YONGNAM

Annual Report 2010

40 Years

of Commitment and Growth

Corporate Profile

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

Steel is increasingly the material of choice for the construction of buildings and temporary support for deep excavations. The advantages of using steel over conventional material 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 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 78,000 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 and Construction Authority, our modular strutting system is the first to be certified by an independent auditor for reusability in earth retaining or stabilizing structures.

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

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

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

Contents

Chief Executive Officer's Message

"The Group's gearing improved from 0.75 times at the end of FY2009 to 0.49 times at the end of FY2010. Our order book remained healthy at

$450.0 million

as at 31 December 2010."

Dear Shareholders,

FY2010 was a significant year. We are very proud to have added two iconic projects from the Marina Bay Sands Integrated Resort – SkyPark and ArtScience Museum – to our list of achievements. The SkyPark, a one-hectare steel structure measuring 38m wide and 343m long and weighing about 8,000MT, sits atop the three hotel towers at approximately 200m above ground and is widely acclaimed as an engineering marvel. The cantilever, which stretches out 65.5 metres beyond the third hotel tower, is the longest of its kind in the world. One particular construction milestone involved the hoisting of the SkyPark in one of the world's highest strand jacking operations ever undertaken – 14 individual lifts, with each component weighing up to 790 tonnes. The ArtScience Museum, shaped like an open palm or lotus, is a highly complex engineering and fabrication feat, comprising 5,000MT of architectural steelwork.

The Skypark and ArtScience Museum, as well as many other projects that the Group has undertaken or is currently executing, are highly complex in terms of engineering and fabrication. The challenge is intensified by tight delivery schedules. Yongnam's relentless and concerted efforts at ensuring on-time and quality delivery, backed by its 40 years of experience in engineering, steel fabrication and erection, enabled us to complete such demanding projects on time, and established for ourselves an unparalleled track record.

Yongnam continued to win prestigious projects in FY2010, such as the fifth and sixth contracts for the Marina Coastal Expressway, four contracts for MRT Downtown Line 2, and Mumbai International Airport which came closely after our successful completion of the Delhi International Airport in 2009 on schedule. Riding on the Group's established track record and brand name, we have also secured two projects for the Hong Kong MTR extension, as well as our first project in Qatar, for the Doha International Airport.

Yongnam turned in sterling results for FY2010 - profit before tax of $67.7 million and profit after tax of $54.4 million - the highest that the Group has achieved historically. Despite a marginal reduction of 3.4% in revenue, improved costs management and a shift in revenue mix towards the higher-margin specialist civil engineering contributed to the improved bottomline. The Group's gearing improved from 0.75 times at the end of FY2009 to 0.49 times at the end of FY2010. Our order book remained healthy at $450.0 million as at 31 December 2010.

Geographically, Singapore was the main contributor, accounting for 90% of the Group's revenue. The skew towards domestic contribution remains likely for FY2011. The Group's major projects in Singapore in FY2011 comprise the Marina Coastal Expressway, MRT Downtown Line 2, Gardens by the Bay and the Civic, Cultural, Retail & Entertainment Hub at Vista Xchange, One North. Overseas, the Group continues to work on the Mumbai International Airport, Hong Kong MTR projects and the Doha International Airport.

Locally, the Singapore government continues to invest in upgrading its infrastructure. The MRT network is expanding with the Downtown Line, as well as the upcoming Eastern Region Line and Thomson Line. The road network will see similar expansion with the Marina Coastal Expressway due to complete sometime in 2013, to be followed by the recently announced North-south Expressway.

To balance its portfolio of projects, the Group continues to actively seek opportunities overseas. Developments and upgrading of airport terminals, mass transit systems and commercial projects in Hong Kong, Malaysia, India, Abu Dhabi, Qatar, Oman and Saudi Arabia present opportunities to the Group. In addition, the Group is also seeking opportunities in offshore structures used in generation of clean energy, predominantly in Europe.

The recent Fiscal Budget by the Singapore Government raised concerns on increased labour costs due to hikes in foreign worker levies, as the construction industry traditionally has relied on considerably large pools of labour. While the impact on the Group is not substantial as our workers are skilled and attract lower levies, the Group will nevertheless adopt a proactive approach in raising its labour force's competencies and productivity, while continuously improving our work methods and rationalizing our headcount.

I would like to thank our Board for their invaluable contributions, our staff for their dedication, as well as our customers, bankers and suppliers for their continued support. In appreciation of the shareholders' unwavering confidence in the Group, the Board is pleased to recommend a first and final dividend of 0.65 cent per share for FY2010.

The world is facing turbulent times. Financial crises in European countries, civil uprisings in North African and Middle-eastern states, and a series of natural disasters across Asia. As we move ahead into another decade, business environment is expected to be increasingly challenging. Nevertheless, I am confident that with the continued dedication and support from all our stakeholders, we will emerge stronger.

Seow Soon Yong
Chief Executive Officer

Board of Directors

1 SEOW SOON YONG
Chief Executive Officer

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

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

2 TAN TIN NAM
Non-Executive & Non-Independent Director

Appointed to the Board on 19 October 1994

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

3 SIAU SUN KING
Executive Director

Appointed to the Board on 19 October 1994.

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

4 SEOW SOON HEE
Executive Director

Appointed to the Board on 19 October 1994

Mr. Seow joined the Group in 1977. Starting his career with the Group in its Mechanical Engineering division, Mr. Seow expanded his portfolio to include accounting, finance and administration. He graduated from the Nanyang University, Singapore, with a Bachelor of Arts degree. He currently explores new business opportunities for the Group in China. Mr. Seow also sits on the board of E3 Holdings Ltd.

5 CHIA SIN CHENG
Executive Director & Finance Director

Appointed to the Board on 8 January 2007

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

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

Appointed to the Board on 15 October 2002

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

7 GOON KOK LOON
Non-Executive & Independent Director

Appointed to the Board on 15 July 2003

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

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

Appointed to the Board on 23 January 2006.

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

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

Appointed to the Board on 3 March 2008

Mr. Tan has over 40 years of experience in business development, corporate management, and management of large civil engineering, building, industrial and environmental engineering projects. He started his career as a Trainee Quantity Surveyor with Gammon (Malaya) Ltd in 1966 and progressed to the rank of Executive Director (International Operations). He joined United Engineers (Singapore) Pte Ltd in 1993 and became Managing Director in 2000, where he spearheaded the company's regionalisation to West Malaysia, Brunei, Indonesia, Vietnam and the Middle East. Mr. Tan is a member of both the Nominating and Remuneration Committees. He also sits on the board of Sitra Holdings Ltd.

Key Executives

CHELVADURAI HARENDRAN
Project Director

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

TAN KIE TAT, RAYMOND
Project Director

Mr. Tan joined Yongnam in 2008 with vast experience in project management, having worked in local and foreign based multi-national companies as project manager for many years. Notable projects handled by Mr. Tan include The Spectrum at Woodlands and Fusionpolis at One North. He graduated in 1981 from the National University of Singapore in Civil and Structural Engineering.

KENJI AZUMA
Project Director

Mr. Azuma joined Yongnam in 2009 with vast experience in project management, having worked in Japan and foreign-based Japanese companies as project manager for many years. Notable projects managed by Mr. Azuma include Tokyo Trance Bay Project, Honsyuu-Sikoku Kurushima Bridge and Hong Kong Convention Exhibition Center. He graduated in 1972 from the Nagoya Institute of Technology in Civil and Structural Engineering.

CHEONG HOCK CHOON
Project Director

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

SIK KAY LEE
Project Director

Mr. Sik joined Yongnam in 2006 and has more than 25 years of working experience in building and civil engineering projects, having worked in local and foreign based multi-national companies as Project Manager. Notable projects managed by Mr. Sik include the Seraya Power Station, Safti Military Institution and Singapore Post Centre. Mr. Sik graduated from the University of Leicester, UK with a Bachelor of Science degree in Engineering.

SEOW SOON HOCK
Production Director

Mr. Seow has been with Yongnam for more than 30 years and has comprehensive knowledge in production, production planning and logistic 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.

TAKASHI WATABE
Engineering Director

Mr. Watabe joined Yongnam in 2009. He graduated from Waseda University of Tokyo, Japan, with a Bachelor of Science degree in Structural Engineering. Mr. Watabe has amassed many years of experience in the field of structural steel engineering and construction as well as project management. He has also worked on many mega projects for both the Japanese and international markets. His signature projects here in Singapore are One Raffles Quay Building, The National Library, Singapore Post Centre, UOB and OUB Centres.

HO WAN BOON
Engineering Director – Design

Mr. Ho joined Yongnam in 2007, after spending more than 20 years in structural design, investigation and engineering quality management in the Public Works Department, Indeco Consortium, CPG Consultants and CPG Laboratories. He obtained his German professional qualification Diplom-Ingenieur (Fachhochschule) in 1981 and Master of Science degree with Distinction from Imperial College, UK, in 1990. Mr. Ho is a Chartered Engineer of Engineering Council UK, a member of the UK Institution of Structural Engineers, a member of the Technical Committee on Building Structure and Substructure of SPRING Singapore and the 1st Vice President of the Singapore Structural Steel Society.

SEOW KHNG CHAI
General Manager – Malaysia

Mr. Seow has been with the Group for more than 20 years, starting as a Foreman in the Company. He was appointed as General Manager of the Group's subsidiaries in Malaysia, where he handled numerous prominent projects, including Kedah Cement Plant in Langkawi, Langkawi Airport, Pasir Gudang CCCP in Johor. In Singapore, he also handled projects such as Jurong Power Station, Senoko Power Plant, Pulau Seraya Power Plant, MRT Contracts, PSA Container Crane and Senoko Gas Turbine.

LIM CHEONG GUAN, JOHN
Senior Manager – Business Development

Mr. Lim joined Yongnam from 1995 to 2003 and returned in 2004. He has more than 20 years of experience in the engineering and construction industry. Mr. Lim joined the industrial engineering division of Keppel Corporation Ltd as a Project Manager in 1985 and rose to become General Manager of a subsidiary of Keppel Integrated Engineering Group. Subsequently, he became the General Manager of an associate company in Bangkok, Thailand. Mr. Lim is a Business Administration graduate from the Singapore Institute of Management, and holds a Diploma in Ship Construction from the Singapore Polytechnic.

TEO SHENG KIONG
Group Financial Controller

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

Corporate Information

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

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

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

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

COMPANY SECRETARIES
Lim Lan Sim, Joanna, ACIS
Pan Mi Keay, ACIS (Appointed on 27 February 2010)

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
8 Cross Street
#11-00 PWC Building
Singapore 048424

AUDITORS
Ernst & Young LLP
Certified Public Accountants
1 Raffles Quay
#14-00 One Raffles Quay
Singapore 048583

AUDIT PARTNER
Sim Juat Quee, Michael (Appointed with effect from financial year ended 31 December 2008)

PRINCIPAL BANKERS
DBS Bank Ltd
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
Citibank, N.A.
Industrial and Commercial Bank of China Limited
The Bank of East Asia, Limited
Australia and New Zealand Banking Group Limited
Oversea-Chinese Banking Corporation Limited
Malayan Banking Berhad
United Overseas Bank Limited

Operations Review

The Group secured a total of nine contracts which includes the much acclaimed Skypark and ArtScience Museum, at the Marina Bay Sands Integrated Resort. The last of the nine projects, the Crystal Pavilions have been completed in January 2011.

Crystal Pavilions, MBS-IR

ArtScience Museum, MBS-IR

KEY PROJECTS

Marina Bay Sands Integrated Resort

The Group secured a total of nine contracts which includes the much acclaimed Skypark and ArtScience Museum, at the Marina Bay Sands Integrated Resort. The last of the nine projects, the Crystal Pavilions have been completed in January 2011.

The Crystal Pavilions are steel structures clad fully in glass and situated at a short distance from the event plaza of the Integrated Resort. Entry to the Crystals is through an underwater tunnel. The North Crystal is formed by two halves of a five-sided structure while the South Crystal has three sides. Each half of the Crystals tilts at an opposite angle to each other, with the entire structure leaning to one side. In order to meet a very tight schedule, the facade glass were pre-ordered and fabricated. The fit of the steel structure to the facade glass had to be checked and surveyed regularly at various stages of construction to ensure an accurate fit.

The North Crystal will house a world renowned luxury goods retailer, while the South Crystal will be a world class entertainment venue.

