



**COMMITMENT**  
EXPERTISE RESULTS

ANNUAL REPORT **2020**



## CORPORATE PROFILE

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

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

With more than 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.

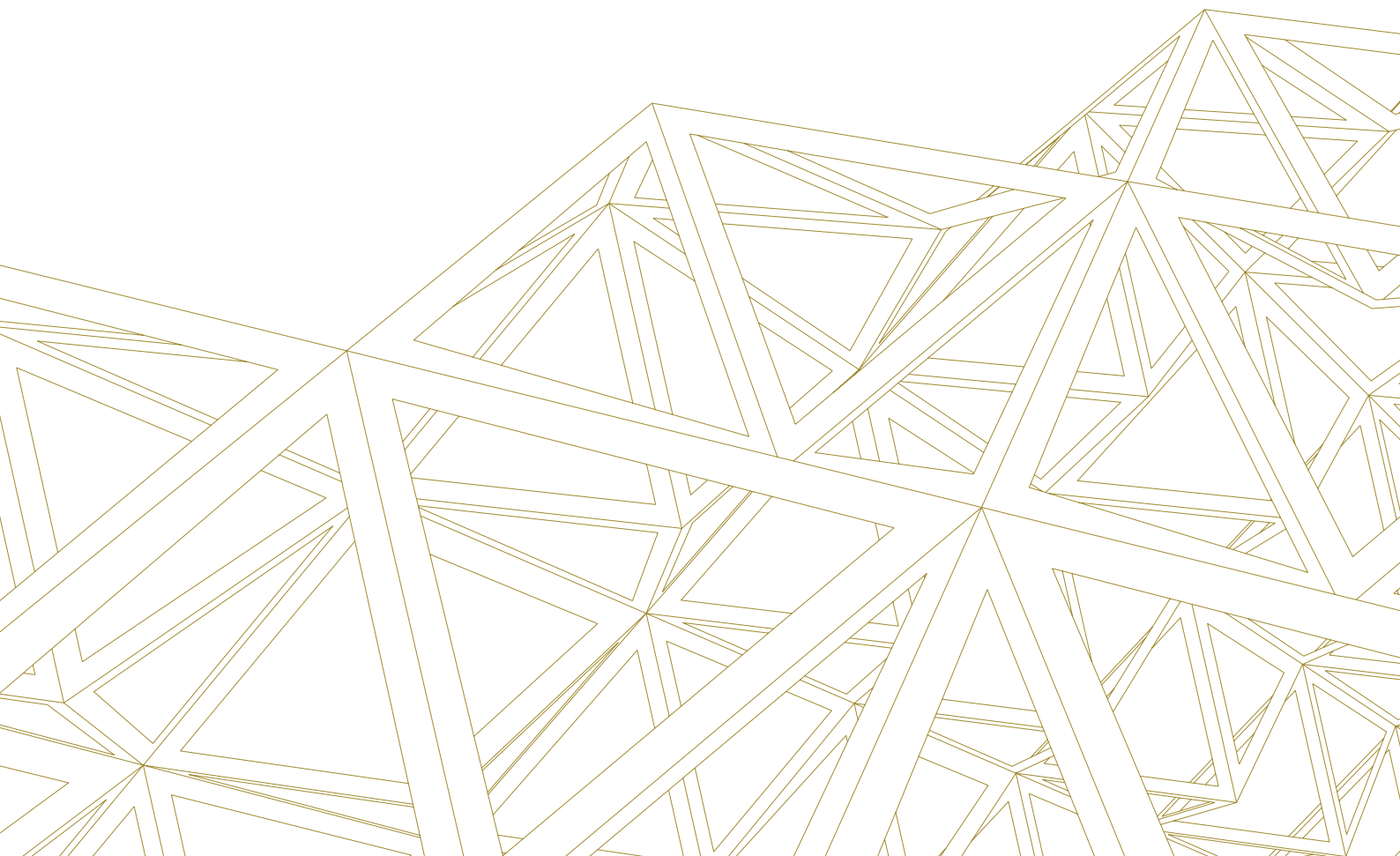
Yongnam is an ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 certified company and a certified manufacturer of CE-marked structural steelwork to EN 1090

and EN ISO 3834 for the highest execution class EXC4 for the EU market. It is also an accredited fabricator of the highest S1 category from the Singapore Structural Steel Society and holds A1 and A2 Grades from the Singapore Building and Construction Authority for the categories of General Building and Civil Engineering, respectively. Our Quality, Environmental, Occupational Safety and Health Integrated Management System takes a planned approach towards continuous improvement of our products, processes and services. Yongnam has also achieved a bizSAFE Star Level award.

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

## CONTENTS

<b>2</b>	Chief Executive Officer's Message	<b>14</b>	Corporate Governance Report
<b>4</b>	Board of Directors	<b>35</b>	Disclosure of Information on Directors seeking re-election/ re-appointment
<b>6</b>	Key Executives	<b>48</b>	Financial Contents
<b>8</b>	Operations Review	<b>120</b>	Statistics of Shareholding
<b>12</b>	Financial Review	<b>122</b>	Notice of Annual General Meeting
<b>13</b>	Financial Highlights		Proxy Form



## CHIEF EXECUTIVE OFFICER'S MESSAGE

### DEAR SHAREHOLDERS,

In our annual report for FY2019, we cautioned on the impact of the coronavirus ("COVID-19") on our economy, especially the construction sector which saw postponement of mega developments such as the Changi Airport Terminal 5 and expansion of the integrated resorts. Shortly thereafter, Singapore entered Phase 1 of the Circuit Breaker period on 7 April 2020, where all construction works were suspended. While the suspension was lifted in Phase 2 which took effect on 19 June 2020, construction works did not restart until September 2020 and at a very slow pace as the industry grappled with the new COVID-19 related norms and policies which include the enforcement of safe distancing measures, safe entry scanning, use of masks and rostered routine testing of foreign workers. At the time of writing, construction activities have yet to fully recover to pre-COVID-19 levels. Contractors continue to face issues which include shortage of manpower as the Singapore government remains cautious in managing the flow of foreign workers returning to Singapore.

The five-month suspension of construction activities during the Circuit Breaker period meant that the Group had no revenue from its operations in Singapore. Consequently, the Group recorded a revenue of \$92.9 million for FY2020, its lowest since FY2006.

Without revenue during the five-month Circuit Breaker period, the Group's overheads during this period impacted our gross loss directly. Fortunately, the impact was partially cushioned by our restructuring efforts in FY2019 which reduced our overheads.

Delays in projects caused by COVID-19 meant that extra costs would be needed to complete these projects. We therefore made provisions in FY2020, which further dampened our gross margins. Taken together, the Group recorded a gross loss of \$44.4 million for FY2020, compared to \$14.8 million in FY2019.

Lower general and administrative expenses, partly due to the government's Job Support Scheme grants and foreign worker levy waivers and rebates, as well as reduction in finance cost helped to partially offset the higher gross loss. Consequently, the Group's loss before tax for FY2020 was \$72.3 million as compared to \$59.6 million a year ago.

The Group ended FY2020 with a healthy order book at \$543.0 million, of which about 82.7% was contributed by infrastructural development projects. We cautiously expect the COVID-19 situation in Singapore to improve with the progressive implementation of vaccination, both in Singapore and around the world.



As at the end of FY2020, the Group was actively in pursuit of about \$788 million worth of potential projects. This pipeline is expected to improve over time as the market regains confidence and more projects come on stream.

## CHIEF EXECUTIVE OFFICER'S MESSAGE



While COVID-19 has far reaching impact on industries such as aviation and tourism leading to the postponement of the development of Changi Airport Terminal 5, new infrastructural projects in Singapore are expected to continue to be launched. These include the MRT Jurong Regional Line as well as the MRT Cross Island Line. As at the end of FY2020, the Group was actively in pursuit of about \$788 million worth of potential projects. This pipeline is expected to improve over time as the market regains confidence and more projects come onstream. In March 2021, the Group secured four specialist civil engineering contracts in Singapore and Hong Kong and a structural steelwork contract in Singapore totalling \$32.8 million.

Amidst uncertainties in the business environment as well as the longer term impact of COVID-19, the Group will continue its restructuring efforts to streamline our operations and to ensure that we remain resilient against such uncertainties.

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

**SEOW SOON YONG**  
Chief Executive Officer

## BOARD OF DIRECTORS



### **SEOW SOON YONG**

MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER

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

Last re-elected on 29 June 2020

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



### **CHIA SIN CHENG**

EXECUTIVE DIRECTOR & FINANCE  
DIRECTOR

Appointed to the Board on  
8 January 2007

Last re-elected on 30 April 2019

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



### **SIAU SUN KING**

EXECUTIVE DIRECTOR

Appointed to the Board on  
19 October 1994

Last re-elected on 29 June 2020

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

## BOARD OF DIRECTORS



**LIM GHIM SIEW, HENRY**  
NON-EXECUTIVE & INDEPENDENT  
DIRECTOR

Appointed to the Board on  
15 October 2002

Last re-elected on 30 April 2019

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 re-elected on 30 April 2018

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.



**TAN ENG KIAT, DOMINIC**  
NON-EXECUTIVE & INDEPENDENT  
DIRECTOR

Appointed to the Board on  
3 March 2008

Last re-elected on 30 April 2019

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.



**TENG KIAN JEN, BEN**  
NON-EXECUTIVE & INDEPENDENT  
DIRECTOR

Appointed to the Board on  
15 October 2020

Last appointed on 15 October 2020

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

## KEY EXECUTIVES

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

### YANG EUN KYU

#### DIRECTOR-TECHNICAL (CIVIL)

Mr. Yang joined Yongnam in 2015. He has 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.

### SIK KAY LEE

#### PROJECT DIRECTOR

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

### CHEONG HOCK CHOON

#### PROJECT DIRECTOR

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



## KEY EXECUTIVES

### **KOH ENG SENG**

DIRECTOR-SPECIALIST CIVIL ENGINEERING

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

### **TEO SHENG KIONG**

GROUP FINANCIAL CONTROLLER

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



## OPERATIONS REVIEW



### NORTH-SOUTH CORRIDOR N103

The scope of work for the North-South Corridor contract N103 includes the design and construction of 640 metres of twin, three-lane vehicular tunnels, the underpinning of an existing expressway flyover, a new facility building, as well as an entrance ramp and an exit ramp. This contract was secured by the Group's 30%-owned joint venture with Leighton Asia, a leading international construction company with headquarters in Australia. Work has commenced in the second half of 2019 and is expected to complete by 2026.

### THOMSON-EAST COAST LINE

The Thomson-East Coast Line ("TEL"), a 43km joint line between the Thomson Line and the Eastern Region Line, will add 32 new stations to the existing rail network. With seven interchange stations, the TEL will connect 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 and to the northern part of Singapore. When fully operational in 2024, the 32 stations on the 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 Napier Station as well as Marina South Station and tunnels. The scope of work for Napier Station includes the supply, installation and dismantling of steel struts, while the work for Marina South Station and tunnels covers the supply, installation and dismantling of a pipe pile cofferdam system, steel struts, as well as decking works. The subcontracts are targeted for completion progressively by 2021.

### INFRASTRUCTURAL DEVELOPMENT IN EASTERN SINGAPORE

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

### JTC LOGISTICS HUB

JTC Logistics Hub ("JLH"), located at Gul Circle, is a high-rise multi-tenant development that houses container depots, warehouses and a heavy vehicle park. JLH is designed to reduce traveling time incurred by logistics operators who currently have to deal with container depots, warehouses and heavy vehicle parks located in

## OPERATIONS REVIEW

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, as well as the installation of an alternative steel system for JLH. The sub-contract is expected to be completed in 2021.

### INDUSTRIAL DEVELOPMENT IN SINGAPORE

The industrial development project, located at the junction of Woodlands Avenues 4 and 9, sits on a site of about 30,000 sqm and will have a nine-storey light industrial and commercial building, with one level of basement car park, two roof floors and a covered walkway to Republic Polytechnic. Yongnam's scope of work involves the supply, fabrication, delivery and erection of structural steelwork for this development. This project is expected to complete in 2021.

### BANGALORE INTERNATIONAL AIRPORT

The Group won a subcontract in India for the supply, fabrication and installation of structural steelwork for the roof of Terminal 2 of Kempegowda International Airport, also known as Bangalore International Airport. This is Yongnam's third project in India, after the Delhi International Airport and Mumbai International Airport, and it is expected to be completed in the second half of 2021.

### WOODLANDS HEALTH CAMPUS

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

### SURBANA JURONG CAMPUS

Surbana Jurong Campus is a 68,915 sqm development by Surbana Jurong, one of the largest Asia-based urban and infrastructure consulting firms, that will be built in Jurong Innovation District; a vibrant ecosystem of enterprises in advanced manufacturing, urban solutions and smart logistics. The Campus can accommodate up to 4,000 employees and will be completed by 2021. Yongnam won a subcontract for the design, supply, fabrication and installation of structural steelwork for the development.



## OPERATIONS REVIEW



### **TSEUNG KWAN O – LAM TIN TUNNEL**

The Tseung Kwan O – Lam Tin Tunnel aims to improve the traffic conditions within Kwun Tong District and relieve the extra traffic load anticipated from the future development of the district. Following the project's completion, part of the existing traffic between Tseung Kwan O and Eastern Harbour Crossing can utilise the Tseung Kwan O – Lam Tin Tunnel without routing through Tseung Kwan O Road and Lei Yue Mun Road of the Kwun Tong District.

The Group won a subcontract to supply, fabricate, install and dismantle walings and struts for reinforced concrete structural works of the U-Trough and P2 Underpass in the reclamation area. This subcontract is expected to be completed by 2022.

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

Central Kowloon Route ("CKR") is a 4.7 km, dual 3-lane trunk road linking Yau Ma Tei Interchange in West Kowloon with the road network at Kai Tak Development and Kowloon Bay in East Kowloon, forming a trunk route through Central Kowloon. CKR



## OPERATIONS REVIEW

will provide an alternative express route to relieve the traffic congestion on the major east-west corridors, which will significantly reduce travel time. After the completion of CKR, the travel time between West Kowloon and Kowloon Bay would take around 5 minutes, representing a reduction of about 25 minutes. The improved traffic conditions will also benefit areas adjacent to CKR including Wong Tai Sin, Ho Man Tin and Kowloon City.

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

### SINGAPORE GENERAL HOSPITAL H9A

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

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

### CHANGI MRT T316

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

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

### PUNGGOL REGIONAL SPORTS CENTRE

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

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



## FINANCIAL REVIEW



Group revenue in FY2020 fell by 52.7% to \$92.9 million, compared to \$196.3 million in FY2019, largely due to the impact of COVID-19. The Circuit Breaker implemented in Singapore resulted in the suspension of construction activities which led to the Group registering no revenue for five months. Similar measures taken in Malaysia, India and Hong Kong also contributed to the reduction in revenue. Consequently, contributions from all three segments of Specialist Civil Engineering, Structural Steelwork and Design and Build fell during the year under review.

