as and when necessary, and satisfy its debt obligations.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## Material Uncertainty Related to Going Concern (cont'd)

If the Group is unable to generate timely and sufficient cash flows from its operations or scrapping idle steel beams and columns as planned, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to reclassify non-current assets and non-current liabilities as current assets and current liabilities. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

## 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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. 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 input method in recognising revenue over time. The amount of revenue recognised in a year on these projects is dependent on the stage of completion of the projects, which is determined based on actual costs incurred to-date to the total expected costs for each project. This is determined to be a key audit matter due to the subjectivity involved in determining the stage of completion, which in turn may have a significant impact on the results of the Group.

As part of our audit, we evaluated the design and tested the effectiveness of internal controls with respect to 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 forecasts of project profitability, and management's assessment thereof. In connection with this, we discussed a range of financial and operational risks, ongoing disputes and related estimation uncertainties with the Group's various project directors and managers and management and reviewed correspondences with contractors 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 variable consideration, including the estimation of claims and variation orders, as well as the appropriateness of provision for onerous contracts and carrying values of the related contract assets for significant projects and considered whether these estimates showed any evidence of management bias.



# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## Key Audit Matters (cont'd)

### *Accounting for construction contracts (cont'd)*

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 calculations based on the stage of completion and considered the implications of changes in estimates.

Furthermore, we assessed the adequacy of disclosures in Notes 2.20 *Revenue and other income (a) Construction revenue*, 3.2 *Key sources of estimation uncertainty (a) Revenue recognition on construction contracts*, 18 *Contract assets and liabilities*, 31 *Financial risk management objectives and policies (b) Liquidity risk and (d) Credit risk*.

### *Impairment of certain steel beams and columns*

A history of low utilisation and recent losses gave rise to indication of impairment for certain of the Group's steel beams and columns. The impairment assessment was significant to our audit due to the carrying amounts of these certain steel beams and columns which represent 52% of the Group's total non-current assets as at 31 December 2021, and the significant judgment involved in making various assumptions in determining the underlying value-in-use computation in the impairment assessment. The assessment required management to make various assumptions such as the discount rate, the projected revenue growth rate, and the expected revenue and costs used in the cash flow forecast. As such, we considered the impairment assessment of these certain steel beams and columns to be a key audit matter.

Our audit procedures included, amongst others, evaluating and assessing the key assumptions and the valuation methodology used by management in the cash flow forecast. We assessed management's key assumptions used such as management's projection of the success rate in winning construction projects and tested the robustness of management's budgeting process. We also compared management's key assumptions such as discount rate and revenue growth rate used against external data. Our internal valuation specialist assisted us with the review of the valuation methodology used and the assessment of certain key assumptions such as the discount rate. We also performed sensitivity analysis on certain key assumptions. Management's conclusion on the impairment test and the related disclosures are included in Notes 3.2 *Key sources of estimation uncertainty (b) Impairment assessment of certain steel beams and columns* and 11 *Property, plant and equipment*. We also evaluated the adequacy of those disclosures in 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.

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.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 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 SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

## 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.
- 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.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## **Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

- 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 Alvin Phua.

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

5 April 2022



# CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 \$'000	2020 \$'000
<b>Revenue</b>	4	121,912	92,850
Cost of sales		(126,001)	(137,217)
<b>Gross loss</b>		(4,089)	(44,367)
Other income	5	3,456	8,039
General and administrative expenses		(16,854)	(23,300)
Finance income	6	1	9
Finance costs	7	(10,206)	(12,315)
Share of results of equity accounted investment, net of tax		546	(375)
<b>Loss before taxation</b>	8	(27,146)	(72,309)
Taxation	9	61	(5,517)
<b>Net loss for the year</b>		(27,085)	(77,826)
<b>Attributable to:</b>			
Owners of the Company		(27,239)	(78,003)
Non-controlling interests		154	177
<b>Net loss for the year</b>		(27,085)	(77,826)
<b>Loss per share (cents)</b>			
- Basic	10	(4.63)	(14.93)
- Diluted	10	(4.63)	(14.93)

*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 2021

	<b>2021</b> \$'000	<b>2020</b> \$'000
<b>Loss, net of tax</b>	(27,085)	(77,826)
<b>Item that may be reclassified subsequently to profit or loss</b>		
Foreign currency translation	(188)	(60)
Net fair value loss on equity instruments at fair value through other comprehensive income	(106)	(303)
<b>Total comprehensive loss for the year, net of tax</b>	<u>(27,379)</u>	<u>(78,189)</u>
<b>Attributable to:</b>		
Owners of the Company	(27,533)	(78,366)
Non-controlling interests	154	177
<b>Total comprehensive loss for the year</b>	<u>(27,379)</u>	<u>(78,189)</u>

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

# BALANCE SHEETS

AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 \$'000	2020 \$'000 (restated)	2021 \$'000	2020 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	11	215,026	251,243	–	–
Right-of-use assets	12	41,317	44,459	–	–
Investments in subsidiaries	13	–	–	120,120	115,226
Equity accounted investment	14	630	84	–	–
Deferred tax assets	9(c)	11	–	–	–
Prepayments		–	271	–	–
Restricted bank balances	15	2,505	3,267	–	–
Investment securities	16	1,184	1,290	–	–
		260,673	300,614	120,120	115,226
<b>Current assets</b>					
Inventories	17	17,606	19,766	–	–
Contract assets	18	45,043	36,568	–	–
Trade receivables	19	16,857	14,847	–	–
Other receivables and deposits	20	6,592	6,453	–	9
Prepayments		1,189	1,893	4	4
Cash and bank balances	15	2,914	10,177	19	20
		90,201	89,704	23	33
<b>Current liabilities</b>					
Contract liabilities	18	29,316	37,212	–	–
Trade payables	21	52,927	50,407	–	–
Other payables and accruals	22	15,002	13,428	1,342	771
Borrowings	23	37,240	93,378	–	–
Lease liabilities	12	11,290	12,590	–	–
Bond payable	24	900	–	900	–
Convertible bonds (liability)	24	7,363	11,875	7,363	11,875
Convertible bonds (derivative)		905	–	737	–
Income tax payable		65	298	–	–
		155,008	219,188	10,342	12,646
<b>Net current liabilities</b>		(64,807)	(129,484)	(10,319)	(12,613)
<b>Non-current liabilities</b>					
Borrowings	23	63,115	13,842	–	–
Lease liabilities	12	39,627	44,655	–	–
Deferred tax liabilities	9(c)	–	69	–	–
		102,742	58,566	–	–
<b>Net assets</b>		93,124	112,564	109,801	102,613

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

# BALANCE SHEETS

AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 \$'000	2020 \$'000 (restated)	2021 \$'000	2020 \$'000
<b>Equity</b>					
Share capital	25	149,384	141,445	149,384	141,445
Capital reserves	26	6,837	6,837	–	–
Share option reserve	26	12,800	12,800	12,800	12,800
Foreign currency translation reserve	27	(6,741)	(6,553)	–	–
Fair value reserve	28	(409)	(303)	–	–
Retained earnings		(59,981)	(32,742)	(52,383)	(51,632)
		101,890	121,484	109,801	102,613
Non-controlling interests		(8,766)	(8,920)	–	–
<b>Total equity</b>		<b>93,124</b>	<b>112,564</b>	<b>109,801</b>	<b>102,613</b>

*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 2021

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Share capital</b>	25				
Balance at beginning of year		141,445	141,445	141,445	141,445
Issuance of shares		6,670	–	6,670	–
Conversion of bonds		1,269	–	1,269	–
Balance at end of year		149,384	141,445	149,384	141,445
<b>Capital reserves</b>	26				
Balance at beginning and end of year		6,837	6,837	–	–
<b>Share option reserve</b>					
Balance at beginning and end of year		12,800	12,800	12,800	12,800
<b>Foreign currency translation reserve</b>	27				
Balance at beginning of year		(6,553)	(6,493)	–	–
Foreign currency translation (other comprehensive income)		(188)	(60)	–	–
Balance at end of year		(6,741)	(6,553)	–	–
<b>Fair value reserve</b>	28				
Balance at beginning of year		(303)	–	–	–
Fair value loss (other comprehensive income)		(106)	(303)	–	–
Balance at end of year		(409)	(303)	–	–
<b>Retained earnings</b>					
Balance at beginning of year		(32,742)	45,261	(51,632)	13,042
Loss for the year		(27,239)	(78,003)	(751)	(64,674)
Balance at end of year		(59,981)	(32,742)	(52,383)	(51,632)
<b>Non-controlling interests</b>					
Balance at beginning of year		(8,920)	(9,097)	–	–
Profit for the year		154	177	–	–
Balance at end of year		(8,766)	(8,920)	–	–
<b>Total equity</b>		93,124	112,564	109,801	102,613

