YONGNAM HOLDINGS LIMITED

2017 ANNUAL REPORT

Commitment Expertise Results

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 and A2 Grades from the Singapore Building and Construction Authority for the categories of General Building and Civil Engineering, respectively. 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.

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CHIEF EXECUTIVE **OFFICER'S MESSAGE**

The outlook for the construction industry has started to look more positive with the launch of tenders for mega infrastructure projects from the second half of FY2017, such as the MRT Circle Line 6 and North-South Corridor.

DEAR SHAREHOLDERS,

The Group's FY2017 revenue declined marginally by 4.6%. However, with improvements in gross margins in certain projects achieved through stringent project management, we managed to reduce our gross loss to $3.6 million, compared to $13.8 million a year ago. The improvement would have been higher if not for a provision made for the Senoko Food Hub project, as we lowered our expectations of the value of negotiated variation orders. Net loss after tax for FY2017 narrowed to $20.2 million, compared to $32.8 million in FY2016.

The Group has weathered four years of losses, due largely to the difficult business environment which resulted in fewer projects in the market, and thin margins as competitors vied for a smaller pie. Against this backdrop, the capacity of the Group's facilities continued to be under-utilized which led to under-absorption of its overheads. The Group's order book as at the end of FY2017 stood at $151.7 million, of which a substantial proportion is expected to be completed in FY2018.

The outlook for the construction industry has started to look more positive with the launch of tenders for mega infrastructure projects from the second half of FY2017, such as the MRT Circle Line 6 and North-South Corridor. Implementation of these projects, if awarded, is expected to commence from the second half of this year. Other mega infrastructure projects such as the Jurong Regional Line, Cross Island Line, the Kuala Lumpur-Singapore High Speed Rail and various infrastructure developments for Changi Airport Terminal 5 will continue to support public sector demand for construction works in Singapore over the medium term.

Regionally, governments are continuing to spend on infrastructure construction and upgrading works. Hong Kong's budget for 2018-19 has projected a capital expenditure for infrastructure of HK$85.6 billion. Major capital projects estimated to begin in 2018-19 include Cross Bay Link, Tseung Kwan O and Kai Tak development. The Macau S.A.R. government has articulated its vision of building Macau into a world tourism and leisure centre in the final version of its official five-year development plan covering 2016 to 2020. In India, up to US$786.02 billion worth of investments in infrastructure have been targeted by the Indian government, with the objective of increasing India's GDP growth as well as connect and integrate the country's transport network within the period of 2018 – 2019. In the Middle East, projects such as airport expansion, rail network, waste management plants, metro and other infrastructure projects will continue to provide the Group with opportunities.

The Group has also stepped up efforts to seek projects in Indonesia, Thailand, the Philippines, as well as Australia. The Singapore government's initiative to set up an Infrastructure Office in 2018 to bring together local and international firms from across the value chain to develop, finance and execute infrastructure projects in the region might well provide fresh opportunities for the Group to enhance its presence in the region.

The Group remains focused on its strategy to leverage on its strong track record and expertise as a steel specialist contractor, in its pursuit for $1.2 billion worth of new infrastructure and commercial projects in Singapore and overseas.

Notwithstanding the prospect of an upswing in the market where more projects are being launched in Singapore and the region, the Group continues to be vigilant about its overall cost structure to remain relevant and competitive. We have reduced our headcount by about 16% in FY2017, and will continue to rationalize our operations including manpower strength. Reorganization of our Engineering Department has also produced results, wherein communication and coordination with clients have improved resulting in more timely resolution of engineering problems.

To capitalize on the lower staff costs in Malaysia, the Group has allocated more fabrication works to its facility at Nusajaya. In FY2015 and FY2016, the Group acquired six plots of industrial land in the Ulu Choh area, Johor, with the objective of expanding our fabrication facilities in Malaysia, as well as storage of strutting assets to counter the much higher land costs in Singapore. However, it now appears that the Kuala Lumpur-Singapore High Speed Rail will be constructing a depot in the Ulu Choh area, and the depot would encroach on our land. The Group is studying the impact of the potential encroachment and preparing itself for eventual negotiation with the authorities for compensation, as well as looking at alternatives to the planned expansion of fabrication facilities and storage of strutting assets.

With brighter prospects ahead, the Group will work hard at achieving better results for the coming years. Finally, I would like to extend our appreciation to our staff, clients, bankers, suppliers and subcontractors for their dedication and hard work; and our shareholders for their continued support.

SEOW SOON YONG
Chief Executive Officer

BOARD OF **DIRECTORS**

SEOW SOON YONG

SIAU SUN KING

SEOW SOON HEE

CHIA SIN CHENG

LIM GHIM SIEW, HENRY

GOON KOK LOON

LIEW JAT YUEN, RICHARD

TAN ENG KIAT, DOMINIC

SEOW SOON YONG

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
Appointed to the Board as Director and CEO on 19 October 1994
Last re-elected on 26 April 2017

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

SIAU SUN KING

EXECUTIVE DIRECTOR
Appointed to the Board on 19 October 1994
Last re-elected on 26 April 2017

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

SEOW SOON HEE

EXECUTIVE DIRECTOR
Appointed to the Board on 19 October 1994
Last re-elected on 29 April 2016

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

CHIA SIN CHENG

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

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

LIM GHIM SIEW, HENRY

NON-EXECUTIVE & INDEPENDENT DIRECTOR
Appointed to the Board on 15 October 2002
Last re-elected on 26 April 2017

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

GOON KOK LOON

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

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

LIEW JAT YUEN, RICHARD

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

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

TAN ENG KIAT, DOMINIC

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

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

KEY EXECUTIVES

TAKEDAGAWA HIROYUKI
CHIEF OPERATIONS DIRECTOR

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

CHELVADURAI HARENDRAN
ENGINEERING DIRECTOR

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

SEOW SOON HOCK
PRODUCTION DIRECTOR

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

YANG EUN KYU
DIRECTOR-TECHNICAL (CIVIL)

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

Dr. WILLIAM KOH HOCK ANN
DIRECTOR-BUILDING DIVISION

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

CHEONG HOCK CHOON
PROJECT DIRECTOR

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

SIK KAY LEE
PROJECT DIRECTOR

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

KOH ENG SENG
DIRECTOR – SPECIALIST CIVIL ENGINEERING

Mr. Koh joined Yongnam in 1981 and has more than 30 years of experience in infrastructure projects. He was instrumental in the successful completion of several major MRT and vehicle tunnel projects such as the Kallang-Paya Lebar Expressway and the Marina Coastal Expressway, which involved the construction of a cofferdam in the open sea at Marina Bay.

TAKASHI WATABE
DIRECTOR-ENGINEERING

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

HO WAN BOON
DIRECTOR-TECHNICAL

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

TEO SHENG KIONG
GROUP FINANCIAL CONTROLLER

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

CORPORATE **INFORMATION**

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

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

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

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

COMPANY SECRETARIES
Lim Lan Sim, Joanna, ACIS
(Resigned 1 March 2018)
Ong Bee Choo, ACIS (Appointed on 1 March 2018)
Pan Mi Keay, ACIS

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COMPANY REGISTRATION NUMBER
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SHARE REGISTRAR
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AUDITORS
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Singapore 048583

AUDIT PARTNER
Lee Wei Hock (Appointed with effect from financial year ended 31 December 2017)

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

OPERATIONS **REVIEW**

JEWEL CHANGI AIRPORT

Jewel Changi Airport ("Jewel"), located in front of Terminal 1 of Singapore's Changi Airport, is designed to be a world-class lifestyle destination that will boost the airhub's appeal as a stopover for travelers. With a total gross floor area of about 134,000 sq m spread over five storeys above ground and five basement storeys, it features 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 includes retail offerings, a hotel and facilities for airport operations. With about 22,000 sq m of space dedicated to landscaping throughout the complex featuring thousands of trees, plants, ferns and shrubs, Jewel will boast one of the largest indoor collections of plants in Singapore. Its centerpiece is a breathtaking 40 m high Rain Vortex, expected to be the world's tallest indoor waterfall. Jewel will provide facilities to enhance passengers' journey, such as an integrated multi-modal transport lounge within the complex offering dedicated services for fly-cruise and fly-coach passengers, ticketing, issuance of boarding passes and baggage transfer services. In addition, early check-in and bag deposit facilities in Jewel will provide passengers with added convenience.

Yongnam secured a contract in 2014 to fabricate and erect the structural framing system of Jewel's main building as well as other associated structures such as the pedestrian bridges to Terminals 2 and 3. In 2016, Yongnam secured a second contract, awarded by the facade contractor, for the fabrication and erection of structural steelwork for Jewel's glass dome. Works for both contracts are expected to complete by the first half of 2018.

JTC FOOD HUB @ SENOKO

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

The Group, in a joint venture with a local construction company, won the main contract for this new development in early 2015. TOP for this project was obtained in July 2017, and the joint venture is currently working on certain variation orders, expected to be completed by first half of 2018.

OUTRAM COMMUNITY HOSPITAL

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

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

JTC LOGISTICS HUB

JTC Logistics Hub ("JLH"), located at Gul Circle, is a high-rise multi-tenanted development that houses container depots, warehouses and heavy vehicle park. JLH is designed to cut traveling time incurred by logistics operators who currently have to deal with container depots, warehouses and heavy vehicle parks located in different places across Singapore, thereby contributing to cost savings and improving operational efficiency. About 70 inspection bays for 40-foot containers and queuing space for more than 40 vehicles have been allocated in the design of the JLH, targeted at reducing waiting time for vehicles and minimizing spillover of vehicle queues outside the development.

Yongnam's scope of work involves the fabrication and erection of balance structural steelwork, and installation of alternative steel system for JLH. The sub-contract is expected to be completed by the second half of 2019.

OPERATIONS **REVIEW**

THOMSON-EAST COAST LINE

Thomson-East Coast Line ("TEL"), a 43km joint line between the Thomson Line and the Eastern Region Line, will add 31 new stations to the existing rail network. With seven interchange stations, the TEL will link to the East-West Line, North-South Line, North-East Line, Circle Line and the Downtown Line, cutting commuters' travelling time to the Central Business District or to the northern part of Singapore. Commuters can start enjoying the TEL in phases from 2019. When fully operational in 2024, the 31 stations on TEL are expected to serve about 500,000 commuters daily in the initial years, rising to one million commuters daily in the longer term.

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

SHATIN TO CENTRAL LINK

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

The Group is currently working on four subcontracts under the SCL project which involves the design, supply, installation and subsequent dismantling of steel struts at three MTR stations, namely Sung Wong Toi, To Kwa Wan and Diamond Hill Station, including the tunnels and entrances, as well as the provision of temporary shoring and working platform for the cut and cover portion of the SCL Cross Harbour Tunnel. The subcontracts are expected to be completed progressively by the second half of 2019.

CENTRAL-WAN CHAI BYPASS

Central-Wan Chai Bypass, a new 4.5 km-long trunk road consisting of a 3.7 km tunnel underneath land and seabed, running along the northern shore of Hong Kong Island, will

provide an expressway for east-west traffic in Central and Wan Chai to divert from the commercial centre, alleviating the traffic congestion along the existing Gloucester Road – Harcourt Road – Connaught Road Central corridor.

The Group has secured four subcontracts for the Central-Wan Chai Bypass. The scope of work includes the design, supply, erection and subsequent removal of struts and walers between newly constructed diaphragm walls; provision of approximately 2,000 tonnes of steel for the construction of temporary steel bridges between the tunnel's North Point section and Island Eastern Corridor link at the East Ventilation Building and cut-and cover tunnel; and Excavation Lateral Support (ELS) works. The contracts are expected to be completed progressively in 2018.

KAI TAK DEVELOPMENT

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

The Group won a contract for the design, supply, installation and dismantling of an underground Excavation and Lateral Support (ELS) System to support the KTD infrastructure works involving the east-west express link between West Kowloon and Tseung Kwan O. The project is expected to complete by end 2020.

FINANCIAL **REVIEW**

Group revenue in FY2017 decreased by 4.6% to $306.7 million compared to $321.4 million in FY2016, due mainly to lower contributions from Structural Steelwork and Mechanical Engineering businesses.

Segmental Performance:

- Structural Steelwork: Revenue fell to $196.2 million (FY2016: $215.6 million), due mainly to substantial completion of Marina One, Senoko Food Hub and Jewel Changi Airport projects in FY2016;
- Mechanical Engineering: Revenue fell to $1.7 million (FY2016: $32.1 million), due to the completion of the fabrication of Heat Recovery Steam Generator ("HRSG") non-pressure parts for two power plants in Qatar and Egypt in FY2016;
- Specialist Civil Engineering: Revenue increased to $89.0 million (FY2016: $66.2 million), due to higher contributions from the MRT Thomson-East Coast Line and Hong Kong MTR projects;
- Design and Build: Revenue increased to $19.8 million (FY2016: $7.5 million), due to contributions from its industrial building projects in Singapore.