### Segmental Performance:

- **Specialist Civil Engineering:** Revenue fell by 52.3% to \$44.4 million in FY2020, compared to \$93.0 million in FY2019. Key contributors were Singapore Changi Terminal 5 project, projects for the MRT Thomson Line and Circle Line, and projects in Hong Kong;
- **Structural Steelwork:** Revenue decreased by 34.6% to \$46.2 million in FY2020, compared to \$70.7 million in FY2019. Key contributors included JTC Logistics Hub, JTC North Coast Development and Shimano project in Singapore and Bangalore International Airport project in India.

- **Design and Build:** Revenue fell by 95.4% to \$1.2 million in FY2020, compared to \$26.0 million in FY2019, mainly due to completion of a project for a four-storey regional headquarters with a 2-storey production facility located at Tampines Industrial Crescent;

Geographically, projects in Singapore accounted for 68.7% of total revenue, compared to 70.5% in FY2019. Projects in the rest of the Asia-Pacific countries accounted for the remaining 31.3%.

As a result of COVID-19 resulting in low levels of strutting and fabrication activities, the Group had higher unabsorbed overheads in FY2020. Further, the delays caused by the five-month suspension of construction activities resulted in higher costs to complete the projects, for which the Group had to provide for. Consequently, the Group reported a gross loss of \$44.4 million in FY2020, compared to a gross loss of \$14.8 million in FY2019.

General and administrative expenses fell from \$33.9 million in FY2019 to \$23.3 million in FY2020. This was mainly due to general and administrative expenses in FY2019 which contained an impairment of a trade receivable, operational restructuring costs and loss on disposal of strutting assets, which totaled

\$19.6 million. The reduction was however partially offset by a provision for a project receivable of \$8.4 million in FY2020.

Finance costs was marginally lower in FY2020 at \$12.3 million compared to \$12.9 million in FY2019. This was mainly due to lower borrowing costs resulting from lower interest rates, which was partially offset by the amortization of 12 months' convertible bond interest in FY2020, compared to seven months in FY2019.

As a result, the Group's loss before tax increased from \$59.6 million in FY2019 to \$72.3 million in FY2020. The Group's net gearing is higher at 0.98 times as at 31 December 2020, compared to 0.62 times as at 31 December 2019. Net cash flows from operating activities improved from \$29.1 million in FY2019 to \$31.2 million in FY2020. The Group's cash and bank balances at the end of FY2020 was \$8.8 million, down from \$9.1 million at the end of FY2019.

As at 31 December 2020, the Group's order book stood at \$543 million, compared to \$405 million as at 31 December 2019.

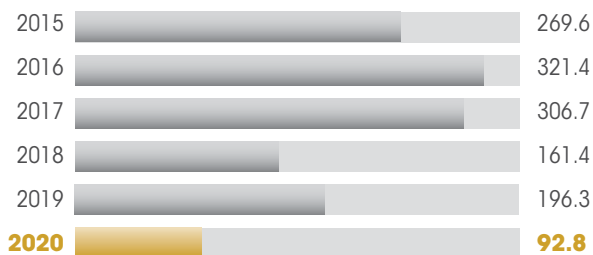
## FINANCIAL HIGHLIGHTS

	2020	2019	2018	2017	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>PROFIT AND LOSS ACCOUNT</b>						
Revenue	92,850	196,273	161,449	306,679	321,378	269,618
Loss before taxation	(72,309)	(59,564)	(66,053)	(24,676)	(38,133)	(4,138)
Loss after taxation	(77,826)	(54,703)	(54,209)	(21,403)	(32,793)	(2,695)
Loss per share (Basic) (Cents)	(14.93)	(10.29)	(9.76)	(3.50)	(7.99)	(1.05)
<b>BALANCE SHEET</b>						
Property, plant and equipment	251,243	268,677	314,804	327,479	314,203	307,410
Other non-current assets	49,371	53,573	60	–	1,500	1,608
Net current (liabilities)/assets <sup>(1)</sup>	(23,516)	47,485	71,784	81,012	110,207	148,848
	277,098	369,735	386,648	408,491	425,910	457,866
Shareholders' equity	121,484	199,850	253,813	304,290	299,544	296,728
Non-controlling interest	(8,920)	(9,097)	(8,149)	(4,959)	(511)	645
Short and long-term borrowings	164,465	178,982	140,069	96,392	114,066	142,404
Deferred taxation	69	–	915	12,768	12,811	18,089
	277,098	369,735	386,648	408,491	425,910	457,866
NAV per share (Cents)	23.25	38.24	48.57	58.23	63.05	93.89

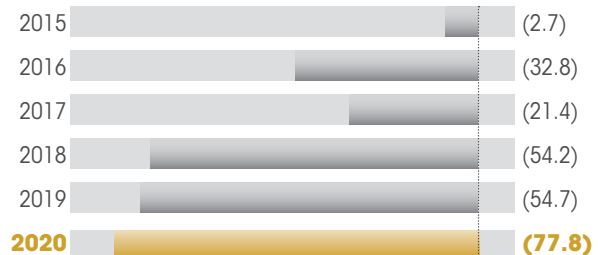
**Note:**

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

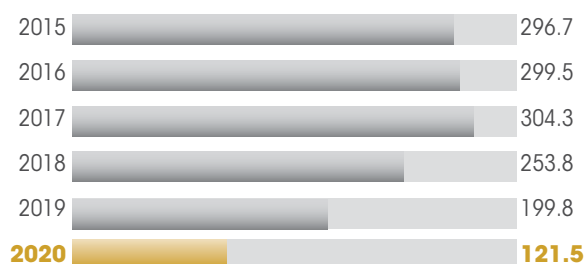
### REVENUE (\$ MILLION)



### LOSS AFTER TAX (\$ MILLION)



### SHAREHOLDERS' EQUITY (\$ MILLION)



# CORPORATE GOVERNANCE REPORT

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

This report describes the Group's ongoing efforts in the financial year ended 31 December 2020 ("FY2020") in keeping pace with the evolving corporate governance practices and complying with the Code of Corporate Governance 2018 (the "Code"). The Company has adopted and complied, wherever feasible, relevant and practicable to the Group, with the principles and guidelines set out in the Code, except where otherwise stated. The Company is also guided by the voluntary Practice Guidance which was issued to complement the Code and which sets out best practice standards for companies. The Board will continue to improve its practices with developments by enhancing its principles and framework.

## BOARD MATTERS

### The Board's Conduct of its Affairs

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

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

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

The Board recognises that its principal duties include:

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



## CORPORATE GOVERNANCE REPORT

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

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

The Board meets on a half-yearly basis to approve, among others, announcements of the Group's half-yearly and full-year financial results. Ad-hoc meetings are also convened to discuss and deliberate on urgent substantive matters or issues. The Board may also have informal discussions on matters requiring urgent attention which would then be formally approved by circular resolutions in writing.

The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings during FY2020 is tabulated below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	2	2	2	1
<b>No. of meetings attended by respective directors</b>				
<b>Executive Directors:</b>				
1. Seow Soon Yong (Chief Executive Officer)	2	–	–	–
2. Siau Sun King	2	–	–	–
3. Chia Sin Cheng	2	–	–	–
4. Seow Soon Hee (retired at the last AGM held on 29 June 2020)	1	–	–	–
<b>Independent Directors:</b>				
5. Goon Kok Loon (retiring at the forthcoming AGM on 29 July 2021)	2	2	2	1
6. Lim Ghim Siew, Henry	2	2	–	1
7. Tan Eng Kiat, Dominic	2	–	2	1
8. Teng Kian Jen, Ben (appointed with effect from 15 October 2020)	–	–	*1	–
9. Liew Jat Yuen, Richard (resigned with effect from 15 October 2020)	2	2	2	–

\* By Invitation

## CORPORATE GOVERNANCE REPORT

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

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

### ACCESS TO INFORMATION

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

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

To facilitate direct access to the Management, Directors are also provided with the names and contact details of the management team. The Directors also have separate and independent access to the Company Secretary through e-mail, telephone and face-to-face meetings. The Company Secretary is responsible for, among other things, ensuring that the Board's procedures are observed and the Constitution of the Company, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act 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

## Board Composition and Guidance

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

The Board currently has seven (7) Directors comprises four (4) Independent Directors and three (3) Executive Directors, together with the AC, RC and NC are constituted in compliance with the Code. As of the date of this report, the Board composition has a strong independent element with Independent Directors that make up a majority of the Board.

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

Name of Directors	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Seow Soon Yong	Managing Director & Chief Executive Officer	–	–	–
Chia Sin Cheng	Executive Director & Finance Director	–	–	–
Siau Sun King	Executive Director	–	–	–
Goon Kok Loon <i>(retiring at the forthcoming AGM to be held on 29 July 2021)</i>	Lead Independent Director	Chairman	Member	Member
Lim Ghim Siew, Henry	Independent Director	Member	–	Chairman
Tan Eng Kiat, Dominic	Independent Director	–	Chairman	Member
Teng Kian Jen, Ben	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 also conducts an annual review of the size and composition of the Board Committees to assess if any change is needed. Mr Goon Kok Loon has decided to retire from the Company as an Independent Non-Executive Director pursuant to Article 103 of the Company's Constitution and not to seek re-election at the forthcoming AGM. Following the retirement of Mr Goon Kok Loon, independent non-executive directors will make up half of the Board, which comprises six Directors, of whom 3 are independent and 3 are non-independent. NC would recommend the Board to continue identifying suitable candidate so as to cause the Independent Non-Executive Directors make up a majority of the Board pursuant to Provisions 2.2 and 2.3 of the Code.

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

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

## CORPORATE GOVERNANCE REPORT

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

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

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

In respect of each of the three (3) Independent Directors, namely Mr Goon Kok Loon, Mr Tan Eng Kiat, Dominic and Mr Lim Ghim Siew, Henry, having served more than nine (9) years from the date of their first appointments, the Board has considered specifically their length of services and their continued independence. A peer review on the independence of each of the Independent Directors was conducted at the Meeting of NC. Having observed and evaluated each Independent Director through the various factors and personal conduct, the NC affirmed each other's independence, despite serving more than nine (9) years on the Board. The Board has rigorously reviewed and determined that the Directors concerned remained independent of character and judgement and there were no relationships or circumstances which were likely to affect, or could appear to affect, the Directors' judgement. The independence of character and judgement of each of the Directors concerned was not in any way affected or impaired by the length of services. The Board has also conducted a review of the performance of each of the three (3) Independent Directors and considers that each of these Directors brings invaluable expertise, experience and knowledge to the Board and that they continue to contribute positively to the Board and Board Committee deliberation. Therefore, the Board is satisfied as to the performance and continued independence of judgement of each of these Directors.

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

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

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

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

Mr Goon Kok Loon has decided to retire from the Company as Independent Non-Executive Director pursuant to Article 103 of the Company's Constitution and not to seek re-election at the forthcoming AGM.

## CORPORATE GOVERNANCE REPORT

The Board seeks to strike an appropriate balance between continuity and refreshment of its Board members and has recommended that requisite approvals of shareholders be sought through a Two-Tier voting process at the forthcoming AGM for the continuation of office of Mr Tan Eng Kiat, Dominic and Mr Lim Ghim Siew, Henry, who have served as Independent Non-Executive Directors of the Company for an aggregate term of more than nine (9) years, after having reviewed their independence and taking into account their industrial knowledge and experiences which are able to continue contributing and adding value to the Group.

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

### Chairman and Chief Executive Officer

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

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

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

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

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence. In order to ensure good corporate governance practice, Mr 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. During FY2020, Mr Goon Kok Loon took the lead in ensuring compliance with the Code. Led by the Lead Independent Director, the Independent Directors would meet in the absence of the other Directors as and when circumstances warrant.

# CORPORATE GOVERNANCE REPORT

## Board Membership

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

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

Mr Tan Eng Kiat, Dominic	–	Chairman
Mr Goon Kok Loon	–	Member
Mr Teng Kian Jen, Ben	–	Member

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

- reviewing the Board structure, size and composition and making recommendations to the Board, where appropriate;
- determining the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment and re-election 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.

During FY2020, the NC held two (2) meetings with full attendance. The NC has in place a process for the selection of new Directors and re-appointment of Directors to increase transparency of the nominating process in identifying and evaluating nominees or candidates for appointment or re-appointment. In selecting potential new Directors, the NC will seek to identify the competencies and expertise required to enable the Board to fulfil its responsibilities. The NC will evaluate the suitability of the nominee or candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board, before making its recommendation to the Board. In recommending a candidate for re-appointment to the Board, the NC considers, amongst other things, his/her contributions to the Board (including attendance and participation at meetings, time and effort accorded to the Company's or Group's business and affairs) and his/her independence. The Board ensures that the selected candidate is aware of the expectations and the level of commitment required.

## 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 Rule 210(5)(d) of the Listing Manual of SGX-ST and Provision 2.1 of the Code. The NC has affirmed that Mr Goon Kok Loon, Mr Lim Ghim Siew, Henry, Mr Tan Eng Kiat, Dominic and Mr Teng Kian Jen, Ben are independent and free from any relationship outlined in the Rule 210(5)(d) of the Listing Rules and the Code. Each of the Independent Directors has also confirmed his independence. Having considered their in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of impartial and constructive advice, the Board is of the view that there is no material conflict between their tenure and their ability to discharge their role as Independent Directors.

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

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

The NC recommended and the Board accepted the nomination of the following Directors who will stand for re-election/re-appointment at the forthcoming AGM:-

Pursuant to Article 103 of the Company's Constitution:

- Mr Chia Sin Cheng

Pursuant to Article 107 of the Company's Constitution:

- Mr Teng Kian Jen, Ben

Pursuant to Rule 210(5)(d)(iii)(A) and 210(5)(d)(iii)(B) of the Listing Rules which will take effect on 1 January 2022:

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

Mr Goon Kok Loon, who has been a director for an aggregate period of more than nine (9) years, has decided to retire from the Company as a Director pursuant to Article 103 of the Company's Constitution and not to seek for re-election at the forthcoming AGM.

The disclosure of information on Directors seeking re-elections as required under Appendix 7.4.1 to the Listing Manual of the SGX-ST can be found in pages 35 to 47 of this Annual Report.

## CORPORATE GOVERNANCE REPORT

The Board provides for the appointment of alternate directors when any of the Directors think fit. The Board will take into consideration the same criteria for selection of Directors such as qualification, credential, experience and competency. The Company has no alternate Director during FY2020. Key information of each member of the Board can be found under the "Board of Directors" and "Disclosure of information on Directors seeking re-election" sections of this Annual Report.

