COMMITMENTEXPERTISERESULTS

ANNUAL REPORT 2014

CORPORATE PROFILE

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

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

With more than 40 years of experience in steel fabrication, Yongnam excels in adding value to steel construction. The Group's two production facilities in Singapore and Nusajaya, Johor, Malaysia have a total annual production capacity of 84,000 tonnes of steel fabrication. Yongnam utilizes the latest fabrication technologies and design innovation to offer solutions to its clients on a fast-track basis. Our modular strutting system continues to give the Group a strong competitive edge in meeting increasingly stringent design and project requirements in infrastructure and construction projects. With a traceability procedure that meets the requirements of the Singapore Building Construction Authority, our modular strutting system is the first to be certified by an independent auditor for reusability in earth retaining or stabilizing structures.

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

Yongnam is an ISO 9001:2008, ISO 14001:2004 and OSHAS 18001:2007 certified company and accredited fabricator of the highest S1 category from the Singapore Structural Steel Society and holds A1 Grades from the Singapore Building and Construction Authority for the categories of General Building and Civil Engineering. Our Quality Management System takes a planned approach towards continuous improvement of our products, processes and services. Yongnam has also achieved a bizSAFE Star Level award.

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

CONTENT

CHIEF EXECUTIVE OFFICER'S MESSAGE

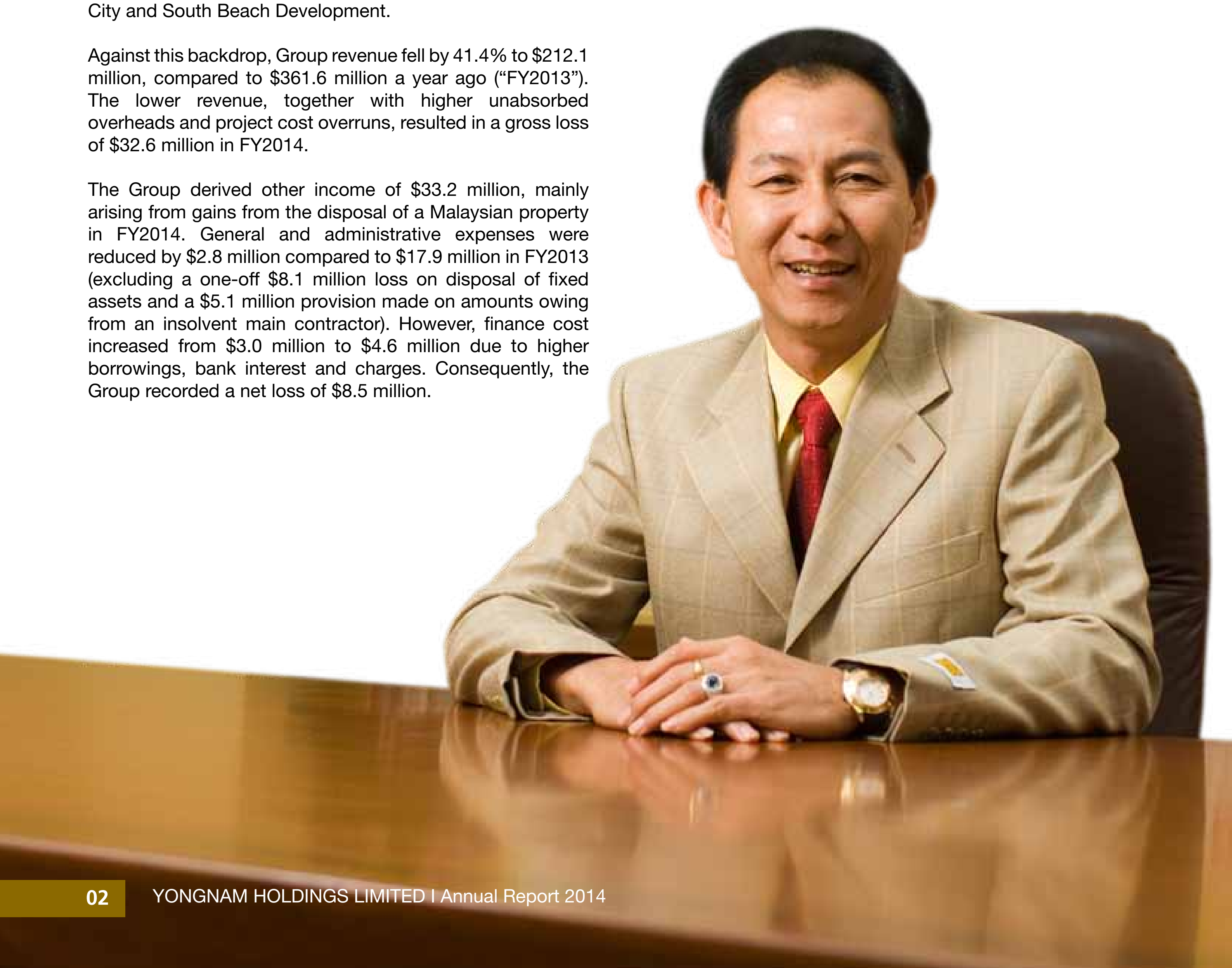
The Group continues to participate actively in infrastructure development opportunities around the region, winning several notable projects. These include Changi Airport Terminal 4, MRT Thomson-East Coast Line Marina South Station and Tunnels and Napier Station, as well as Jewel at Changi Airport; and in Hong Kong, a third subcontract for the Central-Wan Chai Bypass Tunnel.

Dear Shareholders,

The financial year ended December 31, 2014 ("FY2014") was a particularly challenging year for Yongnam Holdings Limited ("Yongnam", or the "Group"). The tailing down of existing projects, lack of new projects as well as slow starts in new projects such as the Marina One and Changi Airport Terminal 4 resulted in a much lower level of activities compared to previous years. With less than optimal level of activities, our fixed production costs and overheads could not be fully absorbed. The situation was compounded by cost overruns in several projects, namely, Singapore Sports Hub, Suntec City and South Beach Development.

Against this backdrop, Group revenue fell by 41.4% to $212.1 million, compared to $361.6 million a year ago ("FY2013"). The lower revenue, together with higher unabsorbed overheads and project cost overruns, resulted in a gross loss of $32.6 million in FY2014.

The Group derived other income of $33.2 million, mainly arising from gains from the disposal of a Malaysian property in FY2014. General and administrative expenses were reduced by $2.8 million compared to $17.9 million in FY2013 (excluding a one-off $8.1 million loss on disposal of fixed assets and a $5.1 million provision made on amounts owing from an insolvent main contractor). However, finance cost increased from $3.0 million to $4.6 million due to higher borrowings, bank interest and charges. Consequently, the Group recorded a net loss of $8.5 million.



Back in FY2013, the Group had already tightened its controls in project and cost management as it anticipated a challenging environment in FY2014. We will continue to regularly review the effectiveness of such internal controls.

Operationally, the Group continues to participate actively in infrastructure development opportunities around the region, winning several notable projects. These include Changi Airport Terminal 4, MRT Thomson-East Coast Line Marina South Station and Tunnels and Napier Station, as well as Jewel at Changi Airport; and in Hong Kong, a third subcontract for the Central-Wan Chai Bypass Tunnel.

The Group's fully-owned subsidiary, Yongnam Engineering & Construction (Pte) Ltd ("YNEC"), successfully obtained A1 Grading in both the General Building and Civil Engineering categories from the Singapore Building and Construction Authority in FY2014. These gradings allow YNEC to tender as main contractor for contracts of unlimited contract value in Singapore. In March 2015, YNEC formed a joint venture with a local partner and won the tender for the JTC Food Hub @ Senoko project, valued at $159.0 million. Going forward, the Group intends to continue with the strategy of forming strategic partnerships to pursue selective projects as its main contractor, with the aim of growing this into our third core business division.

As reported in our FY2013 annual report and subsequent announcements, the Group, as part of a consortium comprising JGC Corporation and Changi Airports International Pte Ltd, resubmitted its tender for the design, construction, operation and maintenance of the Hanthwaddy International Airport ("HIA") project in Myanmar in April 2014. On October 29, 2014, the Group announced that its consortium had been selected as the successful tenderer for the HIA project. This was followed by commercial and legal negotiations with the Myanmar authorities which began in January 2015.

Our order book remains healthy at $405.0 million at the end of FY2014. In Singapore, construction demand and outlook for the next few years is expected to remain strong, anchored by public sector projects. The MRT Eastern Region Line is expected to commence tenders for main contractors in the second quarter of FY2015, to be followed by the North-south Expressway. New MRT lines that are on the horizon include Cross Island Line, Jurong Region Line, Circle Line Stage 6, Downtown and North East Lines extension. Likewise, Hong Kong is expected to see a slew of public sector projects with its current expenditure in its Mass Transit Rail, Central-Wan Chai Bypass and Island Eastern Corridor Link, as well as a rail link connecting Kai Tak with Kowloon Bay, Kwun Tong and Shatin to Central Link. The Middle-east will provide exciting opportunities with the preparations for the 2022 World Cup in Qatar, and increased expenditure in public sector works in the UAE and Saudi Arabia.

With the ramping up of existing projects such as Marina One and Changi Airport Terminal 4, we expect our prospects to improve in FY2015. Other newly won projects such as Jewel at Changi Airport, MRT Thomson-East Coast Line and the JTC Food Hub @ Senoko will also provide impetus for the second half of FY2015. Overall, we are optimistic that Yongnam will turn in a better performance in FY2015.

On behalf of the Board of Directors, I would like to thank our staff for their dedication and hard work; our clients, bankers, suppliers and subcontractors for their relentless support. And to our shareholders, we thank you for your trust and loyalty which are the cornerstones in our pursuit of growth and value for all our stakeholders.

SEOW SOON YONG
Chief Executive Officer

BOARD OF DIRECTORS

1 SEOW SOON YONG
Managing Director & Chief Executive Officer
Appointed to the Board as Managing Director and CEO on 19 October 1994

Mr. Seow joined Yongnam Engineering & Construction (Pte) Ltd ("YNEC") in 1978 and acquired diverse experiences in marketing, project management and general management. He was instrumental in pioneering the development of the Group's Modular Strutting System. Introduced to the industry in 1995, the system is now accepted as the defacto cost-effective temporary support for deep excavation works. Mr. Seow, who is multi-lingual, ventured the Group into overseas markets and secured significant projects such as the Dubai Metro Rail and the Delhi International Airport.

2 TAN TIN NAM
Non-Executive & Non-Independent Director
Appointed to the Board on 19 October 1994

Mr. Tan founded the Yongnam Group and has more than 40 years of experience in the construction industry. Prior to setting up his own business, Yongnam Engineering Works ("YNEW") in 1971, Mr. Tan spent six years with mechanical engineering and construction companies providing engineering services to granite quarries and shipyards. Mr. Tan led the expansion of YNEW into steel fabrication, mechanical and civil engineering for the construction of power plants, industrial buildings, public works and buildings for public and private institutions. YNEW was converted into YNEC in 1973.

3 SIAU SUN KING
Executive Director
Appointed to the Board on 19 October 1994

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

4 SEOW SOON HEE
Executive Director

Appointed to the Board on 19 October 1994

Mr. Seow joined the Group in 1977. Starting his career with the Group in its Mechanical Engineering division, Mr. Seow expanded his portfolio to include accounting, finance and administration. He graduated from the Nanyang University, Singapore, with a Bachelor of Arts degree. He currently oversees the Group's operations in the Hong Kong SAR.

5 CHIA SIN CHENG
Executive Director & Finance Director

Appointed to the Board on 8 January 2007

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

6 LIM GHIM SIEW, HENRY
Non-Executive & Independent Director

Appointed to the Board on 15 October 2002

Mr. Lim is the owner of law firm G. S. Lim & Partners, conducting mainly corporate, conveyancing, insurance claims and general litigation works. He obtained his law degree from the University of London in 1988 and was called to the English Bar in 1992. He is a member of the Honorable Society of Lincoln's Inn. Mr. Lim is a member of the Audit Committee and Remuneration Committee. He is also the chairman of a locally based shipping company.

7 GOON KOK LOON
Non-Executive & Lead Independent Director

Appointed to the Board on 15 July 2003

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

8 LIEW JAT YUEN, RICHARD
Non-Executive & Independent Director

Appointed to the Board on 23 January 2006

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

9 TAN ENG KIAT, DOMINIC
Non-Executive & Independent Director

Appointed to the Board on 3 March 2008

Mr. Tan has over 40 years of experience in business development, corporate management, and management of large civil engineering, building, industrial and environmental engineering projects. He started his career as a Trainee Quantity Surveyor with Gammon (Malaya) Ltd in 1966 and progressed to the rank of Executive Director (International Operations). He joined United Engineers (Singapore) Pte Ltd in 2000, where he spearheaded the company's regionalization to West Malaysia, Brunei, Indonesia, Vietnam and the Middle East. Mr. Tan chairs the Remuneration Committee and is a member of the Nominating Committee. He also sits on the board of Sitra Holdings Ltd.

KEY EXECUTIVES

TAKEDAGAWA HIROYUKI **OPERATIONS DIRECTOR**
Mr. Takedagawa joined Yongnam in 2013 with more than 30 years of experience in project management and marketing after an illustrious career with a Japanese construction company. He has overseen many mega Projects in Japan, Singapore, Hong Kong, Taiwan, Vietnam, Cambodia, Sri Lanka, Thailand, Romania, Bulgaria, Indonesia, Malaysia and the Middle East. Notable projects managed by Mr. Takedagawa include the Tokyo Trans Bay Highway in Japan, KCRC East Rail Extension in Hong Kong, Tangguh LNG Project in Papua New Guinea and Marina Coastal Expressway in Singapore. He graduated from Nagasaki University in Japan, with a Bachelor of Science degree in Civil Engineering.

CHELVADURAI HARENDRAN **PROJECT DIRECTOR**
Mr. Harendran joined Yongnam in 1997. He has over 40 years of experience in the building and construction industry, having started his career in 1971 with Ove Arup & Partner in London as a Design Engineer, and transferred to their Singapore office in 1975 as Chief Engineer (Design), heading its Design Department. He joined Woh Hup Pte Ltd in 1979 as Chief Engineer (Design) and Head of Design Department. In 1984 he joined Low Keng Huat (S) Ltd as Project Manager and managed several key projects including New Tech Park and Keppel Distripark. Mr. Harendran graduated in 1971 with a Bachelor of Science degree from University College, London, and is a member of the Institution of Civil Engineers, a Chartered Engineer in the UK and a Professional Engineer in Singapore.

SEOW SOON HOCK **PRODUCTION DIRECTOR**
Mr. Seow has been with Yongnam for more than 30 years and has comprehensive knowledge in production, production planning and logistics management. He is responsible for all fabrication, scheduling, allocation of resources and progress tracking as well as providing technical assistance and innovative methods to engineering design.

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

SIK KAY LEE **PROJECT DIRECTOR**
Mr. Sik joined Yongnam in 2006 and has more than 30 years of working experience in building and civil engineering projects, having worked in local and foreign multi-national companies as Project Manager. Notable projects managed by Mr. Sik include the Seraya Power Station, SAFTI Military Institute and Singapore Post Centre. Mr. Sik graduated from the University of Leicester, UK, with a Bachelor of Science degree in Engineering.

KOH ENG SENG **PROJECT DIRECTOR**
Mr. Koh joined Yongnam in 1981 and has more than 30 years of experience in infrastructure projects. He was instrumental in the successful completion of several major Mass Rapid Transit (MRT) and vehicle tunnel projects such as the Kallang-Paya Lebar Expressway and the Marina Coastal Expressway, which included the Group's single largest contract involving the construction of a cofferdam in the open sea at Marina Bay.

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

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

CORPORATE INFORMATION

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

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

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

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

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

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YANG EUN KYU DIRECTOR - TECHNICAL
Mr. Yang joined Yongnam in 2015 with more than 35 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. These projects include MRT Northeast Line, Marina Coastal Expressway and Kallang Paya Lebar Expressway in Singapore, MTR (Satin-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.

MUNETADA YAMAJI DIRECTOR - ENGINEERING & DESIGN
Mr. Yamaji joined Yongnam in 2012 after having worked for JFE Engineering Corporation, a leading engineering and construction company in Japan, for over 30 years, including 10 years as Principal. He graduated from Kyoto University, Japan, with a Bachelor of Science degree in Architectural Engineering and obtained a Master of Science degree in Engineering from the University of Texas (Austin), USA. His many years of experience was amassed in the field of structural steel engineering and construction and project management. He has also worked on many mega projects for both the Japanese and international markets. His signature projects in Singapore are MAS Building, One Raffles Quay Building, National Gallery and Market Street Development. He is a registered Professional Engineer of Japan and a member of Architectural Institute of Japan (AIJ).

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.

LIANG SAY FOCH GENERAL MANAGER - CENTRAL PLANNING
Mr. Liang joined Yongnam in 2013. He has over 30 years of experience in major civil engineering and building works. Starting his career in 1980 with design consultant M/S Chan Chee Wah Maunsell & Partners as Design Engineer/Resident Engineer, Mr. Liang moved on to join Bocotra Construction/ Expressway Construction Ltd, Taisei Corporation and China State Construction Engineering Corporation, where he was involved in the management, planning, construction and administration of civil, infrastructural, industrial, commercial and residential building projects which included MRT projects for the North-south Line and Downtown Line, Central Expressway, Kallang-Paya Lebar Expressway, Boulevard Hotel, C&P Warehouse, and the Thomson Medical Centre. Mr. Liang graduated from University of Edinburgh, UK, in 1980 with a Bachelor of Science degree in Civil/Structure Engineering (1st class).

SEOW KHNG CHAI GENERAL MANAGER - MALAYSIA
Mr. Seow has been with the Group for more than 30 years, starting as a Foreman in the Company. He was appointed General Manager of the Group's subsidiaries in Malaysia, where he handled numerous prominent projects, including Kedah Cement Plant in Langkawi, Langkawi Airport, and Pasir Gudang CCCP in Johor. In Singapore, he also handled projects such as Jurong Power Station, Senoko Power Plant, Pulau Seraya Power Plant, MRT contracts, PSA Container Crane and Senoko Gas Turbine.