Geographically, revenue generated from projects in Singapore accounted for 88.1% of FY2017's Group revenue (FY2016: 90.1%), while revenue from Hong Kong and Myanmar accounted for the remaining 11.9%.

Notwithstanding a 4.6% drop in revenue, the Group narrowed its gross loss from $13.8 million in FY2016 to $3.6 million in FY2017, due mainly to improved margins for some on-going projects. The improvement was offset by unabsorbed overheads as strutting and other activities in Singapore and Hong Kong remained low, as well as a provision made in anticipation of lower negotiated variation orders for the Senoko Food Hub project. General and administrative expenses decreased by 19.0% to S$15.7 million in FY2017, due mainly to lower staff costs, professional fees, other general and administrative expenses, as well as the absence of allowance for doubtful debt. Finance costs decreased by 20.9% to $4.7 million in FY2017, due to lower borrowings.

As a result, the Group's net loss narrowed from $32.8 million in FY2016 to $20.2 million in FY2017. Net loss attributable to owners of the Group amounted to $15.8 million, a 50.1% reduction from $31.6 million in FY2016.

The Group's order book at the end of FY2017 stood at $151.7 million. New Structural Steelwork projects secured in FY2017, for execution in Singapore, include the JTC Logistics Hub, a methionine plant in Jurong Island, a commercial development in the north of Singapore and a development at Heath City Novena. Specialist Civil Engineering projects included the MRT Thomson-East Coast Line, Circle Line 6, Changi Airport's three-runway operations and Woodlands Health Campus. In Myanmar, a contract for project management was secured for the main building works for extension of a tobacco factory. Over in Hong Kong, the Group clinched Specialist Civil Engineering contracts under the Kai Tak Development project.

The Group's gearing improved to 0.30 times at the end of FY2017, compared to 0.33 times at the end of FY2016. Net cash flow from operating activities contributed $26.7 million in FY2017, compared to $40.0 million in FY2016. Net cash flow used in investing activities was $25.9 million, mainly due to payment for the acquisition of industrial land in Malaysia, additional strutting assets, and plant and equipment. Cash and cash equivalents as at the end of FY2017 totaled $10.2 million (FY2016: $15.9 million).

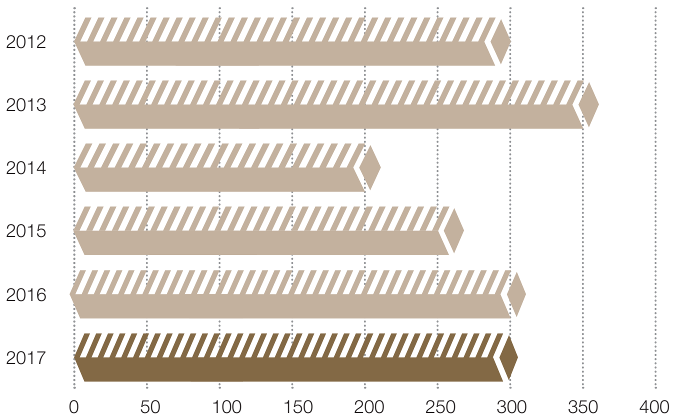
Pursuant to a share placement in FY2017, 47,500,000 new shares were issued from which the Group raised $11.8 million. The funds were utilized for the Group's working capital.

FINANCIAL HIGHLIGHTS

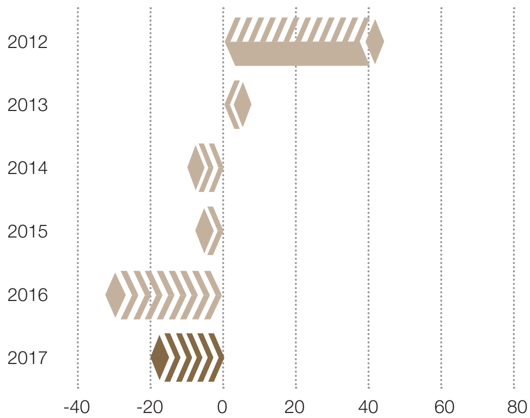
	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
PROFIT AND LOSS ACCOUNT						
Revenue	306,679	321,378	269,618	212,083	361,636	301,600
(Loss)/Profit before taxation	(23,255)	(38,133)	(4,138)	(19,009)	4,350	48,912
(Loss)/Profit after taxation	(20,224)	(32,793)	(2,695)	(8,491)	5,539	43,508
(Loss)/Earnings Per Share (Basic) (Cents)	(3.25)	(7.99)	(1.05)	(2.68)	1.76	13.80
BALANCE SHEET						
Property, plant and equipment	312,914	314,203	307,410	320,997	356,867	346,320
Other non-current assets	–	1,500	1,608	1,608	5,584	2,137
Net current assets[1]	81,012	110,207	148,848	175,034	166,203	124,430
	393,926	425,910	457,866	497,639	528,654	472,887
Shareholders' equity	287,242	299,033	297,373	300,053	316,808	323,126
Short and long-term borrowings	96,392	114,066	142,404	178,873	182,597	119,355
Deferred taxation	10,292	12,811	18,089	18,713	29,249	30,406
	393,926	425,910	457,866	497,639	528,654	472,887
NAV per share (cents)	55.91	63.05	93.89	94.72	100.04	102.40

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

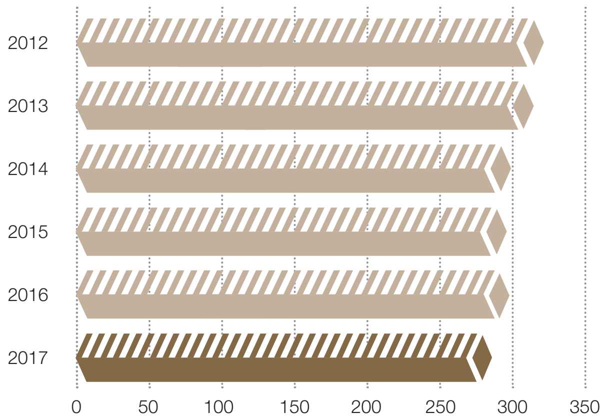
REVENUE ($ MILLION)



(LOSS)/PROFIT AFTER TAX ($ MILLION)



SHAREHOLDERS' EQUITY ($ MILLION)



CORPORATE **GOVERNANCE REPORT**

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

This report describes the Group's ongoing efforts in the financial year ended 31 December 2017 ("**FY2017**") in keeping pace with the evolving corporate governance practices and complying with the Code of Corporate Governance 2012 (the "**Code**"). The Company has adopted and complied, wherever feasible, relevant and practicable to the Group, with the principles and guidelines set out in the Code, except where otherwise stated. The Board will continue to improve its practices with developments by enhancing its principles and framework.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

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

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

The Board recognises that its principal duties include:

- Setting the strategic directions and the long-term goals of the Group and ensuring that adequate resources are available to meet these objectives;
- Reviewing and approving corporate plans, annual budgets, investment proposal and merger & acquisition proposals of the Group;
- Reviewing and evaluating the adequacy and integrity of the Group's internal controls, compliance, risk management and financial report systems;
- Reviewing and monitoring management performance towards achieving organisational goals;
- Overseeing succession planning for the Management;
- Setting corporate values and standards for the Group to ensure that the obligations to shareholders and other stakeholders are understood and met;
- Ensuring accurate and timely reporting in communication with shareholders; and
- Considering sustainability issues including environmental and social factors in the Group's strategic formulation.

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

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

CORPORATE **GOVERNANCE REPORT**

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

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

The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings during FY2017 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	–	–	–
Independent Directors:				
5. Goon Kok Loon	4	4	1	1
6. Lim Ghim Siew, Henry	4	4	–	1
7. Liew Jat Yuen, Richard	4	4	1	–
8. Tan Eng Kiat, Dominic	4	–	1	1

The Board ensures that incoming new Directors are given comprehensive and tailored induction on joining the Board including onsite visits, if necessary, to get familiarised with the business of the Group and corporate governance practices upon their appointment and to facilitate the effectiveness in discharging their duties. Newly appointed Directors will be provided a formal letter setting out their duties and obligations. They will be given briefings by the Management on the business activities of the Group and its strategic directions as well as its corporate governance practices.

All Directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities for participation in the relevant training courses, seminars and workshops as relevant and/or applicable.

CORPORATE **GOVERNANCE REPORT**

Principle 2: Board Composition and Guidance

The Board currently has eight (8) Directors comprises of four (4) Independent Directors and four (4) Executive Directors. The current members of the Board and their membership on the Board Committees of the Company are as follows:

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

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

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

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

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

CORPORATE **GOVERNANCE REPORT**

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

Independent Directors contribute to the Board's process by monitoring and reviewing the Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. They constructively challenged and helped develop the Group's business strategies. Management's progress in implementing such agreed business strategies were monitored by the Directors.

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

Principle 3: Chairman and CEO

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

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

- leads the Board to ensure its effectiveness in all aspects of its role and sets its agenda;
- ensures that the Board receives accurate, timely and clear information;
- ensures effective communication with shareholders;
- encourages constructive relations between the Board and Management;
- encourages constructive relations between Executive Directors and Independent Directors; and
- promotes high standards of corporate governance.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence. In order to ensure good corporate governance practice, Mr Goon Kok Loon has been appointed as the Lead Independent Director of the Company for the shareholders in situations where there are concerns or issues which communication with the Chief Executive Officer and/or Finance Director has failed to resolve or where such communication is inappropriate. Mr Goon Kok Loon will also take the lead in ensuring compliance with the Code.

CORPORATE **GOVERNANCE REPORT**

Principle 4: Board Membership

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

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

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

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

Currently, the Company does not have any alternate Director.

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

CORPORATE **GOVERNANCE REPORT**

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

The NC also reviews the independence and number of years served by each of the Independent Directors as mentioned under Guideline 2.3 of the Code. The NC has affirmed that Mr Goon Kok Loon, Mr Lim Ghim Siew, Henry, Mr Tan Eng Kiat, Dominic and Professor Liew Jat Yuen, Richard are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence. Having considered their in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of impartial and constructive advice, the Board is of the view that there is no material conflict between their tenure and their ability to discharge their role as Independent Directors.

The Company's Constitution require one-third of the Directors to retire and subject for re-election by shareholders at every AGM ("**one-third rotation rule**"). In other words, no Director stays in office for more than three years without being re-elected by shareholders. In addition, a newly appointed Director will submit himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to the one-third rotation rule. The appointment of the Executive Directors including the CEO, is in accordance with a Service Agreement entered into between the respective individual and the Company. Under the terms of the said agreement, the Company or the relevant executives may terminate the respective Director's service by giving 6 months' notice in writing or 6 months' salary in lieu of notice.

The NC has recommended Mr. Seow Soon Hee, Mr. Goon Kok Loon and Professor Liew Jat Yuen, Richard, who are retiring and to be re-elected at the forthcoming AGM. Three of them are retiring under Article 103 of the Constitution of the Company and they have offered themselves for re-election. The Board has accepted the recommendation of NC.

In making the recommendations for retirement and re-election, the NC considers the overall contribution and performance of the Directors. Each member of the NC will abstain from deliberation and voting on resolution (if applicable) in respect of his own assessment and re-nomination as Director.

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

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

Principle 5: Board Performance

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

CORPORATE **GOVERNANCE REPORT**

To address the competing time commitments that are faced when Directors serve on multiple boards, the NC has reviewed and made recommendation to the Board accordingly on the maximum number of listed company board appointments which any Director may hold. Based on the recommendation, the Board has determined and set the maximum number of other listed company board appointments at not more than three (3) other listed companies. Currently, none of the Directors holds more than three (3) directorships in other listed companies.

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

Principle 6: Access to Information

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

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

To facilitate direct access to the Management, Directors are also provided with the names and contact details of the management team. The Directors also have separate and independent access to the Company Secretary through e-mail, telephone and face-to-face meetings. The Company Secretary is responsible for, among other things, ensuring that the Board's procedures are observed and the Constitution of the Company, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and SGX-ST Listing Manual ("**Listing Manual**") are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The role of the Company Secretary is, inter alia, advising the Board on all governance matters and ensuring that all Board procedures are followed. The Company Secretary assists the Chairman in ensuring good information flows within the Board and its Board Committees and between senior management and the Independent Directors. The Company Secretary attends and prepares minutes for all Board and Board Committee meetings. As secretary for all Board Committees, the Company Secretary assists in ensuring coordination and liaison between the Board, the Board Committees and the Management. The Company Secretary assists the Chairman of the Board, the Chairman of Board Committees and the Management in the development of the agendas for the various Board and Board Committee meetings. The appointment and the removal of the Company Secretary are subject to the Board's approval. The Board has a process for Directors, either individually or as a group, in the furtherance of their duties, to seek independent professional advice, where appropriate, at the expense of the Company.