### Board Performance

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

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

- Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity;
- Geographical location of Directors;
- Size and composition of the Board;
- Nature and scope of the Group's operations and size; and
- Capacity, complexity and expectations of the other listed directorships and principle commitments held.

The NC, having reviewed each Director's outside directorships as well as each Director's contributions to the Board, is satisfied that all Directors have discharged their duties adequately for FY2020.

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



# CORPORATE GOVERNANCE REPORT

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

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

### Level and Mix of Remuneration

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

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

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

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

The RC meets at least once a year. For FY2020, the RC held one scheduled meeting with full attendance. 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, CEO, KMP and other employees who are Substantial Shareholders of the Company, or are immediate family members of the Directors or CEO or Substantial Shareholder of the Company;
- to recommend to the Board in consultation with the Chairman of the Board, the Employees' Share Option Scheme or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith; 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, CEO, KMP and other employees who are Substantial Shareholders of the Company, or are immediate family members of the Directors or CEO or Substantial Shareholder of the Company. All aspects of remuneration frameworks, including but not limited to Directors' fees, salaries, allowances, bonuses and other benefits-in-kind are reviewed by the RC. The recommendations of the RC are submitted for endorsement by the Board. Such frameworks are reviewed periodically to ensure that the above personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also considers and recommends the CEO's remuneration package including salary, bonus and benefits-in-kind for endorsement by the Board.

During the financial year, none of the Independent Directors is on service contracts or has consultancies with the Company except for

## CORPORATE GOVERNANCE REPORT

Professor Liew Jat Yuen, Richard ("Prof. Liew") 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.

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

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

### Disclosure on Remuneration

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

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

Name of Directors	Fees <sup>1</sup> (%)	Salary <sup>2</sup> (%)	Performance Related Income (%)	Others (%)	Total (%)	Total (\$'000)
Seow Soon Yong (CEO and MD)	-	91	-	9	100	388
Chia Sin Cheng	-	94	-	6	100	315
Siau Sun King	-	77	-	23	100	270
Lim Ghim Siew, Henry	100	-	-	-	100	48
Goon Kok Loon	100	-	-	-	100	57
Tan Eng Kiat, Dominic	100	-	-	-	100	41
Teng Kian Jen, Ben	100	-	-	-	100	9
Liew Jat Yuen, Richard <sup>(3)</sup>	100	-	-	-	100	35

#### Notes:

- (1) The Directors' fees are subject to the approval of the shareholders at the AGM.
- (2) The salary includes CPF contribution.
- (3) Mr Liew Jat Yuen, Richard resigned as Independent Director with effect from 15 October 2020.

## CORPORATE GOVERNANCE REPORT

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

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

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

In aggregate, the total remuneration (including CPF contribution thereon and bonus) paid to the top 5 KMP in FY2020 is approximately \$1,368,000.

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

For FY2020, the following immediate family members of a Director, CEO or Substantial Shareholder were the employees of the Group:

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

The aggregate remuneration (including CPF contribution thereon and bonus) of these employees amounted to approximately \$499,000.

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

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

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

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

The Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual, where appropriate. The Independent Directors in consultation with Management will request for Management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control.

The Management will report to the AC formally (Half Yearly and Full Year) and informally (1st and 3rd Quarter of the year) to ensure the financial processes and controls are in place, highlighting material financial risks and impacts and providing updates on status of significant financial issues of the Group, if any.

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

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

The Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk tolerance and risk policies. The Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance 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 outsources its internal audit function to an independent service provider, PricewaterhouseCoopers Risk Services Pte. Ltd. ("PwC" or "Internal Auditors") to assist the Board and the AC in their review of the Group's risk management and internal control systems focusing on financial, operational, compliance 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. There was no specific internal audit review carried out by PwC during the financial year.

## CORPORATE GOVERNANCE REPORT

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

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

The Management regularly reviews and updates the Board on the Group's business and operational activities in respect of the key risk control areas including financial, operational, compliance 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.

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

### **Audit Committee**

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

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

Mr Goon Kok Loon	–	Chairman
Mr Lim Ghim Siew, Henry	–	Member
Mr Teng Kian Jen, Ben	–	Member

## CORPORATE GOVERNANCE REPORT

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

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

- assist the Board in discharging of its responsibilities on financial reporting matters;
- review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and management's response, and results of the audits compiled by internal and external auditors;
- review the periodic consolidated financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Listing Rules and any other statutory and regulatory requirements;
- review the effectiveness and adequacy of the internal control procedures addressing financial, operational, compliance 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 assurance from the CEO and the Finance Director on the financial records and financial statements;
- review the adequacy, effectiveness, independence, scope and results of the external audit, and the Company's internal audit function;
- review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- make recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- review significant financial reporting issues and judgments with the Finance Director and the external auditors so as to ensure the integrity of the financial statements of the Group;
- review any formal announcements relating to the Group's financial performance before their submission to the Board of Directors;
- review and report to the Board at least annually the adequacy and effectiveness of the Group's material internal controls with the Finance Director, the finance manager and the internal and external auditors, including financial, operation, compliance and information technology controls via reviews carried out by the internal auditors;
- review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Rules (if any);
- review any potential conflicts of interest; and
- 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.

## CORPORATE GOVERNANCE REPORT

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

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

<ul style="list-style-type: none"> <li>• <b>Accounting for construction contracts</b></li> </ul>	<p>Accounting for construction contracts was an area of focus for the external auditors as it has been included as one of the Key Audit Matters in its Auditor's Report for FY2020.</p> <p>The AC discussed with Management and considered the accounting treatment and methodology applied to the project account and analysis model in assessing the revenue recognition process. It reviewed the reasonableness of variation order claims against the certified amounts during the progress of projects. The AC is satisfied that proper documentation is in place and there are instructions in written form to ensure the accuracy of revenue recognition.</p>
<ul style="list-style-type: none"> <li>• <b>Impairment of certain steel beams and</b></li> </ul>	<p>Impairment review of certain steel beams and columns was also an area of focus for the external auditors as it has been included as one of the Key Audit Matters in its Auditor's Report for FY2020.</p> <p>The AC considered the accounting treatment and methodology applied to the valuation model in impairment of strutting assets. It reviewed the reasonableness of the value-in-use of cash-generating unit, cash flow forecast, revenue growth rates and discount rate used in the valuation model. The AC is satisfied with the accounting treatment, the judgments and the methodology applied.</p>

The AC also reviews the independence and objectivity of the external auditors and reviewed the scope and value of non-audit services provided to the Group by the external auditors, Ernst & Young LLP. The aggregate amount of audit and non-audit fees paid or payable to the external auditors for FY2020 are \$191,000 and \$29,000 respectively. The AC is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the external auditors. The AC has recommended to the Board the nomination of Ernst & Young LLP for re-appointment as auditors of the Company at the forthcoming AGM. The Group has also complied with Rules 712 and 715 (1) and (2) of the Listing Manual of SGX-ST in relation to the appointment of its external auditors.

## CORPORATE GOVERNANCE REPORT

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

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

None of the AC members (i) is a former partner or director of the Company's existing auditing firm or auditing corporation in the previous 12 months and (ii) holds any financial interest in the auditing firm or auditing corporation.

### **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. There was no whistle blowing report received in FY2020.

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, as independent internal auditor, performs internal audit review on various projects and specific business processes review when necessary. The AC believes that PwC is independent, adequately and effectively resourced to perform internal audit review as it is always receiving full cooperation from Management.



# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meetings

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

### Engagement with Shareholders

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

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

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

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

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

The Company currently does not have an investor relations policy. However, the Company has engaged an external investor relations adviser, Citigate Dewe Rogerson Singapore Pte Ltd, to carry out investor relations activities.

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

## CORPORATE GOVERNANCE REPORT

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 AGM to address any queries of the shareholders.

For the AGM in respect of FY2019, minutes of general meeting, including relevant substantial comments or queries from shareholders relating to the agenda of the AGM and responses from the Board or the Management had been released on the SGXNET and the Company's website within one month from AGM in accordance with the Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation dated 1 October 2020.

The Board acknowledges voting by poll is integral in the enhancement of corporate governance and lead to greater transparency of the level of support for each resolution where shareholders are accorded rights proportionate to the shareholding and all votes counted. The AC and Board noted that for good corporate governance practices, the Company has been conducting its voting by poll at the general meetings. As the authentication of shareholder identity and other related security and integrity issues still remain a concern, the Company has decided for the time being, not to implement absentia voting methods such as voting via mail, e-mail or fax.

### **DIVIDEND POLICY**

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

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

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

# CORPORATE GOVERNANCE REPORT

## MANAGING STAKEHOLDERS RELATIONSHIPS

### Engagement with Stakeholders

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

The Group has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. For more information on the Company's stakeholder engagement, please refer to the Company's Sustainability Report 2020 which has been published on 19 May 2021.

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

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

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

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

Directors who deal with Company's shares are required to notify the Company Secretary to make necessary announcements in accordance with the requirements of the SGX-ST.

In view of the above, the Company has complied with the SGX-ST's Listing Rules on best practices on dealing in the Company's securities in the FY2020.

# CORPORATE GOVERNANCE REPORT

## **INTERESTED PERSON TRANSACTIONS**

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

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

There was no interested person transaction, as defined in Chapter 9 of the Listing Manual of SGX-ST, above \$100,000 entered into by the Group during FY2020.

## **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. Professor Liew Jat Yuen, Richard ceased to be an Independent Director of the Company with effect from 15 October 2020.

## **CORPORATE DISCLOSURE**

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

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

**Mr Chia Sin Cheng**, the Director seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 July 2021 ("AGM") (the "Retiring Director").

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

Date of Appointment	8 January 2007
Date of last re-appointment	30 April 2019
Age	67
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Chia Sin Cheng for re-appointment as Executive Director and Finance Director of the Company. The Board have reviewed and concluded that Mr Chia possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Finance Director
Professional qualifications	Mr Chia Sin Cheng obtained his Chartered Accountancy qualification from the Institute of Chartered Accountants in England & Wales, UK ("ICAEW"), in 1980. He also attended the Advance Management Program at Harvard Business School and is a member of the ICAEW and Institute of Singapore Chartered Accountants.
Working experience and occupation(s) during the past 10 years	Finance Director of Yongnam Holdings Limited
Shareholding interest in the listed issuer and its subsidiaries	Direct interest 3,713,494 ordinary shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments* Including Directorships# Past (for the last 5 years) Present	Nil
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No

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

(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No

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

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

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

**Mr Teng Kian Jen, Ben**, the Director seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 July 2021 ("AGM") (the "Retiring Director").

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

Date of Appointment	15 October 2020
Date of last re-appointment	N/A
Age	46
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Teng Kian Jen, Ben for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Teng possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p> <p>In addition, the Board, having reviewed independence of Mr Teng and taking into account the deliberations of the NC, is of the view that he is able to exercise independent and objective judgement considering that there are no relationships or circumstances which may affect his judgement and ability to discharge his duties and responsibilities as independent director.</p>
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director as well as a member of Audit Committee and the Nominating Committee.
Professional qualifications	Mr Teng Kian Jen, Ben graduated with a Bachelor of Engineering (Civil Engineering) from National University of Singapore.
Working experience and occupation(s) during the past 10 years	Vice-President of CNA Integrated Technologies LLC from May 2006 to March 2011. Head of Commercial & Risk Management of Abu Dhabi Airports Company (ADAC) PJSC from April 2011 to May 2015.
Shareholding interest in the listed issuer and its subsidiaries	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes



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

<p>Other Principal Commitments* Including Directorships# Past (for the last 5 years) Present</p>	<p>Present: Company Director of: Yongnam Holdings Limited (SGX Listed) Vector Infotech Pte Ltd Vector Infotech Systems and Networks International Pte. Ltd. Vector Infotech Systems and Networks L.L.C Vector Infotech Systems and Networks (BGD) Limited Red Star Capital Pte. Ltd.</p>
<p>(a) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?</p>	<p>No</p>
<p>(b) Whether there is any unsatisfied judgment against him?</p>	<p>No</p>
<p>(c) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?</p>	<p>No</p>
<p>(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?</p>	<p>No</p>
<p>(e) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?</p>	<p>No</p>
<p>(f) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?</p>	<p>No</p>
<p>(g) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?</p>	<p>No</p>

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

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

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

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
<b>Disclosure applicable to the appointment of Director only</b>	
<p>Any prior experience as a director of a listed company? If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	N/A

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

**Mr Lim Ghim Siew, Henry**, the Director seeking re-appointment at the forthcoming Annual General Meeting of the Company to be convened on 29 July 2021 ("AGM") (the "Retiring Director").

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

Date of Appointment	15 October 2002
Date of last re-appointment	30 April 2019
Age	68
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Lim Ghim Siew, Henry for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Lim possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p> <p>In addition, the Board, having reviewed independence of Mr Lim and taking into account the deliberations of the NC, is of the view that he is able to exercise independent and objective judgement considering that there are no relationships or circumstances which may affect his judgement and ability to discharge his duties and responsibilities as independent director.</p>
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit Committee.
Professional qualifications	Mr. Lim obtained his law degree from the University of London in 1988 and was called to the English Bar in 1992. He is a member of the Honorable Society of Lincoln's Inn.
Working experience and occupation(s) during the past 10 years	Owner of law firm G. S. Lim & Partners.
Shareholding interest in the listed issuer and its subsidiaries	<b>Yongnam Holdings Limited</b> 225,000 ordinary shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments* Including Directorships# Past (for the last 5 years) Present	Present: Company Director of: Yongnam Holdings Limited (SGX Listed) Partner: G. S. Lim & Partners

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

(a) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(b) Whether there is any unsatisfied judgment against him?	No
(c) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(e) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(f) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(g) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(h) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(i) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: <ul style="list-style-type: none"> <li data-bbox="220 1910 786 2000">i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</li> <li data-bbox="220 2011 786 2121">ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</li> </ul>	No

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

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

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

**Mr Tan Eng Kiat, Dominic**, the Director seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 July 2021 ("AGM") (the "**Retiring Director**").

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

Date of Appointment	3 March 2008
Date of last re-appointment	30 April 2019
Age	78
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Tan Eng Kiat, Dominic for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Tan possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p> <p>In addition, the Board, having reviewed independence of Mr Tan and taking into account the deliberations of the NC, is of the view that he is able to exercise independent and objective judgement considering that there are no relationships or circumstances which may affect his judgement and ability to discharge his duties and responsibilities as independent director.</p>
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Nominating Committee and member of the Remuneration Committee.
Professional qualifications	Mr. Tan is the Technician member of The Chartered Institute of Building, United Kingdom.
Working experience and occupation(s) during the past 10 years	Retiree since year 2007
Shareholding interest in the listed issuer and its subsidiaries	<u>Direct Interest</u> 225,000 ordinary shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments* Including Directorships# Past (for the last 5 years) Present	Present: Company Director of: Yongnam Holdings Limited (SGX Listed) Sitra Holdings (International) Ltd

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

(a) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(b) Whether there is any unsatisfied judgment against him?	No
(c) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(e) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(f) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(g) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(h) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(l) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: <ul style="list-style-type: none"> <li>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</li> <li>ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</li> </ul>	No



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

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

## FINANCIAL CONTENTS

**49**

Directors' Statement

**52**

Independent Auditor's Report

**57**

Consolidated Income Statement

**58**Consolidated Statement of  
Comprehensive Income**59**

Balance Sheets

**61**

Statements of Changes in Equity

**62**Consolidated Cash Flow  
Statement**63**

Notes to the Financial Statements

## DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Yongnam Holdings Limited (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2020.