PNG SENG HOCK GENERAL MANAGER, PRODUCTION - SINGAPORE
Mr. Png joined Yongnam in 1985. He has more than 30 years of experience in the steel structure fabrication and erection for power plants, marine and offshore oil & gas projects, refineries, petrochemical plants, wafer plants, airports and buildings. Notable projects that Mr. Png has worked on include Senoko Power Station, Pulau Seraya Power Station, MRT projects, PSA Quay Cranes, Suntec City Development, Royal Brunei Hangars, One Raffles Quay, National Library, Civic Cultural Recreational & Commercial Development, Marina Bay Sands Integrated Resort, Gardens by the Bay and Singapore Sports Hub. Presently, he oversees the day to day operations of Yongnam's fabrication plant in Singapore. Mr. Png graduated from the Singapore Polytechnic with a Diploma in Mechanical Engineering.

HAN MING SIEW DEPUTY GENERAL MANAGER - MALAYSIA
Mr. Han joined Yongnam in 2006. He has more than 20 years of experience in the steel structures fabrication and erection for power plants, offshore oil & gas projects, refineries, Petrochemical plants, wafer plants, steel bridges, airports and buildings. Mr. Han graduated from the University of Louisiana, USA, with a Master of Science Degree in Mechanical Engineering. He has worked on many mega projects such as Dubai Metro, Marina Bay Sands Integrated Resort. Jamuna Bridge in Bangladesh, Royal Brunei Airport & Naval Base, Changi Airport Terminal 3, One Raffles Quay, and KL LRT 2. Presently, he oversees the day to day operations of Yongnam's fabrication plant in Malaysia.

LIM CHEONG GUAN, JOHN SENIOR MANAGER – BUSINESS DEVELOPMENT
Mr. Lim joined Yongnam from 1995 to 2003 and returned in 2004. With almost 30 years of experience in the engineering and construction industry, Mr. Lim began his career with the industrial engineering division of Keppel Corporation Ltd as a Project Manager in 1985 and rose to become General Manager of a subsidiary of Keppel Integrated Engineering Group. Subsequently, he became the General Manager of an associate company in Bangkok, Thailand. Mr. Lim is a Business Administration graduate from the Singapore Institute of Management, and holds a diploma in Ship Construction from the Singapore Polytechnic.

COMPANY REGISTRATION NUMBER
199407612N

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AUDIT PARTNER
Ling Soon Hwa, Philip (Appointed with effect from financial year ended 31 December 2012)

PRINCIPAL BANKERS
DBS Bank Ltd
United Overseas Bank Limited
Australia and New Zealand Banking Group Limited
Oversea-Chinese Banking Corporation Limited
CIMB Bank Berhad, Singapore Branch
Chinatrust Commercial Bank Co. Limited, Singapore Branch
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited

Yongnam will supply, fabricate and erect the structural framing system of Jewel's main building as well as other associated structures such as the pedestrian bridges to Terminals 2 and 3. Works are expected to complete by end-2016.

SOUTH BEACH

South Beach is a mixed-use development, strategically located between Beach Road and Nicoll Highway, bordering Singapore's Central Business District. It will seamlessly blend four historic conservation buildings that were part of the former Beach Road military camp with two new towers to feature offices, luxury residences, a designer hotel, retail shops and a members-only arts club.

South Beach adopts an environmentally friendly design, utilising green technology to create a distinctive, high quality development that fits well with Singapore's tropical climate and urban context. Slanting facades are used to catch winds and direct air flow to ground-level spaces and a large filter canopy that covers the open spaces, linking the conservation buildings with the two towers and providing shelter from the weather elements by drawing air currents to cool the area beneath it. South Beach has already won two Green Mark Platinum Awards and is set to be the new defining structure in Singapore's vibrant skyline.

Yongnam secured a subcontract for this development to fabricate and erect approximately 3,800 tonnes of structural steel for the building and canopy structures. The futuristic design of the tower facade and canopy ribbon involves complex geometry and poses significant engineering, fabrication and erection challenges. Our contracted work is expected to be completed in the third quarter of 2015.

MARINA ONE

Marina One – an iconic integrated development at Marina Bay Singapore – is being developed by M+S Pte. Ltd., which is 60:40 owned by Khazanah Nasional Bhd and Temasek Holdings Pte Ltd. The integrated development, with a gross floor area of 3.67 million sq ft, features a unique vibrant green garden surrounded by four Green Mark Platinum rated towers - two 30-storey office blocks, two 34-storey residential blocks, four basement levels, an underground pedestrian network, and an ancillary road network. With lush greenery and waterfalls expected to feature in the building design, the project is expected to be a landmark feature at Singapore's new Central Business District when completed in 2017.

The structural steel subcontract, worth $168 million, is the largest structural steel subcontract won by Yongnam to-date. The subcontract covers three packages in which Yongnam is expected to fabricate and construct a record of almost 30,000 tonnes of structural steelwork. One of the three packages involves the conversion of the original reinforced concrete design of the office towers to a composite structural steel design. The subcontract also includes the application of fireproofing as well as the supply and installation of a specialist floor damping system on the linkway floors connecting the two office towers at 28th to 30th storeys. Work for the subcontract is expected to be completed by the first quarter of 2016.

CHANGI AIRPORT TERMINAL 4

Changi Airport Terminal 4, which is expected to handle about 16 million passengers per year when completed, is constructed on the site of the old Budget Terminal located about 2 km from the three main terminals. The terminal design is inspired from an orchid petal. The two-storey terminal building stands at a height of 25 m, and has a gross floor area of about 195,000 sq m, 25 aerobridge gates, as well as a 300 m long Central Galleria, which will be a glazed

Marina One

Changi Airport Terminal 4

open space that visually connects the departure, check-in, arrival and transit areas across the terminal. In addition, the terminal's 15,000 sq m of retail space will have a new walk-through retail concept. Two new car parks, one multi-storey and the other open air, will be constructed at the terminal to accommodate up to 1,500 vehicles.

Yongnam will be responsible for the supply, fabrication, surface treatment, delivery and erection of structural steelwork for the roof structure, certain parts of the internal floors as well as the link bridges, canopies and other appendages of the new airport terminal. Works are expected to be completed by end of 2015.

JEWEL CHANGI AIRPORT

Envisaged to be a world-class lifestyle destination that will boost Singapore's Changi air hub's appeal as a stopover point for travellers, Jewel Changi Airport ("Jewel") is a mixed-use complex located in front of Terminal 1. With five storeys above ground and five basement storeys, covering a total gross floor area of about 134,000 sq m, Jewel will feature a glass and steel façade that will be a visually stunning addition to the airport landscape. It will also be the first in Singapore to seamlessly integrate a refreshing environment of lush greenery amid other attractions and facilities within the same building which include retail offerings, a hotel and facilities for airport operations. Jewel will house one of the largest indoor collections of plants in Singapore – with about 22,000 sq m of space dedicated to landscaping throughout the complex featuring thousands of trees, plants, ferns and shrubs, as well as a breathtaking 40 m high Rain Vortex, expected to be the world's tallest indoor waterfall.

To strengthen Changi Airport's appeal as a transit hub, there will be facilities in Jewel to enhance passengers' journey. An integrated multi-modal transport lounge within the complex offers dedicated services for fly-cruise and fly-coach passengers, such as ticketing, issuance of boarding passes and baggage transfer services. In addition, early check-in and bag deposit facilities in Jewel will provide passengers with added convenience.

Yongnam will supply, fabricate and erect the structural framing system of Jewel's main building as well as other associated structures such as the pedestrian bridges to Terminals 2 and 3. Works are expected to complete by end-2016.

DSO WIND TUNNEL

The Group secured its third contract for the Trisonic Wind Tunnel, following earlier contracts for refurbishment and reinstallation works in 2002, and maintenance works between 2006 and 2007. The current contract is for the replacement of air storage tanks at the Singapore Wind Tunnel Facility (SWIFT) located at the National University of Singapore. Yongnam's scope of work includes the dismantling and disposal of existing air tanks, supply, installation, maintenance, testing and commissioning of new air tanks. Works are expected to complete in 2015.

South Beach

OPERATIONS REVIEW

Yongnam secured two subcontracts for the Thomson-East Coast Line, including the Napier Station and Marina South Station and Tunnels. Works are expected to commence in the second half of 2015, to be completed in 48 months.

MRT DOWNTOWN LINE PHASES 2 AND 3

MRT Downtown Line ("DTL") Phase 2 consists of 12 underground stations running from Bukit Panjang along the Bukit Timah corridor, and terminating at the Rochor Station where commuters connect to DTL Phase 1, facilitating travel from the north-western parts of Singapore to the Central Business District and the Marina area.

Yongnam won four contracts for DTL Phase 2, comprising three contracts for the C921 package covering Rochor Station, Little India Station and the cut-and-cover tunnel between the two stations; and a fourth contract, C918, covering Tan Kah Kee Station and the cut-and-cover tunnel between the station and Sixth Avenue Station.

DTL Phase 3, the final stretch of the 42-km Downtown Line, is 21 km-long and consists of 16 stations including three interchange stations, and will, upon completion, be linked to the Circle Line and the East-West Line.

The Group won seven contracts for DTL Phase 3, comprising C933 covering Bendemeer Station and associated tunnels; C931 covering Macpherson Station and associated tunnels; C929 and C932A for the construction of the Kaki Bukit and Kallang Bahru Stations; C922 for the construction of a new interchange station with the East-West Line to be built adjacent to the current Expo Station, and the overrun tunnels; and C923 for the Upper Changi Station and a section of cut-and-cover cross-over tunnel and a twin-bored tunnel between this station and the Expo Station; and C936 for Bencoolen Station.

The specialist civil engineering contracts for the DTL Phases 2 and 3 are expected to be completed by 2016.

MRT THOMSON-EAST COAST LINE

The 43km Thomson-East Coast Line ("TEL"), a joint line between the Thomson Line and the Eastern Region Line, will add 31 new stations to the existing rail network. With seven interchange stations, the TEL will link to the East-West Line, North-South Line, North-East Line, Circle Line and the Downtown Line, bringing time savings for commuters travelling to the Central Business District or to the northern part of Singapore. The TEL stations are designed with more entrances and exits. Some of these entrances on the East Coast stretch will also be connected to longer underpasses of up to 400 m to improve first and last mile connectivity. These underpasses shelter commuters against the weather, reduce the time taken to walk to and from the station, and improve safety, particularly for the elderly and children, by removing the need to cross roads.

Commuters can start enjoying the TEL in stages from 2019. When fully operational in 2024, the 31 stations on TEL are expected to serve about 500,000 commuters daily in the initial years, rising to one million commuters daily in the longer term.

Yongnam secured two subcontracts for the TEL including the Napier Station and Marina South Station and Tunnels. The Group will be responsible for the supply, installation and dismantling of steel struts for the Napier Station, and supply, installation and dismantling of a pipe pile cofferdam system, steel struts as well as decking works for the Marina South Station and Tunnels. Works are expected to commence in the second half of 2015, to be completed in 48 months.

EXPRESS RAIL LINK, HONG KONG

The Guangzhou-Shenzhen-Hong Kong Express Rail Link will connect Beijing and Hong Kong via Guangzhou and Shenzhen. The 26 km Hong Kong section runs from West Kowloon to the boundary with Shenzhen and connects to the 16,000 km National High-speed Railway Network, enhancing Hong Kong's role as the southern gateway to mainland China.

The Group is currently working on three specialist civil engineering subcontracts in Hong Kong, namely the Mai Po to Ngau Tam Mei Tunnel, the Mei Lai Road to Hoi Ting Road Tunnel and the Tai Kong Pot to Tse Uk Tsuen Tunnel. These subcontracts are expected to be completed by end-2015.

MASS TRANSIT RAIL, HONG KONG

The Group has long been involved in Hong Kong's Mass Transit Rail development. It currently works on two subcontracts on the Shatin to Central Link ("SCL") which connects several existing railway lines to form two strategic railway corridors – the "East West Corridor" and the "North South Corridor" – serving the New Territories, Kowloon and Hong Kong Island.

The first subcontract involves the design, supply, installation and subsequent dismantling of approximately 10,000 tonnes of struts at two MTR stations for the SCL, namely Sung Wong Toi and To Kwa Wan, including the tunnels and entrances. The second subcontract involves strutting works for the Diamond Hill Station and the Hin Keng Cut and Cover Tunnel. The subcontracts are expected to be completed by end-2016.

CENTRAL-WAN CHAI BYPASS

The Central-Wan Chai Bypass is a new trunk road running along the northern shore of Hong Kong Island, providing an expressway for east-west traffic in Central and Wan Chai to divert from the commercial centre. It will be a 4.5 km-long trunk road consisting of a 3.7 km tunnel underneath land and seabed. The expressway is expected to be operational by 2017.

The Group currently works on four subcontracts for the Central-Wan Chai Bypass, which includes a subcontract to undertake the design, supply, erection and subsequent removal of struts and walers between newly constructed diaphragm walls at the East Ventilation Building and cut-and-cover tunnel. The project is expected to be completed by mid-2015.

Another subcontract, expected to be completed in 2016, involves approximately 2,000 tonnes of steel for the construction of temporary steel bridges between the tunnel's North Point section and Island Eastern corridor link. The Group secured two more subcontracts in 2014, one of which was for Excavation Lateral Support (ELS) works whose works are expected to complete in fourth quarter of 2016.

FINANCIAL REVIEW

Group revenue in FY2014 decreased by 41.4% to $212.1 million, compared to $361.6 million in FY2013.

Revenue from Structural Steelwork decreased by 45.2% to $117.6 million (FY2013: $214.5 million), accounting for 55.4% of total revenue. Key contributors to this business division include Marina One, Changi Airport Terminal 4, South Beach Development and Market Street Development projects.

Revenue from Specialist Civil Engineering decreased by 35.7% to $94.5 million (FY2013: $147.0 million), accounting for 44.6% of total revenue. Key revenue contributors for this business division include MRT Downtown Line Phases 2 and 3 as well as projects in Hong Kong.

Geographically, revenue generated from projects in Singapore accounted for 83.1% in FY2014, compared to 80.1% in FY2013. Revenue from Hong Kong and Malaysia accounted for the remaining 16.9%.

The tailing down of existing projects and slow starts in new projects such as Marina One and Changi Airport Terminal 4 resulted in a lower level of fabrication and erection activities in FY2014. Consequently, the Group's fixed production and overhead costs could not be sufficiently absorbed. In addition, lower margin projects coupled with provisions made in anticipation of lower variation orders for certain projects contributed negatively to the Group's gross profit margin, and when combined with lower level of activities resulted in a gross loss of $32.6 million in FY2014.

The Group's other income of $33.2 million in FY2014 were mainly in relation to a one-off gain on disposal of a Malaysian property. General and administrative expenses in FY2014 was $15.1 million, which is $2.8 million lower than the general and administrative expenses of $17.9 million in FY2013 (excluding a one-off $8.1 million loss on disposal of fixed assets and a $5.1 million provision made on amounts owing from an insolvent main contractor). The reduction was mainly due to lower staff costs and professional fees incurred in FY2014. Finance costs increased from $3.0 million to $4.6 million in FY2014 due to higher borrowings, bank interest and charges. Consequently, the Group recorded a net loss after tax of $8.5 million, compared to a net profit after tax of $5.5 million for FY2013.

The Group's order book at the end of FY2014 remained healthy at $405.0 million. In March 2015, the Group, together with a joint venture partner, secured a landmark project worth $159.0 million for the JTC Food Hub @ Senoko. This marks the Group's successful start in its pursuit of selective projects where it will play the role of a main contractor together with suitable partners.

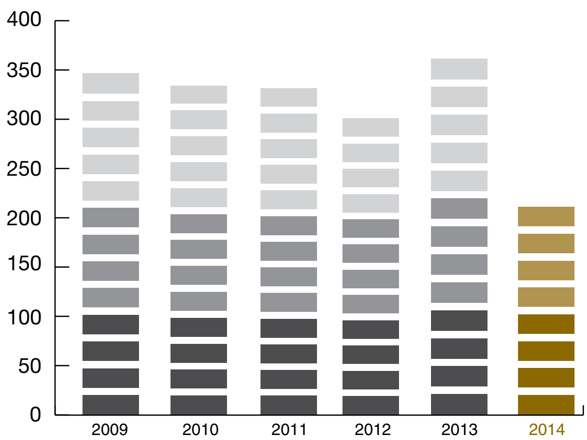
The Group's gearing rose marginally from 0.53 times at the end of FY2013 to 0.58 times at the end of FY2014. The Group's net cash flow from operating activities contributed $8.2 million in FY2014, compared to $1.1 million in FY2013, while net cash flow used in investing activities decreased from $45.2 million in FY2013 to $5.4 million in FY2014. Cash and cash equivalents at the end of FY2014 totalled $6.0 million.