CORPORATE **GOVERNANCE REPORT**

REMUNERATION MATTERS

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

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

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

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

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

- to review and recommend to the Board in consultation with the Chairman of the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the Executive Directors and key management personnel of the Group including those employees related to the Executive Directors and controlling shareholders of the Group;
- to recommend to the Board in consultation with the Chairman of the Board, the Employees' Share Option Scheme or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith; and
- to carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

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

During the financial year, none of the Independent Directors is on service contracts or have consultancies with the Company except for Professor Liew Jat Yuen, Richard who was appointed as Technical Advisor with a monthly fee of $3,800. The Independent Directors are paid Directors' fees, which comprise basic fees and additional fees for serving on Board Committees. Payment of these fees is subject to the shareholders' approval at the forthcoming AGM. The RC ensures that the Independent Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised. Each member of the RC abstains from voting on any resolutions in respect of his own remuneration package.

CORPORATE **GOVERNANCE REPORT**

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

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

Principle 9: Disclosure on Remuneration

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

Name of Directors	Fees[1] (%)	Salary[2] (%)	Performance Related Income (%)	Others (%)	Total (%)	Total ($'000)
Seow Soon Yong	–	96	–	4	100	524
Chia Sin Cheng	–	96	–	4	100	440
Siau Sun King	–	85	–	15	100	347
Seow Soon Hee	–	86	–	14	100	270
Lim Ghim Siew, Henry	100	–	–	–	100	56
Goon Kok Loon	100	–	–	–	100	68
Liew Jat Yuen, Richard	100	–	–	–	100	51
Tan Eng Kiat, Dominic	100	–	–	–	100	48

Note:

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

(2) The salary includes CPF contribution.

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

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

In aggregate, the total remuneration (including CPF contribution thereon and bonus) paid to the top 5 key management personnel in FY2017 is approximately $1,778,000.

CORPORATE **GOVERNANCE REPORT**

The Board is of the view that given the highly competitive industry conditions coupled with the sensitivity and confidentiality of remuneration matters, the disclosure of remuneration in bands and not on named basis for key management personnel provides sufficient overview of the remuneration of the key management personnel and does not prejudice the Group's interest. There are no termination, retirement and post-employment benefits granted to Directors, the CEO and the top 5 key management personnel.

For FY2017, the following immediate family members of a Director or the CEO were the employees of the Group:

Remuneration band and name of employees who are immediate family members	Relationship with the Directors or CEO of the Group	Designation
Seow Zi Xian $50,001 – $100,000	Son of Seow Soon Yong	Project Manager
Seow Soon Kian $50,001 – $100,000	Brother of Seow Soon Yong, Siau Sun King and Seow Soon Hee	Senior Crane Operator
Siau Sze You $100,001 – $150,000	Son of Siau Sun King	Deputy General Manager
Seow Khng Chai $150,001 – $200,000	Brother of Seow Soon Yong, Seow Soon Hee and Siau Sun King	General Manager (Malaysia Operation)
Seow Soon Hock $250,001 – $300,000	Brother of Seow Soon Yong, Siau Sun King and Seow Soon Hee	Production Director

The aggregate remuneration (including CPF contribution thereon and bonus) of these employees amounted to approximately $810,000.

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 control.

CORPORATE **GOVERNANCE REPORT**

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 announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

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

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

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

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

The Management regularly reviews and updates the Board on the Group's business and operational activities in respect of the key risk control areas including financial, operational, compliance and information technology controls and continues to apply appropriate measures to control and mitigate these risks. All significant matters are highlighted to the Board and the AC for further discussion. The Board and the AC also work with the internal auditors and the Management on their recommendations to institute and execute relevant controls with a view to managing such risks.

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

CORPORATE **GOVERNANCE REPORT**

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

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

Principle 12: Audit Committee

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

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

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

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

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

- assist the Board in discharging of its responsibilities on financial reporting matters;
- review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and management's response, and results of the audits compiled by internal and external auditors;
- review the periodic consolidated financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Listing Rules and any other statutory and regulatory requirements;

CORPORATE GOVERNANCE REPORT

- review the effectiveness and adequacy of the internal control procedures addressing financial, operational, compliance and information technology 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 the Management's response;
- make recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- review significant financial reporting issues and judgments with the Finance Director and the external auditors so as to ensure the integrity of the financial statements of the Group;
- review any formal announcements relating to the Group's financial performance before their submission to the Board of Directors;
- review and report to the Board at least annually the adequacy and effectiveness of the Group's material internal controls with the Finance Director, the finance manager and the internal and external auditors, including financial, operation, compliance and information technology controls via reviews carried out by the internal auditors;
- review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Rules (if any);
- review any potential conflicts of interest;
- review arrangements by which the staff may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters, and to ensure that those arrangements are in place for independent investigations of such matters and for appropriate follow-up.

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

CORPORATE **GOVERNANCE REPORT**

The AC reviews the audit plan and scope of examination of the external auditors and the assistance given by the Group's officers to the external auditors. The AC also discusses with the external auditors the results of their examinations and at least once a year holds separate sessions with them without the presence of the Management to discuss any matters deemed appropriate to be discussed privately. In addition, the AC reviews announcements relating to the Group's quarterly and full-year financial results, the financial statements of the Company and the consolidated financial statements of the Group prior to its recommendations to the Board for approval. The AC discussed with the Management on the accounting treatment and methodology applied as well as the assumptions used in judgemental assessment which might impact the results of financial statements. The external auditors had reviewed the financial statements of the Group and highlight some key audit matters that might significantly impact the financial statements and were reviewed by AC as follows:

• **Accounting for construction contracts**	Accounting for construction contracts was an area of focus for the external auditors as it has been included as one of the Key Audit Matters in its Auditor's Report for the FY2017. (Refer to pages 38 and 39 of this Annual Report) The AC discussed with Management and considered the accounting treatment and methodology applied to the project account and analysis model in assessing the revenue recognition. It reviewed the reasonableness of variation order claims against the certified amounts during the progress of projects. The AC is satisfied that proper documentation is in place and there are instructions in written form to ensure the accuracy of revenue recognition.
• **Impairment review of certain steel beams and columns**	Impairment review of certain steel beams and columns was also an area of focus for the external auditors as it has been included as one of the Key Audit Matters in its Auditor's Report for the FY2017. (Refer to page 39 of this Annual Report). The AC considered the accounting treatment and methodology applied to the valuation model in impairment of strutting assets. It reviewed the reasonableness of value-in-use of cash-generating unit, cash flow forecast, revenue growth rates and discounted rate used in the valuation model. The AC is satisfied with the accounting treatment, the judgmental assessment and the methodology applied.

The AC also reviews the independence and objectivity of the external auditors and having reviewed the scope and value of non-audit services provided to the Group by the external auditors, Ernst & Young LLP. The aggregate amount of audit and non-audit fees paid or payable to the external auditors for FY2017 are $240,000 and $39,000 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. During the year, the AC was briefed on the new accounting standards that would impact the Group's consolidated financial statements by the external auditors at the AC meeting.

CORPORATE **GOVERNANCE REPORT**

WHISTLE-BLOWING POLICY

In order to encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Group has implemented a Whistle-Blowing Policy. The Whistle-Blowing Policy stipulates the mechanism 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 Group's Whistle Blowing Policy allows employees to raise concerns and offers reassurance that they will be protected from reprisals or victimisation for whistle blowing in good faith.

The Group's 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 receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.

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 when necessary.

The internal auditors' carrying out of their audit work is in accordance with the standards set by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The AC ensures that Management provides good support to the internal auditors and provides them with access to documents, records, properties and personnel when requested in order for the internal auditors to carry out their work accordingly. The internal auditors also have unrestricted access to the AC on internal audit matters. The AC will review internal audit reports of the Group. Any material non-compliance or failures in internal control and recommendations for improvements will be reported to the AC. During FY2017, the AC did not review any internal audit report as there was no new projects assigned for internal audit purpose.

SHAREHOLDERS 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.

CORPORATE **GOVERNANCE REPORT**

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

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst safeguarding its commercial interests. Material information on the Group has been released to the public through the Company's announcements via SGXNET.

The Group strongly encourages shareholders' participation at the AGM. Shareholders are able to proactively engage the Board and the Management on the Group's business activities, financial performance and other business related matters through dialogue sessions. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the Company's website.

The Company communicates with shareholders and the investing community through the timely release of announcements to the 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 2017 will be distributed to shareholders at least 14 days before the forthcoming AGM to be held on 30 April 2018.

The Company also allows all members to appoint not more than two proxies to attend general meetings and vote on their behalf. Member who is a relevant intermediary (as defined under the Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two (2) proxies to attend, speak and vote at the shareholders' meetings, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

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

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

CORPORATE **GOVERNANCE REPORT**

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

- the results of operations and cash flow;
- the expected financial performance and working capital needs;
- future prospects; and
- capital expenditures and other investment plans;

as well as general economic and business operations and other factors deemed relevant by the Board and statutory restrictions on the payment of dividends. The Board does not declare any dividend after taking into account various factors mentioned above.

OTHER CORPORATE GOVERNANCE MATTERS

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

DEALINGS IN SECURITIES

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

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

The Directors and the senior management are also advised of the relevant provisions under the Securities and Futures Act of Singapore to prohibit 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 FY2017.

INTERESTED PERSON TRANSACTIONS

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

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

CORPORATE **GOVERNANCE REPORT**

There was no interested person transaction, as defined in Chapter 9 of the Listing Manual of SGX-ST, above $100,000 entered into by the Group during FY2017.

MATERIAL CONTRACTS

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

Save for service agreements between the Company and Executive Directors as well as the consultancies service agreement with Professor Liew Jat Yuen, Richard as disclosed in this report, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO or any Director or controlling shareholder, either subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

USE OF PROCEEDS FROM SHARE PLACEMENT

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

The Company has completed a private share placement on 17 October 2017. The Company issued and allotted 47,500,000 new ordinary shares in the capital of the Company at $0.255 each and raised a net proceed of $11.809 million after the deduction of expenses.

As at the date of this Annual Report, the net proceeds of $11.809 million from the Placement have been fully utilised as follows:

		$'000
Net proceeds		11,809
Less:	Payment of operating expenses	1,872
	Subcontractor and trade payables	9,937
Balance		–

The abovementioned use of the net proceeds from the Placement is in accordance with the intended use as stated in the Company's announcement for the Placement.

CORPORATE DISCLOSURE

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

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Yongnam Holdings Limited (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

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

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, 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 31.12.2016**(1)	**At 31.12.2017**(1)	**At 21.1.2018**(1)	**At 31.12.2016**	**At 31.12.2017**	**At 21.1.2018**
Seow Soon Yong	102,405,218	107,205,218	107,205,218	4,082,108	4,082,108	4,082,108
Siau Sun King	2,784,217	2,784,217	2,784,217	4,082,108	4,082,108	4,082,108
Seow Soon Hee	250,000	250,000	250,000	6,745,346	6,745,346	6,745,346
Chia Sin Cheng	3,713,494	3,713,494	3,713,494	–	–	–
Lim Ghim Siew, Henry	225,000	225,000	225,000	–	–	–
Liew Jat Yuen, Richard	600,000	600,000	600,000	–	–	–
Tan Eng Kiat, Dominic	225,000	225,000	225,000	–	–	–

DIRECTORS' STATEMENT

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

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

Name of director	At 31.12.2016 [(1)]	At 31.12.2017 [(1)]	At 21.1.2018 [(1)]	Exercise Price ($) [(1)]	Exercise period
Seow Soon Yong	2,600,400	–	–	0.655	12 April 2009 to 11 April 2017
	2,600,400	–	–	0.951	29 August 2009 to 28 August 2017
	2,085,600	2,085,600	2,085,600	0.568	25 July 2009 to 24 July 2018
	2,508,000	2,508,000	2,508,000	0.303	12 March 2010 to 11 March 2019
Siau Sun King	396,000	–	–	0.655	12 April 2009 to 11 April 2017
	396,000	–	–	0.951	29 August 2009 to 28 August 2017
Seow Soon Hee	396,000	–	–	0.655	12 April 2009 to 11 April 2017
	396,000	–	–	0.951	29 August 2009 to 28 August 2017
Chia Sin Cheng	792,000	–	–	0.655	12 April 2009 to 11 April 2017
	1,122,000	–	–	0.951	29 August 2009 to 28 August 2017
	897,600	897,600	897,600	0.568	25 July 2009 to 24 July 2018
	1,108,800	1,108,800	1,108,800	0.303	12 March 2010 to 11 March 2019
Lim Ghim Siew, Henry	198,000	–	–	0.655	12 April 2009 to 11 April 2017
	198,000	–	–	0.951	29 August 2009 to 28 August 2017
Goon Kok Loon	198,000	–	–	0.655	12 April 2009 to 11 April 2017
	132,000	–	–	0.951	29 August 2009 to 28 August 2017
	105,600	105,600	105,600	0.568	25 July 2009 to 24 July 2018
	132,000	132,000	132,000	0.303	12 March 2010 to 11 March 2019
Liew Jat Yuen, Richard	132,000	–	–	0.951	29 August 2009 to 28 August 2017

Note:

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

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year, or on 21 January 2018.