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 2021

	Note	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Loss before taxation		(27,146)	(72,309)
Add/(less):			
Finance income	6	(1)	(9)
Finance costs	7	10,206	12,315
Net gain on fair value of derivative instruments held at fair value through profit or loss	5	(298)	(1,299)
Depreciation on property, plant and equipment	8	18,376	26,758
Depreciation on right of use assets	8	9,063	9,176
Consumption allowance for steel beams and columns	8	2,989	4,231
Provision for onerous contracts	8	–	167
Impairment on trade receivables	8	–	151
(Write back of)/impairment on contract assets		(2,257)	8,430
Loss on de-recognition of convertible bonds		1,263	–
Loss on disposal of property, plant and equipment	8	7,527	1,192
Share of results of associated companies		(546)	375
Effects of changes in foreign exchange		128	27
<b>Operating cash flows before changes in working capital</b>		19,304	(10,795)
(Increase)/decrease in trade receivables, other receivables and deposits and contract assets		(1,461)	38,438
(Decrease)/increase in trade payables, other payables and accruals and contract liabilities		(3,956)	9,500
Decrease in inventories		2,161	10,102
<b>Cash flows generated from operations</b>		16,048	47,245
Income tax paid		(251)	(611)
Interest received	6	1	9
Interest paid		(9,246)	(10,775)
<b>Net cash flows generated from operating activities</b>		6,552	35,868
<b>Cash flows from investing activities</b>			
Increase/(decrease) in cash in joint operation	15	4,677	(4,677)
Purchase of property, plant and equipment	11(a)	(20,765)	(22,905)
Proceeds from disposal of property, plant and equipment		22,149	3,423
<b>Net cash flows from/(used in) investing activities</b>		6,061	(24,159)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares	25	5,407	–
Repayment of bond payable	24	(2,100)	–
Increase/(decrease) in restricted bank balances		762	(3,267)
Proceeds from borrowings	23(c)	1,437	9,166
Repayment of borrowings	23(c)	(8,425)	(12,939)
Payment of principal for lease liabilities	12	(12,316)	(8,256)
<b>Net cash flows used in financing activities</b>		(15,235)	(15,296)
<b>Net decrease in cash and cash equivalents</b>		(2,622)	(3,587)
Effect of exchange rate changes on cash and cash equivalents		36	(30)
Cash and cash equivalents at beginning of year		5,500	9,117
<b>Cash and cash equivalents at end of year</b>		2,914	5,500

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 2021

## 1. Corporate information

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

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

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

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

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

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

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

### Going concern assumption

As at 31 December 2021, the Group and the Company are in respective net current liabilities positions of \$64,807,000 (2020: \$129,484,000) and \$10,319,000 (2020: \$12,613,000). For the financial year ended on that date, whilst the Group generated positive operating cash flow of \$6,552,000 (2020: \$35,868,000), it recorded a net loss of \$27,085,000 (2020: \$77,826,000). These factors indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as going concern.

Notwithstanding the above, the financial statements have been prepared on a going concern basis as the Group believes that its business operations would be able to generate sufficient cash flow on a timely basis to meet its short-term obligations as and when they fall due.

The Group has assessed and concluded its ability to continue as a going concern after taking into account the expected cash flows from its secured project order book as at 31 December 2021 and anticipation that business activities will continue to progressively pick up in 2022. Furthermore, as the overall Covid-19 situation in the key markets where the Group operates in continue to be under control, it is management's view that similar business disruptions such as construction work and complete stoppages experienced in the past are not likely to recur given the robust government control measures currently in place. The Group has also considered the immediate-term options it has to raise funds to meet working capital needs and satisfy debt obligations, where necessary. Such options include the ability to scrap idle steel beams and columns which it presently does not foresee will be deployed in projects in the near term on the back of current strong market demand for scrap steel and continuing support from its lenders and bond holders.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 2.1 Basis of preparation (cont'd)

#### Going concern assumption (cont'd)

If the Group is unable to generate timely and sufficient cash flows from its operations or scrapping idle steel beams and columns as planned, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

### 2.2 Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2021. The adoption of these standards did not have any effect on the financial performance or position of the Group.

### 2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 16 on COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to SFRS(I) 3: Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-16: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
SFRS(I) 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to SFRS(I) 17	1 January 2023
Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	1 January 2023
Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to SFRS(I) 17: Initial Application of SFRS(I) 17 and SFRS(I) 9 – Comparative Information	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

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

### 2.4 Basis of consolidation and business combinations

#### (a) Basis of consolidation

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

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

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

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

#### (b) Business combinations and goodwill

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

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

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the noncontrolling interest's proportionate share of the acquiree's identifiable net assets.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

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

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

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

### 2.5 Foreign currency

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

#### (a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

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

#### (b) Consolidated financial statements

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 2.6 *Property, plant and equipment*

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

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

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

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

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

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

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

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

### 2.7 *Subsidiaries*

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 2.8 *Equity-accounted investments*

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

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

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

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

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

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

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

When the Group's share of losses in the associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 2.9 Financial assets

#### *Initial recognition and measurement*

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

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

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

#### *Subsequent measurement*

##### Investments in debt instruments

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

##### *Amortised cost*

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

##### Investments in equity instruments

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

##### *De-recognition*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 2.10 *Financial liabilities*

#### *Initial recognition and measurement*

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

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

#### *Subsequent measurement*

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

#### *De-recognition*

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

### 2.11 *Impairment of financial assets*

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

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

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

### 2.12 *Cash and cash equivalents*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 2.13 *Convertible bonds*

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

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

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

### 2.14 *Inventories*

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

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

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

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

### 2.15 *Impairment of non-financial assets*

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

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

Impairment losses are recognised in profit or loss.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 2.16 Leases

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

#### *Group as a lessee*

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

#### (a) *Right-of-use assets*

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

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

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

#### (b) *Lease liabilities*

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 2.16 Leases (cont'd)

#### *Group as a lessee (cont'd)*

#### (c) *Short-term leases*

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

#### (d) *Sale and leaseback*

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

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

#### *Group as a lessor*

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

### 2.17 Provisions

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

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

### 2.18 Borrowing costs

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 2.19 Employee benefits

#### (a) *Defined contribution plans*

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

#### (b) *Employee leave entitlement*

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

#### (c) *Share option plans*

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

### 2.20 Revenue and other income

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

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

#### (a) *Construction revenue*

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 2.20 Revenue and other income (cont'd)

#### (a) Construction revenue (cont'd)

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

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

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

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

#### (b) Interest income

Interest income is recognised using the effective interest method.

#### (c) Rental income

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 2.21 Taxes

#### (a) *Current income tax*

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

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

#### (b) *Deferred tax*

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 2.21 Taxes (cont'd)

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

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

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

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

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

#### (c) *Sales tax*

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

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

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

### 2.22 *Share capital and share issuance expenses*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 2.23 Government grants

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

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

## 3. Significant accounting estimates and judgements

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

### 3.1 Judgements made in applying accounting policies

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

### 3.2 Key sources of estimation uncertainty

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

#### (a) Revenue recognition on construction contracts

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

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

Contract revenue and contract costs recognised for the financial year ended 31 December 2021 are disclosed in the consolidated income statement. Contract assets and liabilities are disclosed in Note 18 to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### 3.2 Key sources of estimation uncertainty (cont'd)

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

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

#### *Investments in subsidiaries*

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

The carrying amount of the Company's investments in subsidiaries is disclosed in Note 13. As at 31 December 2021, the carrying amount of an investment including amount due from the subsidiary was subject to impairment assessment as the entity has been loss-making. As a result, an impairment loss of nil (2020: \$66,000,000) was assessed on the cost of investment in the subsidiary.

#### *Steel beams and columns*

The Group has used a discount rate of 7.3% to present value the expected future cash flows which are derived from budgeted net cash flows of the specialist civil engineering business segment over the remaining useful lives of the steel beams and columns.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 4. Revenue

### (a) *Disaggregation of revenue*

	Group	
	2021 \$'000	2020 \$'000
<i>Major product or service line:</i>		
Structural steelworks	46,075	46,230
Specialist civil engineering	71,414	44,389
Mechanical engineering	2	29
Design and build	–	1,197
Others	4,421	1,005
	121,912	92,850
<i>Timing of transfer of goods or services:</i>		
Over time	121,912	91,845
At a point in time	–	1,005
	121,912	92,850

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

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2021 is \$464 million (2020: \$543 million). This amount has not included the following:

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

The Group expects to recognise all its unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2021 within 4 years of the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 5. Other income

	Group	
	2021 \$'000	2020 \$'000
Rental income	127	120
Government grants (Note A)	2,905	6,606
Other operating income	126	14
Fair value gain on derivative instruments held at fair value through profit or loss (Note 24)	298	1,299
	<u>3,456</u>	<u>8,039</u>

Note A:

Government grants relates to cash grants received from the Singapore government to help businesses cope with impacts from the COVID-19 pandemic under various schemes such as Jobs Support Scheme.