### **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 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

### **Directors**

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

Seow Soon Yong  
Siau Sun King  
Chia Sin Cheng  
Lim Ghim Siew, Henry  
Goon Kok Loon  
Teng Kian Jen, Ben  
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 objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## DIRECTORS' STATEMENT

### Directors' interests in shares and debentures

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

#### Yongnam Holdings Limited - Ordinary shares

Name of director	Direct interest			Deemed interest		
	At 31.12.2019	At 31.12.2020	At 21.1.2021	At 31.12.2019	At 31.12.2020	At 21.1.2021
Seow Soon Yong	107,205,218	86,105,007	86,105,007	4,082,108	4,082,108	4,082,108
Siau Sun King	2,784,217	2,784,217	2,784,217	4,082,108	4,082,108	4,082,108
Chia Sin Cheng	3,713,494	3,713,494	3,713,494	–	–	–
Lim Ghim Siew, Henry	225,000	225,000	225,000	–	–	–
Tan Eng Kiat, Dominic	225,000	225,000	225,000	–	–	–

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year, or on 21 January 2021.

### Audit Committee

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

The AC performs the functions specified in Section 201B(5) of the Singapore Companies Act, 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 half yearly announcement and annual financial statements and all interested party transactions.

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

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

## DIRECTORS' STATEMENT

### **Auditor**

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

On behalf of the board of directors,

Seow Soon Yong  
Director

Chia Sin Cheng  
Director

Singapore  
14 July 2021

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

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 2020, 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 Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial statements. The Group reported a loss of S\$77,826,000 for the financial year ended 31 December 2020 and as at that date, the Group's and the Company's net current liabilities are \$129,484,000 and \$12,613,000 respectively. In addition, the Group has also breached certain financial covenants in relation to its transferable term loan borrowings as of that date. The Group's operations are affected by work stoppages caused by COVID-19 pandemic. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as going concern.

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

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

To the Members of Yongnam Holdings Limited

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

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

### **Accounting for construction contracts**

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

As part of our audit, we evaluated the design and tested the effectiveness of internal controls with respect to the project costs estimation process and accounting for construction contracts. We performed audit procedures on individually significant projects relating to contractual terms and conditions, revenue and costs incurred. We also performed procedures with respect to project cost calculations and forecasts of project profitability, and management's assessment thereof. In connection with this, we discussed a range of financial and operational risks, ongoing disputes and related estimation uncertainties with the Group's various project directors and managers and management and reviewed correspondences with contractors in assessing whether these have been factored in the accounting for construction contracts. With the knowledge gained from those discussions and the results of our audit procedures, we assessed the appropriateness of variable consideration, including the estimation of claims and variation orders, as well as the appropriateness of provision for onerous contracts and carrying values of the related contract assets for significant projects and considered whether these estimates showed any evidence of management bias.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

To the Members of Yongnam Holdings Limited

## Key Audit Matters (cont'd)

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

Our assessment was based on the historical accuracy of management's estimation of claims and variation orders in previous periods, identification and analysis of changes in assumptions used in the estimation process from prior periods, and an assessment of the consistency of assumptions used across projects. We also assessed the mathematical accuracy of the revenue calculations based on the stage of completion and considered the implications of changes in estimates.

Furthermore, we assessed the adequacy of disclosures in Notes 2.20 *Revenue and other income (a) Construction revenue*, 3.2 *Key sources of estimation uncertainty (a) Revenue recognition on construction contracts*, 16 *Contract assets and liabilities*, 32 *Financial risk management objectives and policies (b) Liquidity risk and (d) Credit risk*.

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

A history of low utilisation and recent losses gave rise to indication of impairment for certain of the Group's steel beams and columns. The impairment assessment was significant to our audit due to the carrying amounts of these certain steel beams and columns which represent 54% of the Group's total non-current assets as at 31 December 2020, and the significant judgment involved in making various assumptions in determining the underlying value-in-use computation in the impairment assessment. The assessment required management to make various assumptions such as the discount rate, the projected revenue growth rate, and the expected revenue and costs used in the cash flow forecast. As such, we considered the impairment assessment of these certain steel beams and columns to be a key audit matter.

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

## Other Information

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

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

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



# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

To the Members of Yongnam Holdings Limited

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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

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

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

14 July 2021

**CONSOLIDATED** INCOME STATEMENT

For the financial year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
<b>Revenue</b>	4	92,850	196,273
Cost of sales		(137,217)	(211,110)
<b>Gross loss</b>		(44,367)	(14,837)
Other income	5	8,039	1,675
General and administrative expenses		(23,300)	(33,918)
Finance income	6	9	15
Finance costs	7	(12,315)	(12,898)
Share of results of equity accounted investment, net of tax		(375)	399
<b>Loss before taxation</b>	8	(72,309)	(59,564)
Taxation	9	(5,517)	4,861
<b>Net loss for the year</b>		(77,826)	(54,703)
<b>Attributable to:</b>			
Owners of the Company		(78,003)	(53,755)
Non-controlling interests		177	(948)
<b>Net loss for the year</b>		(77,826)	(54,703)
<b>Loss per share (cents)</b>			
- Basic	10	(14.93)	(10.29)
- Diluted	10	(14.93)	(10.29)

*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 2020

	<b>2020</b> \$'000	<b>2019</b> \$'000
<b>Loss, net of tax</b>	(77,826)	(54,703)
<b>Item that may be reclassified subsequently to profit or loss</b>		
Foreign currency translation	(60)	(208)
Net fair value loss on equity instruments at fair value through other comprehensive income	(303)	–
<b>Total comprehensive income for the year, net of tax</b>	<u>(78,189)</u>	<u>(54,911)</u>
<b>Attributable to:</b>		
Owners of the Company	(78,366)	(53,963)
Non-controlling interests	177	(948)
<b>Total comprehensive income for the year</b>	<u>(78,189)</u>	<u>(54,911)</u>

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

## BALANCE SHEETS

As at 31 December 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	11	251,243	268,677	–	–
Right-of-use assets	14	44,459	48,058	–	–
Investments in subsidiaries	12	–	–	115,226	179,442
Equity accounted investment	13	84	459	–	–
Deferred tax assets	9(c)	–	5,056	–	–
Prepayments		271	–	–	–
Restricted bank balances	19	3,267	–	–	–
Investment securities	20	1,290	–	–	–
		300,614	322,250	115,226	179,442
<b>Current assets</b>					
Inventories	15	19,766	27,120	–	–
Contract assets	16	36,568	70,576	–	–
Trade receivables	17	14,847	21,897	–	–
Other receivables and deposits	18	5,946	6,655	9	9
Prepayments		1,893	4,373	4	4
Cash and bank balances	19	5,500	9,117	20	21
		84,520	139,738	33	34
<b>Current liabilities</b>					
Contract liabilities	16	32,028	20,225	–	–
Trade payables	21	50,407	58,509	–	–
Other payables and accruals	22	13,428	12,994	771	556
Borrowings	23	93,378	101,369	–	–
Lease liabilities	14	12,590	9,015	–	–
Convertible bonds (liability)	24	11,875	–	11,875	–
Income tax payable		298	525	–	–
		214,004	202,637	12,646	556
<b>Net current liabilities</b>		(129,484)	(62,899)	(12,613)	(522)
<b>Non-current liabilities</b>					
Borrowings	23	13,842	9,899	–	–
Lease liabilities	14	44,655	47,066	–	–
Convertible bonds (liability)	24	–	10,334	–	10,334
Convertible bonds (derivative)	24	–	1,299	–	1,299
Deferred tax liabilities	9(c)	69	–	–	–
		58,566	68,598	–	11,633
<b>Net assets</b>		112,564	190,753	102,613	167,287

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

# BALANCE SHEETS

As at 31 December 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Equity</b>					
Share capital	25	141,445	141,445	141,445	141,445
Capital reserves	26	6,837	6,837	–	–
Share option reserve	27	12,800	12,800	12,800	12,800
Foreign currency translation reserve	28	(6,553)	(6,493)	–	–
Fair value reserve	29	(303)	–	–	–
Retained earnings		(32,742)	45,261	(51,632)	13,042
		121,484	199,850	102,613	167,287
Non-controlling interests		(8,920)	(9,097)	–	–
<b>Total equity</b>		112,564	190,753	102,613	167,287

*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 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Share capital</b>	25				
Balance at beginning and end of year		141,445	141,445	141,445	141,445
<b>Capital reserves</b>	26				
Balance at beginning and end of year		6,837	6,837	–	–
<b>Share option reserve</b>	27				
Balance at beginning and end of year		12,800	12,800	12,800	12,800
<b>Foreign currency translation reserve</b>	28				
Balance at beginning of year		(6,493)	(6,285)	–	–
Foreign currency translation (other comprehensive income)		(60)	(208)	–	–
Balance at end of year		(6,553)	(6,493)	–	–
<b>Fair value reserve</b>	29				
Balance at beginning of year		–	–	–	–
Fair value loss (other comprehensive income)		(303)	–	–	–
Balance at end of year		(303)	–	–	–
<b>Retained earnings</b>					
Balance at beginning of year		45,261	99,016	13,042	12,262
(Loss)/profit for the year		(78,003)	(53,755)	(64,674)	780
Balance at end of year		(32,742)	45,261	(51,632)	13,042
<b>Non-controlling interests</b>					
Balance at beginning of year		(9,097)	(8,149)	–	–
Profit/(loss) for the year		177	(948)	–	–
Balance at end of year		(8,920)	(9,097)	–	–
<b>Total equity</b>		112,564	190,753	102,613	167,287

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 2020

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Loss before taxation		(72,309)	(59,564)
Add/(less):			
Finance income	6	(9)	(15)
Finance costs	7	12,315	12,898
Net gain on fair value of derivative instruments held at fair value through profit or loss	5	(1,299)	(1,403)
Issuance cost on convertible bonds (derivative)	8	–	91
Depreciation on property, plant and equipment	8	26,758	25,168
Depreciation on right of use assets	8	9,176	7,850
Consumption allowance for steel beams and columns	8	4,231	6,059
Provision/(write back of provision) for onerous contracts	8	167	(212)
Impairment on trade receivables	8	151	2,156
Loss on disposal of property, plant and equipment	8	1,192	15,138
Share of results of associated companies		375	(399)
Effects of changes in foreign exchange		27	(100)
<b>Operating cash flows before changes in working capital</b>		<b>(19,225)</b>	<b>7,667</b>
Decrease in trade receivables, other receivables and deposits and contract assets		47,375	15,216
Increase in trade payables, other payables and accruals and contract liabilities		4,316	601
Decrease in inventories		10,102	18,241
<b>Cash flows generated from operations</b>		<b>42,568</b>	<b>41,725</b>
Income tax paid		(611)	(590)
Interest received	6	9	15
Interest paid		(10,775)	(12,035)
<b>Net cash flows generated from operating activities</b>		<b>31,191</b>	<b>29,115</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11(a)	(22,905)	(26,951)
Proceeds from disposal of property, plant and equipment		3,423	12,685
<b>Net cash flows used in investing activities</b>		<b>(19,482)</b>	<b>(14,266)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of convertible bonds	24	–	12,500
Issuance cost on convertible bonds	24	–	(418)
Increase in restricted bank balances		(3,267)	–
Proceeds from borrowings	23(c)	9,166	2,921
Repayment of borrowings	23(c)	(12,939)	(26,137)
Payment of principal for lease liabilities	14	(8,256)	(8,850)
<b>Net cash flows used in financing activities</b>		<b>(15,296)</b>	<b>(19,984)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,587)</b>	<b>(5,135)</b>
Effect of exchange rate changes on cash and cash equivalents		(30)	(12)
Cash and cash equivalents at beginning of year		9,117	14,264
<b>Cash and cash equivalents at end of year</b>		<b>5,500</b>	<b>9,117</b>

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 2020

## 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 12 to the financial statements. There have been no significant changes in the nature of the activities during the financial year.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

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

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

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

### Going concern assumption

As at 31 December 2020, the Group and the Company are in respective net current liabilities positions of \$129,484,000 (2019: \$62,899,000) and \$12,613,000 (2019: \$522,000). In addition, the Group has also breached certain financial covenants in relation to its transferable term loan borrowings as of that date. For the financial year ended on that date, whilst the Group generated positive operating cash flow of \$31,191,000 (2019: \$29,115,000), it recorded a net loss of \$77,826,000 (2019: \$54,703,000). These factors indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as going concern.

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

The Group announced on 4 June 2021 that it had successfully secured commitments from all holders of the \$12,500,000 convertible bonds that matured on 4 June 2021 (Note 24). Under the latest arrangement with the convertible bond holders, the Group will not need to make repayment of the \$12,500,000 convertible bonds on 4 June 2021 but instead commits to repay \$3,000,000 of this balance over 10 equal monthly tranches from June 2021 to March 2022. In respect of the remaining balance, the Group will enter separate bond subscription agreements with each existing bond holder for the subscription and issue of \$9,500,000 in aggregate principal amount of new 7% redeemable convertible bonds that will be issued by the Company to the existing bond holders. The new redeemable convertible bonds will mature a year after its date of issuance.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

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

Subsequent to the reporting period, the Group also successfully obtained commitment from lender to restructure its transferrable term loan of \$67,340,000 which was originally due for full repayment by 31 January 2022 (Note 23). The restructuring has resulted in the loan's final maturity date extended to 30 July 2023 and the Group's committed monthly repayment amount significantly reduced. The restructured loan is subject to monthly repayment over the period from February 2021 to June 2023 with final repayment being due on 30 July 2023. The Group has also successfully obtained indulgence for a waiver of the breach of the financial covenants for the year ended 31 December 2020 from its lender. In addition, the Group obtained commitments from its lenders to restructure the repayment of its trade facility borrowings which are expected to provide additional cash flow relief to the Group.

The Group has assessed and concluded its ability to continue as a going concern after taking into account the expected cash flows from its secured project order book as at 31 December 2020 and anticipation that business activities will continue to progressively pick up pace since resumption of construction activities in later half of 2020. Furthermore, as the overall Covid-19 situation in the key markets where the Group operates in continue to be under control, it is management's view that similar business disruptions such as construction work complete stoppages experienced during the financial year ended 31 December 2020 are not likely to recur given the robust government control measures currently in place. The Group has also considered the immediate-term options it has to raise funds to meet working capital needs and satisfy debt obligations, where necessary. Such options include the ability to scrap idle steel beams and columns which it presently does not foresee will be deployed in projects in the near term on the back of current strong market demand for scrap steel.