DIRECTORS' STATEMENT

Share options

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

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

Details of the scheme are as follows:

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

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

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

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

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

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

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

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

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

Date of grant	Balance as at 1.1.2017	Lapsed during the year	Balance as at 31.12.2017	Exercise Price $	Exercisable period
12 April 2007	5,359,200	(5,359,200)	–	0.655	12 April 2009 to 11 April 2017
29 August 2007	6,358,176	(6,358,176)	–	0.951	29 August 2009 to 28 August 2017
15 October 2007	92,400	(92,400)	–	1.114	15 October 2009 to 14 October 2017
25 July 2008	3,566,112	–	3,566,112	0.568	25 July 2009 to 24 July 2018
12 March 2009	3,954,192	–	3,954,192	0.303	12 March 2010 to 11 March 2019
	19,330,080	(11,809,776)	7,520,304		

DIRECTORS' 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 the ESOS are as follows:

Name of director	Aggregate options granted since commencement of ESOS to end of financial year[(1)]	Aggregate options exercised/ lapsed since commencement of ESOS to end of financial year[(1)]	Aggregate options outstanding as at end of financial year[(1)]
Seow Soon Yong	9,794,400	(5,200,800)	4,593,600
Siau Sun King	1,465,200	(1,465,200)	–
Seow Soon Hee	1,465,200	(1,465,200)	–
Chia Sin Cheng	5,240,400	(3,234,000)	2,006,400
Lim Ghim Siew, Henry	633,600	(633,600)	–
Goon Kok Loon	567,600	(330,000)	237,600
Liew Jat Yuen, Richard	567,600	(567,600)	–
Tan Eng Kiat, Dominic	237,600	(237,600)	–

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

(b) **Other information**

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

(i) 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;

(ii) 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

(iii) 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 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 Section 201B(5) of the Singapore Companies Act, Cap. 50 and the Listing Manual of the SGX-ST. It meets with the external auditors, reviews the audit plan, the results of their examination and findings and their evaluation of the system of internal controls. The AC also reviews all the non-audit services provided by the external auditors to ensure that such services will not affect the independence of the external auditors together with their appointment and re-appointment.

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

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

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

DIRECTORS' STATEMENT

Auditor

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

On behalf of the board of directors,

Seow Soon Yong
Director

Chia Sin Cheng
Director

Singapore
28 March 2018

INDEPENDENT AUDITOR'S **REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
TO THE MEMBERS OF YONGNAM HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Yongnam Holdings Limited (the Company) and its subsidiaries (collectively, the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Accounting for construction contracts

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
TO THE MEMBERS OF YONGNAM HOLDINGS LIMITED

Accounting for construction contracts (cont'd)

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

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

Furthermore, we assessed the adequacy of disclosures of significant accounting policies for construction contracts, and gross amounts due from/to customers for contract work-in-progress and the related risks (credit risk and liquidity risk) in Notes 2.18, 3.2(a), 15, 28(b) and 28(d).

Impairment of certain steel beams and columns

A history of low utilisation and recent losses gave rise to indication of impairment for certain of the Group's steel beams and columns. The impairment assessment was significant to our audit due to the carrying amounts of the certain steel beams and columns' (representing 62% of the Group's total non-current assets as at 31 December 2017) and the judgment involved in making various assumptions to the underlying value in use computation in the impairment assessment. The assessment required management to make various assumptions such as the discount rate, the projected revenue growth rate, the expected revenue and costs used in the cash flow forecast. As such, we considered the impairment assessment of certain steel beams and columns to be a key audit matter.

Our audit procedures included, amongst others, evaluating and assessing the key assumptions and methodology used by management in the cash flow forecast. We have assessed management's assumptions such as management's projection of the success rate in winning construction projects and tested the robustness of management's budgeting process. We have also evaluated management's assumptions by comparing the discount rate and revenue growth rate used against third party data. We used our internal valuation specialist to assist us with the review of the methodology used and the assessment of certain assumptions such as the discount rate. We also performed sensitivity analysis on certain key assumptions. Management's conclusion on the impairment test and the related disclosures are included in Notes 3.2(c) and 10. We have evaluated the adequacy of those disclosures in the consolidated financial statements.

Other Information

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

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

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

INDEPENDENT AUDITOR'S **REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
TO THE MEMBERS OF YONGNAM HOLDINGS LIMITED

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S **REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
TO THE MEMBERS OF YONGNAM HOLDINGS LIMITED

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Wei Hock.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2018

CONSOLIDATED **INCOME STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Revenue	31	306,679	321,378
Cost of sales		(310,324)	(335,145)
Gross loss		(3,645)	(13,767)
Other income	4	503	581
General and administrative expenses		(15,670)	(19,352)
Finance income	5	17	42
Finance costs	6	(4,460)	(5,637)
Loss before taxation	7	(23,255)	(38,133)
Taxation	8	3,031	5,340
Net loss for the year		(20,224)	(32,793)
Attributable to:			
Owners of the Company		(15,776)	(31,637)
Non-controlling interest		(4,448)	(1,156)
Net loss for the year		(20,224)	(32,793)
Earnings per share (cents)	9		
- Basic		(3.25)	(7.99)
- Diluted		(3.25)	(7.99)

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 2017

	2017 $'000	2016 $'000
Loss, net of tax	(20,224)	(32,793)
Item that may be reclassified subsequently to profit or loss		
(Loss)/gain on exchange differences on translation	(3,376)	1,196
Total comprehensive loss for the year	(23,600)	(31,597)
Attributable to:		
Owners of the Company	(19,152)	(30,441)
Non-controlling interest	(4,448)	(1,156)
Total comprehensive loss for the year	(23,600)	(31,597)

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

BALANCE **SHEETS**

AS AT 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	10	312,914	314,203	–	–
Investments in subsidiaries	11(a)	–	–	39,430	39,430
Amounts due from subsidiaries	11(b)	–	–	127,422	103,551
Investment in joint venture	12	–	1,468	–	–
Other investment	13	–	32	–	–
		312,914	315,703	166,852	142,981
Current assets					
Inventories	14	38,570	40,353	–	–
Gross amount due from customers for contract work-in-progress	15	98,546	104,790	–	–
Trade receivables	16	21,984	35,979	–	–
Other receivables and deposits	17	3,891	13,547	9	113
Prepayments		1,573	2,974	4	4
Tax recoverable		4	–	–	–
Cash and cash equivalents	18	10,195	15,914	95	192
		174,763	213,557	108	309
Current liabilities					
Gross amount due to customers for contract work-in-progress	15	5,008	13,206	–	–
Trade payables	19	81,683	79,395	–	–
Other payables and accruals	20	7,060	9,912	481	522
Borrowings	21	75,802	54,782	–	–
Hire purchase creditors	26(c)	1,957	2,864	–	–
Income tax payable		–	837	–	–
		171,510	160,996	481	522
Net current assets/ (liabilities)		3,253	52,561	(373)	(213)
Non-current liabilities					
Borrowings	21	15,340	51,921	–	–
Hire purchase creditors	26(c)	3,293	4,499	–	–
Deferred taxation	8(c)	10,292	12,811	–	–
		28,925	69,231	–	–
Net assets		287,242	299,033	166,479	142,768
Equity					
Share capital	22	141,445	129,636	141,445	129,636
Capital reserves	23	6,837	6,837	–	–
Share option reserve	24	12,800	12,800	12,800	12,800
Foreign currency translation reserve	25	(6,827)	(3,451)	–	–
Retained earnings		137,946	153,722	12,234	332
		292,201	299,544	166,479	142,768
Non-controlling interest		(4,959)	(511)	–	–
Total equity		287,242	299,033	166,479	142,768

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

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	$'000	$'000	$'000	$'000
Share capital	22				
Balance at beginning of year		129,636	96,379	129,636	96,379
Issuance of shares during the year		12,113	33,257	12,113	33,257
Share issuance expense		(304)	–	(304)	–
Balance at end of year		141,445	129,636	141,445	129,636
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		(3,451)	(4,647)	–	–
Other comprehensive income for the year		(3,376)	1,196	–	–
Balance at end of year		(6,827)	(3,451)	–	–
Retained earnings					
Balance at beginning of year		153,722	185,359	332	230
(Loss)/profit for the year		(15,776)	(31,637)	11,902	102
Balance at end of year		137,946	153,722	12,234	332
Non-controlling interest					
Balance at beginning of year		(511)	645	–	–
Loss for the year		(4,448)	(1,156)	–	–
Balance at end of year		(4,959)	(511)	–	–
Total equity		287,242	299,033	166,479	142,768

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 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Loss before taxation		(23,255)	(38,133)
Add/(less):			
Depreciation on property, plant and equipment	7	28,433	27,765
Consumption allowance for steel beams and columns	7	1,092	2,613
Finance income	5	(17)	(42)
Finance costs	6	4,460	5,637
Investment in joint venture written off	7	1,468	–
Allowance for impairment of trade receivables	16	–	2,600
Bad debt written off	7	206	–
Loss on disposal of other investment	7	8	–
Impairment loss on other investment	7	–	108
(Gain)/loss on disposal of property, plant and equipment	7	(53)	190
Effects of changes in foreign exchange		408	1,486
Operating cash flows before changes in working capital		12,750	2,224
Decrease/(increase) in trade, other receivables and prepayments		19,761	(5,080)
(Decrease)/increase in trade and other payables		(216)	17,934
(Increase)/decrease in steel materials and contract work–in–progress		(1,060)	30,512
Cash flows generated from operations		31,235	45,590
Income tax (paid)/refund		(92)	15
Interest received	5	17	42
Interest paid	6	(4,460)	(5,637)
Net cash flows generated from operating activities		26,700	40,010
Cash flows from investing activities			
Payments for property, plant and equipment	10(a)	(28,952)	(35,205)
Proceeds from disposal of property, plant and equipment		2,985	3,680
Proceeds from disposal of other investment		24	–
Net cash flows used in investing activities		(25,943)	(31,525)
Cash flows from financing activities			
Proceeds from issuance of shares	22	12,113	33,257
Share issuance expense	22	(304)	–
Proceeds from borrowings		18,258	8,143
Repayment of borrowings		(33,265)	(36,586)
Payments for hire purchase instalments		(3,105)	(5,482)
Net cash flows used in financing activities		(6,303)	(668)
Net (decrease)/increase in cash and cash equivalents		(5,546)	7,817
Effect of exchange rate changes on cash and cash equivalents		(173)	2
Cash and cash equivalents at beginning of year		15,914	8,095
Cash and cash equivalents at end of year		10,195	15,914

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. Corporate information

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

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

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

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

Convergence with Singapore Financial Reporting Standards (International) ("SFRS(I)")

On 29 December 2017, the Accounting Standards Council issued SFRS(I), Singapore's equivalent of the International Financial Reporting Standards ("IFRSs"). Singapore-incorporated companies listed on the Singapore Exchange will apply SFRS(I) for annual financial period beginning on or after 1 January 2018.

On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of $3,451,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described above and impact on adoption of SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16 will be similar to the impact on adoption of FRS 115, FRS 109 and FRS 116 as disclosed in Note 2.3.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial period beginning on 1 January 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any significant effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (December 2016)	1 January 2018
- Amendments to FRS 28 *Measuring an Associate or Joint Venture at fair value*	
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to FRSs (March 2018)	
- Amendments to FRS 103 *Business Combinations*	1 January 2019
- Amendments to FRS 111 *Joint Arrangements*	1 January 2019
- Amendments to FRS 12 *Income Taxes*	1 January 2019
- Amendments to FRS 23 *Borrowing Costs*	1 January 2019
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

As disclosed in Note 2.1, the Group adopts SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

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

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group is in the business of providing engineering and construction services. The Group's current accounting policy for recording revenue from such services are as disclosed in Note 2.18(a).

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information, including identifying performance obligations, whether revenue should be recognised over time and the measure of progress towards the satisfaction of performance obligation. This assessment may be subject to changes arising from ongoing analysis.