## 6. Finance income

	Group	
	2021 \$'000	2020 \$'000
Interest income from short term deposits	1	9
	<u>1</u>	<u>9</u>

## 7. Finance costs

	Group	
	2021 \$'000	2020 \$'000
Interest expense:		
– Borrowings	4,481	5,010
– Convertible bonds (Note 24)	1,397	2,416
– Lease liabilities	2,925	3,181
– Other interest	576	248
Bank charges	827	1,460
	<u>10,206</u>	<u>12,315</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 8. Loss before taxation

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

	Group	
	2021 \$'000	2020 \$'000
Audit fees:		
– Auditor of the Company	217	191
– Other auditors	27	48
Non-audit fees:		
– Auditor of the Company	29	29
– Other auditors	1	1
Rental expense	906	310
Depreciation of property, plant and equipment <sup>(1)</sup> (Note 11)	18,376	26,758
Depreciation of right-of-use assets <sup>(1)</sup> (Note 12)	9,063	9,176
Loss on disposal of property, plant and equipment	7,527	1,192
Consumption allowance for steel beams and columns	2,989	4,231
Recovery of bad debt previously written off	(349)	–
Impairment on trade receivables	–	151
Employee benefits expense <sup>(2)</sup>	39,313	35,348
Net gain on fair value of derivative instruments held at fair value through profit or loss	(298)	(1,299)
Steel materials recognised as an expense in cost of sales (Note 17)	19,729	13,752
Provision for onerous contracts	–	167

<sup>(1)</sup> The following had been allocated to construction costs incurred to-date:

	2021 \$'000	2020 \$'000
Depreciation of property, plant and equipment	17,031	24,903
Depreciation of right-of-use assets	8,714	8,822

<sup>(2)</sup> This represents total employee benefits expense for the year, out of which \$33,978,000 (2020: \$28,387,000) had been allocated to construction costs incurred to date. Included in total employee benefits expense are contributions to defined contribution schemes of \$1,513,000 (2020: \$1,478,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 9. Taxation

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

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

	Group	
	2021	2020
	\$'000	\$'000
<b>Income statement:</b>		
Current income tax		
– Current income taxation	–	346
– Under provision in respect of prior years	18	47
Deferred income tax		
– Origination and reversal of temporary differences	(435)	4
– Under provision in respect of prior years	356	64
– Impairment on deferred tax assets	–	5,056
	(61)	5,517
	(61)	5,517

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

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

	Group	
	2021	2020
	\$'000	\$'000
Loss before taxation	(27,146)	(72,309)
Taxation at statutory tax rate of 17% (2020: 17%)	(4,615)	(12,293)
Effect of different tax rates in other countries	(193)	57
Non-deductible expenses	470	30
Income not subject to taxation	(264)	(205)
Deferred tax assets not recognised	9,233	13,058
Utilisation of deferred tax assets previously not recognised	(4,919)	(233)
Under provision in respect of prior years	374	5,167
Others	(147)	(64)
Income tax (credit)/expense	(61)	5,517
	(61)	5,517

The corporate income tax rates applicable to the Malaysian companies, Hong Kong subsidiary, India subsidiary and Myanmar subsidiary are 24%, 16.5%, 25% and 25% (2020: 24%, 16.5%, 25% and 25%) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 9. Taxation (cont'd)

### (c) *Deferred taxation*

Deferred tax as at 31 December relates to the following:

	Group	
	2021 \$'000	2020 \$'000
<b>Deferred tax liabilities:</b>		
Differences in depreciation for tax purpose	–	(84)
<b>Deferred tax assets:</b>		
Unutilised tax losses and capital allowances	11	15
Deferred tax (liabilities)/assets, net	11	(69)

Certain subsidiaries have unutilised tax losses and capital allowances of approximately \$283,332,000 (2020: \$257,793,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with the certain provisions of the tax legislation of the respective countries in which the companies operate.

## 10. Loss per share

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

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

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

	Group	
	2021 \$'000	2020 \$'000
Net loss attributable to ordinary equity holders of the Company	(27,239)	(78,003)
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic and diluted earnings per share computation	588,731	522,603

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 11. Property, plant and equipment

Group	Freehold land \$'000	Leasehold property \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Office equipment and furniture \$'000	Steel beams and columns \$'000	Cranes \$'000	Total \$'000
<b>Cost</b>								
At 1 January 2020	30,193	56,501	32,906	6,485	7,425	311,386	44,469	489,365
Additions	—	—	2,600	—	108	22,483	1,555	26,746
Disposals/write-offs	—	—	(103)	(464)	(95)	(22,093)	(3,983)	(26,738)
Transfers*	—	—	—	—	—	(659)	—	(659)
Translation adjustments	(114)	(5)	(42)	(6)	(8)	(405)	(106)	(686)
At 31 December 2020 and 1 January 2021	30,079	56,496	35,361	6,015	7,430	310,712	41,935	488,028
Additions	—	—	305	67	160	20,300	—	20,832
Disposals/write-offs	—	—	(714)	(942)	(116)	(68,580)	(5,264)	(75,616)
Translation adjustments	(412)	(22)	(85)	3	(13)	342	44	(143)
At 31 December 2021	29,667	56,474	34,867	5,143	7,461	262,774	36,715	433,101

\* Relates to steel beams and columns transferred to ongoing projects and is currently capitalised in contract assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

11. Property, plant and equipment (cont'd)	Property, plant and equipment (cont'd)							Total \$'000
	Freehold land \$'000	Leasehold property \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Office equipment and furniture \$'000	Steel beams and columns \$'000	Cranes \$'000	
<b>Group</b>								
<b>Accumulated depreciation</b>								
At 1 January 2020	-	31,622	26,928	4,670	6,633	113,380	37,455	220,688
Depreciation	-	3,096	1,615	724	506	18,404	2,413	26,758
Disposals/write-offs	-	-	(103)	(311)	(72)	(10,013)	(3,971)	(14,470)
Transfers*	-	-	-	-	-	(167)	-	(167)
Consumption allowance #	-	-	-	-	-	4,231	-	4,231
Translation adjustments	-	(4)	(41)	(6)	(6)	(80)	(118)	(255)
At 31 December 2020 and 1 January 2021	-	34,714	28,399	5,077	7,061	125,755	35,779	236,785
Depreciation	-	2,974	1,485	354	234	11,594	1,735	18,376
Disposals/write-offs	-	-	(714)	(750)	(112)	(33,593)	(4,902)	(40,071)
Consumption allowance #	-	-	-	-	-	2,989	-	2,989
Translation adjustments	-	(17)	(82)	1	(14)	61	47	(4)
At 31 December 2021	-	37,671	29,088	4,682	7,169	106,806	32,659	218,075
<b>Net book value</b>								
At 31 December 2020	30,079	21,782	6,962	938	369	184,957	6,156	251,243
At 31 December 2021	29,667	18,803	5,779	461	292	155,968	4,056	215,026

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

\* Relates to steel beams and columns transferred to ongoing projects and is currently capitalised in contract assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

During the financial year, the Group acquired property, plant and equipment amounting to \$20,832,000 (2020: \$26,746,000) of which \$67,000 (2020: \$3,841,000) were acquired by means of hire purchase. The cash outflow on acquisition of property, plant and equipment excluding those on hire purchases, amounted to \$20,765,000 (2020: \$22,905,000).

As at 31 December 2021, the Group has certain cranes, motor vehicles and plant and machinery under hire purchase contracts with a net book value of \$5,577,000 (2020: \$7,028,000).

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

In addition to assets held under leases, the Group's freehold land, leasehold property, cranes and certain steel beams and columns with a carrying amount of \$186,066,000 (2020: \$214,892,000) are mortgaged to secure the Group's borrowings (Note 23).

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

The details of the leasehold property held by the Group as at 31 December 2021 and 31 December 2020 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

## 12. Leases

### *As a lessee*

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

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

	Group	
	2021 \$'000	2020 \$'000
As at 1 January	44,459	48,058
Additions	6,029	5,615
Depreciation expense	(9,063)	(9,176)
Derecognition of right-of-use assets*	–	(4)
Remeasurement	(125)	–
Translation adjustment	17	(34)
As at 31 December	41,317	44,459

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 12. Leases (cont'd)

### As a lessee (cont'd)

The following are the amounts recognised in profit or loss:

	Group	
	2021 \$'000	2020 \$'000
Depreciation expense of right-of-use assets	9,063	9,176
Interest expense on lease liabilities	2,925	3,181
Rental expense – short term leases	906	310
	<hr/>	<hr/>
Total amount recognised in profit or loss	12,894	12,667
	<hr/> <hr/>	<hr/> <hr/>

\* Derecognition of right-of-use assets during 2020 is as a result of early termination of certain leases.

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

	Group	
	2021 \$'000	2020 \$'000
As at 1 January	57,245	56,081
Additions	6,096	9,456
Accretion of interest	2,680	3,181
Payments	(14,996)	(11,433)
Derecognition of lease liabilities*	–	(4)
Remeasurement	(125)	–
Translation adjustment	17	(36)
	<hr/>	<hr/>
As at 31 December	50,917	57,245
	<hr/> <hr/>	<hr/> <hr/>
Current	11,290	12,590
Non-current	39,627	44,655
	<hr/> <hr/>	<hr/> <hr/>

\* Derecognition of lease liabilities during 2020 is as a result of early termination of certain leases.