FINANCIAL HIGHLIGHTS

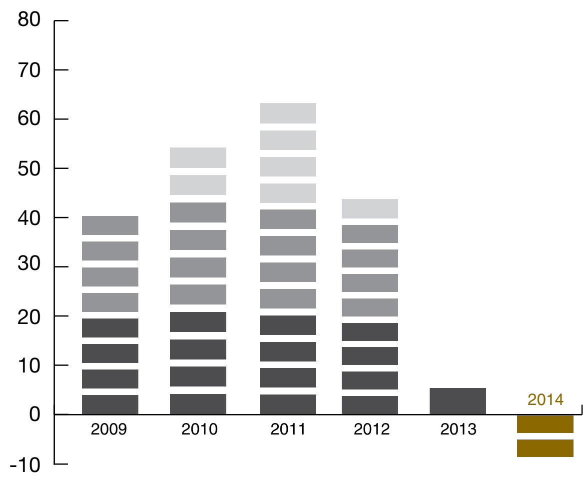
	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
PROFIT AND LOSS ACCOUNT						
Revenue	**212,083**	361,636	301,600	332,722	335,078	346,821
(Loss)/Profit before taxation	**(19,009)**	4,350	48,912	75,238	67,740	48,816
(Loss)/Profit after taxation	**(8,491)**	5,539	43,508	63,376	54,398	40,075
(Loss)/Earnings Per Share (Basic) (cents)	**(0.67)**	0.44	3.45	5.06	4.38	3.27
BALANCE SHEET						
Property, plant and equipment	**320,997**	356,867	346,320	302,769	269,135	223,202
Other non-current assets	**1,608**	5,584	2,137	632	4,699	2,488
Net current assets [1]	**175,034**	166,203	124,430	132,808	123,008	131,849
	497,639	528,654	472,887	436,209	396,842	357,539
Shareholders' equity	**300,053**	316,808	323,126	291,450	235,559	187,567
Short and long-term borrowings	**178,873**	182,597	119,355	115,330	137,003	159,075
Deferred taxation	**18,713**	29,249	30,406	29,429	24,280	10,897
	497,639	528,654	472,887	436,209	396,842	357,539
NAV per share (cents)	**23.68**	25.01	25.60	23.25	18.92	15.22

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

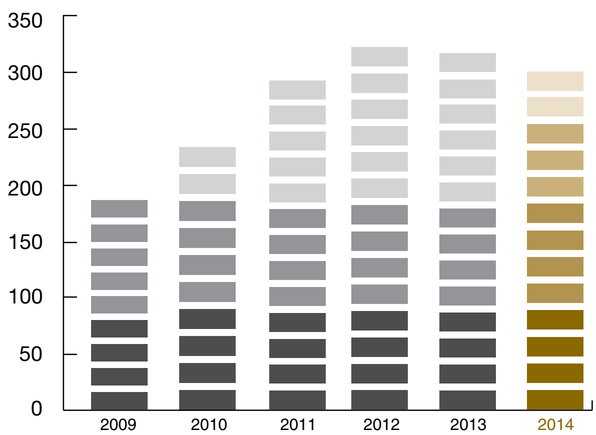
REVENUE ($ MILLION)



PROFIT AFTER TAX ($ MILLION)



SHAREHOLDERS' EQUITY ($ MILLION)



CORPORATE GOVERNANCE REPORT

The Board of Directors ("the Board") of Yongnam Holdings Limited (the "Company") is committed to maintaining high standards of corporate governance, business integrity and professionalism within the Company and its subsidiaries (the "Group") to protect the interests of all its stakeholders and to promote investors' confidence and support.

This report describes the Group's ongoing efforts in the financial year ended 31 December 2014 ("FY2014") in keeping pace with the evolving corporate governance practices and complying with the Code of Corporate Governance 2012 (the "Code") issued on 2 May 2012. The Company has adopted and complied, wherever feasible, relevant and practicable to the Group, with the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Board of Directors is primarily responsible for overseeing the management of the business affairs, corporate affairs and the overall performance of the Group. Board members are expected to act in good faith and exercise independent judgment in the best interests of the Group.

The Board's key responsibilities include providing leadership and guidance to 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 proposals 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 reporting systems;
- reviewing and monitoring management performance towards achieving organisational goals;
- overseeing succession planning for 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 and communication with shareholders; and
- considering sustainability issues including environmental and social factors in forming the Group's strategies.

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

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

The Board has delegated specific responsibilities to the committees of the Board, namely, the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Audit Committee ("AC") (collectively, the "Board Committees") to assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively. These Board Committees are made up of Non-Executive Directors and Independent Directors and each chaired by an Independent Director. Each Board Committee has its own specific terms of reference which clearly set out its objectives, scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

The Board meets on a quarterly basis to approve, among others, announcements of the Group's quarterly and full year financial results. Ad hoc meetings are also convened to discuss and deliberate on urgent substantive matters or issues. The Board may also have informal discussions on matters requiring urgent attention which would then be formally approved by circular resolutions in writing. The Company's Articles of Association provides for the Board to convene meetings via telephone conferencing and electronic means in the event when Directors were unable to attend meetings in person.

The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings during FY2014 is tabulated below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	4	4	1	1
No. of meetings attended by respective directors				
Executive Directors:				
1. Seow Soon Yong (Chief Executive Officer)	4	–	–	–
2. Siau Sun King	4	–	–	–
3. Seow Soon Hee	4	–	–	–
4. Chia Sin Cheng	4	–	–	–
Non-Executive and Non-Independent Director:				
5. Tan Tin Nam	4	–	–	–
Non-Executive and Independent Directors:				
6. Goon Kok Loon (Lead Independent Director)	4	4	1	1
7. Lim Ghim Siew, Henry	4	4	–	1
8. Liew Jat Yuen, Richard	4	4	1	–
9. Tan Eng Kiat, Dominic	4	–	1	1

The Board ensures that incoming new Directors are given comprehensive and tailored induction on joining the Board including onsite visits, if necessary, to get familiarised with the business of the Group and corporate governance practices upon their appointment and to facilitate the effectiveness in discharging their duties. Newly appointed Directors will be provided a formal letter setting out their duties and obligations. They will be given briefings by the Management on the business activities of the Group and its strategic directions as well as its corporate governance practices. All Directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities for participation in the relevant training courses, seminars and workshops as relevant and/or applicable.

Principle 2: Board Composition and Guidance

The Board currently comprises nine (9) Directors, five (5) of whom are Non-Executive Directors with four (4) of them independent and four (4) Executive Directors. The current members of the Board and their membership on the Board Committees of the Company are as follows: -

Name of Directors	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Seow Soon Yong	Managing Director & Chief Executive Officer	-	-	-
Chia Sin Cheng	Executive Director and Finance Director	-	-	-
Seow Soon Hee	Executive Director	-	-	-
Siau Sun King	Executive Director	-	-	-
Goon Kok Loon	Non-Executive and Lead Independent Director	Chairman	Member	Member
Lim Ghim Siew, Henry	Non-Executive and Independent Director	Member	-	Member
Tan Eng Kiat, Dominic	Non-Executive and Independent Director	-	Member	Chairman
Liew Jat Yuen, Richard	Non-Executive and Independent Director	Member	Chairman	-
Tan Tin Nam	Non-Executive and Non-Independent Director	-	-	-

The Board's composition is to be reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience. The NC is of the view that the current Board comprises persons whose diverse skills, experience and attributes provide for an effective Board. The Board members also collectively possess the necessary core competencies for the effective functioning of the Board and an informed decision making process. The NC has reviewed and is satisfied that the current composition and board size is appropriate for effective decision making, having taken into consideration the nature and scope of the Group's operations.

The criterion of independence is based on the guidelines provided in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officer that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Group.

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

In respect of each of the two Independent Non-Executive Directors, namely Mr. Goon Kok Loon and Mr. Lim Ghim Siew, Henry, having served more than 9 years, the Board has considered specifically their length of service and their continued independence. The Board has determined that the Directors concerned remained independent of character and judgement and there were no relationships or circumstances which were likely to affect, or could appear to affect, the Directors' judgement. The independence of character and judgement of each of the Directors concerned was not in any way affected or impaired by the length of service. The Board has also conducted a review of the performance of each of the two Independent Non-Executive 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 deliberations. Therefore, the Board is satisfied as to the performance and continued independence of judgement of each of these directors.

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

Non-Executive 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 Non-Executive Directors.

The Non-Executive Directors communicated without the presence of Management as and when the need arose. The Company also benefited from the Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board Committees meetings.

Principle 3: Chairman and CEO

The Code advocates that there should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business and no one individual should represent a considerable concentration of power.

Mr. Seow Soon Yong, the Chief Executive Officer ("CEO"), has the executive responsibility for the day-to-day operations of the Group. He also assumes the responsibilities of the Chairman of the Board, which among other things, include the following:

- leads the Board to ensure its effectiveness in all aspects of its role and sets its agenda;
- ensures that the Board receives accurate, timely and clear information;
- ensures effective communication with shareholders;
- encourages constructive relations between the Board and Management;
- encourages constructive relations between executive directors and non-executive 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. For good corporate governance, Mr. Goon Kok Loon has been appointed as the Lead Independent Director of the Company for the shareholders in situations where there are concerns or issues which communication with the Chief Executive Officer and/or Finance Director has failed to resolve or where such communication is inappropriate. Mr. Goon Kok Loon will also take the lead in ensuring compliance with the Code.

Principle 4: Board Membership

The NC consists of three (3) members, including the NC Chairman, all of whom are Independent Non-Executive Directors:

Professor Liew Jat Yuen, Richard	- Chairman
Mr. Goon Kok Loon	- Member
Mr. Tan Eng Kiat, Dominic	- Member

The NC meets at least once a year. The NC, which has written terms of reference, is responsible for identifying and maintaining a formal and transparent process for appointment of the new Directors to the Board and to review nominations for the re-election of Directors. The key terms of reference of the NC include the following:

- reviewing the Board structure, size and composition and making recommendations to the Board, where appropriate;
- determining the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment and re-election to the Board;
- reviewing Board succession plans for directors, in particular, the Chairman and CEO;
- making recommendations to the Board on the nomination of retiring Directors and those appointed during the year standing for re-election at the Company's annual general meeting, having regard to the Director's contribution and performance and ensuring that all Directors submit themselves for re-election at regular intervals;
- determining on an annual basis whether a Director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;
- reviewing training and professional development programmes for the Board;
- deciding on the ability and adequacy of Directors with multiple board representations to carry out their duties and responsibilities to ensure that Directors have spent adequate time on the Company's affairs and carried out their responsibilities; and
- to propose, for Board's approval, objective performance criteria to evaluate the effectiveness of the Board as a whole and the Board Committee as well as the contribution by each Director to the effectiveness of the Board.

The NC has in place a process for the selection of new Directors and re-appointment of Directors to increase transparency of the nominating process in identifying and evaluating nominees or candidates for appointment or re-appointment. In selecting potential new Directors, the NC will seek to identify the competencies and expertise required to enable the Board to fulfill its responsibilities. The NC will evaluate the suitability of the nominee or candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board, before making its recommendation to the Board. In recommending a candidate for re-appointment to the Board, the NC considers, amongst other things, his/her contributions to the Board (including attendance and participation at meetings, time and effort accorded to the Company's or Group's business and affairs) and his/her independence. The Board is to ensure 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 and Non-Executive Directors as mentioned under Guideline 2.3 of the Code. The NC has affirmed that Mr. Goon Kok Loon, Mr. Lim Ghim Siew, Henry, Mr. Tan Eng Kiat, Dominic and Professor Liew Jat Yuen, Richard are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence. Having considered their in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of impartial and constructive advice, the Board is of the view that there is no material conflict between their tenure and their ability to discharge their role as Independent and Non-Executive Directors.

The Company's Articles of Association require one third of Directors to retire and subject for re-election by shareholders at every Annual General Meeting ("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 Chief Executive Officer, 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 this respect, the NC has recommended and the Board has agreed for the following Directors to retire and seek re-election at the forthcoming AGM:

Pursuant to Section 153(6) of the Companies Act, Cap. 50

(i) Mr. Tan Tin Nam
(ii) Mr. Goon Kok Loon
(iii) Mr. Tan Eng Kiat, Dominic

Pursuant to Article 103 of the Articles of Association of the Company

(i) Mr. Lim Ghim Siew, Henry
(ii) Professor Liew Jat Yuen, Richard

In making the recommendations, the NC considers the overall contribution and performance of the Directors. Professor Liew Jat Yuen, Richard, Mr. Goon Kok Loon and Mr. Tan Eng Kiat, Dominic, being the NC members, had abstained from deliberation in respect of their respective own nomination and assessment.

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

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

Principle 5: Board Performance

Pursuant to its term of reference, the NC is also required to determine annually whether a director with multiple board representations is able to and has been adequately carrying out his/her duties as a Director of the Company. In view of this, the NC, having considered the attendances and contributions of the Non-Executive Directors at meetings of the Board and Board Committees, concluded that such multiple Board representation do not hinder each Director from carrying out his duties as a Director of the Company adequately.

To address the competing time commitments that are faced when Directors serve on multiple boards, the NC has reviewed and made recommendation to the Board accordingly on the maximum number of listed company board appointments which any Director may hold. Based on the recommendation, the Board has determined and set the maximum number of listed company board appointments at not more than four (4) listed companies. Currently, none of the Directors holds more than four (4) directorships in listed companies.

The NC has in place a framework for annual Board and Board Committees performance evaluations to assess the effectiveness of the Board and its Board Committees and to facilitate discussion to enable the Board to discharge its duties more effectively. The annual Board and Board Committees performance evaluations will be carried out by means of a questionnaire relating to the size and composition of the Board, information flow to the Board, Board procedures and accountability, matters concerning CEO/Key Management Personnel and standards of conduct of Board members being completed by each individual Director. Completed questionnaires will be collated by the Company Secretary and the findings analysed and discussed with the Board and Board Committees. Recommendations to further enhance the effectiveness of the Board and Board Committees will be implemented, as appropriate.

Principle 6: Access to Information

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

Management papers are circulated to the Board every quarter to keep the Board updated on the key matters concerning the Group. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings. In order to keep Directors abreast of the Group's operations, the Directors are also updated on initiatives and developments on the Group's business as soon as practicable and/or possible and on an on-going basis.

To facilitate direct access to 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 Company's Memorandum and Articles of Association, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and SGX-ST Listing Manual ("Listing Manual") are complied with. He/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 Non-Executive 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 Management. The Company Secretary assists the Chairman of the Board, the Chairman of Board Committees and Management in the development of the agendas for the various Board and Board Committee meetings. The appointment and the removal of the Company Secretary are subject to the Board's approval. The Board has a process for Directors, either individually or as a group, in the furtherance of their duties, to seek independent professional advice, where appropriate, at the Group's expense.

REMUNERATION MATTERS

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

The RC consists of three (3) members, including the RC Chairman, all of whom are Independent Non-Executive Directors:

Mr. Tan Eng Kiat, Dominic	- Chairman
Mr. Goon Kok Loon	- Member
Mr. Lim Ghim Siew, Henry	- Member

Matters relating to the remuneration of the Board, key management personnel and other employees who are related to the substantial shareholders, controlling shareholders and/or Directors (if any) are handled by the RC whose primary function is to develop formal and transparent policies on remuneration matters in the Group. The RC also ensures that the Company's remuneration system is appropriate to attract, retain and motivate the required talents to run the Company successfully.

The RC meets at least once a year. It has access to the Group Human Resource Manager when clarification and advice are needed. The key responsibilities of the RC are:

- to review and recommend to the Board in consultation with the Chairman of the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the Executive Directors and key management personnel of the Group including those employees related to the Executive Directors and controlling shareholders of the Group;

- to recommend to the Board in consultation with the Chairman of the Board, the Employees' Share Option Scheme or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith; and

- to carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

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

During the financial year, none of the Non-Executive Directors is on service contracts or have consultancies with the Company except for Professor Liew Jat Yuen, Richard and Mr. Tan Tin Nam. Professor Liew and Mr. Tan Tin Nam were appointed as Technical Advisors with a fee of $3,800 and $16,500 per month respectively. The Non-Executive 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 an employee who is an immediate family member of a Director and/or the CEO will be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses and pay increments for these employees will also be subject to the review and approval of the RC. In the event that a member of the RC is related to the employee under review, he will abstain from participating in the review. Where necessary, the RC will consult external professionals on remuneration matters of Directors and key management personnel.

Having reviewed and considered the salary components of the Executive Directors and the key management personnel which is considered reasonable and commensurate with their respective job scope and level of responsibilities, the RC is of the view that there is no requirement to use contractual provisions to allow the Company to reclaim incentive components of the remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

The Company has adopted a share option scheme known as the "Yongnam Employee Share Option Scheme" ("Yongnam ESOS") which was approved by its shareholders at a general meeting. The Yongnam ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The Yongnam ESOS form an integral and important component of the compensation plan and are designed primarily to reward and retain employees whose services are vital to the growth and performance of the Company and the Group. Details of the Yongnam ESOS granted to the Directors can be found under Directors' Report section of this Annual Report 2014.

Principle 9: Disclosure on Remuneration

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

Name of Directors	Fees[(1)] (%)	Salary[(2)] (%)	Performance Related Income (%)	Others (%)	Total (%)	Total ($'000)
Seow Soon Yong	–	96	–	4	100	539
Chia Sin Cheng	–	96	–	4	100	455
Siau Sun King	–	86	–	14	100	361
Seow Soon Hee	–	86	–	14	100	291
Tan Tin Nam	100	–	–	–	100	33
Lim Ghim Siew, Henry	100	–	–	–	100	50
Goon Kok Loon	100	–	–	–	100	68
Liew Jat Yuen, Richard	100	–	–	–	100	56
Tan Eng Kiat, Dominic	100	–	–	–	100	48

Note:
(1) The directors' fees are subject to the approval of the shareholders at the AGM.
(2) Salary includes CPF contribution.

The above table excludes share options which are described in the Directors' Report.

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

Remuneration Band	No. of Executives
$250,000 - $499,999	4
$500,000 - $749,999	1

In aggregate, the total remuneration (including CPF contribution thereon and bonus) paid to the top 5 key management personnel in financial year ended 31 December 2014 is approximately $1,824,000.

The Board is of the view that given the highly competitive industry conditions coupled with the sensitivity and confidentiality of remuneration matters, the disclosure of remuneration of key management personnel on a named basis is disadvantageous to its business interest. There is no termination, retirement and post-employment benefits granted to Directors, the CEO and top 5 key management personnel.