Under FRS 115, the Group generally expects to account for its construction contracts with customers as a single performance obligation, given the significant integration and interrelation of various goods and services in the contract. The Group currently recognises revenue over time using the percentage of completion method for contracts under FRS 11 *Construction Contracts*. Under FRS 115, the Group expects to continue to recognise revenue over time based on its costs incurred to date relative to the total expected costs as an input method to faithfully depict the Group's performance towards the satisfaction of its performance obligation over time.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 (cont'd)*

The Group plans to adopt the new standard in its financial statements for the year ended 31 December 2018 retrospectively to each reporting year presented. The Group also expects to apply the practical expedients available for completed contracts. Accordingly, contracts that begin and end within the same year or are completed contracts at 1 January 2017 will not be restated.

FRS 109 *Financial Instruments*

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

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

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis.

(a) Classification and measurement

The Group does not expect any significant impact to the classification and measurement of its financial assets arising from the new standard.

(b) Impairment

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

FRS 116 *Leases*

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

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

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

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

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

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

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

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

(b) *Business combinations and goodwill*

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

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

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

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

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

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

For the purpose of impairment test, goodwill acquired in a business combination is, form the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

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

2.5 *Foreign currency*

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

(a) *Transactions and balances*

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

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

(b) *Consolidated financial statements*

For consolidation 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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.6 ***Property, plant and equipment***

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

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

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

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, and adjusted prospectively, if appropriate.

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

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

2.7 ***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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.8 ***Joint arrangements (cont'd)***

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

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

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

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

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

2.9 ***Financial assets***

Initial recognition and measurement

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

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

Subsequent measurement

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

(a) Loans and receivables

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

(b) Available–for–sale financial assets

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

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.9 ***Financial assets (cont'd)***

Subsequent measurement (cont'd)

(b) Available–for–sale financial assets (cont'd)

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

De–recognition

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

2.10 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and at bank.

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

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

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

2.12 ***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.

Impairment losses are recognised in profit or loss.

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.12 ***Impairment (cont'd)***

(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 profit or loss.

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

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

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

(ii) Available–for–sale financial assets

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

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

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 de-recognised, and through the amortisation process.

De–recognition

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

2.14 ***Leases***

(a) *Operating leases*

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

(b) *Finance leases*

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

2.15 ***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.

2.16 ***Borrowing costs***

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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 profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period, and is recognised in employee benefits expense.

2.18 ***Revenue and other income***

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

(a) *Construction contracts*

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

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

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

In applying the percentage of completion, revenue recognised corresponds to the total contract revenue (as defined below), multiplied by the actual completion rate based on the proportion of total contract cost (as defined below) incurred to date and the estimated costs to complete.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.18 ***Revenue and other income (cont'd)***

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Rental income*

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

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

(b) *Deferred tax*

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

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

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.19 ***Taxes (cont'd)***

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

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

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

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

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

(c) *Sales tax*

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

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

2.20 ***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.

2.21 ***Government grants***

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. Significant accounting estimates and judgements

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

3.1 *Judgements made in applying accounting policies*

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

3.2 *Key sources of estimation uncertainty*

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

(a) *Revenue recognition on construction contracts*

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 of 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.

Contract revenue and contract costs recognised for the financial year ended 31 December 2017 are disclosed in the consolidated income statement. The gross amount due from and due to customers for contract work is disclosed in Note 15 to the financial statements.

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

The costs of plant and machinery, steel beams and columns and cranes are depreciated on a straight–line basis over their estimated economic useful lives. Management estimates the useful lives of these plant and machinery, steel beams and columns and cranes to be 3 to 10 years, 15 years and 10 to 20 years respectively. The residual values of the steel beams and columns are estimated to be $430 (2016: $430) per ton.

Changes in the expected level of usage could impact the estimated economic useful lives and the residual values of these assets, therefore estimates of future depreciation charges could be revised if expectations differ from previous estimates. As at 31 December 2017, the carrying amounts of plant and machinery, steel beams and columns and cranes amounted to $262,283,000 (2016: $277,380,000). A 5% difference in the expected useful lives of these assets from management's estimate would result in approximately 6.2% (2016: 3.8%) variance in the Group's loss for the year.

(c) *Impairment of certain steel beams and columns*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which are determined based on value in use calculations. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budgeted net cash inflows from the specialist civil engineering business segment for the average useful lives of the steel beams and columns.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

(c) *Impairment of certain steel beams and columns (cont'd)*

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows. The discount rate used in the value-in-use calculation is 8.3% (2016: 8.2%). The Group also performed sensitivity analysis on key assumptions, including discount rate and expected future cash inflows and the projected revenue growth rate, to determine that reasonably possible change to the assumptions would not result in a material difference to the outcome of the impairment test.

The carrying amount of the Group's steel beams and columns is disclosed in Note 10. As at 31 December 2017, the carrying amount of certain steel beams and columns which was subjected to impairment assessment amounted to $193,006,000 (2016: $194,678,000). No impairment loss was recorded during the year (2016: nil).

4. Other income

	Group	
	2017	**2016**
	$'000	$'000
Rental income	165	175
Job credit	240	302
Other operating income	98	104
	503	581

5. Finance income

	Group	
	2017	**2016**
	$'000	$'000
Interest income from short term deposits	17	42

6. Finance costs

	Group	
	2017	**2016**
	$'000	$'000
Interest expense:		
– Borrowings	3,680	4,922
– Hire purchase	186	272
Bank charges	594	443
	4,460	5,637

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7. Loss before taxation

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

	Group 2017 $'000	Group 2016 $'000
Audit fees:		
– Auditor of the Company	237	240
– Other auditors	27	72
Non–audit fees:		
– Auditor of the Company	35	35
– Other auditors	8	4
Rental expense – operating lease (Note 26(b))	7,871	8,464
Depreciation of property, plant and equipment [(1)] (Note 10)	28,433	27,765
Allowance for impairment of trade receivables	–	2,600
(Gain)/loss on disposal of property, plant and equipment	(53)	190
Impairment loss on other investment	–	108
Consumption allowance for steel beams and columns (Note 10)	1,092	2,613
Employee benefits expense [(2)]	65,175	70,896
Steel materials recognised as an expense in cost of sales (Note 14)	28,581	45,657
Investment in joint venture written off	1,468	–
Net foreign exchange loss	652	79
Bad debt written off	206	–
Loss on disposal of other investment	8	–

(1) The following had been allocated to construction costs incurred to–date:

	2017 $'000	2016 $'000
Depreciation of property, plant and equipment	26,405	25,786

(2) This represents total employee benefits expense for the year, out of which $57,632,000 (2016: $62,520,000) had been allocated to construction costs incurred to–date. Included in total employee benefits expense are contributions to defined contribution schemes of $2,306,000 (2016: $2,525,000).

8. Taxation

(a) ***Major components of income tax credit***

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

	Group 2017 $'000	Group 2016 $'000
Income statement:		
Current income tax		
– Current income taxation	(42)	(52)
– Over provision in respect of prior years	790	44
Deferred income tax		
– Origination and reversal of temporary differences	2,754	5,686
– Under provision in respect of prior years	(471)	(338)
	3,031	5,340

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. Taxation (cont'd)

(b) ***Relationship between tax credit and accounting loss***

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

	Group	
	2017	**2016**
	$'000	$'000
Loss before taxation	(23,255)	(38,133)
Taxation at statutory tax rate of 17% (2016: 17%)	(3,953)	(6,483)
Effect of different tax rates in other countries	120	65
Non–deductible expenses	830	864
Income not subject to taxation	(60)	(377)
Deferred tax assets not recognised	836	401
Effect of tax benefits	(486)	(97)
Utilisation of deferred tax assets previously not recognised	(2)	(10)
(Over)/under provision in respect of prior years	(319)	294
Others	3	3
Taxation	(3,031)	(5,340)

The corporate income tax rate applicable to the Malaysian companies and the Hong Kong company of the Group is 24% and 16.5% (2016: 24% and 16.5%) respectively.

(c) ***Deferred taxation***

	Group	
	2017	**2016**
	$'000	$'000
Deferred tax liabilities:		
Differences in depreciation for tax purpose	(41,351)	(43,534)
Others	–	(49)
Deferred tax assets:		
Unutilised tax losses and capital allowance	30,797	30,406
Sundry provisions	262	366
	(10,292)	(12,811)

Certain overseas subsidiaries have unutilised tax losses of approximately $10,863,000 (2016: $5,991,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

	Group	
	2017	**2016**
	$'000	$'000
Net loss attributable to ordinary equity holders of the Company	(15,776)	(31,637)

	2017	**2016**
	No. of shares	No. of shares
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation	484,993	395,919

7,520,304 (2016: 19,330,080) share options granted to employees under the Employee Share Option Scheme (Note 24) have not been included in the calculation of diluted earnings per share because they are anti–dilutive for the current financial year presented.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. Property, plant and equipment

Group	Freehold land $'000	Leasehold property $'000	Plant and machinery $'000	Motor Vehicles $'000	Office equipment and furniture $'000	Steel beams and columns $'000	Cranes $'000	Total $'000
Cost								
At 1 January 2016	–	39,657	39,961	6,101	7,162	330,736	53,292	476,909
Additions	14,835	388	2,254	1,757	815	16,312	4,061	40,422
Disposals/write–offs	–	(8)	(236)	(652)	(152)	(7,408)	(2,467)	(10,923)
Translation adjustments	(489)	(25)	(125)	7	(12)	1,497	74	927
At 31 December 2016 and 1 January 2017	14,346	40,012	41,854	7,213	7,813	341,137	54,960	507,335
Additions	15,173	401	666	58	942	17,091	228	34,559
Disposals/write–offs	–	–	(488)	(831)	(562)	(7,112)	(342)	(9,335)
Translation adjustments	643	28	81	(32)	3	(4,972)	(576)	(4,825)
At 31 December 2017	30,162	40,441	42,113	6,408	8,196	346,144	54,270	527,734

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

Group (cont'd)	Freehold land $'000	Leasehold property $'000	Plant and machinery $'000	Motor Vehicles $'000	Office equipment and furniture $'000	Steel beams and columns $'000	Cranes $'000	Total $'000
Accumulated depreciation and impairment loss								
At 1 January 2016	–	20,327	25,536	3,814	6,267	84,422	29,133	169,499
Depreciation	–	1,622	3,376	877	425	16,031	5,434	27,765
Disposals/write–offs	–	(3)	(90)	(649)	(97)	(4,258)	(1,956)	(7,053)
Consumption allowance #	–	–	–	–	–	2,613	–	2,613
Translation adjustments	–	(7)	(101)	(3)	(12)	379	52	308
At 31 December 2016 and 1 January 2017	–	21,939	28,721	4,039	6,583	99,187	32,663	193,132
Depreciation	–	1,730	3,419	901	568	16,577	5,238	28,433
Disposals/write–offs	–	–	(435)	(692)	(478)	(4,686)	(112)	(6,403)
Consumption allowance #	–	–	–	–	–	1,092	–	1,092
Translation adjustments	–	11	85	(28)	3	(1,164)	(341)	(1,434)
At 31 December 2017	–	23,680	31,790	4,220	6,676	111,006	37,448	214,820
Net book value								
At 31 December 2016	14,346	18,073	13,133	3,174	1,230	241,950	22,297	314,203
At 31 December 2017	30,162	16,761	10,323	2,188	1,520	235,138	16,822	312,914

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 $34,559,000 (2016: $40,422,000) of which $998,000 (2016: $5,217,000) were acquired by means of hire purchase and $4,609,000 by advance payments made last year. The cash outflow on acquisition of property, plant and equipment excluding those on hire purchases, amounted to $28,952,000 (2016: $35,205,000).

As at 31 December 2017, the Group has certain cranes, motor vehicles and plant and machinery under hire purchase contracts with a net book value of $7,577,000 (2016: $14,267,000).

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

In addition to assets held under finance leases, the Group's freehold land, leasehold property and certain steel beams and columns with a carrying amount of $239,325,000 (2016: $225,198,000) are mortgaged to secure the Group's borrowings (Note 21).