If the Group is unable to continue its operations for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

### 2.2 Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2020. The adoption of these standards did not have any effect on the financial performance or position of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 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:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to SFRS(I) 16 <i>Leases: Covid-19-Related Rent Concession</i>	1 June 2020
Amendments to SFRS(I) 9 <i>Financial Instruments</i> , SFRS(I) 1-39 <i>Financial Instruments: Recognition and Measurement</i> , SFRS(I) 7 <i>Financial Instruments: Disclosures</i> , SFRS(I) 4 <i>Insurance Contracts</i> , SFRS(I) 16 <i>Leases: Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Amendments to SFRS(I) 16 <i>Property, Plant and Equipment: Proceeds before Intended use</i> .	1 January 2022
Amendments to SFRS(I) 37 <i>Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract</i>	1 January 2022
Amendments to SFRS(I) 1 <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to SFRS(I) 10 <i>Consolidated Financial Statements</i> and SFRS(I) 1-28 <i>Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

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

### 2.4 Basis of consolidation and business combinations

#### (a) Basis of consolidation

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

#### (b) Business combinations and goodwill

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

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

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

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

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

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

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

### 2.5 Foreign currency

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.5 Foreign currency (cont'd)

#### (a) Transactions and balances

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

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

#### (b) Consolidated financial statements

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

### 2.6 Property, plant and equipment

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.6 Property, plant and equipment (cont'd)

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on 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 Equity-accounted investments

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.8 Equity-accounted investments (cont'd)

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

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

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

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

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

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

### 2.9 Financial assets

#### *Initial recognition and measurement*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.9 Financial assets (cont'd)

#### *Subsequent measurement*

##### Investments in debt instruments

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

##### *Amortised cost*

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

##### Investments in equity instruments

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

##### *De-recognition*

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

### 2.10 Financial liabilities

#### *Initial recognition and measurement*

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.10 Financial liabilities (cont'd)

#### *Subsequent measurement*

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

#### *De-recognition*

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

### 2.11 Impairment of financial assets

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

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

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

### 2.12 Cash and cash equivalents

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

### 2.13 Convertible bonds

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.13 Convertible bonds (cont'd)

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

### 2.14 Inventories

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

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

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

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

### 2.15 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

### 2.16 Leases

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

#### *Group as a lessee*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.16 Leases (cont'd)

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

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

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

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

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

#### (b) *Lease liabilities*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.16 Leases (cont'd)

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

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

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

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

#### *Group as a lessor*

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

### 2.17 Provisions

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

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

### 2.18 Borrowing costs

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

### 2.19 Employee benefits

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.19 Employee benefits (cont'd)

#### (c) Share option plans

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

### 2.20 Revenue and other income

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

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

#### (a) Construction revenue

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

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

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

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

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

#### (b) Interest income

Interest income is recognised using the effective interest method.

#### (c) Rental income

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

### 2.21 Taxes

#### (a) Current income tax

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.21 Taxes (cont'd)

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

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

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

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

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

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

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.21 Taxes (cont'd)

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

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

#### (c) *Sales tax*

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

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

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

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

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

### 2.23 *Government grants*

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 3. Significant accounting estimates and judgements

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

### 3.1 Judgements made in applying accounting policies

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

### 3.2 Key sources of estimation uncertainty

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

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

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

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

Contract revenue and contract costs recognised for the financial year ended 31 December 2020 are disclosed in the consolidated income statement. Contract assets and liabilities are disclosed in Note 16 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

#### (b) *Impairment assessment on non-financial assets*

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

#### *Investments in subsidiaries*

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

The carrying amount of the Company's investments in subsidiaries is disclosed in Note 12. As at 31 December 2020, the carrying amount of an investment including amount due from the subsidiary was subject to impairment assessment as the entity has been loss-making. As a result, an impairment loss of \$66,000,000 (2019: \$Nil) was assessed on the cost of investment in the subsidiary.

#### *Steel beams and columns*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 4. Revenue

### (a) Disaggregation of revenue

	Group	
	2020 \$'000	2019 \$'000
<i>Major product or service line:</i>		
Structural steelworks	46,230	70,690
Specialist civil engineering	44,389	92,966
Mechanical engineering	29	90
Design and build	1,197	26,011
Others	1,005	6,516
	92,850	196,273
	92,850	196,273

### (a) Disaggregation of revenue (cont'd)

	Group	
	2020 \$'000	2019 \$'000
<i>Timing of transfer of goods or services:</i>		
Over time	92,850	189,757
At a point in time	–	6,516
	92,850	196,273
	92,850	196,273

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

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2020 is \$543 million (2019: \$405 million). This amount has not included the following:

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

The Group expects to recognise all its unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2020 within 5 years of the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 5. Other income

	Group	
	2020 \$'000	2019 \$'000
Rental income	120	156
Government grants (Note A)	6,606	1
Other operating income	14	115
Fair value gain on derivative instruments held at fair value through profit or loss (Note 24)	1,299	1,403
	8,039	1,675

Note A:

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

## 6. Finance income

	Group	
	2020 \$'000	2019 \$'000
Interest income from short term deposits	9	15

## 7. Finance costs

	Group	
	2020 \$'000	2019 \$'000
Interest expense:		
– Borrowings	5,010	6,647
– Convertible bonds (Note 24)	2,416	1,301
– Lease liabilities	3,181	3,121
– Other interest	248	160
Bank charges	1,460	1,669
	12,315	12,898

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 8. Loss before taxation

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

	Group	
	2020	2019
	\$'000	\$'000
Audit fees:		
– Auditor of the Company	191	241
– Other auditors	48	28
Non-audit fees:		
– Auditor of the Company	29	35
– Other auditors	1	9
Rental expense	310	1,309
Depreciation of property, plant and equipment <sup>(1)</sup> (Note 11)	26,758	25,168
Depreciation of right-of-use assets <sup>(1)</sup> (Note 14)	9,176	7,850
Loss on disposal of property, plant and equipment	1,192	15,138
Consumption allowance for steel beams and columns (Note 11)	4,231	6,059
Impairment on trade receivables	151	2,156
Employee benefits expense <sup>(2)</sup>	28,766	52,616
Issuance cost on convertible bonds (derivative)	–	91
Steel materials recognised as an expense in cost of sales (Note 15)	13,752	51,911
Provision/(write back of provision) for onerous contracts	167	(212)

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

	2020	2019
	\$'000	\$'000
Depreciation of property, plant and equipment	24,903	22,838
Depreciation of right-of-use assets	8,822	7,513

<sup>(2)</sup> This represents total employee benefits expense for the year, out of which \$27,699,000 (2019: \$44,397,000) had been allocated to construction costs incurred to date. Included in total employee benefits expense are contributions to defined contribution schemes of \$1,478,000 (2019: \$1,847,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 9. Taxation

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

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

	Group	
	2020 \$'000	2019 \$'000
<b>Income statement:</b>		
Current income tax		
– Current income taxation	346	390
– Under provision in respect of prior years	47	653
Deferred income tax		
– Origination and reversal of temporary differences	4	(7,896)
– Under provision in respect of prior years	5,120	1,926
Withholding tax expenses	–	66
	5,517	(4,861)
	5,517	(4,861)

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

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

	Group	
	2020 \$'000	2019 \$'000
Loss before taxation	(72,309)	(59,564)
Taxation at statutory tax rate of 17% (2019: 17%)	(12,293)	(10,126)
Effect of different tax rates in other countries	57	201
Non-deductible expenses	30	1,580
Income not subject to taxation	(205)	(372)
Deferred tax assets not recognised	13,058	993
Utilisation of deferred tax assets previously not recognised	(233)	(28)
Under provision in respect of prior years	5,167	2,579
Others	(64)	312
Income tax expense/(credit)	5,517	(4,861)
	5,517	(4,861)

The corporate income tax rates applicable to the Malaysian companies, Hong Kong subsidiary, India subsidiary and Myanmar subsidiary are 24%, 16.5%, 25% and 25% (2019: 24%, 16.5%, 25% and 25%) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 9. Taxation (cont'd)

#### (c) *Deferred taxation*

Deferred tax as at 31 December relates to the following:

	Group	
	2020 \$'000	2019 \$'000
<b>Deferred tax liabilities:</b>		
Differences in depreciation for tax purpose	(84)	(28,670)
<b>Deferred tax assets:</b>		
Unutilised tax losses and capital allowances	15	32,244
Sundry provisions	–	1,482
Deferred tax (liabilities)/assets, net	(69)	5,056

Certain subsidiaries have unutilised tax losses of approximately \$296,031,000 (2019: \$19,989,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with the certain provisions of the tax legislation of the respective countries in which the companies operate.

### 10. Loss per share

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

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

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

	Group	
	2020 \$'000	2019 \$'000
Net loss attributable to ordinary equity holders of the Company	(78,003)	(53,755)
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic and diluted earnings per share computation	522,603	522,603

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 11. Property, plant and equipment

Group	Freehold land \$'000	Leasehold property \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Office equipment and furniture \$'000	Steel beams and columns \$'000	Cranes \$'000	Total \$'000
<b>Cost</b>								
At 1 January 2019	30,226	56,502	32,913	6,925	7,263	358,839	53,033	545,701
Additions	—	—	6	197	290	28,178	28	28,699
Disposals/write-offs	—	—	—	(634)	(128)	(41,966)	(8,542)	(51,270)
Transfers*	—	—	—	—	—	(33,530)	—	(33,530)
Translation adjustments	(33)	(1)	(13)	(3)	—	(135)	(50)	(235)
At 31 December 2019 and 1 January 2020	30,193	56,501	32,906	6,485	7,425	311,386	44,469	489,365
Additions	—	—	2,600	—	108	22,483	1,555	26,746
Disposals/write-offs	—	—	(103)	(464)	(95)	(22,093)	(3,983)	(26,738)
Transfers*	—	—	—	—	—	(659)	—	(659)
Translation adjustments	(114)	(5)	(42)	(6)	(8)	(405)	(106)	(686)
At 31 December 2020	30,079	56,496	35,361	6,015	7,430	310,712	41,935	488,028

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

11. Property, plant and equipment (cont'd)								
Group	Freehold land \$'000	Leasehold property \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Office equipment and furniture \$'000	Steel beams and columns \$'000	Cranes \$'000	Total \$'000
<b>Accumulated depreciation</b>								
At 1 January 2019	–	28,380	25,457	4,458	6,013	125,938	40,651	230,897
Depreciation	–	3,243	1,481	841	691	15,682	3,230	25,168
Disposals/write-offs	–	–	–	(627)	(71)	(18,194)	(6,383)	(25,275)
Transfers*	–	–	–	–	–	(16,079)	–	(16,079)
Consumption allowance #	–	–	–	–	–	6,059	–	6,059
Translation adjustments	–	(1)	(10)	(2)	–	(26)	(43)	(82)
At 31 December 2019 and 1 January 2020	–	31,622	26,928	4,670	6,633	113,380	37,455	220,688
Depreciation	–	3,096	1,615	724	506	18,404	2,413	26,758
Disposals/write-offs	–	–	(103)	(311)	(72)	(10,013)	(3,971)	(14,470)
Transfers*	–	–	–	–	–	(167)	–	(167)
Consumption allowance #	–	–	–	–	–	4,231	–	4,231
Translation adjustments	–	(4)	(41)	(6)	(6)	(80)	(118)	(255)
At 31 December 2020	–	34,714	28,399	5,077	7,061	125,755	35,779	236,785
<b>Net book value</b>								
At 31 December 2019	30,193	24,879	5,978	1,815	792	198,006	7,014	268,677
At 31 December 2020	30,079	21,782	6,962	938	369	184,957	6,156	251,243

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

During the financial year, the Group acquired property, plant and equipment amounting to \$26,746,000 (2019: \$28,699,000) of which \$3,841,000 (2019: \$1,748,000) were acquired by means of hire purchase. The cash outflow on acquisition of property, plant and equipment excluding those on hire purchases, amounted to \$22,905,000 (2019: \$26,951,000).

As at 31 December 2020, the Group has certain cranes, motor vehicles and plant and machinery under hire purchase contracts with a net book value of \$7,028,000 (2019: \$7,321,000).

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

In addition to assets held under leases, the Group's freehold land, leasehold property and certain steel beams and columns with a carrying amount of \$214,194,000 (2019: \$230,477,000) are mortgaged to secure the Group's borrowings (Note 23).

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

The details of the leasehold property held by the Group as at 31 December 2020 and 31 December 2019 are as follows:

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

### 12. Investment in subsidiaries

	Note	Company	
		2020 \$'000	2019 \$'000
<i>Investments in subsidiaries</i>			
Unquoted equity, less impairment	(a)	58,430	64,430
Amounts due from subsidiaries, less impairment (non-current)	(b)	56,796	115,012
		<u>115,226</u>	<u>179,442</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

	Company	
	2020 \$'000	2019 \$'000
(a) <b>Investments in subsidiaries</b>		
Unquoted equity, at cost	124,529	64,529
Allowance for impairment	(66,099)	(99)
	58,430	64,430

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

	2020 \$'000	2019 \$'000
At the beginning of reporting period	(99)	(99)
Impairment charge	(66,000)	–
At the end of reporting period	(66,099)	(99)

The Company performed an impairment assessment on investment in a subsidiary and amount due from the entity which has been loss-making. An impairment loss of \$66,00,000 (2019: \$Nil) was recorded on the investment based on a value-in-use that was determined using a discount rate of 9%.