For FY2014, the following immediate family members of a director or the CEO were the employees of the Group:-

Remuneration band and name of employees who are immediate family members	Relationship with the Directors or CEO of the Group
Seow Zi Xian $50,001 – $100,000	Son of Seow Soon Yong
Seow Soon Kian $50,001 – $100,000	Brother of Seow Soon Yong, Siau Sun King and Seow Soon Hee
Siau Sze You $100,001 – $150,000	Son of Siau Sun King
Seow Khng Chai $150,001 – $200,000	Brother of Seow Soon Yong, Siau Sun King and Seow Soon Hee
Seow Soon Hock $300,001 – $350,000	Brother of Seow Soon Yong, Siau Sun King and Seow Soon Hee

The aggregate remuneration (including CPF contribution thereon and bonus) of these employees amounted to approximately $806,000.

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

ACCOUNTABILITY AND AUDIT

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

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

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 controls.

On a quarterly basis, the Management will report to the AC ensuring the financial processes and controls are in place, highlighting material financial risks and impacts and providing updates on status of significant financial issues of the Group, if any.

In accordance with the Singapore Exchange's requirements, the Board issued negative assurance statements in its quarterly financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Board is responsible for the governance of risk. It should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk tolerance and risk policies. The Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance and information technology controls. The Board also recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

The Company engaged PricewaterhouseCoopers LLP ("PwC") as the internal auditor to assist the Board and the AC in their review of the Group's risk management and internal control systems focusing on financial, operational, compliance and information technology controls. The Board believes that adequate internal controls within the Group are crucial to ensure that the Group continues to meet or exceed its standards in all key aspects, at the same time to safeguard shareholders' interest and the Group's assets through effective risk management.

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

The Management regularly reviews and updates the Board on the Group's business and operational activities in respect of the key risk control areas including financial, operational, compliance and information technology controls and continues to apply appropriate measures to control and mitigate these risks. All significant matters are highlighted to the Board and the AC for further discussion. The Board and the AC also work with the internal auditors and 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 risks register 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 cost effective system of internal controls could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities. In view of the above and based on the internal controls established and maintained by the Group, work performed by the internal auditors, the statutory audit conducted by the external auditors, and reviews performed by the Management, various Board Committees and the Board so far, the AC and the Board are of the opinion that the Group's risk management and internal control systems, addressing financial, operational, compliance and information technology risks, put in place during the financial year were adequate. This is in turn supported by the assurance from the CEO and the Chief Financial Officer ("CFO") that (a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and are in accordance with the relevant accounting standards; and (b) an effective risk management and internal control system has been put in place.

The Board also notes that no system of risk management and internal control can provide absolute assurance against the occurrence of errors, losses, fraud or other irregularities and the containment of business risk. Nonetheless, the Board believes its responsibility of overseeing the Group's risk management framework and policies are well supported.

Principle 12: Audit Committee

The AC consists of three (3) members, including the AC chairman, all of whom are Independent Non-Executive Directors:

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

The members of the AC have many years of experience at senior management positions in the financial and industrial sectors. They have sufficient financial management expertise and experience to discharge the AC's functions.

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

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

- assist the Board in discharging of its responsibilities on financial reporting matters;
- review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and management's response, and results of the audits compiled by internal and external auditors;
- review the periodic consolidated financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Listing Rules and any other statutory and regulatory requirements;
- review the effectiveness and adequacy of the internal control procedures addressing financial, operational and compliance risks, and ensure co-ordination between the internal and external auditors, and the Management, reviewing the assistance given by the Management to the auditors, and discuss problems and concern, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);
- review the scope and results of the external audit, and the independence and objectivity of the external auditors;
- review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and 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 CFO 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 CFO, 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 conflict of interests;
- review arrangements by which the staff may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters, and to ensure that those arrangements are in place for independent investigations of such matters and for appropriate follow-up.

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

The AC reviews the audit plan and scope of examination of the external auditors and the assistance given by the Group's officers to the external auditors. The AC also discusses with the external auditors the results of their examinations and at least once a year holds separate sessions with them without the presence of the Company's management to discuss any matters deemed appropriate to be discussed privately. In addition, the AC reviews announcements relating to the Group's quarterly and full year financial results, the financial statements of the Company and the consolidated financial statements of the Group prior to its recommendations to the Board for approval.

The AC also reviews the independence and objectivity of the external auditors and having reviewed the scope and value of non-audit services provided to the Group by the external auditors, Ernst & Young LLP. The aggregate amount of audit and non-audit fees paid or payable to the external auditors for FY2014 are S$240,000 and S$73,000 respectively. The AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC has recommended to the Board the nomination of Ernst & Young LLP for re-appointment as auditors of the Company at the forthcoming AGM. The Group has also complied with Rules 712 and 715(1) of the Listing Manual of SGX-ST in relation to the appointment of its external auditors.

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

To keep abreast of the changes in accounting standards and issues which have a direct impact on the financial statements, the AC will seek advice from the external auditors when there is AC meeting held.

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

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

The AC addresses issues/concerns raised and arranges for investigation and/or follow-up of appropriate action. The AC reports to the Board any issues/concerns received by it at the ensuing Board meeting. Should the AC receives reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.

Principle 13: Internal Audit

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

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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

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

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

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst safeguarding its commercial interests. Material information on the Group are 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 Management on the Group's business activities, financial performance and other business related matters through dialogue sessions. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the Company's website.

The Company communicates with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET. Financial results of the Company and the Group were released within 45 days from the respective quarter ended and 60 days from the full year financial year ended during the year. In addition, the Annual Report 2014 is distributed to shareholders at least 14 days before the AGM to be held on 28 April 2015.

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

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

The Board acknowledges voting by poll is integral in the enhancement of corporate governance and lead to greater transparency of the level of support for each resolution which takes into effect from 1 August 2015 where shareholders are accorded rights proportionate to the shareholding and all votes counted. The AC and Board noted that for good corporate governance practices, the Company has been conducting its voting by poll at the general meetings.

The Company is committed to achieving sustainable income and growth to enhance total shareholder return although it does not have 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.

OTHER CORPORATE GOVERNANCE MATTERS

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

DEALINGS IN SECURITIES

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

The Company has adopted the SGX-ST's Listing Rule 1207(19) in relations to dealings in the Company's securities. The Directors and senior Management are advised not to deal in the Company's shares during the period commencing two weeks before the announcement of the Group's quarterly financial results or one month before the announcement of the Group's full year financial results, and ending on the date of announcement of the relevant results.

The Directors and senior Management are also advised of the relevant provisions under the Securities and Futures Act of Singapore that 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 who deal with Company's shares are required to notify the Company Secretary to make necessary announcements in accordance with the requirements of the SGX-ST.

In view of the above, the Company has complied with the SGX-ST's Listing Rules on best practices on dealing in the Company's securities in the financial year ended 31 December 2014.

INTERESTED PERSON TRANSACTIONS

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

Details of the interested person transactions for the financial year ended 31 December 2014 as required pursuant to Rule 907 of the Listing Manual:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Director: Mr. Tan Tin Nam Provision of technical advisory services	$198,000	-

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.

MATERIAL CONTRACTS

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

Save for service agreements between the Company and Executive Directors as well as the technical advisory service agreements with Professor Liew Jat Yuen, Richard and Mr. Tan Tin Nam respectively 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.

CORPORATE DISCLOSURE

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

FINANCIAL CONTENTS

The directors are pleased to present their report 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 2014.

Directors

The directors of the Company in office at the date of this report are:

Seow Soon Yong
Tan Tin Nam
Siau Sun King
Seow Soon Hee
Chia Sin Cheng
Lim Ghim Siew, Henry
Goon Kok Loon
Liew Jat Yuen, Richard
Tan Eng Kiat, Dominic

Arrangements to enable directors to acquire shares and debentures

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

Directors' interest in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations as stated below:

(a) **Yongnam Holdings Limited - Ordinary Shares**

	Direct interest			Deemed interest		
Name of director	**At 1.1.2014**	**At 31.12.2014**	**At 21.1.2015**	**At 1.1.2014**	**At 31.12.2014**	**At 21.1.2015**
Seow Soon Yong	69,329,923	69,329,923	69,329,923	64,328,432	64,328,432	64,328,432
Tan Tin Nam	12,736,000	12,736,000	12,736,000	64,328,432	64,328,432	64,328,432
Siau Sun King	11,136,870	11,136,870	11,136,870	64,328,432	64,328,432	64,328,432
Seow Soon Hee	1,000,000	1,000,000	1,000,000	26,981,385	26,981,385	26,981,385
Chia Sin Cheng	9,902,654	9,902,654	9,902,654	–	–	–
Lim Ghim Siew, Henry	900,000	900,000	900,000	–	–	–
Liew Jat Yuen, Richard	1,150,000	1,150,000	1,150,000	–	–	–
Tan Eng Kiat, Dominic	900,000	900,000	900,000	–	–	–

Directors' interest in shares and debentures (cont'd)

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

Name of director	Direct interest At 1.1.2014	At 31.12.2014	At 21.1.2015	Exercise price $	Exercise period
Seow Soon Yong	9,850,000	9,850,000	9,850,000	0.173[1]	12 April 2009 to 11 April 2017
	9,850,000	9,850,000	9,850,000	0.251[1]	29 August 2009 to 28 August 2017
	7,900,000	7,900,000	7,900,000	0.150	25 July 2009 to 24 July 2018
	9,500,000	9,500,000	9,500,000	0.080	12 March 2010 to 11 March 2019
Siau Sun King	1,500,000	1,500,000	1,500,000	0.173[1]	12 April 2009 to 11 April 2017
	1,500,000	1,500,000	1,500,000	0.251[1]	29 August 2009 to 28 August 2017
Seow Soon Hee	1,500,000	1,500,000	1,500,000	0.173[1]	12 April 2009 to 11 April 2017
	1,500,000	1,500,000	1,500,000	0.251[1]	29 August 2009 to 28 August 2017
Chia Sin Cheng	3,000,000	3,000,000	3,000,000	0.173[1]	12 April 2009 to 11 April 2017
	4,250,000	4,250,000	4,250,000	0.251[1]	29 August 2009 to 28 August 2017
	3,400,000	3,400,000	3,400,000	0.150	25 July 2009 to 24 July 2018
	4,200,000	4,200,000	4,200,000	0.080	12 March 2010 to 11 March 2019
Lim Ghim Siew, Henry	750,000	750,000	750,000	0.173[1]	12 April 2009 to 11 April 2017
	750,000	750,000	750,000	0.251[1]	29 August 2009 to 28 August 2017
Goon Kok Loon	750,000	750,000	750,000	0.173[1]	12 April 2009 to 11 April 2017
	500,000	500,000	500,000	0.251[1]	29 August 2009 to 28 August 2017
	400,000	400,000	400,000	0.150	25 July 2009 to 24 July 2018
	500,000	500,000	500,000	0.080	12 March 2010 to 11 March 2019
Liew Jat Yuen, Richard	500,000	500,000	500,000	0.251[1]	29 August 2009 to 28 August 2017

Note:

[1] The exercise price was adjusted as a result of the Rights Issue in 2007 in accordance to Rule 12.1 of the ESOS.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year, or on 21 January 2015.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Share Options

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

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

Details of the scheme are as follows:

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

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

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

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

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

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

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

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

Share Options (cont'd)

(a) **Employee Share Option Scheme ("ESOS") (cont'd)**

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

Date of grant	Balance as at 1.1.2014	Exercised during financial year	Balance as at 31.12.2014	Exercise Price $	Exercisable period
12 April 2007	20,300,000	–	20,300,000	0.173[1]	12 April 2009 to 11 April 2017
29 August 2007	24,084,000	–	24,084,000	0.251[1]	29 August 2009 to 28 August 2017
15 October 2007	350,000	–	350,000	0.294[1]	15 October 2009 to 14 October 2017
25 July 2008	13,508,000	–	13,508,000	0.150	25 July 2009 to 24 July 2018
12 March 2009	14,978,000	–	14,978,000	0.080	12 March 2010 to 11 March 2019
	73,220,000	–	73,220,000		

[1] The exercise price was adjusted as a result of the Rights Issue in 2007 in accordance to Rule 12.1 of the ESOS.

On 18 October 2007, the Company proposed a rights issue (the "Rights Issue") of up to 366,574,473 warrants at an issue price of $0.03 for each warrant, which carries the right to subscribe for one (1) new ordinary share in the capital of the Company at an exercise price of $0.25 for each new share, on the basis of three (3) warrants for every ten (10) existing ordinary shares of the Company held. 365,131,494 out of the total proposed Rights Issue of warrants were issued in 2007.

The Rights Issue has resulted in modification of the outstanding options and the exercise prices of the outstanding options are adjusted accordingly. The modification has not resulted in any incremental fair value which necessitated further expensing to the income statement.

Share Options (cont'd)

(a) **Employee Share Option Scheme ("ESOS") (cont'd)**

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

Name of director	Aggregate options granted since commencement of ESOS to end of financial year	Aggregate options exercised/ lapsed since commencement of ESOS to end of financial year	Aggregate options outstanding as at end of financial year
Seow Soon Yong	37,100,000	–	37,100,000
Tan Tin Nam	5,550,000	(5,550,000)	–
Siau Sun King	5,550,000	(2,550,000)	3,000,000
Seow Soon Hee	5,550,000	(2,550,000)	3,000,000
Chia Sin Cheng	19,850,000	(5,000,000)	14,850,000
Lim Ghim Siew, Henry	2,400,000	(900,000)	1,500,000
Goon Kok Loon	2,150,000	–	2,150,000
Liew Jat Yuen, Richard	2,150,000	(1,650,000)	500,000
Tan Eng Kiat, Dominic	900,000	(900,000)	–

(b) **Other information**

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

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

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

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

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

Audit Committee

The audit committee (AC) comprises three members, namely Mr. Goon Kok Loon (Chairman), Mr. Lim Ghim Siew, Henry and Professor Liew Jat Yuen, Richard. The AC comprises entirely of non-executive and independent directors.

The AC performs the functions specified in the Singapore Companies Act, Cap. 50 and the Listing Manual of the SGX-ST. It meets with the external auditors, reviews the audit plan, the results of their examination and findings and their evaluation of the system of internal controls. The AC also reviews all the non-audit services provided by the external auditors to ensure that such services will not affect the independence of the external auditors together with their appointment and re-appointment.

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

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

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

Auditor

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

On behalf of the board of directors,

Seow Soon Yong
Director

Chia Sin Cheng
Director

Singapore
31 March 2015

STATEMENT BY DIRECTORS

We, Seow Soon Yong and Chia Sin Cheng, being two of the directors of Yongnam Holdings Limited, do hereby state that, in the opinion of the directors:

(a) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year then 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.

On behalf of the board of directors,

Seow Soon Yong
Director

Chia Sin Cheng
Director

Singapore
31 March 2015

INDEPENDENT AUDITORS' REPORT

For the financial year ended 31 December 2014

To the Members of Yongnam Holdings Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Yongnam Holdings Limited (the Company) and its subsidiaries (collectively, the Group) set out on pages 38 to 88, which comprise the balance sheets of the Group and the Company as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2015

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Revenue	31	212,083	361,636
Cost of sales		(244,659)	(323,490)
Gross (loss)/profit		(32,576)	38,146
Other income	4	33,232	265
General and administrative expenses		(15,078)	(31,082)
Finance income	5	52	28
Finance costs	6	(4,639)	(3,007)
(Loss)/Profit before taxation	7	(19,009)	4,350
Taxation	8	10,518	1,189
Net (loss)/profit for the year attributable to equity holders of the Company		(8,491)	5,539
Earnings per share (cents)	9		
- Basic		(0.67)	0.44
- Diluted		(0.67)	0.43

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 2014

	2014 $'000	2013 (Restated) $'000
(Loss)/Profit, net of tax	(8,491)	5,539
Item that may be reclassified subsequently to profit or loss		
Loss on exchange differences on translation	(662)	(417)
Total comprehensive (loss)/income for the year attributable to equity holders of the Company	(9,153)	5,122

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

BALANCE SHEETS

As at 31 December 2014

		Group			Company	
		2014	31 December 2013 (Restated)	1 January 2013 (Restated)	2014	2013
	Note	$'000	$'000	$'000	$'000	$'000
Non-current assets						
Property, plant and equipment	10	320,997	356,867	346,173	–	–
Investments in subsidiaries	11(a)	–	–	–	39,026	39,026
Amounts due from subsidiaries	11(b)	–	–	–	70,593	76,474
Investment in joint venture	12	1,468	1,468	1,521	–	–
Other investment	13	140	140	100	–	–
Trade receivables	16	–	3,976	3,970	–	–
Current assets						
Inventories	14	60,211	64,373	71,861	–	–
Gross amount due from customers for contract work-in-progress	15	101,652	116,045	90,669	–	–
Trade receivables	16	27,657	35,684	43,750	–	–
Other receivables and deposits	17	50,323	5,395	3,042	7	1,272
Prepayments		1,108	2,442	1,292	6	22
Cash and cash equivalents	18	5,989	14,818	11,039	235	623
		246,940	238,757	221,653	248	1,917
Current liabilities						
Gross amount due to customers for contract work-in-progress	15	3,838	3,508	18,589	–	–
Trade payables	19	56,288	57,453	60,924	–	–
Other payables and accruals	20	11,240	11,348	16,519	496	485
Borrowings	21	81,849	50,815	83,110	–	–
Hire purchase creditors	26(c)	7,429	8,427	9,089	–	–
Provision for taxation		540	245	4,723	3	13
		161,184	131,796	192,954	499	498
Net current assets/ (liabilities)		85,756	106,961	28,699	(251)	1,419
Non-current liabilities						
Borrowings	21	85,000	111,623	9,811	–	–
Hire purchase creditors	26(c)	4,595	11,732	16,787	–	–
Deferred taxation	8(c)	18,713	29,249	30,406	–	–
Net assets		300,053	316,808	323,459	109,368	116,919
Equity						
Share capital	22	96,379	96,379	95,512	96,379	96,379
Capital reserves	23	6,837	6,837	6,837	–	–
Share option reserve	24	12,800	12,800	12,800	12,800	12,800
Foreign currency translation reserve	25	(4,662)	(4,000)	(3,583)	–	–
Retained earnings		188,699	204,792	211,893	189	7,740
Total equity		300,053	316,808	323,459	109,368	116,919

