



YONGNAM HOLDINGS LIMITED

(Company Registration No. 199407612N)
(Incorporated in the Republic of Singapore on 19 October 1994)

This quarterly reporting announcement is mandatory, made pursuant to the Singapore Exchange Securities Trading's ("SGX-ST") requirements, as required under Rule 705(2C) of the SGX-ST Listing Manual

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2023

A CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Group		
	3 months 31/03/2023	3 months 31/03/2022	Fav / (Unfav)
	\$'000	\$'000	%
Revenue	37,258	35,029	6.4
Cost of sales	(38,775)	(36,367)	(6.6)
Gross Loss	(1,517)	(1,338)	(13.4)
Other income	46	598	(92.3)
General and administrative expenses	(2,336)	(3,951)	40.9
Interest income	3	-	nm
Finance costs	(2,754)	(2,468)	(11.6)
Share of results of an associated company, net of tax	198	(7)	nm
Loss before tax	(6,360)	(7,166)	11.2
Taxation	-	(3)	nm
Loss after tax	(6,360)	(7,169)	11.3
Attributable to:			
Owners of the Company	(6,360)	(7,205)	11.7
Non-controlling interests	-	36	nm
	(6,360)	(7,169)	11.3

nm - not meaningful

The accompanying explanatory notes in Section F form an integral part of the unaudited condensed consolidated financial statements

B CONDENSED INTERIM BALANCE SHEET

	Note	Group		Company	
		31/3/2023	31/12/2022	31/3/2023	31/12/2022
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	1	180,513	184,585	-	-
Right-of-use assets		33,553	33,738	-	-
Investment in subsidiaries		-	-	62,618	62,769
Investment securities		1,012	1,003	-	-
Deferred tax asset		1	1	-	-
Restricted bank balance	2	-	2,505	-	-
Investment in associated company		839	641	-	-
		215,918	222,473	62,618	62,769
Current assets					
Inventories	3	11,260	14,030	-	-
Contract assets	4	44,437	42,693	-	-
Trade debtors	5	11,175	18,417	-	-
Other receivables and deposits		8,358	8,132	-	-
Prepayments		4,225	2,383	70	34
Cash and bank balances	7	3,794	2,090	19	14
		83,249	87,745	89	48
Current liabilities					
Contract liabilities	6	16,162	23,050	-	-
Trade creditors		60,658	60,793	-	-
Other creditors and accruals		20,532	22,828	2,178	2,149
Borrowings	7	101,633	96,427	-	-
Lease liabilities		8,241	7,720	-	-
Bond payable		168	336	168	336
Convertible bonds (liability)		5,425	5,415	5,425	5,415
Income tax payable		36	36	-	-
		212,855	216,605	7,771	7,900
Net current liabilities	8	(129,606)	(128,860)	(7,682)	(7,852)
Non-current liabilities					
Borrowings		-	-	-	-
Lease liabilities		33,479	34,412	-	-
		33,479	34,412	-	-
Net assets		52,833	59,201	54,936	54,917
Equity					
Share capital		152,369	152,369	152,369	152,369
Reserves		(98,932)	(92,564)	(97,433)	(97,452)
		53,437	59,805	54,936	54,917
Non-controlling interest		(604)	(604)	-	-
		52,833	59,201	54,936	54,917

The accompanying explanatory notes in Section F form an integral part of the unaudited condensed consolidated financial statements

Note 1: Property, plant and equipment and Right-of-use assets

Property, plant and equipment decreased mainly due to the disposal of strutting assets and depreciation charges during the period.

Note 2: Restricted bank balance

Restriction on the bank balance was lifted in 1QFY2023.

Note 3: Inventories

Inventories decreased due to consumption of inventories by projects.

Note 4: Contract assets

Contract assets increased due to more work done for on-going projects, in line with increased business activities.

Note 5: Trade debtors

Trade debtor decreased due to lower billings during the period.

Note 6: Contract liabilities

Contract liabilities relate to advance payment from main contractors for work that has not been performed. Contract liabilities decreased due to subsequent work done against such advance payments, and also due to buy back of materials from strutting projects.

Note 7: Net Borrowings

Net Borrowings increased due to loans taken up during the period.