Mumbai International Airport

The Group won its second contract in India, shortly after completing the Indira Ghandhi International Airport in New Delhi on schedule. Secured by a 50/50 joint venture with a local partner, with Yongnam as the lead partner, the contract involves the fabrication and construction of approximately 20,000 MT of structural steelworks for a roof structure and composite steel columns, for the new integrated terminal building for the Mumbai International Airport.

Also known as the Chhatrapati Shivaji International Airport, the Mumbai International Airport is one of India's busiest airports, handling some 26 million passengers per annum. The new passenger terminal building will have a total floor area of approximately 4.3 million square metres spread across four levels.

Gardens by the Bay

The Group secured a sub-contract for the design, supply and construction of structural steelworks, painting system and bracing system for the Cool Dry Conservatory Building and the Cool Moist Conservatory Building for Gardens by the Bay. Works have progressed well and Phase 1 of the Gardens is scheduled to be open for public preview in November 2011.

This landmark development comprises three distinctive waterfront gardens in the heart of Marina Bay. Sprawling 101 hectares, Gardens by the Bay is made up of Bay South, Bay East and Bay Central across the mouth of the Singapore River. Some of the key features and activities at these gardens include two conservatories for cool climate plants, mass floral displays, areas for garden festivals, open spaces for concerts and performances, water-based activities and beachfront gardens.

Mumbai International Airport

Civic, Cultural, Retail & Entertainment Hub

Operations Review

Marina Coastal Expressway

Marina Coastal Expressway

Civic, Cultural, Retail & Entertainment Hub at Vista Xchange, One North

Sitting on a 1.93 hectare site, the Civic, Cultural, Retail & Entertainment Hub will be home to Singapore's first 5,000-seat state-of-the-art performance venue, as well as providing patrons with a world-class experience with its multi-level entertainment and unique retail concepts.

Yongnam secured a sub-contract for this development to fabricate and erect the structural steelworks for the building structure, involving some 10,500 MT of steel. Erection of structural elements start from level 3 up to level 11, including double roof trusses and a sky bridge. The futuristic design of the building involving complex geometry with slanted columns and facades poses significant engineering and fabrication challenges. Adding to its distinctiveness is the sky bridge which spans almost 80 metres between the end supports.

Marina Coastal Expressway

The Marina Coastal Expressway ("MCE") is Singapore's first road tunnel under the sea. The dual five-lane 5-km expressway is Singapore's 10th expressway and the most challenging project thus far. Work has to be carried out in difficult soil conditions posed by marine clay as deep as 60 metres in some places, requiring robust temporary works for the earth retaining systems. A first in tunnel construction in Singapore will see a 420 metres section of the tunnel run beneath the sea bed across the Marina Bay at about 20 metres below mean sea level. A key challenge here is to ensure normal operations of the Marina Barrage while work progresses.

Yongnam clinched a total of six contracts for the MCE. Starting from the MCE C485 which at $185.5 million stands as the Group's single largest contract, the Group went on to secure contracts for MCE C482, C483, C486 and C487. Under C485, Yongnam will provide temporary steel pipe cofferdam, steel waling and strutting, construction decking and associated works. The contracts that followed involve the supply, installation and removal of steel struts and walers, as well as installation and extraction of temporary steel interlocking pipe pile earth retaining wall.

When completed, the MCE will serve the new downtown at Marina Bay, and connects the Kallang-Paya Lebar Expressway, the East Coast Parkway and the Ayer Rajah Expressway.

MRT Downtown Line Phase 2

The Downtown Line ("DTL"), costing $12 billion, comprises three phases. Phase 1 is expected to be completed in 2013, Phase 2 in 2015 and Phase 3 in 2017. DTL2, consisting of 12 stations, all underground, will run from Bukit Panjang along the Bukit Timah corridor, and terminates at the Rochor Station where commuters can connect to DTL1.

Yongnam won four sub-contracts for DTL2. Three of the four sub-contracts are for C921 package, which covers Rochor Station, Little India Station and the Cut & Cover Tunnel between these two stations. The fourth contract, for C918 package, comprises Tan Kah Kee Station and the Cut & Cover Tunnel between Tan Kah Kee Station and Sixth Avenue Station. Yongnam's scope of work comprises the supply, installation and removal of temporary steel strutting.

When completed, the DTL2 will facilitate direct travel from the northwestern areas of the island to the Central Business District and the Marina Bay, benefiting commuters and students from 32 schools along the DTL2 route.

FINANCIAL REVIEW

Group revenue for FY2010 was marginally lower by 3.4% at $335.1 million, compared to $346.8 million recorded for FY2009. Gross profit improved by 23.7%, from $77.4 million in FY2009 to $95.7 million in FY2010. Profit before tax increased by 38.8%, from $48.8 million in FY2009 to $67.7 million in FY2010, while profit after tax increased by 35.7% from $40.1 million to $54.4 million in FY2010.

Structural steelworks remained as the main revenue generator at 63.0% or $211.1 million (FY2009: $256.8 million), albeit a reduction of 17.8%. This was due to the completion of major projects such as the Delhi International Airport in mid-FY2009, and substantial completion of the Dubai Metro Rail project towards the end of FY2009. Key contributors to revenue from structural steelworks in FY2010 include Crystal Pavilions and ArtScience Museum at the Marina Bay Integrated Resort, the Civic, Cultural, Retail & Entertainment Hub at Vista Xchange, One North, Gardens by the Bay and Mumbai International Airport.

Specialist civil engineering registered a 37.8% growth in revenue to $123.9 million (FY2009: $89.9 million), boosted by contributions from the Marina Coastal Expressway projects.

Geographically, revenue generated from projects in Singapore accounted for 90.3% in FY2010, up from 75.1% in FY2009. India, Hong Kong, Middle-east, Malaysia and Thailand contributed the remaining 9.7%.

Order book at the end of FY2010 remained healthy at $450.0 million. The Group won its fifth and sixth contracts for the Marina Coastal Expressway, four contracts for the MRT Downtown Line Phase 2, as well as two contracts for the Hong Kong MTR expansion. It also won a sub-contract for the Mumbai International Airport in India, and a project for the Doha International Airport in Qatar.

The Group's gearing improved from 0.75 times at the end of FY2009 to 0.49 times at the end of FY2010. Improvement in the Group's net cash flows from operating activities contributed $100.6 million in FY2010, compared to $50.2 million in FY2009.

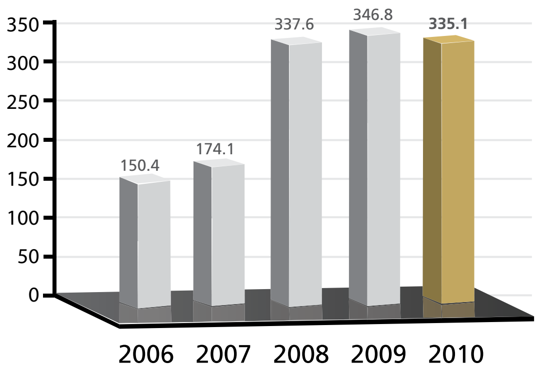
Gardens by the Bay

FINANCIAL HIGHLIGHTS

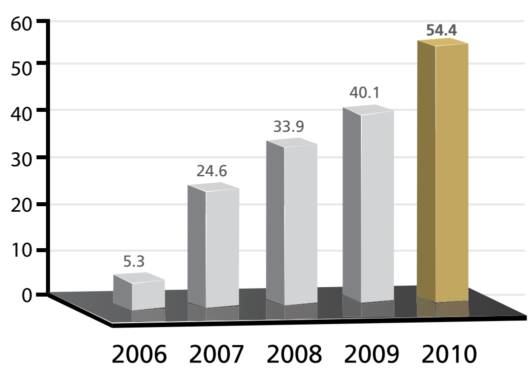
	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
PROFIT AND LOSS ACCOUNT					
Revenue	**335,078**	346,821	337,623	174,117	150,412
Profit before taxation	**67,740**	48,816	36,713	24,084	5,622
Profit after taxation	**54,398**	40,075	33,937	24,572	5,335
EPS (Basic) (cents)	**4.38**	3.27	2.79	2.14	0.72
BALANCE SHEET					
Property, plant and equipment	**269,135**	223,202	145,897	75,954	62,847
Other non-current assets	**4,699**	2,488	16,102	4,547	172
Net current assets [1]	**123,008**	131,849	113,224	123,246	25,778
	396,842	357,539	275,223	203,747	88,797
Shareholders' equity	**235,559**	187,567	147,742	108,644	7,380
Short and long-term borrowings	**137,003**	159,075	123,753	93,526	79,837
Deferred taxation	**24,280**	10,897	3,728	1,577	1,580
	396,842	357,539	275,223	203,747	88,797
NAV per share (cents)	**18.92**	15.22	12.14	8.93	0.99

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

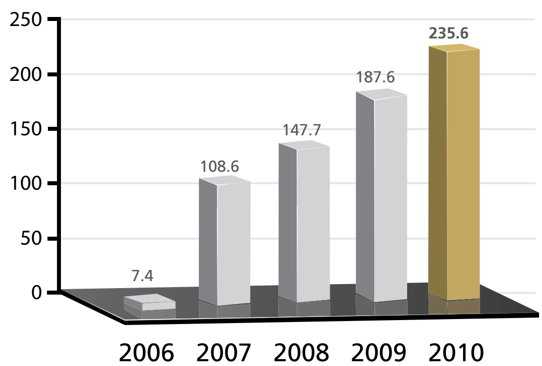
REVENUE ($ MILLION)



PROFIT AFTER TAX ($ MILLION)



SHAREHOLDERS' EQUITY ($ MILLION)



The Group is committed to maintaining a high standard of corporate governance and has adopted and complied, wherever feasible, with the Singapore Code of Corporate Governance. This Report describes Yongnam's corporate governance processes and activities in FY 2010 with specific reference to the Principles of the Code.

Board's Conduct of its Affairs & Independence of the Board (Principle 1, 2 & 3)

The Board's key responsibilities include providing leadership and guidance to management on corporate strategy and business directions, evaluation of internal controls, risk management, financial reporting and compliances. The Board is aided in its tasks by Board Committees which have been established to focus on the key areas of oversight.

During the financial year, the Board comprises nine directors, of which four are Non-Executive and Independent Directors, one Non-Executive and Non-Independent Director and four Executive Directors.

The Board of Directors has extensive business, financial, legal and management experience.

Mr. Seow Soon Yong, the Managing Director, has the executive responsibility for the day-to-day operations of the Group. He also assumes the responsibilities of the Chairman of the Board, which among other things, include the following:

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

The Board held a total of four meetings during the year in accordance with its planning cycle for the approval of the release of quarterly results. The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings since the date of the last annual report and up to the date of this statement is tabulated below:

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

Board Membership & Board Performance (Principle 4 & 5)

The Nominating Committee (the "NC") comprises the following Directors:

- Mr. Lim Ghim Siew, Henry (Non-Executive and Independent Director) - Chairman
- Mr. Goon Kok Loon (Non-Executive and Independent Director)
- Mr. Tan Eng Kiat, Dominic (Non-Executive and Independent Director)

The NC's principal functions are to identify and select new Directors and to review nominations for the re-election of Directors. The other key responsibilities of the NC are:

- to determine annually the independence of each Director;
- to decide on the ability and adequacy of Directors with multiple board representations to carry out their duties; and
- to propose, for Board's approval, objective performance criteria to evaluate the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The Company's Articles of Association require one third of Directors (other than the managing director) to retire and submit themselves for re-election by shareholders at every Annual General Meeting ("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 Annual General Meeting immediately following his appointment. Thereafter, he is subject to the one-third rotation rule. The appointment of the Executive Directors including the Managing Director, 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.

To ensure that the Directors are competent in carrying out their expected roles and responsibilities, newly appointed Directors are given briefings by the Managing Director 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 noted that the Board currently consists of nine members, out of which four are Independent Directors. This complies with the guidelines of the Code of Corporate Governance and the requirements of the Listing Manual. The NC held one meeting during the year 2010.

The NC has reviewed the composition of the Board and concluded that the Board has an adequate mix of competency to discharge its duties and responsibilities.

Access to Information (Principle 6 & 10)

The Board receives periodic updates and financial information on affairs and issues that require the Board's decision as well as on-going reports relating to operational and financial performance of the Group and the Company. The Board also has separate and independent access to the senior management and the Company Secretary at all times. The Company Secretary attends all Board meetings and is responsible to ensure that board procedures are observed. The Board also has access to independent professional advice where appropriate.