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

		Group		Company	
		2014	2013	2014	2013
			(Restated)		
	Note	$'000	$'000	$'000	$'000
Share capital	22				
Balance at beginning of year		96,379	95,512	96,379	95,512
Issuance of shares during the year		–	867	–	867
Balance at end of year		96,379	96,379	96,379	96,379
Capital reserves	23				
Balance at beginning and end of year		6,837	6,837	–	–
Share option reserve	24				
Balance at beginning and end of year		12,800	12,800	12,800	12,800
Foreign currency translation reserve	25				
Balance at beginning of year		(4,000)	(3,583)	–	–
Other comprehensive income for the year		(662)	(417)	–	–
Balance at end of year		(4,662)	(4,000)	–	–
Retained earnings					
Balance at beginning of year		204,792	211,893	7,740	(2,820)
(Loss)/profit for the year		(8,491)	5,539	51	23,200
Dividends	33	(7,602)	(12,640)	(7,602)	(12,640)
Balance at end of year		188,699	204,792	189	7,740
Total equity		300,053	316,808	109,368	116,919

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 2014

	Note	2014 $'000	2013 (Restated) $'000
Cash flows from operating activities			
(Loss)/profit before taxation		(19,009)	4,350
Add/(less):			
Depreciation on property, plant and equipment	7	27,843	27,426
Consumption allowance for steel beams and columns	7	3,514	1,532
Finance income	5	(52)	(28)
Finance costs	6	4,639	3,007
Write-back of steel materials	14	(195)	(306)
(Write-back)/allowance of receivables	16	(35)	2,586
Allowance for impairment of gross amount due from customers for contract work-in-progress	7	–	2,279
(Gain)/loss on disposal of property, plant and equipment	7	(32,678)	8,469
Effects of changes in foreign exchange		(3,013)	(1,216)
Fair value gain on forward currency contract	17	–	(62)
Operating cash flows before changes in working capital		(18,986)	48,037
Decrease in trade and other receivables		13,252	2,157
Decrease in trade and other payables		(1,241)	(8,455)
Decrease/(increase) in steel materials and work-in-progress		19,580	(33,187)
Cash flows generated from operations		12,605	8,552
Income tax refund/(paid)		190	(4,429)
Interest received	5	52	28
Interest paid	6	(4,639)	(3,007)
Net cash flows generated from operating activities		8,208	1,144
Cash flows from investing activities			
Increase in investment of quoted shares		–	(40)
Proceeds from joint venture		–	52
Payments for property, plant and equipment	10(a)	(23,953)	(55,985)
Proceeds from disposal of property, plant and equipment		18,580	10,752
Net cash flows used in investing activities		(5,373)	(45,221)
Cash flows from financing activities			
Proceeds from borrowings		34,304	193,699
Repayment of borrowings		(29,947)	(123,892)
Payments for hire purchase instalments		(8,519)	(10,145)
Dividend paid on ordinary shares	33	(7,602)	(12,640)
Proceeds from issuance of ordinary shares	22	–	867
Net cash flows (used in)/from financing activities		(11,764)	47,889
Net (decrease)/increase in cash and cash equivalents		(8,929)	3,812
Effect of exchange rate changes on cash and cash equivalents		100	(33)
Cash and cash equivalents at beginning of year	18(b)	14,818	11,039
Cash and cash equivalents at end of year	18(b)	5,989	14,818

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

1. Corporate information

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

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 11 to the financial statements. There have been no significant changes in the nature of the activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are recorded to the nearest thousand ($'000) as indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as discussed below.

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures

The adoption of FRS 111 has resulted in the Group having to revise its method of accounting for its joint arrangement. Investment in jointly controlled entity had been previously consolidated proportionately. Under FRS 111, this arrangement is classified as joint venture and is to be equity accounted.

The change in accounting policy has been applied in accordance with the transitional provision in FRS 111. The initial investment was measured as the aggregate of the carrying amounts of the assets and liabilities that the Group previously proportionately consolidated. The effects of adoption of FRS 111 and FRS 28 are as follows:

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

2.2 Changes in accounting policies (cont'd)

Impact on equity (increase/(decrease)) in net equity:

	Group	
	As at 31 December 2013	**As at 1 January 2013**
	$'000	$'000
Property, plant and equipment	(107)	(147)
Investment in joint venture	1,468	1,468
Trade receivables	1,989	1,986
Total non-current assets	3,350	3,307
Gross amount due from customers for contract work-in-progress	(3,730)	(3,629)
Trade receivables	991	1,107
Other receivables and deposits	(189)	(694)
Cash and cash equivalents	(41)	(123)
Total assets	(2,969)	(3,339)
Borrowings	–	558
Trade payables	(108)	(198)
Other payables and accruals	108	–
Provision for taxation	–	5
Total liabilities	–	365
Foreign currency translation reserve	381	333
Net impact on equity	381	333

Impact on cash flows statement (increase/(decrease)) in cash flows:

	Group
	As at 31 December 2013
	$'000
Operating	(428)
Investing	(22)
Financing	532
Net increase in cash and cash equivalents	82

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

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 103 *Business Combinations*	1 July 2014
(c) Amendments to FRS 108 *Operating Segments*	1 July 2014
(d) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(e) Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	1 July 2014
(f) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(c) Amendments to FRS 27 *Equity Method in Separate Financial Statement*	1 January 2016
(d) Amendments to FRS 16 and FRS 38 *Classification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Improvements to FRSs (November/December 2014)	
(a) FRS 109 Financial Instruments	1 January 2018
(b) FRS 115 Revenue from Contracts with Customers	1 January 2017

Except for FRS109 and FRS 115, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

FRS 109 Financial Instruments

In December 2014, the ASC issued the final version of FRS 109 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory in the year of adoption. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

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

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

FRS 115 Revenue from Contracts with Customers

FRS 115 was issued in November/May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

2.4 Basis of consolidation and business combinations

a) Basis of consolidation

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

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

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

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

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

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the income statement;
- re-classifies the Group's share of components previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate.

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

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

b) Business combinations

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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

2.5 Foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars. 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 the income statement 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 the income statement of the Group on disposal of the foreign operation.

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

2.5 Foreign currency (cont'd)

(b) Consolidated Financial Statements

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

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

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.14. 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, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

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

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

Freehold building	-	50 years
Leasehold property	-	Over remaining lease period
Plant and machinery	-	3 to 10 years
Motor vehicles	-	3 to 6 years
Office equipment and furniture	-	3 to 5 years
Steel beams and columns	-	15 years
Cranes	-	10 and 20 years

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

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

2.6 Property, plant and equipment (cont'd)

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 the income statement 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.

2.8 Joint arrangements

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

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

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

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method from the date on which it becomes a joint venture.

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

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

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

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

2.8 Joint arrangements (cont'd)

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

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

2.9 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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

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

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

2.9 Financial assets (cont'd)

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 the income statement.

Regular way purchase or sale of a financial asset

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

2.10 Cash and cash equivalents

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

2.11 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

2.12 Impairment

(a) Impairment of non-financial assets

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

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

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

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

2.12 Impairment (cont'd)

(a) Impairment of non-financial assets (cont'd)

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(b) Impairment of financial assets

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

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

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

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

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

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

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

2.12 Impairment (cont'd)

(b) Impairment of financial assets (cont'd)

(i) **Financial assets carried at amortised cost (cont'd)**

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

(ii) **Available-for-sale financial assets**

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

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

2.13 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

2.13 Financial liabilities (cont'd)

Subsequent measurement (cont'd)

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

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

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

(b) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.14 Borrowing costs

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

2.15 Leases

(a) Operating leases

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

(b) Finance leases

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

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

2.15 Leases (cont'd)

(b) Finance leases (cont'd)

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

2.16 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.

2.17 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 the income statement, 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 the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period, and is recognised in employee benefit expense.

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

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

2.17 Employee benefits (cont'd)

(c) Share option plans (cont'd)

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

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

2.18 Revenue recognition

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

(a) Construction contracts

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

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

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

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

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

(b) Interest income

Interest income is recognised using the effective interest method.

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

2.19 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 the income statement except to the extent that the tax relates to items recognised outside the income statement, 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.

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.

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

2.19 Taxes (cont'd)

(b) Deferred tax (cont'd)

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 the income statement is recognised outside the income statement. 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.

2.20 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 31, including the factors used in identify the reportable segments and the measurement basis of segment information.

2.21 Share capital and share issuance expenses

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

2.22 Warrants

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

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

2.23 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.24 Financial guarantee

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

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the income statement.

2.25 Government grants

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

Government grants are recognised in the income statement 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.

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

2.26 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Significant accounting estimates and judgements

The preparation of the Group's 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 reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

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

3.1 Judgements made in applying accounting policies (cont'd)

Taxation

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. Tax is computed in accordance with taxation rules in each jurisdiction. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2014, the carrying amount of the Group's provision for current and deferred taxation amounted to $540,000 and $18,713,000 (2013: $245,000 and $29,249,000) respectively.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Revenue recognition on construction contracts

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

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

During the financial year ended 31 December 2014, contract revenue and costs recognised are disclosed in the consolidated income statement. The gross amount due from and to customers for contract work is disclosed in Note 15 to the financial statements.

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

The costs of plant and machinery (including cranes), steel beams and columns are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 3 to 20 years and steel beams and columns to be 15 years. The residual values of the steel beams and columns are estimated to be $430 (2013: $430) per ton.

Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. As at 31 December 2014, the carrying amount of plant and machinery, steel beams and columns and cranes amounted to $297,798,000 (2013: $307,037,000). A 5% difference in the expected useful lives of these assets from management's estimate would result in approximately 14.6% (2013: 21.95%) variance in the Group's loss for the year.

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. As at 31 December 2014, the carrying amount of the Group's loans and receivables (excluding cash and cash equivalents) amounted to $77,980,000 (2013: $45,055,000). The carrying amounts of the Group's trade receivables and allowance for impairment are disclosed in Note 16.

(d) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next four years, and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows. The discount rate used in the valuation-in-use calculation is 6.31%. As at 31 December 2014, the carrying amounts of property, plant and equipment amounted to $320,997,000 (2013:$356,867,000). The carrying amount of property, plant and equipment is disclosed in Note 10.

4. Other income

	Group	
	2014	2013
	$'000	$'000
Rental income	102	265
Other operating income	225	–
Gain on disposal of property, plant and equipment	32,678	–
Job credit	227	–
	33,232	265

5. Finance income

	Group	
	2014	2013
	$'000	$'000
Interest income from short term deposits	52	28

6. Finance costs

	Group 2014 $'000	Group 2013 $'000
Interest expense:		
- Borrowings	3,666	1,945
- Hire purchase	504	714
Bank charges	469	348
	4,639	3,007

7. (Loss)/Profit before taxation

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

	Group 2014 $'000	Group 2013 $'000
Audit fees:		
- Auditors of the Company	240	235
- Other auditors	55	51
Non-audit fees:		
- Auditors of the Company	40	54
- Other auditors	4	4
	339	344
Rental expense - operating lease (Note 26(b))	4,314	2,651
Depreciation of property, plant and equipment [(1)]	27,843	27,426
Allowance for impairment of gross amount due from customers for contract work-in-progress	–	2,279
(Write-back)/allowance for impairment of trade receivables	(35)	2,586
(Gain)/loss on disposal of property, plant and equipment	(32,678)	8,469
Write-back of steel material	(195)	(306)
Consumption allowance for steel beams and columns (Note 10)	3,514	1,532
Staff costs [(2)]	80,753	85,972
Steel materials recognised as an expense in cost of sales (Note 14)	31,251	37,628

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

	2014 $'000	2013 $'000
Depreciation of property, plant and equipment	25,966	25,572

[(2)] This represents total staff costs for the year, out of which $71,150,000 (2013: $73,769,000) had been allocated to construction costs incurred to-date. Included in total staff costs are contributions to defined contribution schemes of $2,339,000 (2013: $2,601,000).

8. Taxation

(a) Major components of income tax expense

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

	Group 2014 $'000	Group 2013 $'000
Income statement:		
Current income tax		
- Current income taxation	(11)	(13)
- (Under)/over provision in respect of prior years	(94)	61
Deferred income tax		
- Origination and reversal of temporary differences	10,280	264
- Over provision in respect of prior years	357	877
Withholding tax	(14)	–
	10,518	1,189

(b) Relationship between tax expense and accounting profit

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

	Group 2014 $'000	Group 2013 $'000
(Loss)/Profit before taxation	(19,009)	4,350
Taxation at statutory tax rate of 17% (2013: 17%)	3,232	(740)
Effect of different tax rates in other countries	(2,786)	(448)
Non-deductible expenses	(378)	(203)
Income not subject to taxation	9,259	182
Deferred tax assets not recognised	(220)	(516)
Effect of tax benefits	633	373
Utilisation of deferred tax assets previously not recognised	477	1,806
Over provision in respect of prior years	263	938
Withholding tax	(14)	–
Others	52	(203)
Taxation	10,518	1,189

The corporate income tax rate applicable to the Malaysian companies and the Hong Kong company of the Group is 25% and 16.5% respectively.

8. Taxation (cont'd)

(c) Deferred taxation

	Group	
	2014	**2013**
	$'000	$'000
Deferred tax liabilities:		
Differences in depreciation for tax purpose	(43,612)	(42,300)
Deferred tax assets:		
Unutilised tax losses and capital allowance	24,374	12,517
Sundry provisions	525	534
	(18,713)	(29,249)

Certain overseas subsidiaries have unutilised tax losses of approximately $6,691,000 (2013: $6,810,000) and unabsorbed capital allowances of $590,000 (2013: $3,257,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with the certain provisions of the tax legislation of the respective countries in which the companies operate.

9. Earnings per share

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

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

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

	Group	
	2014	**2013**
	$'000	$'000
Net (loss)/profit attributable to ordinary equity holders of the Company	(8,491)	5,539

	2014	**2013**
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	1,266,942	1,265,446
Effects of dilution:		
Share options	-	21,102
Weighted average number of ordinary shares for diluted earnings per share computation	1,266,942	1,286,548

73,220,000 (2013: 24,434,000) share options granted to employees under the existing share option plans has not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current financial year presented.

10. Property, plant and equipment

Group	Freehold land and building	Leasehold property	Plant and machinery	Motor Vehicles	Office equipment and furniture	Steel beams and columns	Cranes	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
At 1 January 2013	25,417	39,069	38,582	3,934	6,061	285,994	62,073	461,130
Additions	2,587	–	1,717	1,274	200	53,386	1,180	60,344
Disposals/write-offs	–	–	–	(17)	–	(29,800)	(897)	(30,714)
Transfer to steel materials	–	–	–	–	–	(1,709)	–	(1,709)
Translation adjustments	(1,093)	–	(308)	–	(38)	1,426	83	70
At 31 December 2013 and 1 January 2014	26,911	39,069	39,991	5,191	6,223	309,297	62,439	489,121
Additions	124	–	302	259	262	23,325	–	24,272
Disposals/write-offs	(26,389)	–	(450)	(45)	(27)	(13,017)	(2,903)	(42,831)
Reclassification	(102)	–	–	–	102	–	–	–
Translation adjustments	97	–	(128)	10	(12)	1,969	269	2,205
At 31 December 2014	641	39,069	39,715	5,415	6,548	321,574	59,805	472,767
Accumulated depreciation and and impairment loss								
At 1 January 2013	1,627	15,488	16,501	2,201	5,249	55,293	18,599	114,958
Depreciation	394	1,550	3,436	715	468	14,776	6,087	27,426
Disposals/write-offs	–	–	(1)	(17)	(1)	(11,000)	(475)	(11,494)
Consumption allowance #	–	–	–	–	–	1,532	–	1,532
Transfer to steel materials	–	–	–	–	–	(74)	–	(74)
Translation adjustments	(76)	–	(139)	1	(35)	164	(9)	(94)
At 31 December 2013 and 1 January 2014	1,945	17,038	19,797	2,900	5,681	60,691	24,202	132,254
Depreciation	395	1,518	3,461	698	493	15,261	6,017	27,843
Disposals/write-offs	(2,121)	–	(428)	(45)	(26)	(7,968)	(1,676)	(12,264)
Consumption allowance #	–	–	–	–	–	3,514	–	3,514
Reclassification	(3)	–	–	–	3	–	–	–
Translation adjustments	3	–	(76)	7	(12)	408	93	423
At 31 December 2014	219	18,556	22,754	3,560	6,139	71,906	28,636	151,770
Net book value								
At 31 December 2013	24,966	22,031	20,194	2,291	542	248,606	38,237	356,867
At 31 December 2014	422	20,513	16,961	1,855	409	249,668	31,169	320,997

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

10. Property, plant and equipment (cont'd)

(a) Assets under hire purchase

During the financial year, the Group acquired property, plant and equipment amounting to $24,272,000 (2013: $60,344,000) of which $319,000 (2013: $4,359,000) were acquired by means of hire purchase. The cash outflow on acquisition of property, plant and equipment excluding those on hire purchases, amounted to $23,953,000 (2013: $55,985,000).

As at 31 December 2014, the Group has certain cranes, motor vehicles and plant and machinery under hire purchase contracts with a net book value of $26,921,000 (2013: $30,673,000).