	Company	
	2020 \$'000	2019 \$'000
(b) <b>Amounts due from subsidiaries</b>		
Due from subsidiaries (non-trade)	62,429	120,645
Allowance for impairment	(5,633)	(5,633)
	56,796	115,012

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

	2020 \$'000	2019 \$'000
At the beginning and end of reporting period	5,633	5,633

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

12. Investment in subsidiaries (cont'd)	(c) Details of subsidiaries	Name of company (Country of incorporation)	Principal activities	Company Cost of investment		Proportion of ownership interest	
				2020 \$'000	2019 \$'000	2020 %	2019 %
<b>Held by the Company</b>							
		Yongnam Engineering & Construction (Private) Limited <sup>(1)</sup> (Singapore)	Engineering contractors	56,945	62,945	100	100
		Yongnam Development Pte Ltd <sup>(5)</sup> (Singapore)	Dormant	*	*	100	100
		Yongnam Investment Pte Ltd <sup>(5)</sup> (Singapore)	Dormant	*	*	100	100
		Yongnam Engineering Sdn. Bhd. <sup>(4)</sup> (Malaysia)	Engineering contractors	1,046	1,046	100	100
		Yongnam Engineering & Construction (Thailand) Ltd <sup>(2) #</sup> (Thailand)	Engineering contractors	–	–	48.4	48.4
		Yongnam Steel Work System Engineering (Shanghai) Co., Ltd <sup>(5)</sup> (People's Republic of China)	Dormant	37	37	100	100
		Yongnam Steel Work Engineering (JinJiang) Co., Ltd <sup>(5)</sup> (People's Republic of China)	Dormant	*	*	100	100
		Yongnam Myanmar Co. Ltd (Myanmar) <sup>(6)</sup>	Engineering contractors	69	69	100	100
		Yongnam Engineering & Construction Sdn. Bhd. <sup>(4)</sup> (Malaysia)	Investment holding	333	333	100	100
				58,430	64,430		

\* Denotes amount less than \$1,000

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

Name of company (Country of incorporation)	Principal activities	Proportion of ownership interest	
		2020 %	2019 %
<b>Held by Yongnam Engineering &amp; Construction (Private) Limited</b>			
YNE Project Engineering Pte. Ltd. <sup>(1)</sup> (Singapore)	Engineering contractors	100	100
Yongnam Engineering (HK) Limited <sup>(3)</sup> (Hong Kong)	Engineering contractors	100	100
Yongnam Jian Huang Joint Venture (Singapore) <sup>(7)</sup>	Engineering contractors	51	51
Global Maritime and Port Services Pte Ltd /Yongnam Engineering & Construction (Pte) Ltd (Singapore) <sup>(7)</sup>	Port operator	60	60
Yongnam Engineering India Private Limited <sup>(8)</sup>	Engineering contractors	100	100
<b>Held by YNE Project Engineering Pte. Ltd.</b>			
Jiwa Harmoni Offshore Sdn. Bhd. <sup>(4)</sup> (Malaysia)	Engineering contractors	100	100

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by SPA Audit Co, Ltd, Thailand.

(3) Audited by F. S. Li & Co, Hong Kong.

(4) Audited by ASQ PLT, 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.

(8) Audited by SKP Business Consulting LLP, India

# The Group holds 48.4% (2019: 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 2020

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

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

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
			\$'000	\$'000
<b>31 December 2020:</b>				
Yongnam Jian Huang Joint Venture	Singapore	49%	184	(8,227)
Global Maritime and Port Services Pte Ltd /Yongnam Engineering & Construction (Pte) Ltd	Singapore	40%	(7)	(693)
<b>31 December 2019:</b>				
Yongnam Jian Huang Joint Venture	Singapore	49%	(334)	(8,411)
Global Maritime and Port Services Pte Ltd /Yongnam Engineering & Construction (Pte) Ltd	Singapore	40%	(614)	(686)

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

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

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

	2020 \$'000	2019 \$'000
Non-current asset	–	17
Current assets	902	3,708
Current liabilities	(19,423)	(22,603)
Net current liabilities	(18,521)	(18,878)
Net liabilities	(18,521)	(18,878)

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

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

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	601	7,518
Profit/(loss) after income tax	357	(2,216)

(iii) **Other summarised information**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash flows generated from/(used in) operating activities	887	(2,350)
Net cash flows (used in)/generated from financing activities	(149)	1,931

### 13. Equity accounted investment

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

Name of company (Country of incorporation)	Principal activities	Proportion of ownership interest	
		2020 %	2019 %
Leighton Yongnam Joint Venture (Singapore) *	Engineering contractors	30	30

\* Audited by Ernst & Young LLP, Singapore.

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

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss)/profit after tax	(1,251)	1,330
Total comprehensive income	(1,251)	1,330

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 14. Leases

#### As a lessee

The Group has lease contracts for various items of plant, machinery and leasehold properties used in its operations. Leases of plant and machinery generally have lease terms between 8 to 54 months, while leasehold properties generally have lease terms between 12 to 100 months. The Group's obligations under its leases are secured by the lessors' title to the respective leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
As at 1 January	48,058	53,692
Additions	5,615	2,210
Depreciation expense	(9,176)	(7,850)
Derecognition of right-of-use assets*	(4)	–
Translation adjustment	(34)	6
As at 31 December	44,459	48,058

The following are the amounts recognised in profit or loss:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Depreciation expense of right-of-use assets	9,176	7,850
Interest expense on lease liabilities	3,181	2,917
Rental expense – short term leases	310	1,309
Gain on sale and leaseback	–	(1,225)
Total amount recognised in profit or loss	12,667	10,851

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 14. Leases (cont'd)

### As a lessee (cont'd)

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

	Group	
	2020 \$'000	2019 \$'000
As at 1 January	56,081	59,151
Additions	9,456	5,774
Accretion of interest	3,181	3,121
Payments of principal and interest	(11,433)	(11,971)
Derecognition of lease liabilities*	(4)	—
Translation adjustment	(36)	6
	<hr/>	<hr/>
As at 31 December	57,245	56,081
	<hr/> <hr/>	<hr/> <hr/>
Current	12,590	9,015
Non-current	44,655	47,066
	<hr/> <hr/>	<hr/> <hr/>

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

During the year, the Group had total cash outflows for leases of \$11,743,000 (2019: \$13,280,000).

## 15. Inventories

	Group	
	2020 \$'000	2019 \$'000
<b>Balance sheet (lower of cost or net realisable value):</b>		
Consumable materials	1,445	1,885
Steel materials	18,321	25,235
	<hr/>	<hr/>
	19,766	27,120
	<hr/>	<hr/>
<b>Income statement:</b>		
Steel materials recognised as an expense in cost of sales	13,752	51,911
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 16. Contract assets and liabilities

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

	Group	
	2020 \$'000	2019 \$'000
Receivables from contracts with customers (Note 17)	14,847	21,897
Contract assets	36,568	70,576
Contract liabilities	(32,028)	(20,225)

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for its construction contracts. Contract assets are transferred to receivables when the rights become unconditional. As such, the balances of this account vary and depend on the number of ongoing project activities at the end of the year.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for construction contracts. Contract liabilities are recognised as revenue as the Group performs under the construction contracts.

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

	Group	
	2020 \$'000	2019 \$'000
Contract assets re-classified to trade receivables	50,194	6,583
Impairment loss on contract assets	8,429	-

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

	Group	
	2020 \$'000	2019 \$'000
Revenue recognised that was included in contract liabilities at the beginning of the year	20,225	15,129

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 17. Trade receivables

	Group	
	2020 \$'000	2019 \$'000
Trade receivables	17,154	24,053
Less: Allowance for expected credit loss (Note 32(d))	(2,307)	(2,156)
	<u>14,847</u>	<u>21,897</u>

Movement in allowance account:

	Group	
	2020 \$'000	2019 \$'000
At 1 January	2,156	–
Charge for the year	151	2,156
At 31 December	<u>2,307</u>	<u>2,156</u>

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

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

	Group	
	2020 \$'000	2019 \$'000
United States Dollar	89	1,413

### 18. Other receivables and deposits

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Other debtors	2,033	3,498	9	9
Deposits	3,913	3,157	–	–
	<u>5,946</u>	<u>6,655</u>	<u>9</u>	<u>9</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 19. Cash and bank balances

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

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

	Group	
	2020 \$'000	2019 \$'000
United States Dollar	1,078	1,241
Australian Dollar	4	18
Indian Rupee	2	2

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

### 20. Investment securities

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

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

### 21. Trade payables

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

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

	Group	
	2020 \$'000	2019 \$'000
United States Dollar	7,079	1,398

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 22. Other payables and accruals

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Other payable	9,388	4,986	142	162
Accrued operating expenses	4,040	8,008	629	394
	<u>13,428</u>	<u>12,994</u>	<u>771</u>	<u>556</u>

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

### 23. Borrowings

	Group	
	2020 \$'000	2019 \$'000
Trade facility	12,786	12,786
Revolving term loans	7,000	10,778
Transferable term loan	67,340	75,000
Term loans	11,145	12,704
Sale and leaseback financing arrangement	3,949	—
Bridging loan	5,000	—
	<u>107,220</u>	<u>111,268</u>
<i>Comprise:</i>		
Within one year	93,378	101,369
After one year but not more than five years	13,842	9,535
More than five years	—	364
	<u>107,220</u>	<u>111,268</u>

At 31 December 2020, total secured and unsecured borrowings amounted to \$102,220,000 and \$5,000,000 (2019: \$110,490,000 and \$778,000) respectively. The Group's borrowings bear effective interest rates ranging from 1.67% to 4.10% (2019: 3.13% to 5.29%) per annum.

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

	Group	
	2020 \$'000	2019 \$'000
United States Dollar	<u>8,444</u>	<u>7,523</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 23. Borrowings (cont'd)

### (b) *Terms of borrowings*

#### (i) *Trade facility*

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

#### (ii) *Revolving term loans*

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

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

The loan relates to a \$100 million Transferable Term Loan facility which has a final maturity date in January 2022 as at 31 December 2020. Subsequent to year end, the Group obtained commitment from the lender to restructure the terms of the loan which resulted in its final maturity date rescheduled to 30 July 2023 and monthly loan repayment commitments from February 2021 to June 2023 significantly reduced.

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

Under the terms of the loan, the Group is required to comply with certain financial covenants every six-month period. The Group was in breach of these covenants as at 31 December 2020. As a result, the entire outstanding loan balance as at that date has been classified as current liabilities.

The Group succeeded to obtain an indulgence for a waiver of the breach of the financial covenants for the year ended 31 December 2020 from the lender after year end.

#### (iv) *Term loans*

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 23. Borrowings (cont'd)

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

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

The Group entered the sale and leaseback arrangement with a non-financial institution lender on 14 June 2020. The arrangement involves an agreement by the Group to sell certain steel materials to the lender on that date and to repurchase these assets back from the lender on 14 May 2021. Obligations under this sale and leaseback financing arrangement have been timely settled in full on 14 May 2021.

##### (vi) Bridging loan

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

#### (c) Reconciliation of borrowings

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

	Cash flows		Non-cash changes		31 December 2020 \$'000	
	1 January 2020 \$'000	Proceeds \$'000	Repayments \$'000	Foreign exchange movement \$'000		Others \$'000
Borrowings						
- Current	101,369	4,582	(12,939)	(274)	640	93,378
- Non-current	9,899	4,583	–	–	(640)	13,842
<b>Total</b>	<b>111,268</b>	<b>9,165</b>	<b>(12,939)</b>	<b>(274)</b>	<b>–</b>	<b>107,220</b>

	Cash flows		Non-cash changes		31 December 2019 \$'000	
	1 January 2019 \$'000	Proceeds \$'000	Repayments \$'000	Foreign exchange movement \$'000		Others \$'000
Borrowings						
- Current	47,099	2,921	(26,137)	(126)	77,612	101,369
- Non-current	87,511	–	–	–	(77,612)	9,899
<b>Total</b>	<b>134,610</b>	<b>2,921</b>	<b>(26,137)</b>	<b>(126)</b>	<b>–</b>	<b>111,268</b>

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 2020

### 24. Convertible bonds

On 4 June 2019, the Company issued convertible bonds at a nominal value of \$12,500,000 due on 4 June 2021. The bonds may be redeemed by the Company at their nominal value. The bonds can be converted into shares of the Company (the "conversion option") at the holder's option at a conversion price of \$0.179 per share at any time on and after 4 September 2019 up to close of business on 3 June 2021, if not called for redemption. On full conversion, up to 69,832,402 conversion shares are issuable and allottable to the holders of the bonds, if the full carrying amount of the bonds is converted into shares instead of being redeemed.

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

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	\$'000	\$'000
Face value of convertible bonds issued net of transaction costs		12,082
Embedded equity conversion option		(2,611)
		<hr/>
Liability component at beginning of financial year/ initial recognition	10,334	9,471
Interest expense (Note 7)	2,416	1,301
Interest payments	(875)	(438)
		<hr/>
Liability component at end of financial year	11,875	10,334
		<hr/> <hr/>

#### *Reconciliation of convertible bonds liability and associated derivative*

	Cash flows			Non-cash changes			31 December 2020
	1 January 2020	Proceeds net of costs	Repayments	Accretion of interest	Fair value gains	Others	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Convertible bonds							
- Liability	10,334	-	(875)	2,416	-	-	11,875
- Derivative	1,299	-	-	-	(1,299)	-	-
							<hr/>
	11,633	-	(875)	2,416	(1,299)	-	11,875
							<hr/> <hr/>
	Cash flows			Non-cash changes			31 December 2019
	1 January 2019	Proceeds net of costs	Repayments	Accretion of interest	Fair value gains	Others	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Convertible bonds							
- Liability	-	9,471	(438)	1,301	-	-	10,334
- Derivative	-	2,611	-	-	(1,403)	91	1,299
							<hr/>
	-	12,082	(438)	1,301	(1,403)	91	11,633
							<hr/> <hr/>



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 24. Convertible bonds (cont'd)

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

Date of valuation	Group	
	31 December 2020	31 December 2019
Share price (S\$)	0.08	0.150
Exercise price (S\$)	0.175	0.167
Expected volatility	47%	31%
Maturity period	0.21 year	1.4 years
Conversion period	0.21 year	1.4 years

The Group announced on 4 June 2021 that it had successfully secured commitments from all holders of the \$12,500,000 convertible bonds that mature on 4 June 2021. Under the latest arrangement with the convertible bond holders, the Group will not need to make repayment of the \$12,500,000 convertible bonds on 4 June 2021 but instead commits to repay \$3,000,000 of this balance over 10 equal monthly tranches from June 2021 to March 2022. In respect of the remaining balance, the Group will enter separate bond subscription agreements with each existing bond holder for the subscription and issue of \$9,500,000 in aggregate principal amount of new 7% redeemable convertible bonds that will be issued by the Company to the existing bond holders. The new redeemable convertible bonds will mature a year after its date of issuance.

### 25. Share capital

	Group and Company			
	2020		2019	
	No. of shares '000	\$'000	No. of shares '000	\$'000
<b>Issued and fully paid:</b>				
At 1 January and 31 December	522,603	141,445	522,603	141,445

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

The Company had granted share options to subscribe for the Company's ordinary shares. These options had all fully lapsed during the financial year ended 31 December 2019 (Note 27).

On 7 May 2021, the Company allotted and issued 75,003,000 new ordinary shares for consideration of \$0.076 per share via a private placement. Proceeds net of transaction costs amounting to \$5,370,000 were raised from the share placement.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 26. Capital reserves

	Group	
	2020 \$'000	2019 \$'000
Capital reserves on consolidation arising from acquisition of subsidiaries	6,837	6,837

The capital reserves are non-distributable.