During the year, the Group had total cash outflows for leases of \$15,903,000 (2020: \$11,743,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 13. Investment in subsidiaries

	Note	Company	
		2021 \$'000	2020 \$'000
<b>Investments in subsidiaries</b>			
Unquoted equity, less impairment	(a)	58,430	58,430
Amounts due from subsidiaries, less impairment (non-current)	(b)	61,690	56,796
		120,120	115,226

		Company	
		2021 \$'000	2020 \$'000
(a)	<b>Investments in subsidiaries</b>		
	Unquoted equity, at cost	124,529	124,529
	Allowance for impairment	(66,099)	(66,099)
		58,430	58,430

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

	2021 \$'000	2020 \$'000
At the beginning of reporting period	(66,099)	(99)
Impairment charge	–	(66,000)
At the end of reporting period	(66,099)	(66,099)

The Company performed an impairment assessment on investment in a subsidiary and amount due from the entity which has been loss-making. An impairment loss of nil (2020: \$66,000,000) was recorded on the investment based on a value-in-use that was determined using a discount rate of 9%.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 13. Investment in subsidiaries (cont'd)

	Company	
	2021 \$'000	2020 \$'000
(b) <b>Amounts due from subsidiaries</b>		
Due from subsidiaries (non-trade)	67,323	62,429
Allowance for impairment	(5,633)	(5,633)
	61,690	56,796

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

	2021 \$'000	2020 \$'000
At the beginning and end of reporting period	5,633	5,633

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

13. Investment in subsidiaries (cont'd)	(c) Details of subsidiaries	Name of company (Country of incorporation)	Principal activities	Company		Proportion of ownership interest	
				Cost of investment 2021 \$'000	2020 \$'000	2021 %	2020 %
<b>Held by the Company</b>							
		Yongnam Engineering & Construction (Private) Limited <sup>(1)</sup> (Singapore)	Engineering contractors	56,945	56,945	100	100
		Yongnam Development Pte Ltd <sup>(5)</sup> (Singapore)	Dormant	*	*	100	100
		Yongnam Investment Pte Ltd <sup>(5)</sup> (Singapore)	Dormant	*	*	100	100
		Yongnam Engineering Sdn. Bhd. <sup>(4)</sup> (Malaysia)	Engineering contractors	1,046	1,046	100	100
		Yongnam Engineering & Construction (Thailand) Ltd <sup>(2) #</sup> (Thailand)	Engineering contractors	—	—	48.4	48.4
		Yongnam Steel Work System Engineering (Shanghai) Co., Ltd <sup>(5)</sup> (People's Republic of China)	Dormant	37	37	100	100
		Yongnam Steel Work Engineering (Jin-Jiang) Co., Ltd <sup>(5)</sup> (People's Republic of China)	Dormant	*	*	100	100
		Yongnam Myanmar Co. Ltd (Myanmar) <sup>(6)</sup>	Engineering contractors	69	69	100	100
		Yongnam Engineering & Construction Sdn. Bhd. <sup>(4)</sup> (Malaysia)	Investment holding	333	333	100	100
				58,430	58,430		

\* Denotes amount less than \$1,000

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 13. Investment in subsidiaries (cont'd)

### (c) Details of subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Proportion of ownership interest	
		2021 %	2020 %
<b>Held by Yongnam Engineering &amp; Construction (Private) Limited</b>			
YNE Project Engineering Pte. Ltd. <sup>(1)</sup> (Singapore)	Engineering contractors	100	100
Yongnam Engineering (HK) Limited <sup>(3)</sup> (Hong Kong)	Engineering contractors	100	100
Yongnam Jian Huang Joint Venture (Singapore) <sup>(7)</sup>	Engineering contractors	51	51
Global Maritime and Port Services Pte Ltd /Yongnam Engineering & Construction (Pte) Ltd (Singapore) <sup>(7)</sup>	Port operator	60	60
Yongnam Engineering India Private Limited <sup>(8)</sup>	Engineering contractors	100	100
<b>Held by YNE Project Engineering Pte. Ltd.</b>			
Jiwa Harmoni Offshore Sdn. Bhd. <sup>(4)</sup> (Malaysia)	Engineering contractors	100	100

<sup>(1)</sup> Audited by Ernst & Young LLP, Singapore.

<sup>(2)</sup> Audited by SPA Audit Co, Ltd, Thailand.

<sup>(3)</sup> Audited by F. S. Li & Co, Hong Kong.

<sup>(4)</sup> Audited by ASQ PLT, Chartered Accountants (Malaysia).

<sup>(5)</sup> Not required to be audited in the country of incorporation.

<sup>(6)</sup> Audited by Ngwe Inzaly, Myanmar.

<sup>(7)</sup> Not required to be audited as it is unincorporated joint venture.

<sup>(8)</sup> Audited by SKP Business Consulting LLP, India

# The Group holds 48.4% (2020: 48.4%) equity in Yongnam Engineering & Construction (Thailand) Ltd ("YNET"). The Group considers YNET as a subsidiary by virtue of the Group having board control and therefore has the ability to direct the relevant activities of YNET. Accordingly, the results and net assets of the subsidiary have been included in the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 13. Investment in subsidiaries (cont'd)

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

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
			\$'000	\$'000
<b>31 December 2021:</b>				
Yongnam Jian Huang Joint Venture	Singapore	49%	151	(8,076)
Global Maritime and Port Services Pte Ltd /Yongnam Engineering & Construction (Pte) Ltd	Singapore	40%	3	(690)
<b>31 December 2020:</b>				
Yongnam Jian Huang Joint Venture	Singapore	49%	184	(8,227)
Global Maritime and Port Services Pte Ltd /Yongnam Engineering & Construction (Pte) Ltd	Singapore	40%	(7)	(693)

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

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

#### (i) **Summarised balance sheets**

	2021 \$'000	2020 \$'000
Non-current asset	–	–
Current assets	484	902
Current liabilities	(18,691)	(19,423)
Net current liabilities	(18,207)	(18,521)
Net liabilities	(18,207)	(18,521)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 13. Investment in subsidiaries (cont'd)

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

#### (ii) **Summarised statement of comprehensive income**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	16	601
Profit/(loss) after income tax	314	357

#### (iii) **Other summarised information**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash flows (used in)/generated from operating activities	(160)	887
Net cash flows generated from/(used in) financing activities	831	(149)

### (f) **Interest in joint operations**

In 2020, a subsidiary of the Group and Daewoo Engineering & Construction Co., Ltd – Singapore Branch (“Daewoo”) registered an entity, Daewoo-Yongnam Joint Venture (the “JV”). The JV was set up for the purposes of bidding and performance of a design and construction of a Singapore Land Transport Authority (“LTA”) project. Based on the pre-bid agreement, the beneficial interests of the Group and Daewoo in the JV were 40% and 60% respectively. It was stated in the pre-bid agreement that the beneficial interests in the JV may subsequently be amended as agreed upon signing by the joint venture partners in joint venture agreement (“JVA”) with such new term.

The Group had previously classified the joint arrangement as a joint venture. In the current financial year, the Group has reassessed the JV arrangement and reclassified it as a joint operation.

In June 2021, it is mutually agreed between Daewoo and the Group, that the Group’s interest in the JV to be amended from 40% to 0.01% for nil consideration and the JV agreement was signed on 30 March 2022. For the financial year ended 31 December 2021, the dilution of 39.9% did not result in any material gain or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 13. Investment in subsidiaries (cont'd)

### (f) *Interest in joint operations (cont'd)*

The details of the joint operations as at 31 December 2021 and 2020 are as follows.

Name of joint arrangement	Principal place of business	Principal activities	Proportion of ownership interest	
			2021 \$'000	2020 \$'000 (restated)
Daewoo-Yongnam Joint Venture <sup>(1)</sup>	Singapore	Engineering contractors	0.01%	40%

<sup>(1)</sup> Audited by Ernst & Young LLP, Singapore.

### Comparative notes

In the current financial year, since the Group has classified the JV as a joint operation, the balances as at 31 December 2020 have been restated to reflect the Group's interest in the joint operation. This has no net impact on the net assets of the Group as at 31 December 2020 or the net profit or loss for year ended 31 December 2020.

Refer to Note 15, 18 and 20 respectively for further details.

	Note	As previously stated 2020 \$'000	Adjustment \$'000	As restated 2020 \$'000
<b>Balance sheet:</b>				
Contract liabilities	18	32,028	5,184	37,212
Other receivables and deposits	20	5,946	507	6,453
Cash and bank balances	15	5,500	4,677	10,177

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 14. Equity accounted investment

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

Name of company (Country of incorporation)	Principal activities	Proportion of ownership interest	
		2021 %	2020 %
Leighton Yongnam Joint Venture (Singapore) *	Engineering contractors	30	30

\* Audited by Ernst & Young LLP, Singapore.