(b) Details of leasehold property

The details of the leasehold property held by the Group as at 31 December 2014 are as follows:

Location	Site area (sq metres)	Build-up area (sq metres)	Tenure of lease
51 Tuas South Street 5 Singapore	75,635	30,253	30 years expiring on 31 March 2028

11. Subsidiaries

	Company 2014 $'000	Company 2013 $'000
(a) Investments in subsidiaries		
Unquoted equity, at costs	39,125	39,125
Impairment loss	(99)	(99)
	39,026	39,026
(b) Amounts due from subsidiaries		
Due from subsidiaries (non-trade)	76,226	82,107
Allowance for impairment	(5,633)	(5,633)
	70,593	76,474
Movement in allowance for impairment:		
At 1 January	5,633	6,008
Write back during the year	–	(375)
At 31 December	5,633	5,633

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

11. Subsidiaries (cont'd)

(c) Details of subsidiaries

Name of company (Country of incorporation)	Principal activities	Company Cost of investment		Interest held by the Group	
		2014	2013	2014	2013
		$'000	$'000	%	%
Held by the Company					
Yongnam Engineering & Construction (Private) Limited (1) (Singapore)	Engineering contractors	37,945	37,945	100	100
Yongnam Development Pte Ltd (5) (Singapore)	Dormant	*	*	100	100
Yongnam Investment Pte Ltd (5) (Singapore)	Dormant	*	*	100	100
Yongnam Engineering Sdn. Bhd. (4) (Malaysia)	Engineering contractors	1,046	1,046	100	100
Yongnam Engineering & Construction (Thailand) Ltd (2) # (Thailand)	Engineering contractors	99	99	48.4	48.4
Yongnam Steel Work System Engineering (Shanghai) Co., Ltd (5) (People's Republic of China)	Dormant	35	35	100	100
Yongnam Steel Work Engineering (JinJiang) Co., Ltd(5) (People's Republic of China)	Dormant	*	*	100	100
		39,125	39,125		

*Denotes less than $1,000

11. Subsidiaries (cont'd)

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

Name of company (Country of incorporation)	Principal activities	Interest held by the Group	
		2014	2013
		%	%
Held by Yongnam Engineering & Construction (Private) Limited [(1)]			
YNE Project Engineering Pte. Ltd. [(1)] (Singapore)	Engineering contractors	100	100
Yongnam Engineering (HK) Limited [(3)] (Hong Kong)	Engineering contractors	100	100
Held by YNE Project Engineering Pte. Ltd.			
Jiwa Harmoni Offshore Sdn. Bhd. [(4)] (Malaysia)	Engineering contractors	100	100

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by KPJ Business Company Limited, Thailand.
(3) Audited by F. S. Li & Co, Hong Kong.
(4) Audited by SQ Morrison, Chartered Accountants (Malaysia).
(5) Not required to be audited in the country of incorporation.

The Group holds 48.4% (2013: 48.4%) equity in Yongnam Engineering & Construction (Thailand) Ltd ("YNET"). The Group considers YNET as a subsidiary by virtue of the Group having board control. Accordingly, the results and net assets of the subsidiary have been included in the consolidated financial statements.

12. Investment in joint venture

Geodesic Yongnam Structurals Private Limited

The Group has 50% (2013: 50%) equity interest and voting rights in a joint venture entity that is held through a subsidiary. The joint venture is incorporated in the Republic of India and is in the business of engineering contractors. The Group jointly controls the venture with one other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

The aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in the joint venture entity are as follows:

12. Investment in joint venture (cont'd)

Geodesic Yongnam Structurals Private Limited (cont'd)

	Group	
	2014	**2013**
	$'000	$'000
Assets and liabilities:		
Current assets	11,264	4,772
Non-current assets	313	107
Total assets	11,577	4,879
Current liabilities	(10,097)	(3,854)
Total liabilities	(10,097)	(3,854)
Income and expenses:		
Income	–	–
Expenses	–	–

13. Other investment

	Group	
	2014	**2013**
	$'000	$'000
Available-for-sale investment:		
Equity instrument (quoted)	250	250
Less: Impairment loss	(110)	(110)
	140	140

14. Inventories

	Group	
	2014	**2013**
	$'000	$'000
Balance sheet:		
Consumable materials	1,982	1,802
Steel materials	58,229	62,571
	60,211	64,373
Income statement:		
Steel materials recognised as an expense in cost of sales	31,251	37,628
Inclusive of the following:		
- write-back of steel material	195	306

15. Gross amount due from/(to) customers for contract work in progress

	Group 2014 $'000	Group 2013 $'000
Contract costs incurred to-date	1,074,648	858,537
Attributable profit less recognised losses to date	307,146	307,208
	1,381,794	1,165,745
Less: Progress billings	(1,283,980)	(1,053,208)
	97,814	112,537
Presented as:		
- Gross amount due from customers for contract work	101,652	116,045
- Gross amount due to customers for contract work	(3,838)	(3,508)
	97,814	112,537
Advances received included in gross amount due to customers for contract work	5,213	7,047
Retention sums on construction contract included in trade receivables	253	310

16. Trade receivables

	Group 2014 $'000	Group 2013 $'000
Trade receivables (current)	30,475	38,537
Less: Allowance for impairment	(2,818)	(2,853)
	27,657	35,684
Trade receivables (non-current)	–	3,976
Total trade receivables	27,657	39,660

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

Trade receivables (non-current) are non-interest bearing and is not expected to be received within 12 months.

16. Trade receivables (cont'd)

(a) Trade receivables denominated in foreign currencies as at 31 December are as follows:

	Group	
	2014	**2013**
	$'000	$'000
Indian Rupee	–	1,548
United States Dollar	–	6,907
Hong Kong Dollar	24	–

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

As at 31 December 2014, the Group has trade receivables amounting to $12,902,000 (2013: $16,559,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2014	**2013**
	$'000	$'000
Trade receivables past due but not impaired:		
Less than 30 days	1,329	7,417
30 to 60 days	338	1,538
61 to 90 days	1,088	917
More than 90 days	10,147	6,687
	12,902	16,559

(c) Trade receivables that are impaired

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

	Group	
	2014	**2013**
	$'000	$'000
Trade receivables - nominal amounts	2,818	2,853
Allowance for impairment	(2,818)	(2,853)
	–	–
Movement in allowance for impairment:		
At 1 January	2,853	267
Charge for the year	–	2,771
Written back	(35)	(185)
At 31 December	2,818	2,853

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

17. Other receivables and deposits

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Sundry debtors	48,247	3,586	7	1,272
Deposits	2,076	1,747	–	–
Forward currency contract	–	62	–	–
	50,323	5,395	7	1,272

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

18. Cash and cash equivalents

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

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
United States Dollar	69	829	–	–
Indian Rupee	314	126	–	–

(b) Cash and cash equivalents included in the consolidated cash flow statement comprise:

	Group	
	2014	2013
	$'000	$'000
Fixed deposit	140	–
Cash and bank balances	5,849	14,818
	5,989	14,818

19. Trade payables

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

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

	Group	
	2014	2013
	$'000	$'000
Indian Rupee	470	513
United States Dollar	8,498	2,626

20. Other payables and accruals

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Other payables	3,007	4,170	–	–
Accrued operating expenses	8,222	7,178	496	485
Forward currency contract	11	–	–	–
	11,240	11,348	496	485

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

21. Borrowings

	Group	
	2014	2013
	$'000	$'000
Trade facility	2,949	20,260
Revolving term loans	58,900	7,272
Transferable term loan	105,000	125,000
Term loans	–	9,906
	166,849	162,438
Comprise:		
Within one year	81,849	50,815
After one year but not more than five years	85,000	111,623
	166,849	162,438

As at 31 December 2014, all borrowings are unsecured (2013: secured: $9,906,000 and unsecured: $152,532,000).

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

	Group	
	2014	2013
	$'000	$'000
United States Dollar	2,767	17,391

21. Borrowings (cont'd)

(b) *Terms of borrowings*

(i) *Trade facility*

The trade facility relates to trust receipts in relation to some construction contracts. They are interest bearing at predetermined rate above cost of funds. Trust receipts are secured by a guarantee from the Company.

(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. Certain of the revolving term loans are secured by a guarantee from the Company.

(iii) Transferable term loan

The Group secured a Transferable Term Loan ("TTL") facility of $130 million in FY2013. The TTL is repayable in agreed 19 instalments on a quarterly basis. The TTL is interest bearing based on a fixed margin above Swap Offer Rate for each interest period.

(c) *Effective interest rates*

The weighted average effective interest rates per annum for the Group's and Company's borrowings during the financial year are as follows:

	Group	
	2014	**2013**
	%	%
Trade facility	1.31	1.38
Revolving term loans	1.88	1.54
Transferable term loan	2.32	2.21
Term loans	–	4.60

22. Share capital

	Group and Company	
	2014	**2013**
	$'000	$'000
Issued and fully paid:		
Balance at beginning of year:		
1,266,942,003 (2013: 1,262,405,003) ordinary shares	96,379	95,512
Issuance during the year:		
NIL (2013: 4,537,000) ordinary shares on exercise of share options	–	867
Balance at end of year:		
1,266,942,003 (2013: 1,266,942,003) ordinary shares	96,379	96,379

22. Share capital (cont'd)

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

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

23. Capital reserves

	Group	
	2014	**2013**
	$'000	$'000
Capital reserve on consolidation arising from acquisition of subsidiaries	6,837	6,837

The capital reserves are non-distributable.

24. Share option reserve

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

Employee Share Option Scheme ("ESOS")

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

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

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

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

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

24. Share option reserve (cont'd)

Employee Share Option Scheme ("ESOS") (cont'd)

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

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

Movement of share options under ESOS during the year

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

	2014		2013	
	No.	WAEP	No.	WAEP
	'000	($)	'000	($)
Outstanding at beginning of the year	73,220	0.176	77,757	0.177
Exercised during the year	–	–	(4,537)	0.191
Outstanding at end of year	73,220	0.176	73,220	0.176
Exercisable at end of year	73,220	0.176	73,220	0.176

The range of exercise prices for options outstanding at the end of the year was $0.080 to $0.294 (2013: $0.080 to $0.294). The weighted average remaining contractual life for these options is 3.05 years (2013: 4.05 years).

25. Foreign currency translation reserve

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

	Group	
	2014	2013
	$'000	$'000
Balance at beginning of year	(4,000)	(3,583)
Net effects of exchange differences arising from:		
Translation of financial statements of foreign operations	(864)	(146)
Long term intercompany loan	202	(271)
Balance at end of year	(4,662)	(4,000)

26. Commitments

(a) Capital commitments

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plantand equipment	4,232	685	–	–

(b) Operating lease commitments

The Group leases land and building under non-cancellable operating leases which expire over the next one to fifteen years. The lease rental for the land is subject to revision on an annual basis based on prevailing market conditions and the remaining leases are fixed. None of these leases includes contingent rentals. Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2014 amounted to $4,314,000 (2013: $2,651,000)

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

	Group	
	2014	**2013**
	$'000	$'000
Within one year	8,563	4,067
After one year but not more than five years	22,834	6,085
After five years	64,921	7,647
	96,318	17,799

(c) Hire purchase creditors

The Group leases certain property, plant and equipment under hire purchase arrangements. The liabilities are secured on the property, plant and equipment and expire over the next one to five years. The weighted average effective interest rates implicit in the leases of the Group at the end of the reporting period is 2.73% (2013: 2.85%) per annum.

26. Commitments (cont'd)

(c) Hire purchase creditors (cont'd)

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

Group	2014 Minimum payments $'000	2014 Present value of payments $'000	2013 Minimum Payments $'000	2013 Present value of payments $'000
Within one year	7,807	7,429	8,960	8,427
After one year but not more than five years	4,923	4,575	12,310	11,619
More than five years	24	20	134	113
	4,947	4,595	12,444	11,732
Total minimum lease payments	12,754	12,024	21,404	20,159
Less: Amounts representing finance charges	(730)	–	(1,245)	–
Present value of minimum lease payments	12,024	12,024	20,159	20,159

27. Related party transactions

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

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

(a) Purchase of services and management fees

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Technical advisory service provided by directors of the Company	244	244	–	–
Management fee income from subsidiaries	–	–	991	796

27. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Salaries, bonuses and other costs	5,187	4,577	–	–
Contributions to Central Provident Fund	120	126	–	–
Directors' fees	255	265	255	265
	5,562	4,968	255	265
Comprise:				
Directors of the Company	1,902	1,853	255	265
Other key management personnel	3,660	3,115	–	–
	5,562	4,968	255	265

(c) Guarantees

The Company has provided corporate guarantees to financial institutions for banking facilities entered into by certain subsidiaries amounting to $389 million (2013: $401 million).

28. Financial risk management objectives and policies

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

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

(a) Foreign currency risk

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

The Group seeks to manage its foreign currency exposure by constructing natural hedges when it matches receivables and payables in any single currency or through financial instruments, such as forward currency contracts. To manage the currency risk, individual Group entities in consultation with Group Treasury enter into currency forwards, either in their respective countries or with Group Treasury itself. Group Treasury in turn manages the overall currency exposure mainly through currency forwards, where feasible.

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

(a) Foreign currency risk (cont'd)

As at the end of the financial year, the Group has an outstanding forward currency contract with notional amounts totalling $35,699,000 (2013: $26,634,000). The net fair value of forward currency contract is $11,000 (2013: $62,000). This amount is recognised in other payables and accruals (Note 20). The forward currency contract is used to hedge foreign currency risk arising from the Group's net exposure on USD denominated balances.

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

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit 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.

		2014	**2013**
		$'000	$'000
USD/SGD	- strengthened by 5% (2013: 5%)	(560)	(614)
	- weakened by 5% (2013: 5%)	560	614

(b) Liquidity risk

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

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

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

Group	**Less than one year**	**One to five years**	**More than five years**	**Total**
	$'000	$'000	$'000	$'000
2014				
Trade payables	56,288	–	–	56,288
Other payables and accruals	11,240	–	–	11,240
Borrowings	84,385	89,761	–	174,146
Hire purchase creditors	7,807	4,923	24	12,754
Forward currency contract - gross payments	35,710	–	–	35,710
	195,430	94,684	24	290,138

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

(b) Liquidity risk (cont'd)

Group	Less than one year $'000	One to five years $'000	More than five years $'000	Total $'000
2013				
Trade payables	57,453	–	–	57,453
Other payables and accruals	11,348	–	–	11,348
Borrowings	54,114	121,678	–	175,792
Hire purchase creditors	8,960	12,310	134	21,404
Forward currency contract - gross payments	26,571	–	–	26,571
	158,446	133,988	134	292,568

(c) Interest rate risk

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

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

Information regarding the interest rates of the Group's borrowings is in Note 21 and Note 26(c).

Sensitivity analysis for interest rate risk

At 31 December 2014, if interest rates had been 75 (2013: 75) basis points lower/higher with all other variables held constant, the Group's loss for the year would have been $1,251,000 lower/higher (2013: $1,218,000 higher/lower), arising mainly as a result of lower/higher interest expense on borrowings.

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and sundry receivables and deposits. For other financial assets (including other investment, bank balances, fixed deposits and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis.

Exposure to credit risk

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

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

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

Credit risk concentration

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

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

	Group	
	2014	**2013**
	$'000	$'000
Singapore	15,592	18,268
Hong Kong	3,852	4,616
Malaysia	–	6,907
India	8,189	9,190
Others	24	679
	27,657	39,660

At the end of the reporting period, approximately:

- 63% (2013: 54%) of the Group's trade receivables from Singapore is due from 3 customers (2013: 4) in respect of 9 (2013: 14) 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.

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

29. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by net tangible assets value. The Group's net debt includes borrowings, hire purchase creditors, less cash and cash equivalents. Net tangible assets value is the total assets less total liabilities of the Group. The Group's policy is to keep the gearing ratio not more than 100%.

29. Capital management (cont'd)

	Group	
	2014	**2013**
	$'000	$'000
Borrowings	166,849	162,438
Hire purchase creditors	12,024	20,159
	178,873	182,597
Cash and cash equivalents	(5,849)	(14,818)
Net debt	173,024	167,779
Net tangible assets value	300,053	316,808
Gearing ratio	58%	53%

30. Fair values of financial instruments

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

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

Cash and cash equivalents, trade receivables (current), other receivables and deposits, trade payables, other payables and accruals

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

Borrowings

The carrying amount of borrowings due within one year approximates fair value because of the short period to maturity. The carrying amount of borrowings due after one year is a reasonable approximation of fair value as these are floating rate instruments that are repriced to market interest rates.

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

Amount due from subsidiaries

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

Hire purchase creditors

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

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

Fair value hierarchy

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

30. Fair values of financial instruments (cont'd)

(c) Fair value of financial instrument that is carried at fair value (cont'd)

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

	2014 Level 1 $'000	2014 Level 2 $'000	2014 Total $'000
Financial asset:			
Available-for-sale financial assets (Note 13)	140	–	140
Quoted equity instruments			
Forward currency contract (Note 20)	–	11	11
At 31 December 2014	140	11	151

	2013 Level 1 $'000	2013 Level 2 $'000	2013 Total $'000
Financial asset:			
Available-for-sale financial assets (Note 13)			
Quoted equity instruments	140	–	140
Forward currency contract (Note 17)	–	62	62
At 31 December 2013	140	62	202

There have been no transfers between Level 1 and Level 2 during the financial years ended 31 December 2014 and 2013.

Determination of fair value

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

Fair value hierarchy

Forward currency contract (Note 20) is valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing. The models incorporate various inputs including foreign exchange spot and forward rates.

31. Segment information

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

The Group mainly operates in three geographical areas, namely Singapore, Rest of Asia and Middle East. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

31. Segment information (cont'd)

(a) Geographical segments

2014	Singapore $'000	Hong Kong $'000	Rest of Asia $'000	Middle East $'000	Elimination $'000	Group $'000
Revenue from external customers	176,242	33,181	2,660	–	–	212,083
Inter-segment revenue	–	–	17,145	–	(17,145)	–
Total revenue	176,242	33,181	19,805	–	(17,145)	212,083
Segment results	(51,013)	2,582	34,106	(97)	–	(14,422)
Finance income						52
Finance costs						(4,639)
Loss before taxation						(19,009)
Taxation						10,518
Net loss						(8,491)

2013	Singapore $'000	Hong Kong $'000	Rest of Asia $'000	Middle East $'000	Elimination $'000	Group $'000
Revenue from external customers	289,673	38,228	33,735	–	–	361,636
Inter-segment revenue	–	–	22,118	–	(22,118)	–
Total revenue	289,673	38,228	55,853	–	(22,118)	361,636
Segment results	(9,327)	9,069	7,751	(164)	–	7,329
Finance income						28
Finance costs						(3,007)
Profit before taxation						4,350
Taxation						1,189
Net profit						5,539

31. Segment information (cont'd)

(b) *Business segments*

	Group 2014 $'000	Group 2013 $'000
Revenue:		
Structural steelworks	117,560	214,460
Specialist civil engineering	94,512	147,019
Mechanical engineering	11	157
	212,083	361,636

It is not meaningful to show the total assets employed and the capital expenditure by business activities as these assets are generally shared across the segment and not separately identifiable by business segments.