## 27. 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 27. Share option reserve (cont'd)

#### *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 the ESOS during the year.

	2020		2019	
	No. '000	WAEP (\$)	No. '000	WAEP (\$)
Outstanding at beginning of year	–	–	3,954	0.303
Lapsed during the year	–	–	(3,954)	0.303
Outstanding at end of year	–	–	–	–
Exercisable at end of year	–	–	–	–

### 28. 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.

### 29. Fair value reserve

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

### 30. Commitments

#### *Capital commitments*

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

	Group	
	2020 \$'000	2019 \$'000
Capital commitments in respect of property, plant and equipment	2,508	3,530



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

#### (a) Foreign currency risk (cont'd)

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.

		2020 \$'000	2019 \$'000
<u>(Increase)/decrease loss net of tax</u>			
USD/SGD	– strengthened by 5% (2019: 5%)	(718)	(313)
	– weakened by 5% (2019: 5%)	718	313

#### (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 and Company'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
<b>2020</b>				
Trade payables	50,407	–	–	50,407
Other payables and accruals	13,428	–	–	13,428
Lease liabilities	18,301	34,807	23,867	76,975
Borrowings	45,888	64,271	1,039	111,198
	128,024	99,078	24,906	252,008

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

Group	Less than one year \$'000	Two to five years \$'000	More than five years \$'000	Total \$'000
<b>2019</b>				
Trade payables	58,509	–	–	58,509
Other payables and accruals	12,994	–	–	12,994
Lease liabilities	11,954	29,093	29,882	70,929
Borrowings	105,030	11,059	389	116,478
	<u>188,487</u>	<u>40,152</u>	<u>30,271</u>	<u>258,910</u>

Company	Less than one year \$'000	Two to five years \$'000	More than five years \$'000	Total \$'000
<b>2020</b>				
Other payables and accruals	771	–	–	771
<b>2019</b>				
Other payables and accruals	556	–	–	556

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

Company	Less than one year \$'000	Two to five years \$'000	Total \$'000
<b>2020</b>			
Financial guarantees	82,421	12,156	94,577
<b>2019</b>			
Financial guarantees	104,239	14,743	118,982

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### (c) *Interest rate risk*

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

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

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

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

At 31 December 2020, if interest rates had been 75 (2019: 75) basis points lower/higher with all other variables held constant, the Group's loss for the year would have been \$804,000 lower/higher (2019: \$835,000 lower/higher), arising mainly as a result of lower/higher interest expense on borrowings.

### (d) *Credit risk*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

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

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

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

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

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

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

#### *Trade receivables and contract assets*

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



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

##### Trade receivables and contract assets (cont'd)

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

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

		31 December 2020						Trade receivables						
		Contract assets \$'000		Current \$'000		Days past due				Total \$'000				
						Less than 30 days past due \$'000	More than 30 days past due \$'000	More than 60 days past due \$'000	More than 90 days past due \$'000					
Gross carrying amount	36,568	12,588	1,081	225	208	3,052	53,722							
Loss allowance provision	–	–	–	–	–	(2,307)	(2,307)							
	36,568	12,588	1,081	225	208	745	51,415							

		31 December 2019						Trade receivables						
		Contract assets \$'000		Current \$'000		Days past due				Total \$'000				
						Less than 30 days past due \$'000	More than 30 days past due \$'000	More than 60 days past due \$'000	More than 90 days past due \$'000					
Gross carrying amount	70,576	17,618	2,569	215	438	3,213	94,629							
Loss allowance provision	–	–	–	–	–	(2,156)	(2,156)							
	70,576	17,618	2,569	215	438	1,057	92,473							

##### Other receivables and deposits

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

##### *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 \$95,000,000 (2019: \$118,982,000) relating to corporate guarantees provided by the Company to financial institutions for banking facilities entered into by certain subsidiaries.

##### *Credit risk concentration*

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

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

	Group	
	2020 \$'000	2019 \$'000
Singapore	43,824	80,054
Hong Kong	6,229	4,606
Australia	–	2,598
Myanmar	15	247
India	1,335	4,956
Others	12	12
	51,415	92,473

At the end of the reporting period, approximately:

- 62% (2019: 75%) of the Group's trade receivables from Singapore is due from 3 customers (2019: 4) in respect of 4 (2019: 3) construction contracts.

##### *Financial assets that are neither past due nor impaired*

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 33. 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 2020 and 31 December 2019.

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

	Group	
	2020 \$'000	2019 \$'000
Borrowings	107,220	111,268
Convertible bonds (liability)	11,875	10,334
Convertible bonds (derivative)	–	1,299
	<hr/>	<hr/>
Cash and bank balances	119,095 (8,767)	122,901 (9,117)
	<hr/>	<hr/>
Net debt	110,328	113,784
	<hr/>	<hr/>
Net tangible assets value	112,564	190,753
	<hr/>	<hr/>
<b>Gearing ratio</b>	98%	60%
	<hr/>	<hr/>

### 34. Fair values of financial instruments

#### (a) Fair value hierarchy

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

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

	Fair value measurements at the end of the reporting period using			Total \$'000
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant un-observable inputs (Level 3) \$'000	
<b>2020</b>				
<b>Group and Company</b>				
<b>Financial assets:</b>				
Investment securities	1,290	–	–	1,290
<b>Financial liabilities:</b>				
Convertible bonds (derivative)	–	–	–	–
<hr/>				
	Fair value measurements at the end of the reporting period using			Total \$'000
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant un-observable inputs (Level 3) \$'000	
<b>2019</b>				
<b>Group and Company</b>				
<b>Financial liabilities:</b>				
Convertible bonds (derivative)	–	1,299	–	1,299

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

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

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

*Borrowings*

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

*Lease liabilities (non-current)*

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

*Convertible bonds*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 35. Segment information

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

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

### (a) Geographical segments

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

35. Segment information (cont'd)

(a) Geographical segments (cont'd)

2019	Singapore \$'000	Rest of Asia Pacific \$'000	Elimination \$'000	Group \$'000
Revenue from external customers	138,456	57,817	–	196,273
Inter-segment revenue	1,143	21,335	(22,478)	–
Total revenue	139,599	79,152	(22,478)	196,273
Depreciation	24,839	8,179	–	33,018
Segment loss	(43,987)	(1,107)	(1,986)	(47,080)
Share of results of equity-accounted investment				399
Finance income				15
Finance costs				(12,898)
Loss before taxation				(59,564)
Taxation				4,861
Net loss				(54,703)
Non-current assets	201,511	115,683	–	317,194

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 35. Segment information (cont'd)

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

##### Reconciliation of non-current assets

	Group	
	2020 \$'000	2019 \$'000
Total segment assets	300,614	317,194
Unallocated: Deferred tax assets	–	5,056
Total assets	300,614	322,250

#### (b) Business segments

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

#### (c) Information about major customers

Revenue from five major customers amounted to \$60,096,000 (2019: six major customers: \$113,543,000), arising from structural steel works and specialist civil engineering business segments.

### 36. Categories of financial assets and liabilities

#### (a) Financial assets carried at amortised cost

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade receivables	17	14,847	21,897	–	–
Other receivables and deposits	18	5,946	6,655	9	9
Cash and bank balances	19	8,767	9,117	20	21
Investment securities	20	1,290	–	–	–
<b>Total financial assets carried at amortised cost</b>		<b>30,850</b>	<b>37,669</b>	<b>29</b>	<b>30</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 2020	2019 2019
Trade payables	21	50,407	58,509	–	–
Other payables and accruals*		11,341	10,585	760	525
Borrowings	23	107,220	111,268	–	–
Lease liabilities	14	57,245	56,081	–	–
Convertible bonds (liability)	24	11,875	10,334	11,875	10,334
<b>Total financial liabilities carried at amortised cost</b>		<b>238,088</b>	<b>246,777</b>	<b>12,635</b>	<b>10,859</b>

\*Excludes GST/VAT payables.

### 37. Subsequent events

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

### 38. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 14 July 2021.

# STATISTICS OF SHAREHOLDING

AS AT 25 JUNE 2021

## DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

AS AT 25 JUNE 2021

Size of Shareholdings	No. of Shareholders	%	No. of Shareholders	%
1 – 99	311	2.85	9,981	0.00
100 – 1,000	916	8.39	501,309	0.08
1,001 – 10,000	6,074	55.64	27,814,641	4.51
10,001 – 1,000,000	3,571	32.71	224,773,719	36.41
1,000,001 and above	45	0.41	364,243,117	59.00
<b>Total</b>	<b>10,917</b>	<b>100.00</b>	<b>617,342,767</b>	<b>100.00</b>

## LIST OF TWENTY LARGEST REGISTERED SHAREHOLDERS

AS AT 25 JUNE 2021

No.	Name	No. of Shares	%
1	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	100,245,974	16.24
2	MOHAMED ABDUL JALEEL S/O MUTHUMARICAR SHAIK MOHAMED	54,217,835	8.78
3	MAYBANK KIM ENG SECURITIES PTE. LTD	20,015,122	3.24
4	PHILLIP SECURITIES PTE LTD	18,771,906	3.04
5	OCBC SECURITIES PRIVATE LTD	17,356,781	2.81
6	DBS NOMINEES PTE LTD	15,492,641	2.51
7	SUSTAINED LAND PTE LTD	11,800,000	1.91
8	ASDEW ACQUISITIONS PTE LTD	11,052,631	1.79
9	NEO CHENG KANG	10,218,700	1.66
10	RAFFLES NOMINEES (PTE) LIMITED	9,947,337	1.61
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	7,023,874	1.14
12	LEE EE @ LEE ENG	6,939,100	1.12
13	UOB KAY HIAN PTE LTD	6,755,650	1.09
14	HSBC (SINGAPORE) NOMINEES PTE LTD	5,125,000	0.83
15	CITIBANK NOMINEES SINGAPORE PTE LTD	4,888,311	0.79
16	OCBC NOMINEES SINGAPORE PTE LTD	4,663,601	0.76
17	YONGNAM PRIVATE LIMITED	4,082,108	0.66
18	LIM AND TAN SECURITIES PTE LTD	3,526,400	0.57
19	TERRY TAN SOON LEE @HUIRI AMITA	3,157,894	0.51
20	KGI SECURITIES (SINGAPORE) PTE. LTD	3,068,625	0.50
<b>Total:</b>		<b>318,349,490</b>	<b>51.56</b>

# STATISTICS OF SHAREHOLDING

AS AT 25 JUNE 2021

## SUBSTANTIAL SHAREHOLDERS AS AT 25 JUNE 2021

Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	Shares	%	Shares	%	Shares	%
Seow Soon Yong	86,105,007	13.95	4,082,108 <sup>(1)</sup>	0.66	90,187,115	14.61
Mohamed Abdul Jaleel S/O Muthumaricar Shaik Mohamed	54,217,835	8.78	4,007,376 <sup>(2)</sup>	0.65	58,225,211	9.43

<sup>(1)</sup> 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.

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

## SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 75.33% of the shareholding of the Company is held in the hands of the public as at 25 June 2021 and Rule 723 of the Listing Manual is complied with.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting (“AGM”) of Yongnam Holdings Limited (the “Company”) will be held by way of electronic means on Thursday, 29 July 2021 at 11.00 a.m. (or such time immediately following the conclusion or adjournment of the Extraordinary General Meeting of the Company to be held at 10:00 a.m. on the same day and by electronic means) to transact the following businesses:

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2020 and the Directors’ Statement together with the Reports of the Auditors thereon.  
**(Resolution 1)**
2. To approve the payment of proposed Directors’ fees of S\$190,000 for the financial year ended 31 December 2020 (FY2019: S\$190,000).  
**(Resolution 2)**
3. To re-elect Mr Chia Sin Cheng who is retiring by rotation in accordance to Article 103 of the Company’s Constitution and who, being eligible, offers himself for re-election as Director of the Company.  
**(Resolution 3)**  
*(Please refer to the explanatory note (a) provided)*
4. To re-elect Mr Teng Kian Jen, Ben who is retiring by rotation in accordance to Article 107 of the Company’s Constitution and who, being eligible, offers himself for re-election as Director of the Company.  
**(Resolution 4)**  
*(Please refer to the explanatory note (b) provided)*
5. To note that Mr Goon Kok Loon who is retiring by rotation in accordance to Article 103 of the Company’s Constitution has decided not to seek re-election as Director of the Company.  
*(Please refer to the explanatory note (c) provided)*

## AS SPECIAL BUSINESS

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

6. That, subject to and contingent upon passing of Resolution 6 by shareholders of the Company, excluding the directors and the CEO of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST):
  - (a) the continued appointment of Mr Lim Ghim Siew, Henry, as an independent director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved by shareholders; and
  - (b) the authority conferred by this Resolution shall continue in force until the earlier of the following:
    - (i) the retirement or resignation of Mr Lim Ghim Siew, Henry as a director; or
    - (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

**(Resolution 5)**

## NOTICE OF ANNUAL GENERAL MEETING

7. That, subject to and contingent upon the passing of Resolution 5:
- (a) the continued appointment of Mr Lim Ghim Siew, Henry as an independent director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved by shareholders (excluding the directors and the CEO of the company and their respective associates as defined in the Listing Manual of the SGX-ST); and
  - (b) the authority conferred by this Resolution shall continue in force until the earlier of the following:
    - (i) the retirement or resignation of Mr Lim Ghim Siew, Henry as a director, or
    - (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.
- (Resolution 6)**  
*(Please refer to the explanatory note (d) provided)*
8. That, subject to and contingent upon passing of Resolution 8 by shareholders of the Company, excluding the directors and the CEO of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST):
- (a) the continued appointment of Mr Tan Eng Kiat, Dominic, as an independent director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved by shareholders; and
  - (b) the authority conferred by this Resolution shall continue in force until the earlier of the following:
    - (i) the retirement or resignation of Mr Tan Eng Kiat, Dominic as a director; or
    - (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.
- (Resolution 7)**
9. That, subject to and contingent upon the passing of Resolution 7:
- (a) the continued appointment of Mr Tan Eng Kiat, Dominic as an independent director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved by shareholders (excluding the directors and the CEO of the company and their respective associates as defined in the Listing Manual of the SGX-ST); and
  - (b) the authority conferred by this Resolution shall continue in force until the earlier of the following:
    - (i) the retirement or resignation of Mr Tan Eng Kiat, Dominic as a director; or
    - (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.
- (Resolution 8)**  
*(Please refer to the explanatory note (e) provided)*

## NOTICE OF ANNUAL GENERAL MEETING

10. 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 9)

11. **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,

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 one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below), and provided further that where shareholders of the Company ("Shareholders") are not given the opportunity to participate in the same on a pro-rata basis ("non pro-rata basis"), then the Shares to be issued under such circumstances (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed twenty per cent (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the total number of issued Shares, excluding treasury shares and subsidiary holdings, shall be based on the total number of issued Shares of the Company, excluding treasury shares and subsidiary holdings, at the time such authority was conferred, after adjusting for:
- (a) new Shares arising from the conversion or exercise of any convertible securities or the exercising of share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and
- (b) any subsequent consolidation or subdivision of the Shares;

## NOTICE OF ANNUAL GENERAL MEETING

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company for the time being; and
- (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue to be in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

**(Resolution 10)**

*(Please refer to the explanatory note (f) provided)*

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

### BY ORDER OF THE BOARD

SEOW SOON YONG  
Chief Executive Officer  
14 July 2021

### Explanatory Notes:

- (a) Mr Chia Sin Cheng (Executive Director) will, upon re-election as Director of the Company, remain as Executive and non-independent director as well as the Finance Director of the Company.