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

The details of the leasehold property held by the Group as at 31 December 2017 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 2017 $'000	Company 2016 $'000
(a) ***Investments in subsidiaries***		
Unquoted equity, at cost	39,529	39,529
Allowance for Impairment	(99)	(99)
	39,430	39,430
(b) ***Amounts due from subsidiaries***		
Due from subsidiaries (non–trade)	133,055	109,184
Allowance for impairment	(5,633)	(5,633)
	127,422	103,551
Movement in allowance for impairment:		
At 1 January and at 31 December	5,633	5,633

The amounts due from subsidiaries are interest–free, unsecured, are to be settled in cash and not expected to be repaid within the next twelve months. The amounts due from subsidiaries are denominated in Singapore Dollar.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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	
		2017	2016	2017	2016
		$'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 [2] (Thailand) Ltd # (Thailand)	Engineering contractors	99	99	48.4	48.4
Yongnam Steel Work System Engineering (Shanghai) Co., Ltd [5] (People's Republic of China)	Dormant	35	35	100	100
Yongnam Steel Work Engineering (JinJiang) Co., Ltd[5] (People's Republic of China)	Dormant	*	*	100	100
Yongnam Myanmar Co. Ltd (Myanmar) [6]	Engineering contractors	71	71	100	100
Yongnam Engineering & Construction Sdn. Bhd. [4] (Malaysia)	Investment holding	333	333	100	100
		39,529	39,529		

*Denotes amount less than $1,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. Subsidiaries (cont'd)

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

Name of company (Country of incorporation)	Principal activities	Interest held by the Group 2017 %	Interest held by the Group 2016 %
Held by Yongnam Engineering & Construction (Private) Limited			
YNE Project Engineering Pte. Ltd. [(1)] (Singapore)	Engineering contractors	100	100
Yongnam Engineering (HK) Limited [(3)] (Hong Kong)	Engineering contractors	100	100
Yongnam Jian Huang Joint Venture (Singapore) [(7)]	Engineering contractors	51	51
Held by YNE Project Engineering Pte. Ltd.			
Jiwa Harmoni Offshore Sdn. Bhd. [(4)] (Malaysia)	Engineering contractors	100	100

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by KPJ Business Company Limited, Thailand.
(3) Audited by F. S. Li & Co, Hong Kong.
(4) Audited by SQ Morrison, Chartered Accountants (Malaysia).
(5) Not required to be audited in the country of incorporation.
(6) Audited by Ngwe Inzaly, Myanmar.
(7) Not required to be audited as it is unincorporated joint venture.

The Group holds 48.4% (2016: 48.4%) equity in Yongnam Engineering & Construction (Thailand) Ltd ("YNET"). The Group considers YNET as a subsidiary by virtue of the Group having board control and therefore has the ability to direct the relevant activities of YNET. Accordingly, the results and net assets of the subsidiary have been included in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. Subsidiaries (cont'd)

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

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

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non–controlling interest	Loss allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period	Dividends paid to NCI
			$'000	$'000	$'000
31 December 2017:					
Yongnam Jian Huang Joint Venture	Singapore	49%	(4,448)	(4,959)	–
31 December 2016:					
Yongnam Jian Huang Joint Venture	Singapore	49%	(1,156)	(511)	–

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

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

Summarised balance sheets

	Yongnam Jian Huang Joint Venture	
	As at 31 December 2017 $'000	As at 31 December 2016 $'000
Current		
Assets	18,089	27,522
Liabilities	(28,208)	(28,564)
Net current liabilities	(10,119)	(1,042)
Net liabilities	(10,119)	(1,042)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. Subsidiaries (cont'd)

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

Summarised statement of comprehensive income

	Yongnam Jian Huang Joint Venture	
	2017	**2016**
	$'000	**$'000**
Revenue	74,952	91,347
Loss before income tax	(9,347)	(2,359)
Tax credit	270	–
Total comprehensive loss	(9,077)	(2,359)
Other summarised information		
Net cash flows generated from/(used in) operating activities	2,306	(2,713)
Net cash flows (used in)/generated from financing activities	(2,230)	1,198

12. Investment in joint venture

Geodesic Yongnam Structurals Private Limited

The Group has 50% (2016: 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 joint venture is dormant with no material assets and liabilities.

The investment in Geodesic Yongnam Structurals Private Limited has been fully written off during the financial year as the Group does not foresee recovery of its cost of investment.

13. Other investment

	Group	
	2017	**2016**
	$'000	$'000
Available–for–sale investment:		
Equity instrument (quoted)	–	250
Less: Impairment loss	–	(218)
	–	32

The investment has been fully disposed during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. Inventories

	Group 2017 $'000	Group 2016 $'000
Balance sheet:		
Consumable materials (at cost)	1,361	1,532
Steel materials (at cost)	37,209	38,821
	38,570	40,353
Income statement:		
Steel materials recognised as an expense in cost of sales	28,581	45,657

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

	Group 2017 $'000	Group 2016 $'000
Contract costs incurred to–date	964,855	890,285
Attributable profit less recognised losses to date	69,821	99,141
	1,034,676	989,426
Less: Progress billings	(941,138)	(897,842)
	93,538	91,584
Presented as:		
– Gross amount due from customers for contract work-in-progress	98,546	104,790
– Gross amount due to customers for contract work-in-progress	(5,008)	(13,206)
	93,538	91,584
Advances received included in gross amount due to customers for contract work-in-progress	–	163

16. Trade receivables

	Group 2017 $'000	Group 2016 $'000
Trade receivables	21,984	40,779
Less: Allowance for impairment	–	(4,800)
	21,984	35,979

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16. Trade receivables (cont'd)

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

	Group	
	2017	**2016**
	$'000	$'000
United States Dollar	1,536	1,506

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

As at 31 December 2017, the Group has trade receivables amounting to $4,274,000 (2016: $4,394,000) 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	
	2017	**2016**
	$'000	$'000
Trade receivables past due but not impaired:		
Less than 30 days	2,024	2,555
30 to 60 days	81	991
61 to 90 days	34	106
More than 90 days	2,135	742
	4,274	4,394

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

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

	Group	
	2017	**2016**
	$'000	$'000
Trade receivables – nominal amounts	–	7,708
Allowance for impairment	–	(4,800)
	–	2,908
Movement in allowance for impairment:		
At 1 January	4,800	2,200
Charge for the year	–	2,600
Written off against receivables	(4,800)	–
At 31 December	–	4,800

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

17. Other receivables and deposits

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Other debtors	805	8,203	9	113
Deposits	3,086	5,344	–	–
	3,891	13,547	9	113

Other debtors are unsecured, non–interest bearing and are repayable on demand.

18. Cash and cash equivalents

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

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

	Group	
	2017	**2016**
	$'000	$'000
United States Dollar	392	155
Indian Rupee	20	598

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	
	2017	**2016**
	$'000	$'000
Indian Rupee	2	2
United States Dollar	10,237	5,898
Euro	–	145

20. Other payables and accruals

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Other payables	2,862	4,096	27	89
Accrued operating expenses	4,198	5,816	454	433
	7,060	9,912	481	522

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21. Borrowings

	Group 2017 $'000	Group 2016 $'000
Trade facility	9,798	13,149
Revolving term loans	19,409	21,120
Transferable term loan	45,000	65,000
Term loans	16,935	7,434
	91,142	106,703
Comprise:		
Within one year	75,802	54,782
After one year but not more than five years	12,823	48,485
More than five years	2,517	3,436
	91,142	106,703

As at 31 December 2017, total secured and unsecured borrowings amounted to $83,733,000 and $7,409,000 (2016: $94,967,000 and $11,736,000) respectively.

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

	Group 2017 $'000	Group 2016 $'000
United States Dollar	9,314	10,578
British Pound	–	109

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

(i) *Trade facility*

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

(ii) *Revolving term loans*

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21. Borrowings (cont'd)

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

(iii) *Transferable term loan*

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

(iv) *Term loans*

The term loans are repayable over 96 monthly instalments. They are interest bearing at a predetermined rate above the banks' cost of fund. Term loans are secured by a guarantee from the Company and legal mortgage over the Group's freehold land at Lot 1972, 1973, 1974, 1975, 1976 and 1977 in Mukim Jeram Batu, District of Pontian, Johor, Malaysia.

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

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

	Group	
	2017	**2016**
	%	%
Trade facility	2.78	2.17
Revolving term loans	2.63	2.16
Transferable term loan	3.32	2.86
Term loans	5.35	5.24

(d) ***Reconciliation of borrowings***

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

	2016	**Cash flows**		**Non-cash changes**		**2017**
		Proceeds	**Repayments**	**Foreign exchange movement**	**Others**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Borrowings						
- Current	54,782	8,382	(33,265)	(692)	46,595	75,802
- Non-current	51,921	9,876	–	138	(46,595)	15,340
Total	106,703	18,258	(33,265)	(554)	–	91,142

The "Others" column relates to reclassification of non-current portion of borrowings due to the passage of time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

22. Share capital

	Group and Company			
	2017		2016	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
At 1 January	475,103	129,636	316,735	96,379
Issuance of shares during the year	47,500	12,113	158,368	33,257
Share issuance expense	–	(304)	–	–
At 31 December	522,603	141,445	475,103	129,636

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	
	2017	2016
	$'000	$'000
Capital reserves 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

24. Share option reserve (cont'd)

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

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.

	2017		2016	
	No. '000	WAEP ($)	No. '000	WAEP ($)
Outstanding at beginning of year	19,330	0.667	18,305	0.704
Adjustment due to right issue during the year	–	–	1,025	–
Lapsed during the year	(11,810)	0.818	–	–
Outstanding at end of year	7,520	0.429	19,330	0.667
Exercisable at end of year	7,520	0.429	19,330	0.667

The range of exercise prices for options outstanding at the end of year was $0.303 to $0.568 (2016: $0.303 to $1.114). The weighted average remaining contractual life for these options is 0.91 year (2016: 1.05 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	
	2017 $'000	2016 $'000
Balance at beginning of year	(3,451)	(4,647)
Net effects of exchange differences arising from:		
Translation of financial statements of foreign operations	(32)	(196)
Long term intercompany loan (quasi-equity in nature)	(3,344)	1,392
Balance at end of year	(6,827)	(3,451)

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	
	2017 $'000	2016 $'000
Capital commitments in respect of property, plant and equipment	2,131	16,344

NOTES TO THE FINANCIAL STATEMENTS
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26. Commitments (cont'd)

(b) ***Operating lease commitments***

The Group leases land and building under non–cancellable operating leases which have remaining lease terms of between one to fourteen years. The lease rental for the land is subject to revision on an annual basis based on prevailing market conditions and the remaining leases are fixed. None of these leases includes contingent rentals. Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2017 amounted to $7,871,000 (2016: $8,464,000).

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

	Group	
	2017	**2016**
	$'000	$'000
Within one year	7,782	7,809
After one year but not more than five years	22,516	21,068
After five years	41,314	47,386
	71,612	76,263

(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 six years. The weighted average effective interest rates implicit in the leases of the Group at the end of the reporting period is 3.53% (2016: 3.39%) per annum.

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

	2017		**2016**	
Group	**Minimum payments** $'000	**Present value of payments** $'000	**Minimum Payments** $'000	**Present value of payments** $'000
Within one year	2,118	1,957	3,056	2,864
After one year but not more than five years	3,540	3,248	4,769	4,399
More than five years	53	45	118	100
	3,593	3,293	4,887	4,499
Total minimum lease payments	5,711	5,250	7,943	7,363
Less: Amounts representing finance charges	(461)	–	(580)	–
Present value of minimum lease payments	5,250	5,250	7,363	7,363

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

26. Commitments (cont'd)

(c) ***Hire purchase creditors (cont'd)***

Reconciliation of hire purchase creditors

A reconciliation of changes in hire purchase creditors arising from financing activities is as follows:

	2016	Cash flows	Non-cash changes			2017
		Repayments	Additions to property, plant and equipment	Foreign exchange movement	Others	
	$'000	$'000	$'000	$'000	$'000	$'000
Hire purchase						
- Current	2,864	(3,105)	329	(6)	1,875	1,957
- Non-current	4,499	–	669	–	(1,875)	3,293
Total	7,363	(3,105)	998	(6)	–	5,250

The "Others" column relates to reclassification of non-current portion of hire purchase creditors due to the passage of time.

27. Related party transactions

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

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

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Technical advisory service provided by directors of the Company	46	153	–	–
Management fee income from subsidiaries	–	–	594	1,620

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27. Related party transactions (cont'd)

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Salaries, bonuses and other costs	4,698	4,687	–	–
Contributions to Central Provident Fund	93	136	–	–
Directors' fees	222	245	222	245
	5,013	5,068	222	245
Comprise:				
Directors of the Company	1,803	1,831	222	245
Other key management personnel	3,210	3,237	–	–
	5,013	5,068	222	245

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 years, the Group's policy that no derivatives shall be undertaken except for the use of hedging instruments where appropriate and cost–efficient. The Group does not apply hedge accounting.

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

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

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

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

Sensitivity analysis for foreign currency risk

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

		2017	**2016**
(Increase)/decrease loss net of tax		$'000	$'000
USD/SGD	– strengthened by 5% (2016: 5%)	(881)	(741)
	– weakened by 5% (2016: 5%)	881	741

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(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** $'000	**Two to five years** $'000	**More than five years** $'000	**Total** $'000
2017				
Trade payables	81,683	–	–	81,683
Other payables and accruals	7,060	–	–	7,060
Borrowings	77,037	15,619	2,832	95,488
Hire purchase creditors	2,118	3,540	53	5,711
	167,898	19,159	2,885	189,942
2016				
Trade payables	79,395	–	–	79,395
Other payables and accruals	9,912	–	–	9,912
Borrowings	57,188	50,471	4,051	111,710
Hire purchase creditors	3,056	4,769	118	7,943
	149,551	55,240	4,169	208,960

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

Company	**Less than one year** $'000	**Two to five years** $'000	**Total** $'000
2017			
Financial guarantees	95,003	23,669	118,672
2016			
Financial guarantees	217,480	21,010	238,490

(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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(c) ***Interest rate risk (cont'd)***

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

Sensitivity analysis for interest rate risk

At 31 December 2017, if interest rates had been 75 (2016: 75) basis points lower/higher with all other variables held constant, the Group's loss for the year would have been $684,000 lower/higher (2016: $800,000 lower/higher), arising mainly as a result of lower/higher interest expense on borrowings.