The Board accepts that it is accountable to the shareholders and adopts best practices to maintain shareholders' confidence and trust. Shareholders are required to approve Directors' fees and also the appointment and re-appointment of auditors.

Remuneration Policies, Level and Mix of Remuneration and Disclosure (Principle 7, 8 and 9)

During the financial year, the Remuneration Committee (the "RC") comprises the following Directors:

- Professor Liew Jat Yuen, Richard (Non-Executive and Independent Director) - Chairman
- Mr. Goon Kok Loon (Non-Executive and Independent Director)
- Mr. Tan Eng Kiat, Dominic (Non-Executive and Independent Director)

The RC has access to the Group Human Resource Manager when clarification and advice are needed. The key responsibilities of the RC are:

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

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

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

During the financial year, none of the Non-Executive Directors is on service contracts or have consultancies with the Company except Professor Liew Jat Yuen, Richard and Mr. Tan Tin Nam. Professor Liew was appointed as Technical Consultant with a fee of $3,300 per month and Mr. Tan Tin Nam was appointed as Technical Advisor with a fee of $16,500 per month. In addition, Mr. Tan Tin Nam was also awarded a performance bonus of $157,000 in respect of FY2010. The Non-Executive Directors are paid directors' fees, which comprise basic fees and additional fees for serving on Board Committees. Payment of these fees is subject to the shareholders' approval.

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

	Fees %	Salary %	Performance Related Income %	Others %	Total %
Remuneration Band ($6,500,000 - $6,749,999)					
Seow Soon Yong	-	6	93	1	100
Remuneration Band ($2,500,000 - $2,749,999)					
Chia Sin Cheng	-	12	87	1	100
Remuneration Band ($1,500,000 - $1,749,999)					
Siau Sun King	-	15	83	2	100
Remuneration Band ($750,000 - $999,999)					
Seow Soon Hee	-	27	70	3	100
Remuneration Band (Below $250,000)					
Tan Tin Nam	100	-	-	-	100
Lim Ghim Siew, Henry	100	-	-	-	100
Goon Kok Loon	100	-	-	-	100
Liew Jat Yuen, Richard	100	-	-	-	100
Tan Eng Kiat, Dominic	100	-	-	-	100

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

The range of gross remuneration received by the top 5 executives (excluding Executive Director) of the Group is as follows:

Remuneration Bands	No. of Executives
$250,000 - $499,999	3
Below $250,000	2

Included in the above category is Mr. Seow Soon Hock, the brother of Messrs Seow Soon Yong, Siau Sun King and Seow Soon Hee and cousin of Mr. Tan Tin Nam. Apart from Mr. Seow Soon Hock, there were five other immediate family members of the Executive Directors employed by the Group, none of whose remuneration exceeded $250,000 during the year.

Audit Committee, Internal Controls, Internal Audit and Risk Management (Principle 11, 12 and 13)

The Audit Committee ("AC") comprises three members, namely Mr. Goon Kok Loon (Chairman), Mr. Lim Ghim Siew, Henry and Professor Liew Jat Yuen, Richard, all of whom are Non-Executive and Independent Directors.

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 performs the functions specified in the Singapore Companies Act, Cap. 50, and the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") which include meeting with the external auditors to review the audit plan, the results of their examination and findings, and their evaluation of the system of internal controls. It 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. The AC also reviews the appointment and re-appointment of external auditors.

In addition, the AC reviews the quarterly results and annual financial statements before recommending them to the Board for approval as well as all interested persons transactions to ensure compliance with the SGX-ST Listing Manual.

The AC also meets with the external auditors without the presence of management to discuss matters related to financial reporting, internal controls as well as comments and recommendations proposed by the external auditors.

The AC conducts an annual review of the independence and objectivity of the Company's external auditors and assures that the effectiveness of the audit of the Company and its subsidiaries are not compromised. Since the same auditors, Ernst & Young LLP, has been appointed as auditors for the Company and its subsidiaries, as such, Rule 716 of the Listing Rules of the SGX-ST has been complied with.

The Group has established an independent internal audit function. PricewaterhouseCoopers LLP has been engaged as the Company's independent internal auditor to perform internal audit function to review various specific key functions. The Company 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.

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 Company.

The main risks arising from the Group's financial operations are foreign currency risk, liquidity risk, interest risk and credit risk. Details on the foregoing are set out in Note 29 to the Financial Statements.

Communication with Shareholders (Principle 14)
Greater Shareholders Participation (Principle 15)

The Company and the Group strive for timeliness and transparency in its disclosures to the shareholders and the public. The Company does not practise selective disclosure as all price-sensitive information is released through SGXNET. Results and annual reports are announced or issued within the mandatory periods.

All shareholders receive the annual report and Notice of Annual General Meeting. At the Annual General Meeting, shareholders are given the opportunity to air their views and discuss with the Board and management on various matters regarding the Company. The external auditors are also present to address shareholders' queries relating to the conduct of audit and the preparation and content of the audit report.

Dealings in securities

The Company has adopted the SGX-ST's Listing Rule 1207(18) in relation to dealings in the Company's securities. The Directors and senior management are advised not to deal in the Company's shares during the period commencing two weeks before the announcement of the Group's quarterly financial results or one month before the announcement of the Group's full year financial results, and ending on the date of announcement of the relevant results.

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

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

In view of the above, the Company has complied with the SGX-ST's Listing Rules on best practices on dealing in the Company's securities in the financial year ended 2010.

Interested Person Transactions

The Group has adopted an internal policy which sets out the procedures for the identification, approval and monitoring of interested person transactions ("IPTs"). All IPTs are subject to review by the AC. The Company did not enter into any IPTs which require disclosure or shareholders' approval under SGX-ST Listing Rules regulating IPTs during the financial year ended 31 December 2010.

Material Contracts

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

FINANCIAL CONTENTS

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Yongnam Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2010.

Directors

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

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

Arrangements to enable directors to acquire shares and debentures

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

Directors' interest in shares and debentures

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

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

	Direct interest			Deemed interest		
Name of director	**At 1.1.2010**	**At 31.12.2010**	**At 21.1.2011**	**At 1.1.2010**	**At 31.12.2010**	**At 21.1.2011**
Seow Soon Yong	69,329,923	69,329,923	69,329,923	64,328,432	64,328,432	64,328,432
Tan Tin Nam	7,186,000	7,186,000	7,186,000	64,328,432	64,328,432	64,328,432
Siau Sun King	8,586,870	8,586,870	8,586,870	64,328,432	64,328,432	64,328,432
Seow Soon Hee	1,000,000	1,000,000	1,000,000	26,981,385	26,981,385	26,981,385
Chia Sin Cheng	9,902,654	9,902,654	9,902,654	–	–	–
Lim Ghim Siew, Henry	–	900,000	900,000	–	–	–
Goon Kok Loon	–	–	–	100,000	100,000	100,000
Liew Jat Yuen, Richard	–	400,000	400,000	–	–	–
Tan Eng Kiat, Dominic	–	900,000	900,000	–	–	–

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

(b) **Yongnam Holdings Limited - Warrants to subscribe for ordinary shares, exercisable between 21 December 2007 to 14 December 2012 at $0.25 per share**

	Direct interest			Deemed interest		
Name of director	**At 1.1.2010**	**At 31.12.2010**	**At 21.1.2011**	**At 1.1.2010**	**At 31.12.2010**	**At 21.1.2011**
Seow Soon Yong	10,106,376	10,106,376	10,106,376	19,298,529	19,298,529	19,298,529
Tan Tin Nam	–	–	–	19,298,529	19,298,529	19,298,529
Siau Sun King	2,576,061	2,576,061	2,576,061	19,298,529	19,298,529	19,298,529
Seow Soon Hee	–	–	–	8,394,415	8,394,415	8,394,415
Chia Sin Cheng	1,170,796	1,170,796	1,170,796	–	–	–

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

	Direct interest				
Name of director	**At 1.1.2010**	**At 31.12.2010**	**At 21.1.2011**	**Exercise price $**	**Exercise period**
Seow Soon Yong	9,850,000	9,850,000	9,850,000	0.173 [1]	12 April 2009 to 11 April 2017
	9,850,000	9,850,000	9,850,000	0.251 [1]	29 August 2009 to 28 August 2017
	7,900,000	7,900,000	7,900,000	0.150	25 July 2009 to 24 July 2018
	9,500,000	9,500,000	9,500,000	0.080	12 March 2010 to 11 March 2019
Tan Tin Nam	1,500,000	1,500,000	1,500,000	0.173 [1]	12 April 2009 to 11 April 2017
	1,500,000	1,500,000	1,500,000	0.251 [1]	29 August 2009 to 28 August 2017
	1,200,000	1,200,000	1,200,000	0.150	25 July 2009 to 24 July 2018
	1,350,000	1,350,000	1,350,000	0.080	12 March 2010 to 11 March 2019
Siau Sun King	1,500,000	1,500,000	1,500,000	0.173 [1]	12 April 2009 to 11 April 2017
	1,500,000	1,500,000	1,500,000	0.251 [1]	29 August 2009 to 28 August 2017
	1,200,000	1,200,000	1,200,000	0.150	25 July 2009 to 24 July 2018
	1,350,000	1,350,000	1,350,000	0.080	12 March 2010 to 11 March 2019

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

(c) **Yongnam Holdings Limited - Options to subscribe for ordinary shares (cont'd)**

Name of director	Direct interest At 1.1.2010	At 31.12.2010	At 21.1.2011	Exercise price $	Exercise period
Seow Soon Hee	1,500,000	1,500,000	1,500,000	0.173 (1)	12 April 2009 to 11 April 2017
	1,500,000	1,500,000	1,500,000	0.251 (1)	29 August 2009 to 28 August 2017
	1,200,000	1,200,000	1,200,000	0.150	25 July 2009 to 24 July 2018
	1,350,000	1,350,000	1,350,000	0.080	12 March 2010 to 11 March 2019
Chia Sin Cheng	3,000,000	3,000,000	3,000,000	0.173 (1)	12 April 2009 to 11 April 2017
	4,250,000	4,250,000	4,250,000	0.251 (1)	29 August 2009 to 28 August 2017
	3,400,000	3,400,000	3,400,000	0.150	25 July 2009 to 24 July 2018
	4,200,000	4,200,000	4,200,000	0.080	12 March 2010 to 11 March 2019
Lim Ghim Siew, Henry	750,000	750,000	750,000	0.173 (1)	12 April 2009 to 11 April 2017
	750,000	750,000	750,000	0.251 (1)	29 August 2009 to 28 August 2017
	400,000	–	–	0.150	25 July 2009 to 24 July 2018
	500,000	–	–	0.080	12 March 2010 to 11 March 2019
Goon Kok Loon	750,000	750,000	750,000	0.173 (1)	12 April 2009 to 11 April 2017
	500,000	500,000	500,000	0.251 (1)	29 August 2009 to 28 August 2017
	400,000	400,000	400,000	0.150	25 July 2009 to 24 July 2018
	500,000	500,000	500,000	0.080	12 March 2010 to 11 March 2019

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

(c) **Yongnam Holdings Limited - Options to subscribe for ordinary shares (cont'd)**

	Direct interest				
Name of director	**At 1.1.2010**	**At 31.12.2010**	**At 21.1.2011**	**Exercise price $**	**Exercise period**
Liew Jat Yuen, Richard	750,000	750,000	750,000	0.173 [1]	12 April 2009 to 11 April 2017
	500,000	500,000	500,000	0.251 [1]	29 August 2009 to 28 August 2017
	400,000	–	–	0.150	25 July 2009 to 24 July 2018
	500,000	–	–	0.080	12 March 2010 to 11 March 2019
Tan Eng Kiat, Dominic	400,000	–	–	0.150	25 July 2009 to 24 July 2018
	500,000	–	–	0.080	12 March 2010 to 11 March 2019

Note:

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

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

Directors' contractual benefits

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

Share Options

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

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

Details of the scheme are as follows:

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

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

Share Options (cont'd)