Detailed information on Mr Chia Sin Cheng can be found under the "Directors' Profile" and "Additional Information on Director seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST" sections in the Company's Annual Report 2020.

- (b) Mr Teng Kian Jen, Ben (Independent Non-Executive) will, upon re-election as Director of the Company, remain as a member of the Audit Committee as well as Nominating Committee and he will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Detailed information on Mr Teng Kian Jen, Ben can be found under the "Directors' Profile" and "Additional Information on Director seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST" sections in the Company's Annual Report 2020.

- (c) In accordance with Article 103 of the Constitution of the Company, Mr Goon Kok Loon is retiring from office as Director of the Company and will not be seeking for re-election. Accordingly, Mr Goon Kok Loon will relinquish his position as Independent Director of the Company, Chairman of the Audit Committee as well as a member of the Remuneration and Nominating Committees.

- (d) The proposed ordinary resolutions 5 and 6 are to seek approval from the members via a two-tier voting process for Mr Lim Ghim Siew, Henry to continue in office as an independent director of the Company for a three-year term. Subject to the passing of these resolutions, he will continue to serve as an independent director of the Company, until the earlier of his retirement or resignation, or the conclusion of the third AGM of the Company following the passing of these resolutions. Otherwise, he will continue to serve as an independent director of the Company until the earlier of his retirement or resignation, or 31 December 2021.

In the event the two-tier voting process on re-appointment of Mr Lim Ghim Siew, Henry as an independent director is not passed at the AGM, the Company would endeavor to fill the vacancy before 31 December 2021.

## NOTICE OF ANNUAL GENERAL MEETING

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

Detailed information on Mr Lim Ghim Siew, Henry can be found under the "Directors' Profile" and "Additional Information on Director seeking re-appointment pursuant to Rule 720(6) of the Listing Manual of the SGX-ST" sections in the Company's Annual Report 2020.

- (e) The proposed ordinary resolutions 7 and 8 are to seek approval from the members via a two-tier voting process for Mr Tan Eng Kiat, Dominic to continue in office as an independent director of the Company for a three-year term. Subject to the passing of these resolutions, he will continue to serve as an independent director of the Company, until the earlier of his retirement or resignation, or the conclusion of the third AGM of the Company following the passing of these resolutions. Otherwise, he will continue to serve as an independent director of the Company until the earlier of his retirement or resignation, or 31 December 2021.

In the event the two-tier voting process on re-appointment of Mr Tan Eng Kiat, Dominic as an independent director is not passed at the AGM, the Company would endeavor to fill the vacancy before 31 December 2021.

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

Detailed information on Mr Tan Eng Kiat, Dominic can be found under the "Directors' Profile" and "Additional Information on Director seeking re-appointment pursuant to Rule 720(6) of the Listing Manual of the SGX-ST" sections in the Company's Annual Report 2020.

- (f) The proposed Ordinary Resolution 10, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, to allot and issue Shares and/or Instruments (as defined above). The aggregate number of new Shares (including Shares to be issued in pursuance of Instruments made or granted) which the Directors may issue under this Resolution shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company at the time of passing of this Resolution. For issue of Shares and convertible securities other than on a pro-rata basis, the aggregate number of Shares and convertible securities to be issued shall not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company at the time of passing of this Resolution. This authority will, unless revoked or varied at a general meeting, expire on the date of the next AGM of the Company or on the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

On 8 April 2020, SGX RegCo issued a news release which introduced measures to support issuers amid the challenging business and economic climate due to COVID-19, including enabling the acceleration of fund-raising efforts by allowing Mainboard issuers to provisionally seek a general mandate for an issue of shares and convertible securities on a pro rata basis of up to an aggregate of 100% of its issued shares (excluding treasury shares and subsidiary holdings), versus 50% previously pursuant to Rule 806(2) of the Listing Manual of the SGX-ST (the "**Enhanced Share Issue Limit**").

SGX RegCo in consultation with the Monetary Authority of Singapore (MAS) has on 16 March 2021 extended the availability of the Enhanced Share Issue Limit. Issuers will have up to 31 December 2021 to seek or renew a general mandate for the Enhanced Share Issue Limit, which will expire at the conclusion of the next AGM or on the date by which the next AGM is required by law to be held, whichever is the earliest.

Any extension of time which may be obtained for the holding of the next AGM will be disregarded in determining the expiry date of the Enhanced Share Issue Limit. If an issuer subsequently changes its financial year end, the expiry date of the Enhanced Share Issue Limit will be the date by which the next AGM would have been required by law to be held, assuming no change to the financial year end.

The Company is proposing to avail itself of these measures and to seek shareholders' approval for a general mandate with an Enhanced Share Issue Limit at the upcoming AGM. The Board of Directors is of the view that it would be in the interest of the Company and its shareholders to do so due to the challenging economic environment caused by the COVID-19 situation that a 50% limit for pro rata issues may no longer sufficient to meet the Company's needs. It would be prudent to avail the Company of the option of raising further funds if necessary.

The Enhanced Share Issue Limit will expire at the conclusion of the next AGM or on the date by which the next AGM of the Company is required by law to be held, whichever is earlier ("**Expiry Date**"). By the expiry date of the Enhanced Share Issue Limit, the shares issued pursuant to the Enhanced Share Issue Limit must be listed, and no further shares may be issued under that limit. The Company will notify SGX RegCo, by way of email to [enhancedsharelimit@sgx.com](mailto:enhancedsharelimit@sgx.com), of the date on which the general mandate with the Enhanced Share Issue Limit has been approved by shareholders.



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

## INSTRUCTIONS TO SHAREHOLDERS

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

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

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

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

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

- (a) All shareholders as well as investors who hold shares through relevant intermediaries (including CPF or SRS investors), who wish to follow the proceedings of the AGM through the Live AGM Webcast must pre-register online at the pre-registration website at Yongnam AGM Website, URL: <https://conveneagm.sg/yhl>, to create an account, no later than **10.00 a.m. on 26 July 2021** (the "Registration Deadline").
- (b) Following the verification, authenticated shareholders or investors will receive the login details to join the Live AGM Webcast by **28 July 2021 at 10.00 a.m.** The confirmation email will contain user ID and password details, as well as the link to access the "live" audio-visual webcast / "live" audio webcast.
- (c) Shareholders must not forward the login details to join the Live AGM Webcast to other person who is not a shareholder of the Company and/or who is not authorised to attend the Live AGM Webcast.
- (d) Shareholders who register by the Registration Deadline but do not receive an email response by **28 July 2021, 10.00 a.m.** should contact the Company's Share Registrar, Tricor Barbinder Share Registration Services via email at [sg.is.enquiry@sg.tricorglobal.com](mailto:sg.is.enquiry@sg.tricorglobal.com) with the following details to be included, (i) the full name of the shareholder; and (2) his/her/its identification/registration number, **before 1.00 p.m. on 28 July 2021.**

# NOTICE OF ANNUAL GENERAL MEETING

## 2. Submission of Questions

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

- (a) Shareholders will not be able to ask questions during the Live AGM Webcast.
- (b) Shareholders may pre-register and submit their questions relating to the resolutions to be tabled for approval at the AGM to the Chairman of the Meeting, in advance of the AGM, in the following manner:
  - (i) via the pre-registration website.  
Shareholders who pre-register to observe and/or listen to the live AGM proceedings may submit their questions via the pre-registration website at the Yongnam AGM Website, URL: <https://conveneagm.sg/yhl>; or
  - (ii) via email.  
Shareholders may submit their questions via email at [questions@yongnamgroup.com](mailto:questions@yongnamgroup.com). If the questions are sent via email, please provide us with the following details: (i) The full name of shareholder; (ii) identification/registration number; and (iii) The manner in which you hold shares in the Company (e.g. via CDP/CPF/SRS).
- (c) All questions must be submitted by **22 July 2021 at 10.00 a.m.**
- (d) The Management and the Board of Directors of the Company will endeavour to address all substantial and relevant questions received from shareholders prior to the AGM by publishing the responses to those questions on SGX website at the URL <https://www.sgx.com/securities/company-announcements> and the Company's website at the URL [www.yongnamgroup.com](http://www.yongnamgroup.com). Where substantial and relevant questions submitted by shareholders are unable to be addressed prior to the AGM, the Company will address them at the AGM.

## 3. Proxy Voting

- (a) Shareholders will not be able to vote online at the AGM. Instead, if shareholders wish to exercise their votes, they must submit a proxy form to appoint the Chairman of the AGM (the "**AGM Chairman**") to vote on their behalf in accordance with the instructions on the proxy form.
- (b) The proxy form must be submitted through any one of the following means no later than **11.00 a.m. on 27 July 2021**:
  - (i) via the Yongnam AGM Website in the electronic format accessible on the Yongnam AGM Website, URL: <https://conveneagm.sg/yhl>; or
  - (ii) by depositing a physical copy at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644; or
  - (iii) by sending a scanned PDF copy by email to [sg.is.proxy@sg.tricorglobal.com](mailto:sg.is.proxy@sg.tricorglobal.com).
- (c) Investors who hold their shares through relevant intermediaries (including CPF or SRS investors) and who wish to exercise their votes by appointing the AGM Chairman as proxy should approach their respective relevant intermediaries (including their respective CPF Agent Banks or SRS Operators) to submit their voting instructions at least **seven (7) working days** prior to the date of the AGM.

## IMPORTANT REMINDERS

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

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

1. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their voting instruction at least 7 working days prior to the date of the AGM.
2. By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.
3. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the AGM as a member's proxy to attend and vote on his/her/its behalf at the AGM.

**PROXY FORM**

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

of \_\_\_\_\_  
(Address) being a \*member/members of **YONGNAM HOLDINGS LIMITED** (the "**Company**"), hereby appoint the **Chairman of the Annual General Meeting** (the "**AGM**") of the Company, as \*my/our proxy to vote for \*me/us on \*my/our behalf, at the AGM of the Company to be held by way of electronic means, on **Thursday, 29 July 2021 at 11.00 a.m.** (or such time immediately following the conclusion or adjournment of the Extraordinary General Meeting of the Company to be held at 10.00 a.m. on the same day and by electronic means).

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

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

Resolution No.	Ordinary Resolutions	**For	**Against	Abstain**
<b>ORDINARY BUSINESS</b>				
1.	Adoption of the Audited Financial Statements of the Company for the financial year ended 31 December 2020 and the Directors' Statement together with the Reports of the Auditors thereon.			
2.	Approval of payment of proposed Directors' fees of S\$190,000 for the financial year ended 31 December 2020.			
3.	Re-election of Mr Chia Sin Cheng as Director.			
4.	Re-election of Mr Teng Kian Jen, Ben as Director.			
<b>SPECIAL BUSINESS</b>				
5.	Approval for continued appointment of Mr Lim Ghim Siew, Henry as an independent director by shareholders, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022).			
6.	Approval for continued appointment of Mr Lim Ghim Siew, Henry as an independent director by shareholders (excluding the directors and the CEO of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST)), for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022).			
7.	Approval for continued appointment of Mr Tan Eng Kiat, Dominic as an independent director by shareholders, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022).			
8.	Approval for continued appointment of Mr Tan Eng Kiat, Dominic as an independent director by shareholders (excluding the directors and the CEO of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST)), for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022).			
9.	Re-appointment of Messrs Ernst & Young LLP as Auditors.			
10.	Authority to allot and issue shares.			

\* Delete accordingly

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

**Total Number of Shares Held**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2021

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

**IMPORTANT:** Please read notes overleaf

**Notes:**

1. The Annual General Meeting ("AGM") is being convened, and will be held by way electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice and Proxy Form of AGM will not be sent to members. Instead, it will be sent to members by electronic means via announcement on the SGX website at the URL <https://www.sgx.com/securities/company-announcements> and may be accessed at the Company's website at the URL [www.yongnamgroup.com](http://www.yongnamgroup.com).
2. Due to the current COVID-19 restriction orders in Singapore, members will not be able to attend the AGM in person.
3. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM are set out in the Company's Notice of AGM dated 14 July 2021. The Notice and Proxy Form of AGM can be accessed at the Company's website at the URL [www.yongnamgroup.com](http://www.yongnamgroup.com) and on the SGX website at the URL <https://www.sgx.com/securities/companyannouncements>.
4. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
5. The Chairman of the AGM, as proxy, need not be a member of the Company.
6. 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.
7. The Proxy Form must be submitted through any one of the following means not less than forty-eight (48) hours before the time appointed for the AGM i.e. by **11.00 a.m. on 27 July 2021**:
  - (a) via the Yongnam AGM Website in the electronic format accessible on the Yongnam AGM Website, URL: <https://conveneagm.sg/yhl>; or
  - (b) by depositing a physical copy at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644; or
  - (c) by sending a scanned PDF copy via email to [sg.is.proxy@sg.tricorglobal.com](mailto:sg.is.proxy@sg.tricorglobal.com).In the case of submission of this Proxy Form other than via the Yongnam AGM Website, the Proxy Form must be signed by the appointor or his duly authorised attorney or if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised. Where this Proxy Form is signed on behalf of the appointor by an attorney or other authority, the letter or power of attorney or a notarially certified copy thereof must be lodged with this Proxy Form.
8. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company shall be entitled to reject any proxy form which has been lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

**AFFIX  
POSTAGE  
STAMP**

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

# CORPORATE INFORMATION

## **BOARD OF DIRECTORS**

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

## **AUDIT COMMITTEE**

Goon Kok Loon (Chairman)  
Lim Ghim Siew, Henry  
Teng Kian Jen, Ben

## **REMUNERATION COMMITTEE**

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

## **NOMINATING COMMITTEE**

Tan Eng Kiat, Dominic (Chairman)  
Goon Kok Loon  
Teng Kian Jen, Ben

## **COMPANY SECRETARIES**

Pan Mi Keay, ACIS  
Wang Sieu Ting  
(Appointed on 30 March 2020)

## **REGISTERED OFFICE**

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

## **COMPANY REGISTRATION NUMBER**

199407612N

## **SHARE REGISTRAR**

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

## **AUDITORS**

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

## **AUDIT PARTNER**

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

## **YONGNAM HOLDINGS LIMITED**

51 Tuas South Street 5

Singapore 637644

T: 65 67581511

F: 65 67580753

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

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