(d) ***Credit risk***

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

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

Exposure to credit risk

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

- A nominal amount of $119 million (2016: $238 million) relating to corporate guarantees provided by the Company to financial institutions for banking facilities entered into by certain subsidiaries.

Credit risk concentration

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

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	
	2017	**2016**
	$'000	$'000
Singapore	16,361	26,038
Hong Kong	3,237	5,526
India	838	7,708
Others	1,548	1,507
	21,984	40,779

At the end of the reporting period, approximately:

– 61% (2016: 79%) of the Group's trade receivables from Singapore is due from 5 customers (2016: 4) in respect of 9 (2016: 4) construction contracts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Cash and cash equivalents and deposits are placed with reputable financial institutions or companies with no history of default.

Financial assets that are either past due or impaired

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

29. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

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

	Group	
	2017	**2016**
	$'000	$'000
Borrowings	91,142	106,703
Hire purchase creditors	5,250	7,363
	96,392	114,066
Cash and cash equivalents	(10,195)	(15,914)
Net debt	86,197	98,152
Net tangible assets value	287,242	299,033
Gearing ratio	30%	33%

30. Fair values of financial instruments

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

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

Cash and cash equivalents, trade receivables, other receivables and deposits, trade payables, other payables and accruals

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

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(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 (cont'd)***

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.

Hire purchase creditors

The carrying amount of hire purchase creditors approximates fair value because the effect of discounting is not significant.

(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

The fair values for the non-trade amounts due from subsidiaries are not determined as the timing of the future cash flow arising from the amounts cannot be estimated reliably.

(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 has the following levels:

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

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

	Level 1	**Level 2**	**Total**
	$'000	$'000	$'000
2017			
Financial asset:			
Available–for–sale financial assets (Note 13)			
Quoted equity instruments	–	–	–
2016			
Financial asset:			
Available–for–sale financial assets (Note 13)			
Quoted equity instruments	32	–	32

There have been no transfers between Level 1 and Level 2 during the financial years ended 31 December 2017 and 2016.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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, Hong Kong and Rest of Asia. The Singapore and Rest of Asia geographical segments operate in all four of the Group's business segments, whilst the Hong Kong geographical segment operates in the specialist civil engineering business segment. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

(a) ***Geographical segments***

2017	**Singapore** $'000	**Hong Kong** $'000	**Rest of Asia** $'000	**Elimination** $'000	**Group** $'000
Revenue from external customers	270,280	31,921	4,478	–	306,679
Inter–segment revenue	5,541	–	18,501	(24,042)	–
Total revenue	275,821	31,921	22,979	(24,042)	306,679
Depreciation	23,304	3,779	1,350	–	28,433
Investment in joint venture written off	–	–	1,468	–	1,468
Segment profit/(loss)	(20,761)	1,264	1,643	(958)	(18,812)
Finance income					17
Finance costs					(4,460)
Loss before taxation					(23,255)
Taxation					3,031
Net loss					(20,224)
Non-current assets	234,552	43,985	34,377	–	312,914

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. Segment information (cont'd)

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

2016	**Singapore** $'000	**Hong Kong** $'000	**Rest of Asia** $'000	**Elimination** $'000	**Group** $'000
Revenue from external customers	289,750	31,622	6	–	321,378
Inter–segment revenue	13,103	–	26,396	(39,499)	–
Total revenue	302,853	31,622	26,402	(39,499)	321,378
Depreciation	22,733	3,853	1,179	–	27,765
Segment profit/(loss)	(30,833)	(3,573)	1,215	653	(32,538)
Finance income					42
Finance costs					(5,637)
Loss before taxation					(38,133)
Taxation					5,340
Net loss					(32,793)
Non-current assets	244,957	50,262	20,484	–	315,703

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. Segment information (cont'd)

(b) ***Business segments***

	Group 2017 $'000	Group 2016 $'000
Revenue:		
Structural steelworks	196,189	215,584
Specialist civil engineering	88,955	66,182
Mechanical engineering	1,690	32,078
Design and build	19,845	7,534
	306,679	321,378

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

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

Revenue from two major customers amounted to $116,451,000 (2016: three major customers: $181,552,000), arising from structural steelworks business segment.

32. Categories of financial assets and liabilities

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

	Note	Group 2017 $'000	Group 2016 $'000
Other investment	13	–	32
Total available–for–sale financial asset		–	32

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

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Amounts due from subsidiaries	11(b)	–	–	127,422	103,551
Trade receivables	16	21,984	35,979	–	–
Other receivables and deposits		3,891	8,938	9	113
Cash and cash equivalents		10,195	15,914	95	192
Total loans and receivables		36,070	60,831	127,526	103,856

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

	Note	Group		Company	
		2017	**2016**	**2017**	**2016**
		$'000	$'000	$'000	$'000
Trade payables	19	81,683	79,395	–	–
Other payables and accruals		6,024	8,057	473	518
Borrowings	21	91,142	106,703	–	–
Hire purchase creditors	26(c)	5,250	7,363	–	–
Total financial liabilities measured at amortised cost		184,099	201,518	473	518

33. Events occurring after the reporting period

On 29 January 2018, the Group entered into an agreement for a long term loan facility with a drawdown limit of $100 million. The proceeds from the first drawdown of the new facility were used to repay the outstanding amount under the TTL in Note 21(b)(iii) in the same month.

34. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 28 March 2018.

STATISTICS OF **SHAREHOLDING**

AS AT 27 MARCH 2018

SHARE CAPITAL AS AT 27 MARCH 2018

Issued and fully paid-up capital	:	$141,445,276
Total number of issued shares	:	522,602,931
Treasury shares	:	Nil
Subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting right	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS AS AT 27 MARCH 2018

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	269	2.33	7,691	0.00
100 – 1,000	951	8.23	527,621	0.10
1,001 – 10,000	6,741	58.35	31,147,604	5.96
10,001 – 1,000,000	3,562	30.83	156,650,783	29.98
1,000,001 and above	30	0.26	334,269,232	63.96
Total	11,553	100.00	522,602,931	100.00

No.	Name	No. of Shares	%
1	DB NOMINEES (SINGAPORE) PTE LTD	65,448,900	12.52
2	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	60,464,616	11.57
3	PHILLIP SECURITIES PTE LTD	46,978,595	8.99
4	DBS NOMINEES PTE LTD	19,932,534	3.81
5	RAFFLES NOMINEES (PTE) LTD	19,323,291	3.70
6	CITIBANK NOMINEES SINGAPORE PTE LTD	17,502,074	3.35
7	MAYBANK KIM ENG SECURITIES PTE LTD	14,723,137	2.82
8	OCBC SECURITIES PRIVATE LTD	14,351,908	2.75
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	12,131,820	2.32
10	SUSTAINED LAND PTE LTD	11,800,000	2.26
11	HSBC (SINGAPORE) NOMINEES PTE LTD	5,912,100	1.13
12	ASDEW ACQUISITIONS PTE LTD	5,000,000	0.96
13	UOB KAY HIAN PTE LTD	4,537,175	0.87
14	YONGNAM PRIVATE LIMITED	4,082,108	0.78
15	GOH GUAN SIONG (WU YUANXIANG)	3,888,000	0.74
16	OCBC NOMINEES SINGAPORE PTE LTD	3,530,205	0.68
17	DBSN SERVICES PTE LTD	3,037,500	0.58
18	SIAU SUN KING	2,784,217	0.53
19	BPSS NOMINEES SINGAPORE (PTE.) LTD.	2,313,750	0.44
20	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,221,277	0.43
Total:		319,963,207	61.23

STATISTICS OF **SHAREHOLDING**

AS AT 27 MARCH 2018

Substantial Shareholders	Direct Interest Shares	%	Deemed Interest Shares	%	Total Interest Shares	%
Seow Soon Yong	107,205,218	20.51	4,082,108[1]	0.78	111,287,326	21.29
Mohamed Abdul Jaleel S/O Muthumaricar Shaik Mohamed	36,525,000	6.99	–	–	36,525,000	6.99

(1) Mr. Seow Soon Yong is deemed interested in the shares held by Yongnam Private Limited in the share capital of the Company through his 75% interest held in Yongnam Private Limited.

SHARES HELD IN PUBLIC HANDS

Approximately 68.64% of the shares of the Company are held in the hands of the public as at 27 March 2018 and Rule 723 of the Listing Manual is complied with.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Yongnam Holdings Limited (the "**Company**") will be held at 51 Tuas South Street 5, Singapore 637644 on Monday, 30 April 2018 at 10.00 a.m. to transact the following businesses:

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Directors' Statement together with the Reports of the Auditors thereon. **(Resolution 1)**

2. To approve the payment of proposed Directors' fees of $222,000 for the financial year ended 31 December 2017 (2016: $244,653). **(Resolution 2)**

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

   (a) Mr. Seow Soon Hee; **(Resolution 3)**
   (b) Mr. Goon Kok Loon; and **(Resolution 4)**
   (c) Professor Liew Jat Yuen, Richard **(Resolution 5)**

4. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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

SPECIAL BUSINESS

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

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

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

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

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

   (b) (notwithstanding that the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this resolution was in force,

NOTICE OF **ANNUAL GENERAL MEETING**

provided that:

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

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

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

(b) new Shares arising from the exercising of share options or the vesting of share awards which are outstanding or subsisting at the time this resolution is passed; and

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

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company for the time being; and

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 7)**

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

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

NOTICE OF **ANNUAL GENERAL MEETING**

8. **Renewal of Share Purchase Mandate**

That:

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

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

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

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

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

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

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

(c) in this Resolution:

"**Maximum Percentage**" means that number of issued Ordinary Shares representing 10% of the total number of the issued Ordinary Shares (excluding treasury shares and subsidiary holdings) 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;

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

(Resolution 9)

BY ORDER OF THE BOARD

SEOW SOON YONG
Chief Executive Officer
13 April 2018

Explanatory Notes:

(a) Key information on Mr. Seow Soon Hee, who is seeking re-election as a Director of the Company, is found on page 5 of the Annual Report 2017. Details of share interests of Mr. Seow Soon Hee in the Company can be found on pages 33 to 36 of the Annual Report 2017. Mr. Seow Soon Hee is the Executive Director and sibling of Mr. Siau Sun King and Mr. Seow Soon Yong who are also the Executive Directors of the Company.

(b) Mr. Goon Kok Loon, who is seeking re-election as a Director of the Company, 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-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. 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) Professor Liew Jat Yuen, Richard, who is seeking re-election as a Director of the Company, will remain as a Member of the Audit Committee and Nominating 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 pages 33 to 36 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.

(d) The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company from the date of the Meeting to allot and issue Shares in the Company up to an amount not exceeding 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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.

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

NOTICE OF ANNUAL GENERAL MEETING

(f) The proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company from the date of the above meeting until the date of the next Annual General Meeting to purchase or acquire up to 10% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution. Details of the proposed renewal of 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 2017 are set out in the Appendix to this Notice of Annual General Meeting and are for illustration only.

Notes:

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

(2) A Relevant Intermediary may appoint more than two proxies provided that each proxy must be appointed to exercise the rights attached to different shares held by him (which number and class of shares shall be specified).

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

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

PERSONAL DATA PRIVACY

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

APPENDIX

PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1. INTRODUCTION

The purpose of this Appendix is to provide Shareholders with information pertaining to the proposed renewal of Share Purchase Mandate, and to seek Shareholders' approval in respect of the same at the annual general meeting ("**AGM**") to be held on 30 April 2018 at 10.00 a.m. ("**2018 AGM**").

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

The Share Purchase Mandate was first obtained at an extraordinary general meeting of Shareholders dated 27 April 2011. The details of the Share Purchase Mandate was set out in the Company's circular to the Shareholders dated 5 April 2011 (the "**April 2011 Circular**"). The Share Purchase Mandate was renewed at the last AGM held on 26 April 2017, such mandate being expressed to take effect until the conclusion of the Company's forthcoming AGM. Accordingly, the Directors propose that the Share Purchase Mandate be renewed at the forthcoming 2018 AGM to be held on 30 April 2018, to take effect until the conclusion of the AGM to be held in year 2019.