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

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

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

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

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

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

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

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

Date of grant	Balance as at 1.1.2010	Options granted during financial year	Options lapsed	Exercised during financial year	Balance as at 31.12.2010	Exercise Price $	Exercisable period
12 April 2007	25,825,000	–	200,000	1,200,000	24,425,000	0.173 [1]	12 April 2009 to 11 April 2017
29 August 2007	28,765,000	–	–	641,000	28,124,000	0.251 [1]	29 August 2009 to 28 August 2019
15 October 2007	350,000	–	–	–	350,000	0.294 [1]	15 October 2009 to 14 October 2017
25 July 2008	22,714,000	–	98,000	3,278,000	19,338,000	0.150	25 July 2009 to 24 July 2018
16 October 2008	500,000	–	–	–	500,000	0.080	16 October 2009 to 15 October 2018
12 March 2009	29,965,000	–	95,000	7,922,000	21,948,000	0.080	12 March 2010 to 11 March 2019
	108,119,000	–	393,000	13,041,000	94,685,000		

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

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

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

Share Options (cont'd)

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

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

Name of director	Options granted during financial year	Aggregate options granted since commencement of ESOS to end of financial year	Aggregate options exercised/ lapsed since commencement of ESOS to end of financial year	Aggregate options outstanding as at end of financial year
Seow Soon Yong	–	37,100,000	–	37,100,000
Tan Tin Nam	–	5,550,000	–	5,550,000
Siau Sun King	–	5,550,000	–	5,550,000
Seow Soon Hee	–	5,550,000	–	5,550,000
Chia Sin Cheng	–	19,850,000	(5,000,000)	14,850,000
Lim Ghim Siew, Henry	–	2,400,000	(900,000)	1,500,000
Goon Kok Loon	–	2,150,000	–	2,150,000
Liew Jat Yuen, Richard	–	2,150,000	(900,000)	1,250,000
Tan Eng Kiat, Dominic	–	900,000	(900,000)	–

(b) **Other information**

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

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

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

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

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

Audit Committee

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

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

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

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

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

Auditors

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

On behalf of the Board of Directors,

Seow Soon Yong
Director

Chia Sin Cheng
Director

Singapore
15 March 2011

STATEMENT BY DIRECTORS

31 December 2010

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

(a) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2010 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year then ended on that date; and

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

On behalf of the Board of Directors,

Seow Soon Yong
Director

Chia Sin Cheng
Director

Singapore
15 March 2011

To the Members of Yongnam Holdings Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Yongnam Holdings Limited (the Company) and its subsidiaries (collectively, the Group) set out on pages 28 to 76, which comprise the balance sheets of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

15 March 2011

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2010

	Note	2010 $'000	2009 $'000
Revenue	32	335,078	346,821
Costs of sales		(239,335)	(269,395)
Gross profit		95,743	77,426
Other income	4	319	1,533
General and administrative expenses		(22,364)	(25,791)
Finance income	5	119	32
Finance costs	6	(3,904)	(4,747)
Share of results of joint venture		(2,173)	363
Profit before taxation	7	67,740	48,816
Taxation	8	(13,342)	(8,741)
Net profit for the year attributable to equity holders of the Company		54,398	40,075
Earnings per share	9		
- Basic		4.38 cents	3.27 cents
- Diluted		4.06 cents	3.19 cents

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 2010

	2010 $'000	2009 $'000
Profit, net of tax	54,398	40,075
Loss on exchange differences on translation	(1,925)	(934)
Total comprehensive income for the year attributable to equity holders of the Company	52,473	39,141

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

BALANCE SHEETS
As at 31 December 2010

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Non-current assets					
Property, plant and equipment	10	269,135	223,202	–	–
Investments in subsidiaries	11(a)	–	–	39,026	39,125
Amounts due from subsidiaries	11(b)	–	–	84,772	91,815
Investment in joint ventures	12	1,126	979	–	–
Other investment	13	100	100	–	–
Trade receivables	16	3,473	–	–	–
Fixed deposits	18	–	1,409	–	–
Current assets					
Asset held for sale	14	–	14,186	–	–
Steel materials		71,990	61,640	–	–
Gross amount due from customers for contract work-in-progress	15	95,556	131,595	–	–
Trade receivables	16	55,646	47,823	–	–
Other receivables and deposits	17	3,372	3,627	–	–
Prepayments		1,268	2,247	–	–
Cash and bank balances	18	20,625	17,299	341	2,015
		248,457	278,417	341	2,015
Current liabilities					
Gross amount due to customers for contract work-in-progress	15	34,638	38,559	–	–
Trade payables	19	67,827	80,602	–	–
Other payables and accruals	20	22,244	26,308	493	440
Borrowings	21	60,440	58,453	–	–
Hire purchase creditors	27(c)	8,734	8,076	–	–
Provision for taxation		740	1,099	12	12
		194,623	213,097	505	452
Net current assets/ (liabilities)		53,834	65,320	(164)	1,563
Non-current liabilities					
Borrowings	21	57,884	77,242	–	–
Hire purchase creditors	27(c)	9,945	15,304	–	–
Deferred taxation	8(c)	24,280	10,897	–	–
Net assets		235,559	187,567	123,634	132,503
Equity					
Share capital	22	93,022	91,509	93,022	91,509
Capital reserves	23	17,434	17,436	10,597	10,599
Share option reserve	25	12,800	12,589	12,800	12,589
Foreign currency translation reserve	26	(2,887)	(962)	–	–
Retained earnings		115,190	66,995	7,215	17,806
Total equity		235,559	187,567	123,634	132,503

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

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Share capital	22				
Balance at beginning of year		91,509	90,172	91,509	90,172
Issuance of shares during the year		1,513	1,337	1,513	1,337
Balance at end of year		93,022	91,509	93,022	91,509
Capital reserves	23				
Balance at beginning of year		17,436	17,483	10,599	10,646
Conversion of warrants during the year		(2)	(47)	(2)	(47)
Balance at end of year		17,434	17,436	10,597	10,599
Share option reserve	25				
Balance at beginning of year		12,589	8,300	12,589	8,300
Share options charge for the year		211	4,289	211	4,289
Balance at end of year		12,800	12,589	12,800	12,589
Foreign currency translation reserve	26				
Balance at beginning of year		(962)	(28)	–	–
Other comprehensive income for the year		(1,925)	(934)	–	–
Balance at end of year		(2,887)	(962)	–	–
Retained earnings					
Balance at beginning of year		66,995	31,815	17,806	22,597
Profit for the year		54,398	40,075	(4,388)	104
Dividends	34	(6,203)	(4,895)	(6,203)	(4,895)
Balance at end of year		115,190	66,995	7,215	17,806
Total equity		235,559	187,567	123,634	132,503

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 2010

	Note	2010 $'000	2009 $'000
Cash flows from operating activities			
Profit before taxation		67,740	48,816
Add/(less):			
Depreciation on property, plant and equipment	7	9,337	6,588
Depreciation on investment property	7	–	479
Finance income	5	(119)	(32)
Finance costs	6	3,904	4,747
Write-down of steel materials valuation	7	2,289	–
Write-back of allowance of impairment of receivables	16	(239)	(41)
(Write-back of)/impairment loss for call on performance bond	7	(1,389)	1,389
Gain on disposal/write-off of property, plant and equipment	7	(19)	(976)
Effects of changes in foreign exchange		(1,492)	638
Impairment loss of investment property	7	–	1,264
Grant of equity-settled share options	25	211	4,289
Share of results of joint venture		2,173	(363)
Operating cash flows before changes in working capital		82,396	66,798
Increase in trade and other receivables		(8,435)	(11,512)
Decrease in trade and other payables		(16,892)	(10,499)
Decrease in steel materials and work-in-progress		47,513	11,249
Cash flows generated from operations		104,582	56,036
Income tax paid		(244)	(1,078)
Interest received		119	32
Interest paid		(3,904)	(4,747)
Net cash flows generated from operating activities		100,553	50,243
Cash flows from investing activities			
Payments for property, plant and equipment	10(a)	(89,300)	(87,135)
Proceeds from disposal of property, plant and equipment		9,273	3,632
Proceeds from disposal of asset held for sale		14,186	–
Increase in investment in joint venture		(2,320)	(2,480)
Net cash flows used in investing activities		(68,161)	(85,983)
Cash flows from financing activities			
Proceeds from borrowings		45,810	45,689
Repayment of borrowings		(63,181)	(19,357)
Decrease in pledged fixed deposits and bank balances		3,295	784
Payments for hire purchase instalments		(8,166)	(6,741)
Dividend paid on ordinary shares	34	(6,203)	(4,895)
Proceeds from issuance of ordinary shares		1,511	1,290
Net cash flows (used in)/generated from financing activities		(26,934)	16,770
Net increase/(decrease) in cash and cash equivalents		5,458	(18,970)
Effect of exchange rate changes on cash and cash equivalents		(246)	(476)
Cash and cash equivalents at beginning of year	18(b)	15,413	34,859
Cash and cash equivalents at end of year	18(b)	20,625	15,413

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

1. Corporate information

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

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company. They did, however, give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

FRS 103 Business Combinations (revised) and FRS 27 Consolidated and Separate Financial Statements (revised)

The revised FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

FRS 103 Business Combinations (revised)

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;
- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in the income statement;
- The Group may elect for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and
- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in the income statement, and this impacts the amount of goodwill recognised.

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

2.2 Changes in accounting policies (cont'd)

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

FRS 27 Consolidated and Separate Financial Statements (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in the income statement;

- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in the income statement.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

Amendment to FRS 108 Operating Segment

The Amendment to FRS 108 Operating Segment (issued as part of the Improvements to FRSs 2009) clarified that disclosure of operating segment assets and segment liabilities is required only where such a measure is provided to the chief operating decision maker (CODM).

The Amendment to FRS 108 is effective for annual periods beginning on or after 1 January 2010.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendment to FRS 32 *Financial Instruments: Presentation - Classification of Rights Issues*	1 February 2010
INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Revised FRS 24 *Related Party Disclosures*	1 January 2011
Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement*	1 January 2011
INT FRS 115 *Agreements for the Construction of Real Estate*	1 January 2011
Improvements to FRSs 2010:	1 January 2011
- Amendments to FRS 1 *Presentation of Financial Statements*	1 January 2011
- Transaction requirements for amendments arising as a result of FRS 27 *Consolidated and Separate Financial Statements*	1 July 2010
- Amendment to FRS 34 *Interim Financial Reporting*	1 January 2011
- Amendment to FRS 101 *First-time Adoption of Financial Reporting Standards*	1 January 2011
- Amendments to FRS 103 *Business Combinations*	1 July 2010
- Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2011
- Amendments to INT FRS 113 *Customer Loyalty Programmes*	1 January 2011

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

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

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

Revised FRS 24 Related Party Disclosures

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in FY2011.

2.4 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.

Business combinations are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

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.

2.5 Foreign currency

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

(a) **Transactions and balances**

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

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

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

2.5 Foreign currency (cont'd)

(b) **Group companies**

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

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

The Group has elected to recycle the accumulated exchange differences in the separate component of other comprehensive income that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.14. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the end of the reporting period.

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

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

Freehold building	-	50 years
Leasehold properties	-	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	-	5 to 20 years

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

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

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

2.6 Property, plant and equipment (cont'd)

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

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

2.7 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.8 Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The investment in jointly controlled ventures is accounted for using the equity method. Under the equity method, the investment in joint venture is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Any excess of the Group's share of the net fair value of the joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the joint venture in the period in which the investment is acquired.

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

The Group uses the proportionate consolidation method to account for its interest in joint ventures where the Group has joint control of 50% or more in the joint ventures. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint ventures with the similar items, line by line, in its consolidated financial statements. The joint ventures are proportionately consolidated from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint ventures.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

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

Upon loss of joint control, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the former joint venture entity upon loss of joint venture control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

2.9 Financial assets

(a) **Initial recognition and measurement**

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

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

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

2.9 Financial assets (cont'd)

(b) **Subsequent measurement**

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

(i) **Loans and receivables**

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

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

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

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

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

(c) **Derecognition**

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

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

2.10 Cash and cash equivalents

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

2.11 Steel materials

Steel materials are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out basis.

2.12 Impairment

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

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

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

2.12 Impairment (cont'd)

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

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

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

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

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

(b) **Impairment of financial assets**

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

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

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

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

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

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

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

2.12 Impairment (cont'd)

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

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

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

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

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

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

2.13 Financial liabilities

(a) **Initial recognition and measurement**

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

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

(b) **Subsequent measurement**

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

(c) **Derecognition**

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

2.14 Borrowing costs

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

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

2.15 Leases

(a) **Operating leases**

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

(b) **Finance leases**

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

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

2.16 Provisions

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

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

2.17 Employee benefits

(a) **Defined contribution plans**

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

(b) **Employee leave entitlement**

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

(c) **Share option plans**

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

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

2.17 Employee benefits (cont'd)

(c) **Share option plans (cont'd)**

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

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

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

2.18 Revenue recognition

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

(a) **Construction contracts**

Contract revenue and contract costs are recognised in the income statement as revenue and costs of sales respectively, by reference to the stage of completion of the contract activity at the end of the reporting period, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately when it is probable that the total contract costs will exceed total contract revenue.