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

	2021 \$'000	2020 \$'000
<b>Summarised balance sheet</b>		
Non-current assets	311	413
Current assets	13,486	17,106
Current liabilities	(11,698)	(17,239)
Net current assets/(liabilities)	1,788	(133)
Net assets	2,099	280
Proportion of the Group's interest	30%	30%
Group's carrying amount of the investment at 31 December	630	84
	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>Summarised profit or loss</b>		
Profit/(loss) after tax	1,819	(1,251)
Total comprehensive income/(loss)	1,819	(1,251)
Proportion of the Group's interest	30%	30%
Group's share of profit	546	375



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 15. Cash and bank balances

	Group	
	2021 \$'000	2020 \$'000 (restated)
Cash and cash equivalent	2,914	5,500
Cash in joint operation	–	4,677
	2,914	10,177

Cash in joint operation pertains to the Group's 40% share of beneficial interests of the cash in Daewoo-Yongnam Joint Venture.

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

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

	Group	
	2021 \$'000	2020 \$'000
United States Dollar	27	1,078
Australian Dollar	1	4
Indian Rupee	2	2

As at the end of the reporting period, bank balances of \$2,505,000 (2020: \$3,267,000) are restricted in use as they are pledged as securities in connection with the transferable term loan (Note 23). For purposes of the consolidated cash flow statement, these restricted bank balances have been excluded from cash and cash equivalents.

## 16. Investment securities

	Group	
	2021 \$'000	2020 \$'000
At fair value through other comprehensive income:		
Equity securities (quoted) in JP Nelson Holdings (Cayman)	1,184	1,290
	1,184	1,290

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 17. Inventories

	Group	
	2021 \$'000	2020 \$'000
<b>Balance sheet (lower of cost or net realisable value):</b>		
Consumable materials	1,306	1,445
Steel materials	16,300	18,321
	17,606	19,766
<b>Income statement:</b>		
Steel materials recognised as an expense in cost of sales	19,729	13,752

## 18. Contract assets and liabilities

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

	2021 \$'000	Group 2020 \$'000 (restated)	1.1.2020 \$'000
Receivables from contracts with customers (Note 19)	16,857	14,847	21,897
Contract assets	45,043	36,568	70,576
Contract liabilities	(29,316)	(37,212)	(20,225)

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for its construction contracts. Contract assets are transferred to receivables when the rights become unconditional. As such, the balances of this account vary and depend on the number of ongoing project activities at the end of the year. Included within contract assets is a provision for onerous contracts of \$142,000 (2020: \$706,000).

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for construction contracts. Contract liabilities are recognised as revenue as the Group performs under the construction contracts. Included within contract liabilities is a provision for onerous contracts of \$364,000 (2020: \$384,000).

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

	Group	
	2021 \$'000	2020 \$'000
Contract assets re-classified to trade receivables (Write back of)/impairment loss on contract assets	30,431	50,194
	(2,257)	8,430

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 18. Contract assets and liabilities (cont'd)

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

	Group	
	2021 \$'000	2020 \$'000
Revenue recognised that was included in contract liabilities at the beginning of the year	21,710	20,225

## 19. Trade receivables

	Group	
	2021 \$'000	2020 \$'000
Trade receivables	16,857	17,154
Less: Allowance for expected credit loss (Note 31(d))	–	(2,307)
	16,857	14,847

Movement in allowance account:

	Group	
	2021 \$'000	2020 \$'000
At 1 January	2,307	2,156
Charge for the year	–	151
Write off against trade receivables	(2,307)	–
At 31 December	–	2,307

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

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

	Group	
	2021 \$'000	2020 \$'000
United States Dollar	91	89

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 20. Other receivables and deposits

	Group		Company	
	2021 \$'000	2020 \$'000 (restated)	2021 \$'000	2020 \$'000
Other debtors	3,104	2,540	–	9
Deposits	3,488	3,913	–	–
	<u>6,592</u>	<u>6,453</u>	<u>–</u>	<u>9</u>

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

## 21. Trade payables

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

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

	Group	
	2021 \$'000	2020 \$'000
United States Dollar	12,506	7,079

## 22. Other payables and accruals

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Accrued operating expenses	8,169	4,040	1,094	629
Other payable	6,833	9,388	248	142
	<u>15,002</u>	<u>13,428</u>	<u>1,342</u>	<u>771</u>

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

Included in the the Group and the Company's other payable is sales tax payable amounting to \$993,000 (2020: \$2,087,000) and \$13,000 (2020: \$11,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 23. Borrowings

	Group	
	2021 \$'000	2020 \$'000
Trade facility	14,500	12,786
Revolving term loans	4,900	7,000
Transferable term loan	62,662	67,340
Term loans	9,592	11,145
Sale and leaseback financing arrangement	3,996	3,949
Bridging loan	4,705	5,000
	100,355	107,220
	100,355	107,220
<i>Comprise:</i>		
Within one year	37,240	93,378
After one year but not more than five years	63,115	13,842
	100,355	107,220
	100,355	107,220

At 31 December 2021, total secured and unsecured borrowings amounted to \$90,191,000 and \$10,164,000 (2020: \$102,220,000 and \$5,000,000) respectively. The Group's borrowings bear effective interest rates ranging from 1.56% to 4.15% (2020: 1.67% to 4.10%) per annum.

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

	Group	
	2021 \$'000	2020 \$'000
United States Dollar	8,504	8,444
	8,504	8,444
	8,504	8,444

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

(i) *Trade facility*

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

(ii) *Revolving term loans*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 23. Borrowings (cont'd)

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

#### (iii) *Transferable term loan*

During the financial year, the Group has restructured its transferable term loan with final maturity date rescheduled from January 2022 to 30 July 2023.

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

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

#### (iv) *Term loans*

The term loans are repayable over 45 to 96 monthly instalments with the final maturity date being 31 January 2022 and 30 April 2025 for each respective loan tranche. They bear interest at a predetermined rate above the banks' cost of fund. Term loans are secured by a guarantee from the Company and legal mortgage over the Group's freehold land at Lot 1972, 1973, 1974, 1975, 1976 and 1977 in Mukim Jeram Batu, District of Pontian, Johor, Malaysia.

#### (v) *Sale and leaseback financing arrangement*

The Group entered the sale and leaseback arrangement with a non-financial institution lender on 15 June 2021. The arrangement involves an agreement by the Group to sell certain steel materials to the lender on that date and to repurchase these assets back from the lender. Obligations under this sale and leaseback financing arrangement will mature on 14 May 2022.

#### (vi) *Bridging loan*

The bridging loan is a 5-year loan issued under the Enterprise Financing Scheme. The loan shall be used for working capital requirements with fixed interest fixed rate. The loan is repayable over 60 monthly instalments from the date of first drawdown on 3 September 2020. For the first 12 monthly instalments, the Group is required to only service the interest on the loan. Thereafter, the Group pays principal and interest over the remaining 48 monthly instalments. The loan is secured by a corporate guarantee from the Company.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 23. Borrowings (cont'd)

### (c) Reconciliation of borrowings

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

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

A reconciliation of changes in borrowings arising from financing activities is as follows: (cont'd)

	Cash flows		Non-cash changes		31 December 2020 \$'000	
	1 January 2020 \$'000	Proceeds \$'000	Repayments \$'000	Foreign exchange movement \$'000		Others \$'000
Borrowings						
- Current	101,369	4,583	(12,939)	(275)	640	93,378
- Non-current	9,899	4,583	–	–	(640)	13,842
<b>Total</b>	<b>111,268</b>	<b>9,166</b>	<b>(12,939)</b>	<b>(275)</b>	<b>–</b>	<b>107,220</b>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 24. Convertible bonds

On 4 June 2019, the Company issued convertible bonds at a nominal value of \$12,500,000 due on 4 June 2021. On 4 June 2021, the Group entered into agreements with the convertible bondholders to retire the existing \$12,500,000 convertible bonds and issue new redeemable 7% bonds of \$9,500,000 to existing bondholders. The balance of \$3,000,000 is to be repayable over 10 equal monthly tranches from June 2021 to March 2022. Additionally, 19,736,836 of new ordinary shares (Note 25) were issued as facilitation payment to existing bondholders which resulted in a loss on derecognition of convertible bond of \$1,263,000 recorded in the profit or loss. New redeemable convertible bonds were issued on 27 October 2021, maturing a year after its date of issuance.