32. Categories of financial assets and liabilities

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

	Note	Group		Company	
		2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Other investment	13	140	140	–	–
Total available-for-sale financial asset		140	140	–	–

(b) *Loans and receivables*

	Note	Group		Company	
		2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Amounts due from subsidiaries	11(b)	–	–	70,593	76,474
Trade receivables	16	27,657	39,660	–	–
Other receivables and deposits	17	50,323	5,395	7	1,272
Cash and cash equivalents		5,989	14,818	235	623
Total loans and receivables		83,969	59,873	70,835	78,369

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

(c) Financial liabilities measured at amortised cost

	Note	Group		Company	
		2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Trade payables		56,288	57,453	–	–
Other payables and accruals	20	11,240	11,348	496	485
Borrowings	21	166,849	162,438	–	–
Hire purchase creditors	26(c)	12,024	20,159	–	–
Total financial liabilities measured at amortised cost		246,401	251,398	496	485

33. Dividends

	Group and Company	
	2014	2013
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- First and final exempt (one-tier) dividend for 2013: 0.6 cents (2012: 1.0 cents) per share	7,602	12,640
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- First and final exempt (one-tier) dividend for 2014: NIL (2013: 0.6 cents) per share	–	7,602

34. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 31 March 2015.

SHARE CAPITAL AS AT 18 MARCH 2015

Issued and fully paid-up capital	:	$96,379,119
Total number of issued shares	:	1,266,942,003
Treasury shares	:	Nil
Class of shares	:	Ordinary shares
Voting right	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS AS AT 18 MARCH 2015

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	113	0.83	1,776	0.00
100 – 1,000	331	2.42	283,817	0.02
1,001 – 10,000	4,331	31.70	33,128,319	2.62
10,001 – 1,000,000	8,824	64.57	589,281,583	46.51
1,000,001 and above	65	0.48	644,246,508	50.85
Total	13,664	100.00	1,266,942,003	100.00

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS AS AT 18 MARCH 2015

	Name	No. of Shares	%
1	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	120,741,456	9.53
2	HSBC (SINGAPORE) NOMINEES PTE LTD	76,447,625	6.03
3	CITIBANK NOMINEES SINGAPORE PTE LTD	68,003,637	5.37
4	YONGNAM PRIVATE LIMITED	64,328,432	5.08
5	MAYBANK NOMINEES (S) PTE LTD	54,413,100	4.29
6	DBS NOMINEES PTE LTD	30,100,909	2.38
7	RAFFLES NOMINEES (PTE) LTD	24,962,239	1.97
8	PHILLIP SECURITIES PTE LTD	14,208,144	1.12
9	OCBC SECURITIES PRIVATE LIMITED	14,135,438	1.12
10	TAN TIN NAM	12,736,000	1.01
11	UOB KAY HIAN PTE LTD	12,511,400	0.99
12	BANK OF SINGAPORE NOMINEES PTE LTD	11,570,000	0.91
13	OCBC NOMINEES SINGAPORE PTE LTD	11,399,620	0.90
14	MAYBANK KIM ENG SECURITIES PTE LTD	11,161,140	0.88
15	CIMB SECURITIES (SINGAPORE) PTE LTD	10,703,300	0.84
16	SIAU SUN KING	6,636,870	0.52
17	DBS VICKERS SECURITIES (S) PTE LTD	6,016,110	0.47
18	THONG KONG FATT	5,952,000	0.47
19	WONG KET SEONG @ WONG KET YIN	5,000,000	0.39
20	FONG KIM CHIT	3,300,000	0.26
Total:		**564,327,420**	**44.53**

SUBSTANTIAL SHAREHOLDERS
AS AT 18 MARCH 2015

Substantial Shareholders	Direct Interest Shares	%	Deemed Interest Shares	%
Delta Lloyd Asset Management NV	–	–	127,009,000[1]	10.02
Seow Soon Yong	69,329,923	5.47	64,328,432[2]	5.08
Tan Tin Nam	12,736,000	1.01	64,328,432[2]	5.08
Siau Sun King	11,136,870	0.88	64,328,432[2]	5.08
Yongnam Private Limited	64,328,432	5.08	–	–

(1) Delta Lloyd Asset Management NV is deemed to be interested in ordinary shares held by Delta Lloyd Azie Deelnemingen Fonds N.V. (custodian being KAS Bank N.V.) and Delta Lloyd L Asian Participation Fund (custodian being Banque de Luxembourg S.A.) by virtue of Section 7 of the Companies Act, Cap. 50.

(2) Mr Seow Soon Yong, Mr Tan Tin Nam and Mr Siau Sun King each hold 50.0%, 25.0% and 25.0%, respectively of the share capital of Yongnam Private Limited and each of them is accordingly deemed interested in the Shares held by Yongnam Private Limited.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 76.17% of the shareholding of the Company is held in the hands of the public as at 18 March 2015 and Rule 723 of the Listing Manual is complied with.

YONGNAM HOLDINGS LIMITED

Company Registration No.: 199407612N
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Yongnam Holdings Limited (the "Company") will be held at 51 Tuas South Street 5, Singapore 637644 on Tuesday, 28 April 2015 at 2:00 p.m. to transact the following businesses:

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2014 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To approve the payment of proposed Directors' fees of S$255,000 for the financial year ended 31 December 2014 (2013: S$265,000). **(Resolution 2)**

3. To re-appoint the following Directors who are retiring pursuant to Section 153(6) of the Companies Act, Cap. 50, to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company:-

   (a) Mr. Tan Tin Nam **(Resolution 3)**

   (b) Mr. Goon Kok Loon **(Resolution 4)**

   (c) Mr. Tan Eng Kiat, Dominic **(Resolution 5)**

4. To re-elect the following Directors who are retiring pursuant to Article 103 of the Company's Articles of Association:-

   (a) Mr. Lim Ghim Siew, Henry **(Resolution 6)**

   (b) Professor Liew Jat Yuen, Richard **(Resolution 7)**

5. 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 8)**

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

SPECIAL BUSINESS

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

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

   "That pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) issue Shares in pursuance of any Instruments made or granted by the Directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

provided that:

(i) the aggregate number of Shares to be issued pursuant to such authority (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 50% of the total number of issued Shares in the capital of the Company, excluding treasury shares, if any (as calculated in accordance with paragraph (2) below), and provided further that where shareholders of the Company ("**Shareholders**") are not given the opportunity to participate in the same on a pro-rata basis ("**non pro-rata basis**"), then the Shares to be issued under such circumstances (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20% of the total number of issued Shares in the capital of the Company, excluding treasury shares, if any (as calculated in accordance with paragraph (2) below);

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the total number of issued Shares, excluding treasury shares, shall be based on the total number of issued Shares of the Company, excluding treasury shares, at the time such authority was conferred, after adjusting for:

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

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

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

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

(iii) 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 Articles of Association of the Company for the time being; and

(iv) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 9)

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

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

(Resolution 10)

9. **Renewal of Share Purchase Mandate**

"That:

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

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

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

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

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

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

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

(c) in this Resolution:

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

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

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

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

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

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

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution." **(Resolution 11)**

BY ORDER OF THE BOARD

SEOW SOON YONG
Chief Executive Officer

13 April 2015

Explanatory Notes:

(a) Key information on Mr. Tan Tin Nam, who is seeking re-appointment as a Director of the Company under item 3(a) above (under the heading "Ordinary Business"), is found on page 5 of the Annual Report. Mr. Tan Tin Nam is the cousin of Mr. Seow Soon Yong, Mr. Siau Sun King and Mr. Seow Soon Hee. Details of Mr. Tan Tin Nam's share interest in the Company and its related corporation can be found on page 30 of the Annual Report. Mr. Tan Tin Nam is also a shareholder of Yongnam Private Limited which holds more than 10% of the direct interest in the Company. Mr. Tan Tin Nam is considered a non-executive non-independent Director.

(b) Mr. Goon Kok Loon will remain as the Lead Independent Director, Chairman of the Audit Committee and Member of the Remuneration Committee as well as the Nominating Committee upon re-appointment as a Director of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual. Key information on Mr. Goon Kok Loon is found on page 5 of the Annual Report. Mr. Goon Kok Loon has no shareholdings in the Company and its related corporations, and has no relationships with the Company, its 10% shareholders or its Directors.

(c) Key information on Mr. Tan Eng Kiat, Dominic, who is seeking re-appointment as a Director of the Company under item 3(c) above (under the heading "Ordinary Business"), is found on page 5 of the Annual Report. Upon re-appointment of Director, Mr. Tan Eng Kiat, Dominic will remain as the Chairman of Remuneration Committee and member of Nominating Committee. Details of Mr. Tan Eng Kiat, Dominic's share interest in the Company can be found on page 30 of the Annual Report. Mr. Tan Eng Kiat, Dominic is considered an independent Director. There are no relationships (including immediate family relationships) between Mr. Tan Eng Kiat, Dominic and the other Directors, or the Company, or its 10% shareholders.

(d) Mr. Lim Ghim Siew, Henry will remain as a Member of the Audit Committee and the Remuneration Committee upon re-election as a Director of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual. Key information on Mr. Lim Ghim Siew, Henry is found on page 5 of the Annual Report. Details of Mr. Lim Ghim Siew, Henry's share interest in the Company can be found on page 30 of the Annual Report. There are no relationships (including immediate family relationships) between Mr. Lim Ghim Siew, Henry and the other Directors, or the Company, or its 10% shareholders.

(e) Professor Liew Jat Yuen, Richard will remain as the Chairman of the Nominating Committee and Member of the Audit Committee upon re-election as a Director of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual. Key information on Professor Liew Jat Yuen, Richard is found on page 5 of the Annual Report. Details of Professor Liew Jat Yuen, Richard's share interest in the Company can be found on page 30 of the Annual Report. There are no relationships (including immediate family relationships) between Professor Liew Jat Yuen, Richard and the other Directors, or the Company, or its 10% shareholders.

(f) The proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company from the date of the Meeting to allot and issue Shares in the Company up to an amount not exceeding 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

(g) The proposed Ordinary Resolution 10, if passed, will empower the Directors of the Company to allot and issue Shares pursuant to the exercise of such options under the Yongnam Employee Share Option Scheme. The aggregate amount of new Shares over which the Company may grant options on any date, when added to the amount of new Shares to be issued in respect of (a) all options granted under the Scheme, and (b) all awards granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed 15% of the total number of issued Shares (excluding treasury shares) of the Company from time to time.

(h) The proposed ordinary resolution 11, if passed, will empower the Directors of the Company from the date of the above meeting until the date of the next Annual General Meeting to purchase or acquire up to 10% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution. Details of the proposed Share Purchase Mandate are set out in the Appendix to this Notice of Annual General Meeting:

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

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

    (iii) The financial effects of the purchase or acquisition of shares by the Company pursuant to the proposed Share Purchase Mandate on the Group's audited financial statements for the financial year ended 31 December 2014 are set out in the Appendix to this Notice of Annual General Meeting and are for illustration only.

Notes:

(1) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
(2) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644 not less than 48 hours before the meeting.
(3) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.
(4) In the case of joint shareholders, all holders must sign the form of proxy.
(5) The Chairman of the Meeting will be exercising his rights under Article 69 of the Company's Articles of Association to call for all resolutions at the Meeting and at any adjournment thereof to be put to the vote by way of poll. Accordingly, each resolution at the Meeting will be voted on by way of poll.

PERSONAL DATA PRIVACY

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

THE PROPOSED RENEWAL OF SHARE PURCHASE MANDATE

1. INTRODUCTION

1.1 Yongnam Holdings Limited (the "**Company**") proposes to seek the approval of Shareholders of the Company ("**Shareholders**") at the forthcoming Annual General Meeting ("**AGM**") of the Company to be held at 51 Tuas South Street 5, Singapore 637644 on Monday, 28 April 2015 at 2:00 p.m. ("**2015 AGM**") for the proposed renewal of share purchase mandate (the "**Share Purchase Mandate**") to authorise the directors from time to time to purchase shares in the capital of the Company (whether by market purchases and/or off-market purchases on an equal access system) up to 10% of the issued ordinary shares in the capital of the Company as at the date on which this Resolution is passed, at the price of up to but not exceeding the Maximum Price (as defined below), subject to the Memorandum and Articles of Association of the Company, the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") as set out in the SGX-ST Listing Manual ("**Listing Rules**"), and the Proposed Share Consolidation (as defined in paragraph 1.5 below).

1.2 The Shareholders of the Company had at the Extraordinary General Meeting ("**EGM**") held on 27 April 2011, approved the Share Purchase Mandate ("**2011 Mandate**") for the Directors to exercise all the powers of the Company to purchase or acquire up to 10% of the issued ordinary shares in the capital of the Company on the terms of that mandate. The Share Purchase Mandate was approved for renewal at the AGM held as follows:

- Renewed the 2011 Mandate at the AGM held on 27 April 2012 ("**2012 Mandate**");
- Renewed the 2012 Mandate at the AGM held on 29 April 2013 ("**2013 Mandate**");and
- Renewed the 2013 Mandate at the AGM held on 28 April 2014 ("**2014 Mandate**")

1.3 The 2014 Mandate will expire on the date of the forthcoming 2015 AGM. If the proposed resolution for the renewal of Share Purchase Mandate is approved at the 2015 AGM, the mandate shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the next AGM of the Company is held or is required by law to be held, whichever is earlier.

1.4 The purpose of this Appendix is to provide information relating to and explain the rationale for the proposed renewal of Share Purchase Mandate, and the effect thereon of the Proposed Share Consolidation (as defined in paragraph 1.5 below).

1.5 The Company is proposing to carry out a share consolidation of every four (4) existing issued ordinary shares in the capital of the company held by the Shareholders as at a books closure date to be determined, into one (1) ordinary consolidated share ("**Consolidated Share**") in the capital of the Company, fractional entitlements to be disregarded ("**Proposed Share Consolidation**"). The Proposed Share Consolidation is subject to the approval of Shareholders by resolution at the forthcoming Extraordinary General Meeting ("**EGM**") of the Company to be held at 51 Tuas South Street 5, Singapore 637644 on Tuesday, 28 April 2015 at 3:00 p.m. (or immediately after the conclusion of the 2015 AGM), notice of which is given separately but contemporaneously with the Notice of AGM

2. THE PROPOSED RENEWAL OF SHARE PURCHASE MANDATE

2.1 Rationale

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

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

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

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

Based on 1,266,942,003 Shares in issued as at 2 April 2015 (the "**Latest Practicable Date**"), 964,971,739 Shares (approximately 76.17%) are held by the public. The Company is of the view that there is sufficient number of Shares in issue held by public shareholders, which would permit the Company to undertake share purchases of up to ten per cent. (10%) of its issued ordinary share capital without affecting the listing status of the Shares on SGX-ST.

2.2 Authority and Limits on the Share Purchase Mandate

The authority and limitations placed on share purchase or acquisitions of Shares by the Company under the Proposed Renewal of Share Purchase Mandate, are similar in terms to those previously approved by Shareholders (but subject to the Proposed Share Consolidation in the event that the Proposed Share Consolidation is approved by the Shareholders at the EGM), and are summarised below:

2.2.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares of the Company ascertained as at the date of the last AGM or at the date of the forthcoming 2015 AGM at which the renewal of the Share Purchase Mandate is approved, whichever is higher, unless the share capital of the Company has been reduced in accordance with the applicable provisions of the Companies Act, Chapter 50 of Singapore (the "Act") or the number of Shares has been consolidated pursuant to the Proposed Share Consolidation as approved, at any time during the Relevant Period (as defined in paragraph 2.2.2 below), in which event the total number of issued Shares shall be taken to be the total number of issued Shares or Consolidated Shares (as the case may be) as altered. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit. As at the Latest Practicable Date, the Company does not hold any treasury shares.

2.2.2 Duration of Authority

Unless varied or revoked by the Company in general meeting, purchases or acquisitions of Shares pursuant to the Proposed Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the forthcoming 2015 AGM, at which the renewal of Share Purchase is approved, up to the earlier of:

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

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

(the "**Relevant Period**").

The authority conferred on the Directors by the Share Purchase Mandate to purchase Shares may be renewed at the next AGM (after the forthcoming 2015 AGM) or an EGM to be convened immediately after the conclusion or adjournment of the next AGM. When seeking the approval of the Shareholders for the renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate made during the previous 12 months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

2.2.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisition of Shares may be made by way of, inter alia:

(a) on-market purchases ("**Market Purchase**") transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(b) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as defined under Section 76C of the Act.

In an Off-Market Purchase, the Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

Under the Act, an equal access scheme must satisfy all the following conditions:

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

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

(iii) the terms of all the offers shall be the same, except that there shall be disregarded:

(aa) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;

(bb) if applicable, differences in consideration attributable to the fact that the offers relates to Shares with different amounts remaining unpaid; and

(cc) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed share purchase;

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

(e) whether the share purchase, if made, would have any effect on the listing of the Shares on the Official List of SGX-ST;

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

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

2.2.4 Maximum Purchase Price

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

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

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

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

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

For the above purposes:

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

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

2.3 Shares Purchase since Last Approval

The Company did not purchase any share subsequent to the renewal of 2014 Mandate approved at the AGM held on 28 April 2014.