Contract revenue comprise the initial amount of revenue agreed in the contract and variations in contract work to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The stage of completion is determined by reference to the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

(b) **Interest income**

Interest income is recognised using the effective interest method.

2.19 Taxes

(a) **Current income tax**

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

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

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

2.19 Taxes (cont'd)

(b) **Deferred tax**

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

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

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

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

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

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

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

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

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

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

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

(c) **Sales tax**

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

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

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

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

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

2.20 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.21 Share capital and share issuance expenses

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

2.22 Warrants

The assigned fair value of the warrants is capitalised as capital reserve. The value of warrants, when exercised by the holder, is capitalised as share capital. At the expiry of the warrants, if the warrants are not exercised, the balance of the capital reserve account in respect of the warrants not exercised will become a distributable reserve.

2.23 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.24 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

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

2.25 Government grants

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

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

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

2.26 Related parties

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

(i) controls, is controlled by, or is under common control with, the Group;
(ii) has an interest in the Group that gives it significant influence over the Group; or
(iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

3. Significant accounting estimates and judgements

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

3.1 Judgement made in applying accounting policies

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

Taxation

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. Tax is computed in accordance with taxation rules in each jurisdiction. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2010, the carrying amount of the Group's provision for current and deferred taxation amounted to $25,020,000 (2009: $11,996,000).

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

The Group recognises contract revenue to the extent of contract costs incurred where it is probable that those costs will be recoverable or based on the stage of completion method. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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

3.2 Key sources of estimation uncertainty (cont'd)

(a) **Revenue recognition on construction contracts (cont'd)**

Significant assumptions are required to estimate the total contract costs that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project managers and approval by the Chief Executive Officer.

During the financial year ended 31 December 2010, contract revenue and costs recognised are disclosed in the consolidated income statement. The gross amount due from and to customers for contract work is disclosed in Note 15 to the financial statements.

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

The costs of plant and machinery (including cranes), steel beams and columns are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 3 to 20 years and steel beams and columns to be 15 years. The residual values of the steel beams and columns are estimated to be $370 (2009: $370) per ton.

Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. As at 31 December 2010, the carrying amount of plant and machinery, steel beams and columns and cranes amounted to $218,202,000 (2009: $170,435,000). A 5% difference in the expected useful lives of these assets from management's estimate would result in approximately 1.46% (2009: 1.63%) variance in the Group's profit for the year.

(c) **Impairment of loans and receivables**

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. As at 31 December 2010, the carrying amount of the Group's loans and receivables (excluding fixed deposits, cash and bank balances) amounted to $62,491,000 (2009: $51,450,000). The carrying amounts of the Group's trade receivables and allowance for impairment are disclosed in Note 16.

4. Other income

	Group	
	2010	**2009**
	$'000	$'000
Gain on disposal of property, plant and equipment	19	976
Rental income	300	557
	319	1,533

5. Finance income

	Group	
	2010	**2009**
	$'000	$'000
Interest income from short term deposits	119	32

6. Finance costs

	Group 2010 $'000	Group 2009 $'000
Interest expense:		
- Borrowings	2,276	2,940
- Hire purchase	929	800
- Others	100	104
Bank charges	599	903
	3,904	4,747

7. Profit before taxation

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

	Group 2010 $'000	Group 2009 $'000
Non-audit fees paid to auditors of the Company	57	55
Rental expense - operating lease	2,780	2,609
Depreciation of property, plant and equipment [1]	19,405	16,588
Depreciation of investment property	–	479
Gain on disposal/write-off of property, plant and equipment [1]	(19)	(976)
Write-down of steel materials valuation	2,289	–
Impairment loss of investment property	–	1,264
(Write-back of)/provision for impairment loss of call on performance bonds (Note 17)	(1,389)	1,389
Consumption amount for steel beams and columns (Note 10)	5,050	4,211
Staff costs [2]	63,829	55,239
Grant of equity-settled share options (Note 25)	211	4,289

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

	2010 $'000	2009 $'000
Depreciation of property, plant and equipment	10,068	10,000
Loss on disposal/ write-off of property, plant and equipment	12,915	2,542

(2) This represents total staff costs for the year, out of which $43,388,000 (2009: $44,312,000) had been allocated to construction costs incurred to-date. Included in total staff costs are contributions to defined contribution schemes and grant income for job credit scheme of $5,018,000 and $218,000 (2009: $4,359,000 and $1,022,000) respectively.

8. Taxation

(a) Major components of income tax expense

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

	Group 2010 $'000	Group 2009 $'000
Income statement:		
Current income tax		
- Current income taxation	(383)	(329)
- Over/(under) provision in respect of prior years	747	(189)
Deferred income tax		
- Origination and reversal of temporary differences	(11,974)	(7,334)
- (Under)/over provision in respect of prior years	(1,410)	165
Withholding tax	(322)	(1,054)
	(13,342)	(8,741)

(b) Relationship between tax expense and accounting profit

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

	Group 2010 $'000	Group 2009 $'000
Profit before taxation	67,740	48,816
Taxation at statutory tax rate of 17% (2009: 17%)	(11,516)	(8,299)
Effect of different tax rates in other countries	(374)	(219)
Non-deductible expenses	(2,315)	(735)
Income not subject to taxation	998	468
Deferred tax assets not recognised	(1,711)	(577)
Utilisation of deferred tax assets previously not recognised	2,060	1,229
Under provision in respect of prior years	(663)	(24)
Withholding tax	(322)	(1,054)
Others	501	470
Taxation	(13,342)	(8,741)

The corporate income tax rate applicable to Malaysian companies of the Group is 25%.

(c) Deferred taxation

	Group 2010 $'000	Group 2009 $'000
Deferred tax liabilities:		
Differences in depreciation for tax purpose	(29,632)	(13,976)
Deferred tax assets:		
Sundry provisions	1,974	1,003
Unutilised capital allowances	1,376	2,076
Unutilised tax losses	2,002	–
	5,352	3,079
	(24,280)	(10,897)

8. Taxation (cont'd)

As at 31 December 2010, based on latest available tax assessment, certain subsidiaries in Singapore have unutilised tax losses of approximately $6,873,000 (2009: $7,210,000) and unabsorbed capital allowances of $530,000 (2009: $530,000) 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 Income Tax Act.

In addition, certain overseas subsidiaries have unutilised tax losses of approximately $31,697,000 (2009: $23,872,000) and unabsorbed capital allowances of $402,000 (2009: $1,487,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with the certain provisions of the tax legislation of the respective countries in which the companies operate.

9. Earnings per share

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

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

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

	Group	
	2010	**2009**
	$'000	$'000
Net profit attributable to ordinary equity holders of the Company	54,398	40,075

	2010	**2009**
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	1,240,914	1,226,033
Effects of dilution:		
Share options	40,772	28,750
Warrants	58,759	2,293
Weighted average number of ordinary shares for diluted earnings per share computation	1,340,445	1,257,076

In 2009, 29,115,000 share options granted to employees under the existing share option plans and 364,857,000 warrants issued in 2007 have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the previous financial year presented.

10. Property, plant and equipment

Group	Freehold land and building $'000	Leasehold properties $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment and furniture $'000	Steel beams and columns $'000	Cranes $'000	Total $'000
Cost								
At 1 January 2009	24,487	37,409	19,127	2,137	3,784	70,114	28,979	186,037
Additions	1,086	1,423	7,162	1,002	1,492	84,427	7,812	104,404
Disposals/write-offs	–	(1,170)	(104)	(363)	–	(5,375)	(1,652)	(8,664)
Translation adjustments	(821)	(71)	(224)	(3)	(40)	–	(91)	(1,250)
At 31 December 2009 and 1 January 2010	24,752	37,591	25,961	2,773	5,236	149,166	35,048	280,527
Additions	204	515	3,476	723	297	79,761	7,789	92,765
Disposals/write-offs	–	–	(368)	(587)	(285)	(21,323)	(4,636)	(27,199)
Translation adjustments	404	–	59	26	(17)	(498)	(206)	(232)
Reclassification	–	(716)	716	206	–	–	(206)	–
At 31 December 2010	25,360	37,390	29,844	3,141	5,231	207,106	37,789	345,861
Accumulated depreciation and impairment loss								
At 1 January 2009	140	12,402	7,612	890	2,129	12,429	4,538	40,140
Depreciation	568	1,414	2,076	413	1,094	7,910	3,113	16,588
Disposals/write-offs	–	(1,068)	(81)	(291)	–	(1,367)	(659)	(3,466)
Consumption allowance #	–	–	–	–	–	4,211	–	4,211
Translation adjustments	(16)	(70)	(35)	(1)	(19)	–	(7)	(148)
At 31 December 2009 and 1 January 2010	692	12,678	9,572	1,011	3,204	23,183	6,985	57,325
Depreciation	482	1,437	2,285	521	1,060	10,196	3,424	19,405
Disposals/write-offs	(295)	–	(360)	(452)	(179)	(3,289)	(455)	(5,030)
Consumption allowance #	–	–	–	–	–	5,050	–	5,050
Translation adjustments	7	–	(29)	33	(24)	(2)	(9)	(24)
Reclassification	–	(19)	19	33	–	–	(33)	–
At 31 December 2010	886	14,096	11,487	1,146	4,061	35,138	9,912	76,726
Net book value								
At 31 December 2009	24,060	24,913	16,389	1,762	2,032	125,983	28,063	223,202
At 31 December 2010	24,474	23,294	18,357	1,995	1,170	171,968	27,877	269,135

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

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

(a) Assets under hire purchase

During the financial year, the Group acquired property, plant and equipment of $3,465,000 (2009: $17,269,000) by means of hire purchase. The cash outflow on acquisition of property, plant and equipment excluding those on hire purchase, amounted to $89,300,000 (2009: $87,135,000).

As at 31 December 2010, the Group has certain cranes, motor vehicles and plant and machinery under hire purchase contracts with a net book value of $28,980,000 (2009: $34,161,000).

(b) Assets pledged as security

As at 31 December 2010, in addition to assets held under hire purchase, the Group's freehold and leasehold properties and steel beams and columns with net book value of $169,868,000 (2009: $106,323,000) are mortgaged to secure certain of the Group's banking facilities (Note 21).

(c) Details of freehold land and building

Included in freehold land and building is freehold land amounting to $9,730,000 (2009: $9,572,000).

The details of the freehold land and building held by the Group as at 31 December 2010 are as follows:

Location	Site area (sq metres)	Build-up area (sq metres)	Tenure of lease
1 Jalan SiLC 3 Kawasan Perindustrian SiLC Bandar Nusajaya Johor Bahru, Malaysia	109,095	28,530	Freehold

(d) Details of leasehold property

The details of the leasehold property held by the Group as at 31 December 2010 are as follows:

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

11. Subsidiaries

	Company 2010 $'000	Company 2009 $'000
(a) Investments in subsidiaries		
Unquoted equity, at costs	39,125	39,125
Impairment loss	(99)	–
	39,026	39,125
(b) Amounts due from subsidiaries		
Due from subsidiaries (non-trade)	90,775	97,466
Impairment loss	(6,003)	(5,651)
	84,772	91,815

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

(c) **Details of subsidiaries**

Name of company (Country of incorporation)	Principal activities	Company Cost of investment 2010 $'000	Company Cost of investment 2009 $'000	Interest held by the Group 2010 %	Interest held by the Group 2009 %
Held by the Company					
Yongnam Engineering & Construction (Private) Limited [1] (Singapore)	Engineering contractors	37,945	37,945	100.0	100.0
Yongnam Development Pte Ltd [1] (Singapore)	Property investment	*	*	100.0	100.0
Yongnam Investment Pte Ltd [1] (Singapore)	Dormant	*	*	100.0	100.0
Yongnam Engineering Sdn. Bhd. [4] (Malaysia)	Engineering contractors	1,046	1,046	100.0	100.0
Yongnam Engineering & Construction [2] (Thailand) Ltd # (Thailand)	Engineering contractors	99	99	48.4	48.4
Yongnam Steel Work System Engineering (Shanghai) Co., Ltd [5] (China)	Dormant	35	35	100.0	100.0
Yongnam Steel Work Engineering (JinJiang) Co., Ltd [5] (China)	Dormant	*	*	100.0	100.0
		39,125	39,125		

* Denotes less than $1,000

11. Subsidiaries (cont'd)

(c) Details of subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Interest held by the Group 2010 %	Interest held by the Group 2009 %
Held by Yongnam Engineering & Construction (Private) Limited			
YNE Project Engineering Pte. Ltd. (1) (Singapore)	Engineering contractors	100.0	100.0
Yongnam Engineering (HK) Limited (3) (Hong Kong)	Engineering contractors	100.0	100.0
Held by Yongnam Engineering Sdn Bhd			
Polifond Technologies Sdn. Bhd. (4) (Malaysia)	Dormant	100.0	100.0
Held by YNE Project Engineering Pte. Ltd.			
Jiwa Harmoni Offshore Sdn. Bhd. (4) (Malaysia)	Engineering contractors	100.0	100.0

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

The Group holds 48.4% (2009: 48.4%) equity in Yongnam Engineering & Construction (Thailand) Ltd ("YNET"). The Group considers YNET as a subsidiary by virtue of the Group having board control. Accordingly, the results and net assets of the subsidiary have been included in the consolidated financial statements.