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

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	\$'000	\$'000
Old convertible bond:		
- Liability component at beginning of financial year/initial recognition	11,875	10,334
- Interest expense (Note 7)	1,062	2,416
- Interest payments	(437)	(875)
- Bond payable	(3,000)	-
- Derecognition of old convertible bond	(9,500)	-
	-	11,875
New convertible bond:		
- Issuance of new convertible bond	8,124	-
- Interest expense (Note 7)	335	-
- Conversion	(1,096)	-
	7,363	11,875
Liability component at end of financial year	7,363	11,875

### Reconciliation of convertible bonds liability and associated derivative

	Cash flows		Non-cash changes				31 December 2021
	1 January 2021	Repayments	De- recognition & Re- issuance	Accretion of interest	Fair value gains	Others	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Convertible bonds							
- Liability	11,875	(437)	(4,376)	1,397	-	(1,096)	7,363
- Derivative	-	-	1,376	-	(298)	(173)	905
Bond payable	-	(2,100)	3,000	-	-	-	900
	11,875	(2,537)	-	1,397	(298)	(1,269)	9,168

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 24. Convertible bonds (cont'd)

### Reconciliation of convertible bonds liability and associated derivative (cont'd)

	Cash flows		Non-cash changes				31 December 2020 \$'000
	1 January 2020 \$'000	Repayments \$'000	Re-issuance \$'000	Accretion of interest \$'000	Fair value gains \$'000	Others \$'000	
Convertible bonds							
- Liability	10,334	(875)	-	2,416	-	-	11,875
- Derivative	1,299	-	-	-	(1,299)	-	-
	11,633	(875)	-	2,416	(1,299)	-	11,875

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

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

Date of valuation	Group	
	31 December 2021	31 December 2020
Share price (S\$)	0.049	0.08
Exercise price (S\$)	0.050	0.175
Expected volatility	31%	47%
Maturity period	0.83 year	0.21 year
Conversion period	0.83 year	0.21 year

## 25. Share capital

	Group and Company			
	2021		2020	
	No. of shares '000	\$'000	No. of shares '000	\$'000
<b>Issued and fully paid:</b>				
At 1 January	522,603	141,445	522,603	141,445
Issuance of shares	75,003	5,407	-	-
New shares issued (Note 25)	19,737	1,263	-	-
Conversion of bonds	25,200	1,269	-	-
At 31 December	642,543	149,384	522,603	141,445

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 26. Capital reserves and Share option reserve

	Group	
	2021 \$'000	2020 \$'000
Capital reserves on consolidation arising from acquisition of subsidiaries	6,837	6,837

The capital reserves are non-distributable.

### *Share option reserve*

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

As at 31 December 2020, all ESOS have fully lapsed.

## 27. Foreign currency translation reserve

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

## 28. Fair value reserve

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

## 29. Commitments and contingencies

### *Capital commitments*

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

	Group	
	2021 \$'000	2020 \$'000
Capital commitments in respect of property, plant and equipment	428	2,508

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 29. Commitments and contingencies (cont'd)

### Contingencies

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

Company	Less than one year \$'000	Two to five years \$'000	Total \$'000
<b>2021</b>			
Financial guarantees	24,466	59,613	84,079
<b>2020</b>			
Financial guarantees	82,421	12,156	94,577

## 30. Related party transactions

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

### (a) Purchase of services and management fees

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Management fee income from subsidiaries	–	–	980	548
Salaries, bonuses and other costs	2,357	2,735	–	–
Contributions to Central Provident Fund	50	54	–	–
Directors' fees	178	190	178	190
	2,585	2,979	178	190
<i>Comprise:</i>				
Directors of the Company	1,184	1,273	178	190
Other key management personnel	1,401	1,706	–	–
	2,585	2,979	178	190

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 31. Financial risk management objectives and policies

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

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

### (a) *Foreign currency risk*

There is no foreign currency risk arising from the Group's revenue as they are denominated in the respective functional currencies of the Group entities. The Group has transactional currency exposures arising from purchases that are denominated in a currency other than the respective functional currencies of Group entities, mainly relating to purchases of steel materials denominated in United States Dollar.

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

#### *Sensitivity analysis for foreign currency risk*

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

		<b>2021</b>	<b>2020</b>
		\$'000	\$'000
<u>(Increase)/decrease loss net of tax</u>			
USD/SGD	– strengthened by 5% (2020: 5%)	(1,045)	(718)
	– weakened by 5% (2020: 5%)	1,045	718

### (b) *Liquidity risk*

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (b) *Liquidity risk (cont'd)*

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

<b>Group</b>	<b>Less than one year \$'000</b>	<b>Two to five years \$'000</b>	<b>More than five years \$'000</b>	<b>Total \$'000</b>
<b>2021</b>				
Trade payables	52,927	–	–	52,927
Other payables and accruals*	14,009	–	–	14,009
Lease liabilities	13,823	29,293	17,904	61,020
Borrowings	39,403	64,762	–	104,165
Bond Payable	900	–	–	900
Convertible bonds (liability)	8,240	–	–	8,240
	129,302	94,055	17,904	241,261
<b>2020</b>				
Trade payables	50,407	–	–	50,407
Other payables and accruals*	11,341	–	–	11,341
Lease liabilities	18,301	34,807	23,867	76,975
Borrowings	45,888	64,271	1,039	111,198
Convertible bonds (liability)	12,500	–	–	12,500
	138,437	99,078	24,906	262,421

\* Excludes GST/VAT payables.

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

\* Excludes GST/VAT payables.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (b) *Liquidity risk (cont'd)*

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

Company	Less than one year \$'000	Two to five years \$'000	More than five years \$'000	Total \$'000
<b>2020</b>				
Other payables and accruals*	760	–	–	760
Convertible bonds (liability)	12,500	–	–	12,500
	13,260	–	–	13,260

\* Excludes GST/VAT payables.

### (c) *Interest rate risk*

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

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

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

#### *Sensitivity analysis for interest rate risk*

At 31 December 2021, if interest rates had been 75 (2020: 75) basis points lower/higher with all other variables held constant, the Group's loss for the year would have been \$753,000 lower/higher (2020: \$804,000 lower/higher), arising mainly as a result of lower/higher interest expense on borrowings.

### (d) *Credit risk*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (d) Credit risk (cont'd)

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

#### Trade receivables and contract assets

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (d) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

31 December 2020

	Trade receivables						
	Contract assets \$'000	Current \$'000	Days past due				Total \$'000
			Less than 30 days past due \$'000	More than 30 days past due \$'000	More than 60 days past due \$'000	More than 90 days past due \$'000	
Gross carrying amount	36,568	12,588	1,081	225	208	3,052	53,722
Loss allowance provision	–	–	–	–	–	(2,307)	(2,307)
	36,568	12,588	1,081	225	208	745	51,415

### Other receivables and deposits

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

### Exposure to credit risk

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

- A nominal amount of \$84,000,000 (2020: \$95,000,000) relating to corporate guarantees provided by the Company to financial institutions for banking facilities entered into by certain subsidiaries.

### Credit risk concentration

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

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

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

	Group	
	2021 \$'000	2020 \$'000
Singapore	11,870	43,824
Hong Kong	4,106	6,229
Myanmar	26	15
India	844	1,335
Others	11	12
	16,857	51,415

At the end of the reporting period, approximately:

- 49% (2020: 57%) of the Group's trade receivables and contract assets from Singapore is due from 7 customers (2020: 4) in respect of 8 (2020: 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.

## 32. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

### 32. Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by net tangible assets value. The Group's net debt includes borrowings less cash and bank balances. Net tangible assets value is the value of total assets less total liabilities of the Group. The Group's policy is to keep the gearing ratio not more than 130%.

	Group	
	2021 \$'000	2020 \$'000
Borrowings	100,355	107,220
Bond payable	900	–
Convertible bonds (liability)	7,363	11,875
Convertible bonds (derivative)	905	–
	<hr/>	<hr/>
Cash and bank balances (excluding cash in joint operation)	109,523 (5,419)	119,095 (8,767)
	<hr/>	<hr/>
Net debt	104,104	110,328
	<hr/> <hr/>	<hr/> <hr/>
Net tangible assets value	93,124	112,564
	<hr/> <hr/>	<hr/> <hr/>
<b>Gearing ratio</b>	112%	98%
	<hr/> <hr/>	<hr/> <hr/>

### 33. Fair values of financial instruments

#### (a) Fair value hierarchy

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

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

	Fair value measurements at the end of the reporting period using			Total \$'000
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant un-observable inputs (Level 3) \$'000	
<b>2021</b>				
<b>Group and Company</b>				
<b>Financial assets:</b>				
Investment securities	1,184	–	–	1,184
<b>Financial liabilities:</b>				
Convertible bonds (derivative)	–	905	–	905
<hr/>				
	Fair value measurements at the end of the reporting period using			Total \$'000
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant un-observable inputs (Level 3) \$'000	
<b>2020</b>				
<b>Group and Company</b>				
<b>Financial assets:</b>				
Investment securities	1,290	–	–	1,290
<b>Financial liabilities:</b>				
Convertible bonds (derivative)	–	–	–	–
<hr/>				



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

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

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

*Borrowings*

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

*Lease liabilities (non-current)*

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

*Convertible bonds*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 34. Segment information

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

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

### (a) Geographical segments

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 34. Segment information (cont'd)