2.4 Status of Purchased Shares under the Share Purchase Mandate

Any Share which is purchased or acquired by the Company shall, unless held as treasury shares, to the extentpermitted under the Act, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. The total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

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

2.5 Treasury Shares

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Act are summarised below:

(i) Maximum Holdings

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

(ii) Voting and Other Rights

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

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

(iii) Disposal and Cancellation

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

(a) sell the treasury shares for cash;

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

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

(d) cancel the treasury shares; or

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

Under the Rule 704(28) of the Listing Manual, immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**Usage**"). Such announcement must include details such as the date of the Usage, the purpose of the Usage, the number of treasury shares comprised in the Usage, the number of treasury shares before and after the Usage, and the percentage of the number of treasury shares comprised in the Usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the Usage, and the value of the treasury shares if they are used for a sale, transfer or cancelled.

2.6 Funding of Share Purchase

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

(a) Prior to the Proposed Share Consolidation

Based on 1,266,942,003 Shares in issue and paid-up in the share capital of the Company as at the Latest Practicable Date, the purchase by the Company of 10% of its issued Shares, disregarding any treasury share held by the Company and assuming no further ordinary Shares are issued, and no Shares are purchased or acquired by the Company on or prior to the 2015 AGM, will result in the purchase or acquisition of 126,694,200 Shares.

Assuming that the Company purchases or acquires the 126,694,200 Shares by way of Market Purchases at the Maximum Price of $0.145 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the Official List of SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the market purchase of 126,694,200 Shares is approximately $18,371,000.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires Shares at the Maximum Price of $0.152 for each Share (being the price equivalent to 110% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the Official List of SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the off-market purchase or acquisition of 126,694,200 Shares is approximately $19,258,000.

(b) After the Proposed Share Consolidation

Based on 316,735,500 Consolidated Shares in issue and paid-up in the share capital of the Company as at the Latest Practicable Date, the purchase by the Company of 10% of its issued Consolidated Shares, disregarding any treasury share held by the Company and assuming no further ordinary Shares are issued, and no Shares are purchased or acquired by the Company on or prior to the 2015 AGM, will result in the purchase or acquisition of 31,673,550 Consolidated Shares.

Assuming that the Company purchases or acquires the 31,673,550 Consolidated Shares by way of Market Purchases at the Maximum Price of $0.58 for each Consolidated Share (being the theoretical price equivalent to 105% of the Average Closing Price of the Consolidated Shares for the five consecutive Market Days on which the Consolidated Shares were traded on the Official List of SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the market purchase or acquisition of 31,673,550 Consolidated Shares is approximately $18,371,000.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires Consolidated Shares at the Maximum Price of $0.608 for each Consolidated Share (being the theoretical price equivalent to 110% of the Average Closing Price of the Consolidated Shares for the five consecutive Market Days on which the Consolidated Shares were traded on the Official List of SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the off-market purchase or acquisition of 31,673,550 Consolidated Shares is approximately $19,258,000.

2.7 Illustrative Financial Effects

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

Purchases or Acquisition out of Profits / Capital

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

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

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

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

The illustrative financial effects set out below are based on the consolidated financial statements for the financial year ended 31 December 2014, on the conditions set out in paragraphs 2.2.4 and 2.6 above and assuming the following:

(a) the purchase or acquisition of 126,694,200 Shares by the Company pursuant to the Shares Purchase Mandate by way of Market Purchases made entirely out of profits and cancelled;

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

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

Scenario 1: Shares purchased are cancelled

As at 31 December 2014	Company Before Share Purchase $'000	Company After Market Purchase $'000	Company After Off-Market Purchase $'000	Group Before Share Purchase $'000	Group After Market Purchase $'000	Group After Off-Market Purchase $'000
Shareholders' funds (before minority interests)	109,368	90,997	90,110	300,053	281,682	280,795
NTA[(1)]	109,368	90,997	90,110	300,053	281,682	280,795
Total borrowings[(2)]	-	18,371	19,258	178,873	197,244	198,131
NTA per Share (cents)[(3)]	8.63	7.98	7.90	23.68	24.70	24.63
Basic EPS (cents) [(4)]	-	-	-	(0.67)	(0.74)	(0.74)
Financial Ratios						
Gearing ratio (times)[(6)]	-	0.20	0.21	0.60	0.70	0.71
Current ratio (times)[(7)]	0.5	-	-	1.5	1.4	1.4

Scenario 2: Shares purchased are held as Treasury Shares

As at 31 December 2013	Company Before Share Purchase $'000	Company After On-Market Purchase $'000	Company After Off-Market Purchase $'000	Group Before Share Purchase $'000	Group After Market Purchase $'000	Group After Off-Market Purchase $'000
Shareholders' funds (before minority interests)	109,368	90,997	90,110	300,053	281,682	280,795
NTA[(1)]	109,368	90,997	90,110	300,053	281,682	280,795
Total borrowings[(2)]	-	18,371	19,258	178,873	197,244	198,131
NTA per Share (cents)[(5)]	8.63	7.18	7.11	23.68	22.23	22.16
Basic EPS (cents) [(5)]	-	-	-	(0.67)	(0.67)	(0.67)
Financial Ratios						
Gearing ratio (times)[(6)]	-	0.20	0.21	0.60	0.70	0.71
Current ratio (times)[(7)]	0.5	-	-	1.5	1.4	1.4

Notes:

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

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

(3) NTA per Share before and after the purchase of Shares and where the Shares are cancelled are calculated based on 1,266,942,003 Shares and 1,140,247,803 Shares respectively.

(4) EPS before and after the purchase of Shares and where the Shares are cancelled are calculated based on 1,265,745,403 Shares and 1,140,247,803 respectively.

(5) NTA per Share and EPS before and after the purchase of Shares and where the Shares purchased are held as Treasury Shares are calculated based on 1,266,942,003 Shares and 1,266,942,003 respectively, which includes the 126,694,200 Shares held in Treasury.

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

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

As illustrated above, the purchase of Shares made out of the capital of the Company and cancelled would have the effect of increasing the working capital and NTA of the Company and the Group. The consolidated NTA per Share of the Group as at 31 December 2014 would increase from 23.68 cents to 24.70 cents in the case of a Market Purchase and increase to 24.63 cents in the case of an Off-Market Purchase.

The consolidated basic EPS of the Group for the financial year ended 31 December 2014 would increase from loss per share of 0.67 cent to 0.74 cent if the shares were repurchased out of capital and cancelled.

As illustrated above, the purchase of Shares made out of the capital of the Company and held as treasury shares would have the effect of reducing the working capital and NTA of the Company and the Group. The consolidated NTA per Share of the Group as at 31 December 2014 would decrease from 23.68 cents to 22.23 cents in the case of a Market Purchase and to 22.16 cents in the case of an Off-Market Purchase.

The consolidated basic EPS of the Group for the financial year ended 31 December 2014 would remain at loss per share of 0.67 cent if the shares were repurchased out of capital and held in treasury.
Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical audited numbers as at 31 December 2014, save for the number of Shares, which are based on the number of Shares as at the Latest Practicable Date, and is not necessarily representative of the Company or Group's real financial position or a forecast of its future financial performance.

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

2.7.2 The Directors do not propose to exercise the Shares Purchase Mandate in a manner and to such extent that the working capital requirements of the Group would be materially adversely affected.

2.7.3 The financial effects of the Proposed Share Consolidation are fully set out in the circular accompanying the Notice of EGM for the Proposed Share Consolidation.

2.8 Taxation

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

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

2.9 Take-over Implications under the Singapore Code on Takeover and Mergers

2.9.1 Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of rule 14 of the Take-over Code ("Rule 14"). Under Rule 14, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory takeover offer if, inter alia, he and persons acting in concert with him increase their voting rights in the Company to thirty per cent (30%) or more or, if they, together holding between thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, increase their voting rights in the Company by more than one per cent (1%) in any period of 6 months.

2.9.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons will be presumed to be acting in concert:

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

(b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other; and

(c) an individual with his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by these persons, all with each other.

For this purpose, ownership or control of twenty per cent (20%) but not more than fifty per cent (50%) of the voting rights of a company will be regarded as the test of associated company status.

Consequently, a Director and persons acting in concert (as such term is defined in the Take-over Code) with him could, depending on the level of increase in his or their interest in the Company, become obliged to make a mandatory offer in accordance with rule 14 as a result of the Company's purchase or acquisition of its Shares.

2.9.3 Effect of Rule 14 and Appendix 2

Appendix 2 of the Take-over Code contains the Share Buy-back Guidelines Note. Under Appendix 2 of the Take-over Code, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a takeover offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties:

(a) would increase to thirty per cent (30%) or more; or

(b) if the voting rights of such Directors and their concert parties fall between thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by one per cent (1%) in any period of six (6) months.

As at the Latest Practicable Date, none of Shareholders holds shares of thirty per cent (30%) or more, Directors of the Company and persons acting in concert with them will not incur any obligation to make a takeover offer under Rule 14 and Appendix 2 of the Take-over Code.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory general offer under the Take-over Code as a result of purchases or acquisitions of Shares by the Company are advised to consult their professional advisers and/or the Securities Industries Council and/or other relevant authorities at the earliest opportunity.

2.9.4 Listing Status

The Listing Manual requires a listed company to ensure that at least 10% of equity securities of any class that is listed must be held by public shareholders. The "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company and its subsidiaries, as well as associates of such persons.

As at the Latest Practicable Date, there are approximately 964,971,739 Shares in the hands of public Shareholders, representing 76.17% of the issued share capital of the Company. Assuming that the Company purchases its Shares from public Shareholders through a Market Purchase up to the full 10% limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to 838,277,539 Shares, representing 73.52% of the reduced issued share capital of the Company. As at the Latest Practicable Date, the Company does not have any treasury shares.

Accordingly, based on the data available as at the Latest Practicable Date as abovementioned, and assuming that there is no change in the shareholdings of the respective public and non-public shareholders of the Company, the Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST or causing market illiquidity or affecting adversely the orderly trading of Shares.

Similarly, assuming that the Proposed Share Consolidation is approved by the Shareholders at the EGM, the Company is of the view that there is a sufficient number of Consolidated Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Consolidated Shares through Market Purchases up to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Consolidated Shares on the SGX-ST or causing market illiquidity or affecting adversely the orderly trading of the Consolidated Shares.

In undertaking any purchases of its Shares or Consolidated Shares (as the case may be), the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that purchases or acquisitions of the Shares or Consolidated Shares (as the case may be) will not adversely affect the listing status of the Shares or Consolidated Shares (as the case may be) on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares or Consolidated Shares (as the case may be).

2.9.5 Listing Manual

The Listing Manual specifies that a listed company may purchase its shares by way of Market Purchases at a price per share which is not more than 5% above the Average Closing Price.

The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in paragraph 2.2.1 of this Appendix, conforms to this restriction.

The Company is required under Rule 886(1) of the Listing Manual that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares no later than 9:00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its Shares; and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer. The notification of such purchase or acquisition of shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe, such as details of the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable.

While the Listing Rules do not expressly prohibit purchase of shares by a listed company during any particular time or times, the listed company would be considered an "insider" in relation to any proposed purchase or acquisition of its issued shares. In this regard, the Company will not purchase any Shares pursuant to the Share Purchase Mandate after a price-sensitive development has occurred or has been the subject of consideration and/or a decision of the Board of Directors until such time as the price-sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

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

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

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Directors	Direct Interest		Deemed Interest		Total Interest	%[(1)]
	Shares	Options	Shares	Options[(2)]		
Seow Soon Yong	69,329,923	37,100,000	64,328,432[(3)]	-	133,658,355	10.55
Tan Tin Nam	12,736,000	-	64,328,432[(3)]	-	77,064,432	6.08
Siau Sun King	11,136,870	3,000,000	64,328,432[(3)]	-	75,465,302	5.96
Seow Soon Hee	1,000,000	3,000,000	26,981,385[(4)]	-	27,981,385	2.21
Chia Sin Cheng	9,902,654	14,850,000	-	-	9,902,654	0.78
Goon Kok Loon	-	2,150,000	-	-	-	-
Lim Ghim Siew, Henry	900,000	1,500,000	-	-	900,000	0.07
Liew Jat Yuen, Richard	1,150,000	500,000	-	-	1,150,000	0.09
Tan Eng Kiat, Dominic	900,000	-	-		900,000	0.07

Notes:

(1) The percentage is calculated based on the total issued and paid-up share capital of 1,266,942,003 Shares as at the Latest Practicable Date. The percentage does not take into account Options (whether exercised or not).

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

(3) Mr. Seow Soon Yong, Mr. Tan Tin Nam and Mr. Siau Sun King each hold 50.0%, 25.0% and 25.0% respectively of the share capital of Yongnam Private Limited and each of them is accordingly deemed interested in the Shares held by Yongnam Private Limited.

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

Substantial Shareholders	Direct Interest		Deemed Interest	
	Shares	%	Shares	%
Delta Lloyd Asset Management NV	-	-	127,009,000[(1)]	10.02
Seow Soon Yong	69,323,923	5.47	64,328,432[(2)]	5.08
Tan Tin Nam	12,736,000	1.01	64,328,432[(2)]	5.08
Siau Sun King	11,136,870	0.88	64,328,432[(2)]	5.08
Yongnam Private Limited	64,328,432	5.08	-	-

Notes:

(1) Delta Lloyd Asset Management NV is deemed to be interested in ordinary shares held by Delta Lloyd Azie Deelnemingen Fonds N.V. (custodian being KAS Bank N.V.) and Delta Lloyd L Asian Participation Fund (custodian being Banque de Luxembourg S.A.) by virtue of Section 7 of the Companies Act, Cap. 50.

(2) Mr. Seow Soon Yong, Mr. Tan Tin Nam and Mr. Siau Sun King each hold 50.0%, 25.0% and 25.0% respectively of the share capital of Yongnam Private Limited and each of them is accordingly deemed interested in the Shares held by Yongnam Private Limited.

4. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the Ordinary Resolution 11 as set out in the Notice of AGM relating to the proposed renewal of the Share Purchase Mandate.

5. ANNUAL GENERAL MEETING

The 2015 AGM, notice of which is set out on pages 91 to 95 of the Notice of AGM attached to the 2014 Annual Report of the Company, will be held at 51 Tuas South Street 5, Singapore 637644 on Tuesday, 28 April 2015 at 2:00 p.m. for the purpose of, inter alia, considering and, if thought fit, passing the ordinary resolution on the renewal of Share Purchase Mandate as set out in the Notice of AGM.

6. ACTION TO BE TAKEN BY SHAREHOLDERS

6.1 Shareholders who are unable to attend the 2015 AGM and wish to appoint a proxy to attend and vote at the 2015 AGM on their behalf must complete, sign and return the Proxy Form attached to the Annual Report 2014 in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644 not less than 48 hours before the time fixed for the 2015 AGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the 2015 AGM should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

6.2 A Depositor shall not be regarded as a shareholder of the Company and not entitled to attend the 2015 AGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the 2015 AGM.

7. INSPECTION OF DOCUMENTS

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

(a) the Memorandum and Articles of Association of the Company; and

(b) the audited consolidated financial statements of the Company for FY2014.

8. DIRECTORS' RESPONSIBILITY STATEMENT

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

9. SGX-ST'S DISCLAIMER

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

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

SEOW SOON YONG
Chief Executive Officer

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YONGNAM HOLDINGS LIMITED

Registration Number: 199407612N
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT
1. For investors who have used their CPF monies to buy Yongnam Holdings Limited's shares, this Annual Report 2014 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

I / We, ______________________________ (name)______________ (NRIC / Passport no.)

of ____(address)

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

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

and/or (delete where appropriate)

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

or failing him/her, the Chairman of the Annual General Meeting ("AGM") of the Company as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the AGM of the Company to be held at 51 Tuas South Street 5, Singapore 637644 on Tuesday, 28 April 2015 at 2:00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the AGM as indicated with an "X" in the spaces provided hereunder. If no specific directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

Resolution No.	Ordinary Resolutions	For	Against
1.	Adoption of Reports of Directors and Auditors and Audited Financial Statements of the Company for the financial year ended 31 December 2014.		
2.	Approval of payment of proposed Directors' fees of $255,000 for the financial year ended 31 December 2014.		
3.	Re-appointment of Mr. Tan Tin Nam as Director who is retiring pursuant to Section 153(6) of the Companies Act, Cap. 50.		
4.	Re-appointment of Mr. Goon Kok Loon as Director who is retiring pursuant to Section 153(6) of the Companies Act, Cap. 50.		
5.	Re-appointment Mr. Tan Eng Kiat, Dominic as Director who is retiring pursuant to Section 153(6) of the Companies Act, Cap. 50.		
6.	Re-election of Mr. Lim Ghim Siew, Henry as Director who is retiring pursuant to Article 103 of the Company's Articles of Association.		
7.	Re-election of Professor Liew Jat Yuen, Richard as Director who is retiring pursuant to Article 103 of the Company's Articles of Association.		
8.	Re-appointment of Messrs Ernst & Young LLP as Auditors.		
9.	Authority to allot and issue shares.		
10.	Authority to issue shares under the Yongnam Employee Share Option Scheme.		
11.	Renewal of Share Purchase Mandate.		

Dated this ________ day of ______________ 2015

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

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

IMPORTANT: Please read notes overleaf

Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company.

2. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the power of attorney or a duly certified copy thereof must be lodged with the instrument.

4. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50.

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

6. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse the admission of any person or persons appointed under the instrument of proxy, to the Annual General Meeting.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies 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 instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such member(s) are not shown to have shares entered against his/her/their name(s) in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his/her name appears on the Depository Register 48 hours before the time appointed for the Annual General Meeting.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2015.

Fold along this line

Affix
Postage
Stamp
Here

The Company Secretary

YONGNAM HOLDINGS LIMITED

51 Tuas South Street 5

Singapore 637644

Fold along this line

YONGNAM HOLDINGS LIMITED
51 Tuas South Street 5, Singapore 637644
Tel : (65) 6758 1511
Fax : (65) 6758 0753
Email : info@yongnamgroup.com
Website : www.yongnamgroup.com

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