(d) Impairment on investment in a subsidiary

YNET is currently dormant and is in a net tangible liabilities position. During the financial year, the Company has fully impaired the cost of investment in YNET of $99,000.

12. Investment in joint ventures

The details of the joint ventures held through a subsidiary are summarised as follows:

Name of joint venture	Principal activities	Interest held by the Group 2010 %	Interest held by the Group 2009 %	
JFE / Yongnam Joint Venture	Engineering contractor	40.0	40.0	Note 12(a)
Geodesic Yongnam Structurals Private Limited	Engineering contractor	50.0	–	Note 12(b)
Yongnam / KTC Joint Venture	Engineering contractor	70.0	70.0	Note 12(b)

12. Investment in joint ventures (cont'd)

(a) **JFE / Yongnam Joint Venture**

The carrying value of the investment in JFE / Yongnam Joint Venture entity is as follows:

	Group	
	2010	**2009**
	$'000	$'000
Unquoted equity, at costs	52	52
Amount due from joint venture	2,880	560
Share of post-acquisition reserves	(1,876)	297
	1,056	909

The summarised financial information of JFE / Yongnam Joint Venture, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2010	**2009**
	$'000	$'000
Assets and liabilities:		
Current and total assets	3,993	24,518
Current and total liabilities	(8,554)	(23,645)
Results:		
Revenue	36,790	41,112
(Loss)/profit for the year	(5,433)	908

(b) **Other Joint Ventures**

(i) ***Geodesic Yongnam Structurals Private Limited***

The Group has 50% equity interest in a jointly-controlled entity incorporated in the Republic of India, Geodesic Yongnam Structurals Private Limited.

Under the Joint Venture agreement, each Joint Venture partner is entitled to its share of future economic benefits through its share of the assets and liabilities of the joint venture. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture.

12. Investment in joint ventures (cont'd)

(b) **Other Joint Ventures (cont'd)**

(ii) ***Yongnam / KTC Joint Venture***

	Group	
	2010	**2009**
	$'000	$'000
Due from joint venture	70	70

The Group has entered into a joint venture agreement ("Yongnam / KTC Joint Venture") with another party to undertake a project. Under the joint venture agreement, each of the venturers uses its own equipment and resources, incurs its own liabilities and earns its own income in respect of the portion of the project allocated to and undertaken solely by the respective venturers. In addition, the two venturers jointly control and undertake a third portion of the project, in which the Group has 70% interest in the assets, liabilities, expenses and income relating to that part of the project. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture.

The aggregate amounts of each of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in the joint ventures, acounted for using the proportionate consolidation method, are as follows:

	Group	
	2010	**2009**
	$'000	$'000
Assets and liabilities:		
Current assets	21,209	3,730
Non-current assets	253	–
Total assets	21,462	3,730
Current liabilities	(16,088)	(19)
Total liabilities	(16,088)	(19)
Income and expenses:		
Income	10,132	2,326
Expenses	(8,883)	(515)

13. Other investment

	Group 2010 $'000	Group 2009 $'000
Available-for-sale investment:		
Equity instrument (quoted)	210	210
Less: Allowance for impairment	(110)	(110)
	100	100

14. Asset held for sale

	Group 2010 $'000	Group 2009 $'000
Balance at beginning of year	14,186	–
Reclassification from investment property	–	14,186
Disposal during the year	(14,186)	–
Balance at end of year	–	14,186

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

	Group 2010 $'000	Group 2009 $'000
Contract costs incurred to-date	296,965	322,318
Attributable profit less recognised losses to date	144,203	140,726
	441,168	463,044
Progress billings	(380,250)	(370,008)
	60,918	93,036
Presented as:		
- Gross amount due from customers for contract work	95,556	131,595
- Gross amount due to customers for contract work	(34,638)	(38,559)
	60,918	93,036
Advances received from customers	295	15,726

16. Trade receivables

	Group 2010 $'000	Group 2009 $'000
Trade receivables (current)	57,147	49,541
Less: Allowance for impairment	(1,501)	(1,718)
	55,646	47,823
Trade receivables (non-current)	3,473	–
Total trade receivables	59,119	47,823

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

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

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

	Group 2010 $'000	Group 2009 $'000
Indian Rupee	11,464	3,487
Malaysia Ringgit	1,188	1,442
Hong Kong Dollar	791	–
UAE Dirham	1,174	8,614

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

As at 31 December 2010, the Group has trade receivables amounting to $20,563,000 (2009: $10,064,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group 2010 $'000	Group 2009 $'000
Trade receivables past due but not impaired:		
Less than 30 days	8,501	798
30 to 60 days	734	746
61 to 90 days	1,147	105
More than 90 days	10,181	8,415
	20,563	10,064

16. Trade receivables (cont'd)

(c) Trade receivables that are impaired

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

	Group	
	2010	2009
	$'000	$'000
Trade receivables - nominal amounts	2,709	3,008
Allowance for impairment	(1,501)	(1,718)
	1,208	1,290
Movement in allowance for impairment:		
At 1 January	1,718	1,804
Charge for the year	–	–
Written back	(239)	(41)
Currency realignment	22	(45)
At 31 December	1,501	1,718

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

17. Other receivables and deposits

	Group	
	2010	2009
	$'000	$'000
Sundry debtors	1,955	1,408
Call on performance bond	–	1,389
Amount due from purchaser of property	–	1,210
Deposits	1,417	1,009
Less: Allowance for impairment on performance bonds	–	(1,389)
	3,372	3,627

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

Movement in allowance for impairment on call on performance bonds:

	Group	
	2010	2009
	$'000	$'000
(Write-back)/charge for the year	(1,389)	1,389

17. Other receivables and deposits (cont'd)

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

	Group	
	2010	2009
	$'000	$'000
UAE Dirham	273	346
Malaysia Ringgit	370	2,613
Indian Rupee	239	–
Others	125	287

18. Cash and bank balances

In 2009, certain fixed deposits were pledged to secure long term banking facilities granted to certain subsidiaries. The weighted average effective interest rate was 1.50% per annum.

In 2009, the Group's and Company's bank balances included an amount of $1,886,000 in the Warrant Subscription Proceeds Account for the payment of interest and principal on borrowings.

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

(a) **Cash and bank balances denominated in foreign currencies as at 31 December are as follows:**

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
UAE Dirham	469	1,636	–	–
Malaysia Ringgit	1,042	1,235	–	–
Hong Kong Dollar	1,645	–	–	–
Thai Baht	247	193	–	–
United States Dollar	603	910	–	–
Indian Rupee	782	949	–	–

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

	Group	
	2010	2009
	$'000	$'000
Fixed deposit	-	1,409
Cash and bank balances	20,625	17,299
	20,625	18,708
Pledged fixed deposits and bank balances	–	(3,295)
	20,625	15,413

19. Trade payables

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

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

	Group	
	2010	**2009**
	$'000	$'000
UAE Dirham	360	10,095
Indian Rupee	16,147	5,433
United States Dollar	8,400	13,206
Malaysia Ringgit	2,874	3,008
Euro Dollar	2,058	53
Hong Kong Dollar	447	–
Others	729	58

20. Other payables and accruals

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Other payables	3,402	10,366	66	–
Accrued operating expenses	18,842	15,942	427	440
	22,244	26,308	493	440

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

Other payables and accruals denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Malaysia Ringgit	975	6,912	–	–
UAE Dirham	1,536	1,139	–	–
Others	324	324	–	–

21. Borrowings

	Group	
	2010	2009
	$'000	$'000
Trade facility	25,220	29,851
Revolving term loans	10,547	5,150
Transferable term loan	36,000	48,000
Floating rate notes	24,000	32,000
Term loans	22,557	20,694
	118,324	135,695
Comprise:		
Within one year	60,440	58,453
After one year but not more than five years	53,266	72,684
After five years	4,618	4,558
	57,884	77,242
	118,324	135,695

As at 31 December 2010, total secured and unsecured borrowings amounted to $95,756,000 and $22,568,000 (2009: $113,886,000 and $21,809,000) respectively.

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

	Group	
	2010	2009
	$'000	$'000
United States Dollars	24,025	4,491
Malaysia Ringgit	20,383	16,875
Indian Rupee	2,547	–
Others	838	–

(b) **Terms of borrowings**

(i) ***Trade facility***

The trade facility relates to trust receipts in relation to certain construction contracts. They are interest bearing at predetermined rate above cost of funds. Certain trust receipts are secured by, amongst others, a guarantee from the Company and a charge over proceeds from the construction contracts.

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

The revolving term loans are in relation to certain construction contracts and for general working capital. They are interest bearing at a predetermined rate above the cost of funds. Certain revolving term loans are secured by a guarantee from the Company and a legal assignment of the proceeds from certain construction contracts.

(iii) ***Transferable term loan and floating rate notes***

In 2007, the Group and Company secured a Transferable Term Loan ("TTL") facility of $60 million. The TTL is repayable in agreed 20 instalments on a quarterly basis. The lenders of the TTL have the option to request repayment of all or some of the TTL held on or about 26 December 2011. The Group and Company has the option to repay all (but not some) of the TTL on or about 26 December 2011. The TTL is interest bearing based on a fixed margin above Swap Offer Rate for each interest period. The fixed margin will be revised at a predetermined rate after 36 months from date of first drawdown of the TTL facility.

21. Borrowings (cont'd)

(b) Terms of borrowings (cont'd)

(iii) *Transferable term loan and floating rate notes (cont'd)*

In 2007, the Group and Company issued secured Floating Rate Notes due 2012 ("FRN") amounting to $40 million. The FRN is repayable in agreed instalments on a quarterly basis with the last payment date in 2012. The holders of the FRN have the option to redeem all or some of the FRN held on or about 26 December 2011. The Group and Company has the option to redeem all (but not some) of the FRN on or about 26 December 2011. The FRN is interest bearing based on a fixed margin above Swap Offer Rate for each interest period. The fixed margin will be revised at a predetermined rate after 36 months from date of issuance of the FRN.

The TTL and FRN are secured by a guarantee from the Company and pursuant to a Security Sharing Deed, the TTL and FRN are secured by, inter alia, the following:

- a legal mortgage over the Group's leasehold property at 51 Tuas South Street 5, Singapore;
- an asset charge over certain of the Group's steel beams and columns;
- legal assignment of certain insurance; and
- a charge over a specific bank account to be maintained for at least 50% of the proceeds from the exercise of Warrants 2012 ("Warrant Conversion Proceeds Account").

The Warrant Conversion Proceeds Account can only be utilised for the repayment of the principal amounts.

(iv) *Term loans*

The term loans are repayable over 36 to 84 monthly instalments. They are interest bearing at a predetermined rate or at a predetermined rate above the base lending rate. Certain term loans are secured by a guarantee from the Company and a legal mortgage over the Group's freehold land and building at No.1 Jalan SiLC 3, Kawasan Perindustrian SiLC, Bandar Nusajaya, Johor Bahru, Malaysia.