The April 2011 Circular contained the terms of the mandate for the purchase or acquisition by the Company of its issued Shares. The terms of the mandate for the share repurchased by the Company in respect of which the Share Purchase Mandate is sought to be renewed are set out in this Appendix for the easy reference of the Shareholders.

2.1 Rationale

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

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

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

The Directors will ensure that the share purchase will not have any effect on the listing of the Company's securities including the ordinary shares listed on the SGX-ST. Rule 723 of the Listing Manual of the SGX-ST requires at least ten per cent. (10%) of any class of a company's listed securities (excluding treasury shares and subsidiary holdings) 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.

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Based on 522,602,931 Shares in issued as at 28 March 2018 (the "**Latest Practicable Date**"), 358,722,664 Shares (approximately 68.64%) are held by the public. The Company is of the view that there is sufficient number of Shares in issue held by public shareholders, which would permit the Company to undertake share purchases of up to ten per cent. (10%) of its issued ordinary share capital without affecting the listing status of the Shares on SGX-ST.

2.2 Authority and Limits on the Share Purchase Mandate

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

2.2.1 *Maximum Number of Shares*

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) (ascertained as at the date of the forthcoming 2018 AGM), unless the share capital of the Company has been reduced in accordance with the applicable provisions of the Companies Act, Chapter 50 of Singapore (the "**Act**"), at any time during the Relevant Period (as defined in paragraph 2.2.2 below), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for purposes of computing the 10% limit. As at the Latest Practicable Date, the Company does not hold any treasury shares and subsidiary holdings.

2.2.2 *Duration of Authority*

Purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the AGM of the Company to be held on 30 April 2018, at which the Share Purchase Mandate is approved, up to:

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

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

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

whichever is the earliest.

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

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

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

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

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

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

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

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

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

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

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

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

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

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

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

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

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2.2.4 ***Maximum Purchase Price***

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

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

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

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

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

For the above purposes:

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

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

2.3 Shares Purchase since Last Approval

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

2.4 Status of Purchased Shares

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

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

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2.5 Treasury Shares

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

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

(a) Maximum Holdings

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

(b) Voting and Other Rights

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

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

(c) Disposal and Cancellation

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

(a) sell the treasury shares for cash;

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

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

(d) cancel the treasury shares; or

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

2.6 Reporting Requirements

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

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

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

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

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

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

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

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

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

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

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

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

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

2.7 Funding of Share Purchase

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

Based on 522,602,931 Shares in issue and paid-up in the share capital of the Company as at the Latest Practicable Date, the purchase by the Company of 10% of its issued Shares (excluding treasury share and subsidiary holdings) and assuming no further ordinary Shares are issued, and no Shares are purchased or acquired by the Company on or prior to the 2018 AGM, will result in the purchase or acquisition of 52,260,293 Shares.

Assuming that the Company purchases or acquires the 52,260,293 Shares by way of Market Purchases at the Maximum Price of $0.310 for each Share (being the theoretical price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the 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 52,260,293 Shares is approximately $16,201,000.

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In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires Shares at the Maximum Price of $0.325 for each Share (being the theoretical 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 52,260,293 Shares is approximately $16,985,000.

2.8 Illustrative Financial Effects

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

Purchases or Acquisition out of Profits/Capital

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

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

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

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

The illustrative financial effects set out below are based on the consolidated financial statements for the financial year ended 31 December 2017, on the conditions set out in paragraphs 2.2.4 and 2.6 above and assuming the following:

(a) the purchase or acquisition of 52,260,293 Shares by the Company pursuant to the Shares Purchase Mandate by way of Market Purchases made entirely out of profits and cancelled;

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

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

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Scenario 1: Shares purchased are cancelled

	Company			Group		
As at 31 December 2017	**Before Share Purchase $'000**	**After Market Purchase $'000**	**After Off-Market Purchase $'000**	**Before Share Purchase $'000**	**After Market Purchase $'000**	**After Off-Market Purchase $'000**
Shareholders' funds (before minority interests)	166,479	150,278	149,494	292,201	276,000	275,216
NTA(1)	166,479	150,278	149,494	287,242	271,041	270,257
Total borrowings(2)	–	16,201	16,985	86,197	102,398	103,182
NTA per Share (cents)(3)	31.86	31.95	31.78	55.91	58.68	58.51
Basic EPS (cents)(4)	2.45	2.75	2.75	(3.25)	(3.65)	(3.65)
Financial Ratios						
Gearing ratio (times)(6)	–	0.11	0.11	0.29	0.37	0.37
Current ratio (times)(7)	0.2	–	–	1.0	1.0	1.0

Scenario 2: Shares purchased are held as Treasury Shares

	Company			Group		
As at 31 December 2017	**Before Share Purchase $'000**	**After Market Purchase $'000**	**After Off-Market Purchase $'000**	**Before Share Purchase $'000**	**After Market Purchase $'000**	**After Off-Market Purchase $'000**
Shareholders' funds (before minority interests)	166,479	150,278	149,494	292,201	276,000	275,216
NTA(1)	166,479	150,278	149,494	287,242	271,041	270,257
Total borrowings(2)	–	16,201	16,985	86,197	102,398	103,182
NTA per Share (cents)(5)	31.86	28.76	28.61	55.91	52.81	52.66
Basic EPS (cents)(5)	2.45	2.45	2.45	(3.25)	(3.25)	(3.25)
Financial Ratios						
Gearing ratio (times)(6)	–	0.11	0.11	0.29	0.37	0.37
Current ratio (times)(7)	0.2	–	–	1.0	1.0	1.0

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 522,602,931 Shares and 470,342,638 Shares respectively.

(4) EPS before and after the purchase of Shares and where the Shares are cancelled are calculated based on 484,993,342 Shares and 432,733,049 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 522,602,931 Shares and 484,993,342 respectively, which includes the 52,260,293 Shares held in Treasury.

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

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

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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 2017 would increase from 55.91 cents to 58.68 cents in the case of a Market Purchase and increase to 58.51 cents in the case of an Off-Market Purchase.

The consolidated basic EPS of the Group for the financial year ended 31 December 2017 would increase from loss per share of 3.25 cents to 3.65 cents if the shares were repurchased out of capital and cancelled.

As illustrated above, the purchase of Shares made out of the capital of the Company and held as treasury shares would have the effect of reducing the working capital and NTA of the Company and the Group. The consolidated NTA per Share of the Group as at 31 December 2017 would decrease from 55.91 cents to 52.81 cents in the case of a Market Purchase and to 52.66 cents in the case of an Off-Market Purchase.

The consolidated basic EPS of the Group for the financial year ended 31 December 2017 would remain at loss per share of 3.25 cents if the shares were repurchased out of capital and held in treasury.

Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical unaudited numbers as at 31 December 2017, save for the number of Shares, which are based on the number of Shares as at the Latest Practicable Date, and is not necessarily representative of the Company or Group's real financial position or a forecast of its future financial performance.

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

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

2.9 Taxation

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

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

2.10 Take-over Code implications

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

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2.10.1 Obligations to make a Take-over Offer

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

2.10.2 Persons acting in concert

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

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

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

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

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

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

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

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

(g) partners; and

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

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

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

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

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

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

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

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

2.11 Listing Manual

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

APPENDIX

the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

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

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

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

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

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 358,722,664 Shares (excluding treasury shares and subsidiary holdings), representing 68.64% of the issued share capital of the Company, are in the hands of the public. Assuming the Company were to purchase or acquire the entire 10% of the total number of its issued Shares, there will be approximately 306,462,371 Shares (excluding treasury shares and subsidiary holdings), representing 65.16% of the reduced issued share capital of the Company, being held in the hands of the public. In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that a sufficient float in the hands of the public will be maintained so that such purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGXST, cause market illiquidity or adversely affect the orderly trading of the Shares.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Directors	Direct Interest		Deemed Interest		Total Interest	%[1]
	Shares	Options	Shares	Options[2]		
Seow Soon Yong	107,205,218	4,593,600	4,082,108[3]	–	111,287,326	21.29
Siau Sun King	2,784,217	–	4,082,108[3]	–	6,866,325	1.31
Seow Soon Hee	250,000	–	6,745,346[4]	–	6,995,346	1.34
Chia Sin Cheng	3,713,494	2,006,400	–	–	3,713,494	0.71
Goon Kok Loon	–	237,600	–	–	–	–
Lim Ghim Siew, Henry	225,000	–	–	–	225,000	0.04
Liew Jat Yuen, Richard	600,000	–	–	–	600,000	0.11
Tan Eng Kiat, Dominic	225,000	–	–	–	225,000	0.04

Notes:

(1) The percentage is calculated based on the total issued and paid-up share capital of 522,602,931 Shares as at the Latest Practicable Date. The percentage does not take into account Options (whether exercised or not).

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

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

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

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Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	Shares	%	Shares	%	Shares	%
Seow Soon Yong	107,205,218	20.51	4,082,108(1)	0.78	111,287,326	21.29
Mohamed Abdul Jaleel S/O Muthumaricar Shaik Mohamed	36,525,000	6.99	–	–	36,525,000	6.99

Note:

(1) Mr. Seow Soon Yong is deemed interested in the shares held by Yongnam Private Limited in the share capital of the Company through his 75% of interest held in Yongnam Private Limited.

4. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the Ordinary Resolution 9 as set out in the Notice of 2018 AGM relating to the proposed renewal of the Share Purchase Mandate.

5. ANNUAL GENERAL MEETING

The 2018 AGM, notice of which is set out on pages 92 to 96 of the Notice of 2018 AGM attached to the 2017 Annual Report of the Company, will be held at 51 Tuas South Street 5, Singapore 637644 on Monday, 30 April 2018 at 10.00 a.m. for the purpose of, inter alia, considering and, if thought fit, passing the ordinary resolution on the renewal of Share Purchase Mandate as set out in the Notice of the 2018 AGM.

6. ACTION TO BE TAKEN BY SHAREHOLDERS

6.1 Shareholders who are unable to attend the 2018 AGM and wish to appoint a proxy to attend and vote at the 2018 AGM on their behalf must complete, sign and return the Proxy Form attached to the Annual Report 2017 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 2018 AGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the 2018 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 2018 AGM and to speak and vote thereat unless his name appears on the Depository Register as at 72 hours before the 2018 AGM.

7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644 during normal business hours from the date hereof up to the date of the 2018 AGM:

(a) the Constitution of the Company; and

(b) the Annual Report of the Company for FY2017.

APPENDIX

8. DIRECTORS' RESPONSIBILITY STATEMENT

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

9. SGX-ST'S DISCLAIMER

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

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

SEOW SOON YONG
Chief Executive Officer

YONGNAM HOLDINGS LIMITED
Company Registration no. 199407612N
(Incorporated in the Republic of Singapore)

IMPORTANT

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Cap.50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the capital of Yongnam Holdings Limited, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective agent Banks/SRS Operators if they any queries regarding their appointment as proxies.
3. **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 2018.**

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)**	
		No. of Shares	**%**
Address			

and/or

Name	**NRIC/Passport No.**	**Proportion of Shareholding(s)**	
		No. of Shares	**%**
Address			

as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at 51 Tuas South Street 5, Singapore 637644 on Monday, 30 April 2018 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM and at any adjournment thereof. If no person is named in the above boxes, the Chairman of the AGM shall be *my/our proxy to vote, for or against the Resolutions to be proposed at the AGM as indicated hereunder, for *me/us and on *my/our behalf at the AGM and at any adjournment thereof.

Resolution No.	**Ordinary Resolutions**	****For**	****Against**
ORDINARY BUSINESS			
1.	Adoption of the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Directors' Statement together with the Reports of the Auditors thereon.		
2.	Approval of payment of proposed Directors' fees of $222,000 for the financial year ended 31 December 2017.		
3.	Re-election of Mr. Seow Soon Hee as Director.		
4.	Re-election of Mr. Goon Kok Loon as Director.		
5.	Re-election of Professor Liew Jat Yuen, Richard as Director.		
6.	Re-appointment of Messrs Ernst & Young LLP as Auditors.		
SPECIAL BUSINESS			
7.	Authority to allot and issue shares.		
8.	Authority to issue shares under the Yongnam Employee Share Option Scheme.		
9.	Renewal of Share Purchase Mandate.		

* *Delete accordingly*

** *Voting will be conducted by poll. Indicate your vote "For" or "Against" with a (√) within the box provided. Alternatively, please indicate the number of votes "For" or "Against" next to each resolution.*

Dated this __________ day of ________________________, 2018

Total Number of Shares Held

....

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

IMPORTANT: Please read notes overleaf

Notes:–

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the appointments will be deemed to have been made in the alternative.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney or if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

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 AGM, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

5. The instrument appointing a proxy or proxies (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be deposited at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644 at least forty-eight (48) hours before the time appointed for the AGM.

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

7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

8. The Company shall be entitled to reject an 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 (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies which has been lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

AFFIX
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STAMP

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

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