### (a) Geographical segments (cont'd)

	Singapore \$'000	Rest of Asia Pacific \$'000	Elimination \$'000	Group \$'000
<b>2020</b>				
Revenue from external customers	63,803	29,047	-	92,850
Inter-segment revenue	2,945	12,186	(15,131)	-
Total revenue	66,748	41,233	(15,131)	92,850
Depreciation	28,678	7,256	-	35,934
Segment profit/(loss)	(50,147)	(11,054)	823	(60,378)
Share of results of equity-accounted investment				375
Finance income				9
Finance costs				(12,315)
Loss before taxation				(72,309)
Taxation				(5,517)
Net loss				(77,826)
Non-current assets	191,060	109,554	-	300,614

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 34. Segment information (cont'd)

### (a) *Geographical segments (cont'd)*

#### *Reconciliation of non-current assets*

	Group	
	2021 \$'000	2020 \$'000
Total segment assets	260,662	300,614
Unallocated: Deferred tax assets	11	–
Total assets	260,673	300,614

### (b) *Business segments*

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

### (c) *Information about major customers*

Revenue from six major customers amounted to \$51,163,000 (2020: five major customers: \$60,096,000), arising from structural steel works and specialist civil engineering business segments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 35. Categories of financial assets and liabilities

### (a) *Financial assets at FVOCI*

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Investment securities	16	1,184	1,290	–	–

### (b) *Financial assets carried at amortised cost*

	Note	Group		Company	
		2021 \$'000	2020 \$'000 (restated)	2021 \$'000	2020 \$'000
Trade receivables	19	16,857	14,847	–	–
Other receivables and deposits	20	6,592	6,453	–	9
Cash and bank balances	15	5,419	8,767	19	20
<b>Total financial assets carried at amortised cost</b>		<b>28,868</b>	<b>30,067</b>	<b>19</b>	<b>29</b>

### (c) *Financial liabilities carried at amortised cost*

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade payables	21	52,927	50,407	–	–
Other payables and accruals*		14,009	11,341	1,329	760
Borrowings	23	100,355	107,220	–	–
Lease liabilities	12	50,917	57,245	–	–
Bond payable	24	900	–	900	–
Convertible bonds (liability)	24	7,363	11,875	7,363	11,875
<b>Total financial liabilities carried at amortised cost</b>		<b>226,471</b>	<b>238,088</b>	<b>9,592</b>	<b>12,635</b>

\* Excludes GST/VAT payables.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

### (d) *Financial liabilities at FVPL*

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Convertible bonds (derivative)	905	–	737	–

## 36. Subsequent events

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

## 37. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 5 April 2022.



# STATISTICS OF SHAREHOLDING

AS AT 25 MARCH 2022

## SHARE CAPITAL AS AT 25 MARCH 2022

Issued and fully paid-up capital	:	\$149,384,401
Total number of issued shares	:	642,542,767
Treasury shares	:	Nil
Subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting right	:	One vote per share

## DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS AS AT 25 MARCH 2022

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	323	3.04	10,608	0.00
100 – 1,000	915	8.63	499,859	0.08
1,001 – 10,000	5,872	55.35	26,657,703	4.15
10,001 – 1,000,000	3,449	32.51	219,439,990	34.15
1,000,001 and above	50	0.47	395,934,607	61.62
<b>Total</b>	<b>10,609</b>	<b>100.00</b>	<b>642,542,767</b>	<b>100.00</b>

## LIST OF TWENTY LARGEST REGISTERED SHAREHOLDERS AS AT 25 MARCH 2022

No.	Name	No. of Shares	%
1	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	100,505,347	15.64
2	MOHAMED ABDUL JALEEL S/O MUTHUMARICAR SHAIK MOHAMED	54,217,835	8.44
3	TAN SU LAN @ TAN SOO LUNG	24,039,900	3.74
4	PHILLIP SECURITIES PTE LTD	19,939,711	3.10
5	OCBC SECURITIES PRIVATE LTD	16,699,874	2.60
6	DBS NOMINEES PTE LTD	14,224,268	2.21
7	NEO CHENG KANG	13,885,300	2.16
8	SUSTAINED LAND PTE LTD	11,800,000	1.84
9	TAN TIN NAM	9,489,473	1.48
10	RAFFLES NOMINEES (PTE) LIMITED	7,581,237	1.18
11	KUAN CHEOW FUI @SHANGGUAN CHEOW FUI	7,412,000	1.15
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	7,133,849	1.11
13	UOB KAY HIAN PTE LTD	6,501,100	1.01
14	LEE EE @ LEE ENG	6,324,600	0.98
15	MAYBANK SECURITIES PTE. LTD.	6,220,422	0.97
16	CHU SOR CHENG	5,887,800	0.92
17	WANG YU HUEI	5,836,600	0.91
18	TAN ENG CHUA EDWIN	5,098,500	0.79
19	OCBC NOMINEES SINGAPORE PTE LTD	4,913,701	0.76
20	SOLIGNY BRUNO LUDOVIC	4,804,000	0.75
<b>Total:</b>		<b>332,515,517</b>	<b>51.74</b>

# STATISTICS OF SHAREHOLDING

AS AT 25 MARCH 2022

## SUBSTANTIAL SHAREHOLDERS AS AT 25 MARCH 2022

Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	Shares	%	Shares	%	Shares	%
Seow Soon Yong	86,105,007	13.40	4,082,108 <sup>(1)</sup>	0.64	90,187,115	14.04
Mohamed Abdul Jaleel S/O Muthumaricar Shaik Mohamed	54,217,835	8.44	4,007,376 <sup>(2)</sup>	0.62	58,225,211	9.06

(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.

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

## SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 76.38% of the shareholding of the Company is held in the hands of the public as at 25 March 2022 and Rule 723 of the Listing Manual is complied with.



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting (“AGM”) of Yongnam Holdings Limited (the “Company”) will be held by way of electronic means on Friday, 29 April 2022 at 10.00 a.m. to transact the following businesses:

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2021 and the Directors’ Statement together with the Reports of the Auditors thereon. **(Resolution 1)**
  
2. To approve the payment of proposed Directors’ fees of \$177,500 for the financial year ended 31 December 2021 (FY2020: \$190,000). **(Resolution 2)**
  
3. To re-elect the following Directors who are retiring by rotation pursuant to Regulation 103 of the Constitution of the Company:–
  - (a) Mr Lim Ghim Siew, Henry; **(Resolution 3)**  
[Please refer to the explanatory note (a) provided]
  
  - (c) Mr Tan Eng Kiat, Dominic. **(Resolution 4)**  
[Please refer to the explanatory note (b) provided]
  
4. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 5)**

## AS SPECIAL BUSINESS

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

### 5. Authority to allot and issue shares

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

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

# NOTICE OF ANNUAL GENERAL MEETING

provided that:

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

**(Resolution 6)**

[Please refer to the explanatory note (c) provided]

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

## BY ORDER OF THE BOARD

SEOW SOON YONG  
Chief Executive Officer  
14 April 2022

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (a) Mr Lim Ghim Siew, Henry (Independent Non-Executive) will, upon re-election as Director of the Company, continue to serve as the Chairman of the Remuneration Committee as well as a member of the Audit Committee and Nominating Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Detailed information on Mr Lim Ghim Siew, Henry can be found under the "Directors' Profile" and "Additional Information on Director seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST" sections in the Company's Annual Report 2021.

- (b) Mr Tan Eng Kiat, Dominic (Independent Non-Executive) will, upon re-election as Director of the Company, continue to serve as the Chairman of the Audit Committee and Nominating Committee as well as a member of the Remuneration Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Detailed information on Mr Tan Eng Kiat, Dominic can be found under the "Directors' Profile" and "Additional Information on Director seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST" sections in the Company's Annual Report 2021.

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

## PERSONAL DATA PRIVACY

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

## INSTRUCTIONS TO SHAREHOLDERS

The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. **Printed copies of this notice of AGM (the "Notice"), proxy form and the Annual Report 2021 of the Company will not be sent to members.** Instead, these documents will be sent to members by electronic means via an announcement on the SGX website at the URL <https://www.sgx.com/securities/company-announcements> and may be accessed at the Company's website at the URL <http://www.yongnamgroup.com>.

Due to the current COVID-19 situation in Singapore, Shareholders will not be able to attend the AGM in person. The following are the alternative arrangements which have been put in place for Shareholders to participate in the AGM:

- observing the AGM proceedings via "live" audio-visual webcast or "live" audio webcast;
- submitting questions in advance of the AGM; and
- appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the AGM.

Shareholders are to note the following instructions with regard to the pre-registration, pre-submission of questions and submission of proxy forms:-

### 1. Registration to attend "live" audio-visual webcast and "live" audio webcast ("Live AGM Webcast")

- All shareholders as well as investors who hold shares through relevant intermediaries (including CPF or SRS investors), who wish to follow the proceedings of the AGM through the Live AGM Webcast must pre-register online at the pre-registration website at Yongnam AGM Website, URL <https://conveneagm.sg/yhl2022>, to create an account, no later than **10.00 a.m. on 26 April 2022** (the "Registration Deadline").
- Following the verification, authenticated shareholders or investors will receive the login details to join the Live AGM Webcast by **28 April 2022 at 10.00 a.m.** The confirmation email will contain user ID and password details, as well as the link to access the "live" audio-visual webcast/"live" audio webcast.