(c) Effective interest rates

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

	Group	
	2010	**2009**
	%	%
Trade facilities	1.70	2.91
Revolving term loan	4.21	2.81
Transferable term loan	1.98	2.56
Floating rate notes	1.98	2.56
Term loans	7.35	6.53
Bank overdraft	–	7.05

22. Share capital

	Group and Company	
	2010	**2009**
	$'000	$'000
Issued and fully paid:		
Balance at beginning of year:		
1,231,955,502 (2009: 1,217,482,983) ordinary shares	91,509	90,172
Issuance during the year:		
13,041,000 (2009: 9,817,000) ordinary shares [1] on exercise of share options	1,494	1,143
68,000 (2009: 4,655,519) ordinary shares [2] on exercise of warrants	19	194
Balance at end of year: 1,245,064,502 (2009: 1,231,955,502) ordinary shares	93,022	91,509

(1) The Company issued 13,041,000 (2009: 9,817,000) ordinary shares at an average exercise price of $0.115 (2009: $0.116) per share pursuant to the exercise of 13,041,000 (2009: 9,817,000) options under the Employee Share Option Scheme.

(2) The Company issued 68,000 (2009: 4,625,269 and 30,250) ordinary shares at $0.28 (2009: $0.04 and $0.28 respectively) each pursuant to the exercise of 68,000 (2009: 4,655,519) warrants.

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

The Company has granted share options to subscribe for the Company's ordinary shares (Note 25).

23. Capital reserves

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Capital reserve on consolidation arising from acquisition of subsidiaries	6,837	6,837	–	–
Warrant reserve (Note 24)	10,597	10,599	10,597	10,599
	17,434	17,436	10,597	10,599

The capital reserves are non-distributable.

24. Warrant reserve

	Group and Company	
	2010	**2009**
	$'000	$'000
Balance at beginning of year: 364,839,244 (2009: 369,564,330) warrants	10,599	10,646
Converted during the year: 68,000 (2009: 4,655,519) warrants	(2)	(47)
Lapsed during the year: Nil (2009: 69,567) warrants	–	*
Balance at end of year: 364,771,244 (2009: 364,839,244) warrants	10,597	10,599

*Denotes less than $1,000

In connection with a rights issue of warrants in 2007, 365,131,494 warrants were issued at $0.03 for each warrant. The warrants were listed on 21 December 2007 and are exercisable between 21 December 2007 to 14 December 2012 at an exercise price of $0.25 per share.

25. 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.

	Group and Company	
	2010	**2009**
	$'000	$'000
Balance at beginning of year	12,589	8,300
Share option charge for the year	211	4,289
Balance at end of year	12,800	12,589

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.

25. Share option reserve (cont'd)

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

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

(a) **Movement of share options under ESOS during the year**

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

	2010		2009	
	No.	**WAEP**	**No.**	**WAEP**
	'000	$	'000	$
Outstanding at beginning of the year	108,119	0.195	88,051	0.186
Granted during the year	–	–	30,000	0.080
Lapsed during the year	(393)	0.145	(115)	0.129
Exercised during the year	(13,041)	0.115	(9,817)	0.116
Outstanding at end of year	94,685	0.170	108,119	0.163
Exercisable at end of year	94,685	0.170	78,154	0.195

The weighted average fair value of share options granted in 2009 was $0.037.

The range of exercise prices for options outstanding at the end of the year was $0.080 and $0.294 (2009: $0.080 to $0.294). The exercise prices of the share options have been revised in respect of the Rights Issue in 2007 (Note 25 (iii)). The weighted average remaining contractual life for these options is 7.1 years (2009: 8.2 years).

(b) **Fair value of share options granted under ESOS**

The fair value of share options as at the date of grant, is estimated by an external valuer using Bloomberg Executive Option Valuation Model ("BEOVM"), taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the year ended 31 December are shown below.

	2009
	Date of Grant
	12.03.2009
Dividend yield (%)	Nil
Expected volatility (%)	70.0
Risk-free interest rate (%)	0.87
Expected life of option (years)	3
Share price ($)	0.08

The expected life of the options is based on estimates made by management in the absence of historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

25. Share option reserve (cont'd)

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

(c) Modification of outstanding options arising from the Rights Issue in 2007

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

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

26. Foreign currency translation reserve

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

	Group	
	2010	**2009**
	$'000	$'000
Balance at beginning of year	(962)	(28)
Net effects of exchange differences arising from:		
Translation of financial statements of foreign operations	1,657	1,012
Long term intercompany loan	(3,582)	(1,946)
Balance at end of year	(2,887)	(962)

27. Commitments and contingencies

(a) Capital commitments

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	–	143	–	–

(b) Operating lease commitments

The Group leases land and warehouse under non-cancellable operating leases which expire over the next one to eighteen years. The lease rental for the land is subject to revision on an annual basis based on prevailing market conditions and the remaining leases are fixed. None of these leases includes contingent rentals.

27. Commitments and contingencies (cont'd)

(b) Operating lease commitments (cont'd)

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

	Group	
	2010	**2009**
	$'000	$'000
Within one year	1,805	1,311
After one year but not more than five years	3,245	3,214
After five years	8,626	7,566
	13,676	12,091

(c) Hire purchase creditors

The Group leases certain property, plant and equipment under hire purchase arrangements. The liabilities are secured on the property, plant and equipment and expire over the next one to ten years. The weighted average effective interest rates implicit in the leases of the Group at the end of the reporting period is 3.06% (2009: 3.91%) per annum.

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

	2010		2009	
Group	**Minimum payments**	**Present value of payments**	**Minimum payments**	**Present value of payments**
	$'000	$'000	$'000	$'000
Within one year	9,782	8,734	9,076	8,076
After one year but not more than five years	10,650	9,589	16,824	15,041
More than five years	436	356	324	263
	11,086	9,945	17,148	15,304
Total minimum lease payments	20,868	18,679	26,224	23,380
Less: Amounts representing finance charges	(2,189)	–	(2,844)	–
Present value of minimum lease payments	18,679	18,679	23,380	23,380

(d) Litigation

At the end of the reporting period, the Group has litigation cases with two customers in Malaysia and one customer in Singapore.

(i) ***Litigation case 1***

In 2007, a customer in Malaysia demanded payments on certain performance bonds on the ground that they have overpaid a subsidiary company in respect of a construction contract.

The subsidiary commenced legal proceedings seeking, amongst others, declaratory reliefs from the customer. The subsidiary has taken the position that while there is no amount owing to the customer, there are amounts owing from the customer under the construction contract.

27. Commitments and contingencies (cont'd)

(d) Litigation (cont'd)

(i) ***Litigation case 1 (cont'd)***

An interim injunction was obtained from the High Court of Kuala Lumpur, Malaysia to restrain the customer from calling on the performance bonds. The High Court dismissed application for the interim injunction on 30 March 2009. The subsidiary filed an appeal to the Court of Appeal on 1 April 2009. In the interim injunction, the amount due under the performance bonds of $1,389,000 was held by the defendant's solicitor as stakeholders.

In 2008, the subsidiary commenced arbitration and the preliminary hearing on some of the legal issues in the arbitration took place in June 2009. The Court of Abritration had declared this case being closed on 8 February 2010. On 24 March 2010, the Court of Arbitration issued its ruling on some of the preliminary issues and upheld the subsidiary's position that the customer has waived its claim for payment of the sum of RM10,335,000 (approximately $4,074,000).

On 20 July 2010, the customer agreed to release the sum of RM3,263,000 (approximately $1,389,000) held by their lawyers as stakeholders together with interest of RM77,000 (approximately $33,000) to the subsidiary and the discontinuance of the High Court proceedings.

(ii) ***Litigation case 2***

In 2007, a notice of arbitration was served to a customer in Malaysia to recover the outstanding amount.

A preliminary meeting for the arbitration was held on 1 December 2008 for general discussion and submission of point of claims.

In 2009, the customer commenced the defence of their case and the legal counsels from both parties have completed cross-examination of their witnesses. The process is expected to conclude with legal counsels making their final submission in April 2011. It is expected that the arbitrator would submit its finding in June 2011.

The trade receivable in respect of the above customer is not disclosed as the legal proceedings are in progress. The total trade receivables from Malaysia amounted to $1,187,000 (2009: $1,168,000).

The subsidiary's lawyer in Malaysia is of the opinion that there are reasonable prospects of succeeding in respect of the above litigation and accordingly, no provision for any liability has been made in the financial statements.

(iii) ***Litigation case 3***

In 2009, a notice of arbitration was served to a customer in Singapore to recover the outstanding amount. On 9 June 2010, the arbitration has been completed and a settlement agreement has been reached. The customer has agreed to pay the outstanding amount via instalments. Accordingly, no provision for any liability has been made in the financial statements.

28. Related party transactions

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

28. Related party transactions (cont'd)

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

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Technical advisory service provided by directors of the Company	395	339	–	–
Management fee income from subsidiaries	–	–	784	1,492

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Salaries, bonuses and other costs	13,962	9,864	–	–
Contributions to Central Provident Fund	92	92	–	–
Grant of equity-settled share options	221	3,453	31	487
Directors' fees	220	234	220	234
	14,495	13,643	251	721
Comprise:				
Directors of the Company	12,012	11,029	251	721
Other key management personnel	2,483	2,614	–	–
	14,495	13,643	251	721

(c) **Guarantees**

The Company has provided corporate guarantees to financial institutions for banking facilities entered into by certain subsidiaries amounting to $245 million (2009: $224 million).

29. Financial risk management objectives and policies

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

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

(a) **Foreign currency risk**

There is no foreign currency risk arising from the Group's revenue as they are denominated in the respective functional currencies of the Group entities. The Group has transactional currency exposures arising from purchases that are denominated in a currency other than the respective functional currencies of Group entities, mainly relating to purchases of steel materials denominated in United States Dollar. However, such exposures are not significant to the Group. The Group did not enter into any forward currency contracts during the financial years ended 31 December 2009 and 2010.

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

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

(a) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

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

		2010	2009
		$'000	$'000
USD/SGD	- strengthened by 5% (2009: 5%)	(1,591)	(615)
	- weakened by 5% (2009: 5%)	1,591	615

(b) Liquidity risk

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

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

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

Group	Less than one year	One to five years	More than five years	Total
	$'000	$'000	$'000	$'000
2010				
Trade payables	67,827	–	–	67,827
Other payables and accruals	22,244	–	–	22,244
Borrowings	63,431	50,250	14,811	128,492
Hire purchase creditors	9,782	10,650	436	20,868
	163,284	60,900	15,247	239,431
2009				
Trade payables	80,602	–	–	80,602
Other payables and accruals	26,308	–	–	26,308
Borrowings	62,217	74,301	11,876	148,394
Hire purchase creditors	9,076	16,824	324	26,224
	178,203	91,125	12,200	281,528

(c) Interest rate risk

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

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

Information regarding the interest rates of the Group's borrowings is in Note 21.

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

(c) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At 31 December 2010, if interest rates had been 75 (2009: 75) basis points lower/higher with all other variables held constant, the Group's profit for the year would have been $887,000 (2009: $1,018,000) higher/lower, arising mainly as a result of lower/higher interest expense on borrowings.

(d) Credit risk

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

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

Exposure to credit risk

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

Credit risk concentration

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

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

	Group	
	2010	**2009**
	$'000	$'000
Singapore	43,530	28,509
Malaysia	2,541	2,773
Others	11,076	18,259
	57,147	49,541

As at the end of the reporting period, approximately 37% (2009: 65%) of the Group's trade receivables from Singapore is due from 3 (2009: 3) customers in respect of 4 (2009: 4) construction contracts which are still in progress.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

30. 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 2010 and 31 December 2009.

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

	Group	
	2010	**2009**
	$'000	$'000
Borrowings	118,324	135,695
Hire purchase creditors	18,679	23,380
	137,003	159,075
Fixed deposits, cash and bank balances	(20,625)	(18,708)
Net debt	116,378	140,367
Net tangible assets value	235,559	187,567
Gearing ratio	49%	75%

31. Fair values of financial instruments

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

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

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

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

Borrowings

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

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

Amount due from subsidiaries

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

Hire purchase creditors

The fair value of hire purchase creditors is determined by their present value of minimum lease payments (Note 27(c)).

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

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

Fair value hierarchy

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

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

There have been no transfers between Level 1 and Level 2 during the financial years ended 2010 and 2009.

Determination of fair value

Quoted equity instrument (Note 13)

Fair value is determined by reference to its published market bid price at the end of the reporting period which is categorised in Level 1.

32. Segment information

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

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

(a) **Geographical segments**

2010	**Singapore** $'000	**Middle East** $'000	**Malaysia** $'000	**Others** $'000	**Elimination** $'000	**Group** $'000
Revenue from external customers	302,584	8,028	11,008	13,458	–	335,078
Inter-segment revenue	–	–	8,770	–	(8,770)	–
Total revenue	302,584	8,028	19,778	13,458	(8,770)	335,078
Segment results	75,489	(6,161)	3,050	1,320	–	73,698
Finance income						119
Finance costs						(3,904)
Share of results of joint venture						(2,173)
Profit before taxation						67,740
Taxation						(13,342)
Net profit						54,398

32. Segment information (cont'd)

(a) Geographical segments (cont'd)

2009	Singapore $'000	Middle East $'000	Malaysia $'000	Others $'000	Elimination $'000	Group $'000
Revenue from external customers	260,334	63,612	2,091	20,784	–	346,821
Inter-segment revenue	–	–	23,117	–	(23,117)	–
Total revenue	260,334	63,612	25,208	20,784	(23,117)	346,821
Segment results	50,863	215	3,037	(947)	–	53,168
Finance income						32
Finance costs						(4,747)
Share of results of joint ventures						363
Profit before taxation						48,816
Taxation						(8,741)
Net profit						40,075

(b) Business segments

	Group 2010 $'000	Group 2009 $'000
Revenue:		
Structural steelworks	211,130	256,841
Specialist civil engineering	123,934	89,938
Mechanical engineering	14	42
	335,078	346,821

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

33. Categories of financial assets and liabilities

(a) Available-for-sale financial asset

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Other investment	13	100	100	–	–
Total available-for- sale financial asset		100	100	–	–

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

(b) **Loans and receivables**

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Amounts due from subsidiaries	11(b)	–	–	84,772	91,815
Trade receivables	16	59,119	47,823	–	–
Other receivables and deposits	17	3,372	3,627	–	–
Cash and bank balances	18	20,625	18,708	341	2,015
Total loans and receivables		83,116	70,158	85,113	93,830

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

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Trade payables		67,827	80,602	–	–
Other payables and accruals	20	22,244	26,308	493	440
Borrowings	21	118,324	135,695	–	–
Hire purchase creditors	27(c)	18,679	23,380	–	–
Total financial liabilities measured at amortised cost		227,074	265,985	493	440

34. Dividends

	Group and Company 2010 $'000	Group and Company 2009 $'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- First and final exempt (one-tier) dividend for 2009: 0.5 cents (2008: 0.4 cents) per share	6,203	4,895
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- First and final exempt (one-tier) dividend for 2010: 0.65 cents (2009: 0.5 cents) per share	8,093	6,203

35. Comparative figures

Certain amounts in the financial statements for the year ended 31 December 2009 have been reclassified to conform to the current year's presentation:

	Group	
	As reclassified	As previously reported
	$'000	$'000
Balance sheet		
Investment in joint ventures [1]	979	3,379
Other payables and accruals [1]	26,308	28,708
Consolidated income statement		
Cost of sales [2]	(269,395)	(266,454)
General and administrative expenses [2]	(25,791)	(28,732)

The presentation of the balance sheet as at the beginning of the earliest comparative period has not been prepared as:

(1) These reclassifications of balances do not materially affect the presentation of the comparatives.
(2) These reclassifications of balances are among income statement items and do not have an impact on the balance sheet presentation.

36. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors on 15 March 2011.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 07 MARCH 2011

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 999	220	1.36	35,435	0.00
1,000 - 10,000	5,547	34.41	40,963,216	3.27
10,001 - 1,000,000	10,291	63.84	609,965,320	48.73
1,000,001 and above	63	0.39	600,891,531	48.00
Grand Total	**16,121**	**100.00**	**1,251,855,502**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 07 MARCH 2011

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS
1	CITIBANK NOMINEES SINGAPORE PTE LTD	99,166,150	7.92
2	YONGNAM PRIVATE LIMITED	64,328,432	5.14
3	DBS NOMINEES PTE LTD	44,853,381	3.58
4	SEOW SOON YONG	37,329,923	2.98
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	32,510,496	2.60
6	UNITED ENGINEERS (SINGAPORE) PRIVATE LIMITED	29,939,514	2.39
7	HSBC (SINGAPORE) NOMINEES PTE LTD	27,769,934	2.22
8	LEE PUI CHING	26,981,385	2.16
9	OCBC SECURITIES PRIVATE LTD	22,654,157	1.81
10	CIMB SECURITIES (SINGAPORE) PTE LTD	16,401,300	1.31
11	UOB KAY HIAN PTE LTD	16,077,300	1.28
12	DBSN SERVICES PTE LTD	12,741,719	1.02
13	TAN TIN NAM	12,736,000	1.02
14	HONG LEONG FINANCE NOMINEES PTE LTD	12,256,000	0.98
15	PHILLIP SECURITIES PTE LTD	11,678,168	0.93
16	DBS VICKERS SECURITIES (S) PTE LTD	11,397,110	0.91
17	OCBC NOMINEES SINGAPORE	10,166,020	0.81
18	KIM ENG SECURITIES PTE. LTD.	8,513,065	0.68
19	THONG KONG FATT	8,452,000	0.68
20	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	6,041,949	0.48
	TOTAL	**511,994,003**	**40.90**

STATISTICS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS AS AT 7 MARCH 2011

Name	No. of shares registered in the name of substantial shareholders or nominees	No. of shares in which substantial shareholders are deemed to be interested	Total	Percentage of issued shares
Seow Soon Yong	69,329,923	64,328,432[1]	133,658,355	10.68
Siau Sun King	8,586,870	64,328,432[2]	72,915,302	5.82
Yongnam Private Limited	64,328,432	-	64,328,432	5.14
Tan Tin Nam	12,736,000	64,328,432[3]	77,064,432	6.16

(1) This represents Mr Seow Soon Yong's deemed interest of 64,328,432 held in the name Yongnam Private Limited

(2) This represents Mr Siau Sun King's deemed interest of 64,328,432 held in the name Yongnam Private Limited

(3) This represents Mr Tan Tin Nam's deemed interest of 64,328,432 held in the name Yongnam Private Limited

PUBLIC SHAREHOLDINGS

Rule 723 of the Listing Manual of the SGX-ST requires that at least 10% of the equity securities (excluding preference shares and convertble equity securities) of a listed company in a class that is listed is at all times held by the public. The company has complied with Rule 723 of the Listing Manual. As at 7 March 2011, approximately 84.42% of the Company's ordinary shares listed on the SGX-ST were held in the hands of the public.

DISTRIBUTION OF WARRANTHOLDERS BY SIZE OF WARRANTHOLDINGS (W121214) AS AT 07 MARCH 2011

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 999	225	3.70	48,905	0.01
1,000 - 10,000	3,673	60.44	20,488,074	5.62
10,001 - 1,000,000	2,130	35.05	142,386,819	39.04
1,000,001 and above	49	0.81	201,808,446	55.33
Grand Total	**6,077**	**100.00**	**364,732,244**	**100.00**

TWENTY LARGEST WARRANTHOLDERS (W121214) AS AT 07 MARCH 2011

	NAME OF WARRANTHOLDER	NO. OF WARRANTS	% OF WARRANTHOLDINGS
1	YONGNAM PRIVATE LIMITED	19,298,529	5.29
2	YEO LAI HUAT	18,000,000	4.94
3	CIMB SECURITIES (SINGAPORE) PTE LTD	10,479,500	2.87
4	SEOW SOON YONG	10,106,376	2.77
5	UNITED ENGINEERS (SINGAPORE) PRIVATE LIMITED	8,981,854	2.46
6	LEE PUI CHING	8,394,415	2.30
7	LOH BAK CHAM	7,000,000	1.92
8	SINGAMINA INVESTMENT PTE LTD	7,000,000	1.92
9	OCBC SECURITIES PRIVATE LTD	6,871,920	1.88
10	UOB KAY HIAN PTE LTD	5,944,800	1.63
11	TOH GECK LENG	5,610,000	1.54
12	TEO CHIN SENG	5,362,000	1.47
13	CHUNG SIEW MAY JULIANA	5,033,000	1.38
14	PHILLIP SECURITIES PTE LTD	4,731,600	1.30
15	KIM ENG SECURITIES PTE. LTD.	4,682,291	1.28
16	UNITED OVERSEAS BANK NOMINEES PTE LTD	4,380,018	1.20
17	GOH LAI PENG	3,697,000	1.01
18	TAN SIAH HWEE	3,553,000	0.97
19	CHUA SIEW LIAN	3,500,000	0.96
20	WONG WING KAYE	3,320,000	0.91
	TOTAL	**145,946,303**	**40.00**

YONGNAM HOLDINGS LIMITED

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Yongnam Holdings Limited (the "Company") will be held at 51 Tuas South Street 5, Singapore 637644 on Wednesday, 27 April 2011 at 2.00 p.m. to transact the following businesses:

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2010 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To declare a first and final one-tier tax-exempt dividend of 0.65 Singapore cents per ordinary share for the financial year ended 31 December 2010. **(Resolution 2)**

3. To approve the proposed Directors' fees of S$220,000 for the financial year ended 31 December 2010 (2009: S$234,000). **(Resolution 3)**

4. To re-elect the following Directors retiring pursuant to Article 104 of the Company's Articles of Association:-

   (a) Mr Tan Tin Nam **(Resolution 4)**

   (b) Mr Siau Sun King **(Resolution 5)**

   (c) Mr Tan Eng Kiat, Dominic **(Resolution 6)**

5. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 7)**

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

SPECIAL BUSINESS

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

7. **AUTHORITY TO ALLOT AND ISSUE SHARES**

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

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

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

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

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

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

    (a) new Shares arising from the conversion or exercise of any convertible securities;
    (b) new Shares arising from the exercise of share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and
    (c) any subsequent bonus issue or consolidation or subdivision of the Shares;

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

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

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 8)**

    [See Explanatory Note 1]

8. **AUTHORITY TO GRANT OPTIONS AND TO ISSUE SHARES UNDER THE YONGNAM EMPLOYEE SHARE OPTION SCHEME**

"That authority be and is hereby given to the Directors of the Company to offer and grant options from time to time in accordance with the provisions of the Yongnam Employee Share Option Scheme (the "Scheme"), and, pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) of the Company from time to time, as determined in accordance with the provisions of the Scheme." **(Resolution 9)**

[See Explanatory Note 2]

BY ORDER OF THE BOARD

SEOW SOON YONG
Chief Executive Officer
5 April 2011

NOTES:

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

2) If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3) The instrument appointing a proxy must be deposited at the registered office of the Company at 51 Tuas South Street 5, Singapore 637644 not later than 48 hours before the Meeting.

EXPLANATORY NOTE:

1. The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company from the date of the Meeting to allot and issue Shares in the Company up to an amount not exceeding 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

2. The proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company to offer and grant options under the Yongnam Employee Share Option Scheme and to allot and issue Shares pursuant to the exercise of such options under the Yongnam Employee Share Option Scheme. The aggregate amount of new Shares over which the Company may grant options on any date, when added to the amount of new Shares to be issued in respect of (a) all options granted under the Scheme, and (b) all awards granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed 15% of the total number of issued Shares (excluding treasury shares) of the Company from time to time.

YONGNAM HOLDINGS LIMITED

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

PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy Yongnam Holdings Limited's shares, this Annual Report 2010 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

I / We,____

of ____

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

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

and/or (delete where appropriate)

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

as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at 51 Tuas South Street 5, Singapore 637644 on Wednesday, 27 April 2011 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specific directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/their discretion.

Resolution No.	**Ordinary Resolutions**	**For**	**Against**
1.	Adoption of Directors' and Auditors' Reports and Audited Financial Statements of the Company for the financial year ended 31 December 2010.		
2.	Approval of first and final one-tier tax-exempt dividend of 0.65 Singapore cents per ordinary share for the financial year ended 31 December 2010.		
3.	Approval of proposed Directors' fees of S$220,000 for the financial year ended 31 December 2010.		
4.	Re-election of Mr Tan Tin Nam as Director.		
5.	Re-election of Mr Siau Sun King as Director.		
6.	Re-election of Mr Tan Eng Kiat, Dominic as Director.		
7.	Re-appointment of Messrs Ernst & Young LLP as Auditors.		
8.	Authority to allot and issue shares.		
9.	Authority to grant options and to issue shares under the Yongnam Employee Share Option Scheme.		

Dated this _____ day of _______________________ , 2011

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

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

IMPORTANT: Please read notes overleaf

Notes:-

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

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

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

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

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

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

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

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

Fold along this line

Affix Postage Stamp Here

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

Fold along this line

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