# NOTICE OF ANNUAL GENERAL MEETING

- (c) Shareholders must not forward the login details to join the Live AGM Webcast to other person who is not a shareholder of the Company and/or who is not authorised to attend the Live AGM Webcast.
- (d) Shareholders who register by the Registration Deadline but do not receive an email response by **28 April 2022, 10.00 a.m.** should contact the Company's Share Registrar, Tricor Barbinder Share Registration Services via email at [sg.is.enquiry@sg.tricorglobal.com](mailto:sg.is.enquiry@sg.tricorglobal.com) with the following details to be included, (i) the full name of the shareholder; and (2) his/her/its identification/registration number, **before 12.00 p.m. on 28 April 2022.**

## 2. Submission of Questions

Shareholders will not be able to ask questions at the AGM live during the webcast. Therefore, it is important for Shareholders to pre-register and submit their questions in advance of the AGM.

- (a) Shareholders will not be able to ask questions during the Live AGM Webcast.
- (b) Shareholders may pre-register and submit their questions relating to the resolutions to be tabled for approval at the AGM to the Chairman of the Meeting, in advance of the AGM, in the following manner:
  - (i) via the pre-registration website.  
Shareholders who pre-register to observe and/or listen to the live AGM proceedings may submit their questions via the pre-registration website at the Yongnam AGM Website, URL <https://conveneagm.sg/yhl2022>; or
  - (ii) via email.  
Shareholders may submit their questions via email at [questions@yongnamgroup.com](mailto:questions@yongnamgroup.com). If the questions are sent via email, please provide us with the following details: (i) The full name of shareholder; (ii) identification/registration number; and (iii) The manner in which you hold shares in the Company (e.g. via CDP/CPF/SRS).
- (c) All questions must be submitted by **22 April 2022 at 10.00 a.m.**
- (d) The Management and the Board of Directors of the Company will endeavour to address all substantial and relevant questions received from shareholders prior to the AGM by publishing the responses to those questions on SGX website at the URL <https://www.sgx.com/securities/company-announcements> and the Company's website at the URL <http://www.yongnamgroup.com> at least 48 hours prior to the closing date and time of the lodgement of the proxy forms. Where substantial and relevant questions submitted by shareholders after the above timeline and are unable to be addressed prior to the AGM, the Company will address them at the AGM and the response will be included in the Minutes of the AGM which will be published on the SGXNet and the Company's website within One (1) month after the date of the AGM.

## 3. Proxy Voting

- (a) Shareholders will not be able to vote online at the AGM. Instead, if shareholders wish to exercise their votes, they must submit a proxy form to appoint the Chairman of the AGM (the "AGM Chairman") to vote on their behalf in accordance with the instructions on the proxy form.
- (b) The proxy form must be submitted through any one of the following means no later than **10.00 a.m. on 26 April 2022**:–
  - (i) via the Yongnam AGM Website in the electronic format accessible on the Yongnam AGM Website, URL <https://conveneagm.sg/yhl2022>; or
  - (ii) by depositing a physical copy at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644; or
  - (iii) by sending a scanned PDF copy by email to [sg.is.proxy@sg.tricorglobal.com](mailto:sg.is.proxy@sg.tricorglobal.com).
- (c) Investors who hold their shares through relevant intermediaries (including CPF or SRS investors) and who wish to exercise their votes by appointing the AGM Chairman as proxy should approach their respective relevant intermediaries (including their respective CPF Agent Banks or SRS Operators) to submit their voting instructions at least **seven (7) working days** prior to the date of the AGM.

## IMPORTANT REMINDERS

Due to the constantly evolving COVID-19 situation, the Company may be required to change its AGM arrangements at short notice. Members are advised to regularly check the Company's website or announcements released on SGXNET for updates on the AGM. Further, in view of the current COVID-19 measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

**YONGNAM HOLDINGS LIMITED**

Company Registration no. 199407612N

(Incorporated in the Republic of Singapore)

**IMPORTANT**

1. The Annual General Meeting ("AGM") is being convened and will be held by way electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this proxy form will not be sent to shareholders. Instead, this proxy form will be sent to shareholders by electronic means via publication on the Company's website at the URL <http://www.yongnamgroup.com> and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM are set out in the Company's Notice of AGM dated 14 April 2022. The Notice and Proxy Form of AGM can be accessed at the Company's website at the URL <http://www.yongnamgroup.com> and on the SGX website at the URL <https://www.sgx.com/securities/companyannouncements>.
3. Due to the current COVID-19 situation in Singapore, a shareholder will not be able to attend the AGM (as defined below) in person. A shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such shareholder wishes to exercise his/her/its voting rights at the AGM.
4. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their voting instruction at least 7 working days prior to the date of the AGM.
5. By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.
6. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the AGM as a member's proxy to attend and vote on his/her/its behalf at the AGM.

**PROXY FORM**

\*I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (\*NRIC/Passport/Registration No.)  
of \_\_\_\_\_ (Address)

being a \*member/members of **YONGNAM HOLDINGS LIMITED** (the "**Company**"), hereby appoint the **Chairman of the Annual General Meeting** (the "**AGM**") of the Company, as \*my/our proxy to vote for \*me/us on \*my/our behalf, at the AGM of the Company to be held by way of electronic means, on **Friday, 29 April 2022 at 10.00 a.m.** and at any adjournment thereof.

\*I/We direct the Chairman of the AGM to vote for, vote against or abstain from voting on the Ordinary Resolutions to be proposed at the AGM as indicated hereunder.

**Members should specifically indicate in this Proxy Form how they wish to vote for or against (or abstain from voting on) the resolutions to be tabled at the AGM.** In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

Resolution No.	Ordinary Resolutions	**For	**Against	Abstain**
<b>ORDINARY BUSINESS</b>				
1.	Adoption of the Audited Financial Statements of the Company for the financial year ended 31 December 2021 and the Directors' Statement together with the Reports of the Auditors thereon.			
2.	Approval of payment of proposed Directors' fees of \$177,500 for the financial year ended 31 December 2021.			
3.	Re-election of Mr Lim Ghim Siew, Henry as Director.			
4.	Re-election of Mr Tan Eng Kiat, Dominic as Director.			
<b>SPECIAL BUSINESS</b>				
5.	Re-appointment of Messrs Ernst & Young LLP as Auditors			
6.	Authority to allot and issue shares			

\* Delete accordingly

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2022

<b>Total Number of Shares Held</b>

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

**IMPORTANT:** Please read notes overleaf





**Notes:**

1. In accordance with the alternative arrangements under the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, members of the Company who wish to have their votes cast at the AGM must appoint the Chairman of the AGM as their proxy to do so.
2. The Chairman of the AGM, as proxy, need not be a member of the Company.
3. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
4. The Proxy Form must be submitted through any one of the following means not less than seventy-two (72) hours before the time appointed for the AGM i.e. by **10.00 a.m. on 26 April 2022**:–
  - (a) via the Yongnam AGM Website in the electronic format accessible on the Yongnam AGM Website, URL: <https://conveneagm.sg/yhl2022>; or
  - (b) by depositing a physical copy at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644; or
  - (c) by sending a scanned PDF copy via email to [sg.is.proxy@sg.tricorglobal.com](mailto:sg.is.proxy@sg.tricorglobal.com).

In the case of submission of this Proxy Form other than via the Yongnam AGM Website, the Proxy Form must be signed by the appointor or his duly authorised attorney or if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised. Where this Proxy Form is signed on behalf of the appointor by an attorney or other authority, the letter or power of attorney or a notarially certified copy thereof must be lodged with this Proxy Form.

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

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<b>AFFIX POSTAGE STAMP</b>
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The Company Secretary  
**YONGNAM HOLDINGS LIMITED**  
51 Tuas South Street 5  
Singapore 637644

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# CORPORATE INFORMATION

## **BOARD OF DIRECTORS**

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

## **AUDIT COMMITTEE**

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

## **REMUNERATION COMMITTEE**

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

## **NOMINATING COMMITTEE**

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

## **COMPANY SECRETARIES**

Pan Mi Keay, ACIS  
Wang Sieu Ting

## **REGISTERED OFFICE**

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

## **COMPANY REGISTRATION NUMBER**

199407612N

## **SHARE REGISTRAR**

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

## **AUDITORS**

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

## **AUDIT PARTNER**

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

## **PRINCIPAL BANKERS**

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



## YONGNAM HOLDINGS LIMITED

51 Tuas South Street 5

Singapore 637644

T: 65 67581511 | F: 65 67580753

[info@yongnamgroup.com](mailto:info@yongnamgroup.com)

[www.yongnamgroup.com](http://www.yongnamgroup.com)