Note 8: Net Current Liabilities

On 25 January 2023, the Group had filed a Moratoria pursuant To Sections 64 & 65 Of The Insolvency, Restructuring And Dissolution Act 2018 to the Singapore High Court, which was then granted to both the Company and the Group's key subsidiary, Yongnam Engineering & Construction (Private) Limited on 13 February 2023. The Moratoria will expire on 15 May 2023. The Group has also applied for the moratoria to be extended by a period of three months from 15 May 2023.

On 13 April 2023, the Group announced that it had entered into definitive agreements with Turbo Vision Pte. Ltd in relation to the following:

- (a) a loan agreement for a term loan in the principal amount of \$3,000,000; and
- (b) a conditional subscription agreement (the "Subscription Agreement") for the following:
 - (i) subscription by the Subscriber of \$20,000,000 in new ordinary shares in the Company, on the terms and conditions of the Subscription Agreement; and
 - (ii) subscription by the Subscriber of two tranches of unlisted share Options, with the first tranche being non-transferable, having a principal amount of \$10,000,000 and expiring one year from the date of its issue and the second tranche being transferable, having a principal amount of \$20,000,000 and expiring three years from the date of its issue, with each Option carrying the right to subscribe for one new ordinary share in the Company per Option, on the terms and conditions of the Subscription Agreement.

The Group has been in discussion with its major secured creditors, unsecured creditors, and the potential investor, Turbo Vision Pte. Ltd, on the restructuring of the financial indebtedness of the Group.

The above proposed transactions are intended to place the Group in a position to carry out a scheme of arrangement with certain of its unsecured creditors and to negotiate settlement arrangements in relation to existing facilities with the Group's lenders. Therefore, the proposed transactions, when completed, will provide certainty of funding for the Group to continue as a going concern and to secure new projects in the near future.

C CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	3 mths 31/03/2023	3 mths 31/03/2022
	\$'000	\$'000
Operating activities		
Loss before tax	(6,360)	(7,166)
Add/(less):		
Depreciation	5,650	6,580
Consumption allowance for steel beams and columns	607	121
Interest income	(3)	-
Finance costs	2,754	2,468
Net gain on fair value of derivative instruments held at FVTPL	-	(168)
(Gain)/Loss on disposal of property, plant & equipment	(862)	629
Share of results of an associated company	(198)	7
Effects of changes in foreign exchange	304	70
Operating cash flows before changes in working capital	1,892	2,541
Decrease in inventories	2,279	1,100
Decrease/(Increase) in trade, other receivables and contract assets	5,059	(7,147)
(Decrease)/Increase in trade, other creditors and contract liabilities	(9,116)	15,368
Cash flows generated from operations	114	11,862
Income tax paid	(70)	(50)
Interest received	3	-
Interest paid	(2,665)	(2,054)
Net cash flows (used in)/provided from operating activities	(2,618)	9,758
Investing activities		
Purchase of property, plant & equipment	(2,923)	(5,591)
Proceeds from disposal of property, plant & equipment	1,494	2,216
Net cash flows used in investing activities	(1,429)	(3,375)
Financing activities		
Repayment of convertible bonds	(178)	(900)
Proceeds from borrowings	10,707	-
Repayment of borrowings	(5,335)	(2,308)
Decrease/(Increase) in restricted bank balances	2,505	-
Lease payments	(1,946)	(3,322)
Net cash flows generated from /(used in) financing activities	5,753	(6,530)
Net increase /(decrease) in cash and cash equivalents	1,706	(147)
Effect of exchange rate changes on cash and cash equivalents	(2)	(12)
Cash and bank balances at beginning of period	2,090	2,914
Cash and bank balances at end of period	3,794	2,755

The accompanying explanatory notes in Section F form an integral part of the unaudited condensed consolidated financial statements

D CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	3 months 31/03/2023	3 months 31/03/2022	Fav/(Unfav)
	\$'000	\$'000	%
Loss after tax	(6,360)	(7,169)	11.3
Foreign currency translation	(18)	(85)	78.8
Net fair value gain/(loss) on equity instruments at fair value through other than comprehensive income	10	(28)	nm
Total comprehensive loss	(6,368)	(7,282)	12.6
Attributable to:			
Owners of the Company	(6,368)	(7,318)	13.0
Non-controlling interests	-	36	nm
	(6,368)	(7,282)	12.6

E CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital \$'000	Capital reserves \$'000	Share option reserves \$'000	Foreign currency translation reserves \$'000	Fair value reserves \$'000	Retained earnings \$'000	Non- controlling interests \$'000	Total \$'000
GROUP								
Balance at 1 January 2023	152,369	6,837	12,800	(7,745)	(590)	(103,866)	(604)	59,201
Total comprehensive income/ (loss) for the period	-	-	-	(18)	10	(6,360)	-	(6,368)
Balance at 31 March 2023	152,369	6,837	12,800	(7,763)	(580)	(110,226)	(604)	52,833
Balance at 1 January 2022	149,384	6,837	12,800	(6,741)	(409)	(59,981)	(8,766)	93,124
Total comprehensive income / (loss) for the period	-	-	-	(85)	(28)	(7,205)	36	(7,282)
Balance at 31 March 2022	149,384	6,837	12,800	(6,826)	(437)	(67,186)	(8,730)	85,842
COMPANY								
Balance at 1 January 2023	152,369	-	12,800	-	-	(110,252)	-	54,917
Total comprehensive income for the period	-	-	-	-	-	19	-	19
Balance at 31 March 2023	152,369	-	12,800	-	-	(110,233)	-	54,936
Balance at 1 January 2022	149,384	-	12,800	-	-	(52,383)	-	109,801
Total comprehensive income for the period	-	-	-	-	-	13	-	13
Balance at 31 March 2022	149,384	-	12,800	-	-	(52,370)	-	109,814

F NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The condensed quarterly financial statements for the three months ended 31 March 2023 have been prepared in accordance with the SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. This quarterly reporting announcement is mandatory, made pursuant to the Singapore Exchange Securities Trading's ("SGX-ST") requirements, as required under Rule 705(2C) of the SGX-ST Listing Manual. The condensed three months financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last full year financial statements for the year ended 30 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 1.1

The condensed interim financial statements are presented in Singapore dollar which is the Group's functional currency.

1.1 New and amended standards adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The adoption of these amendments did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current financial year.

1.2 Use of judgements and estimates

In preparing the condensed financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The following are the critical accounting estimates in applying the Group's accounting policies in the financial statements for the three months ended 31 March 2023:

1.2 (a) Revenue recognition on construction contracts

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

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

Contract revenue and contract costs recognised for the financial period ended 31 March 2023 are disclosed in the condensed interim consolidated income statement.

1.2 (b) Impairment assessment on non-financial assets

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

Steel beams and columns

For the purpose of this condensed interim financial statements for the three months period ended 31 March 2023, management has reviewed and considered the cash flows projections for the CGU. No impairment loss was recorded as results of the assessment by management.

2 Loss before tax

The following items have been included in arriving at loss before tax:

	3 months 31/03/2023 \$'000	3 months 31/03/2022 \$'000
(Gain)/Loss on disposal of property, plant & equipment	(862)	629
Depreciation	5,650	6,580
Allowance on strut consumption	607	121

3 Segment and revenue information

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

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

	Singapore \$'000	Rest of Asia Pacific \$'000	Eliminations \$'000	Group \$'000
Period ended 31 Mar 2023 (3 months)				
Revenue				
External customers	20,830	16,428		37,258
Inter-segment revenue	289	636	(925)	-
Total revenue	21,119	17,064	(925)	37,258
Depreciation	4,122	1,528	-	5,650
Result				
Segment result	(3,748)	(261)	202	(3,807)
Share of results of associated companies				198
Finance income				3
Finance cost				(2,754)
Loss before tax				(6,360)
Tax				-
Loss after tax				(6,360)
Non-current assets	132,235	83,683	-	215,918

Revenue by Business Segments

	3 months Q1 FY2023 \$'000	3 months Q1 FY2022 \$'000
Structural steelworks	11,120	13,008
Specialist civil engineering	26,147	21,951
Others	(9)	70
	37,258	35,029

4 Earning per share

Earnings per share for the period based on net profit attributable to shareholders:-

	Group	
	3 months 31/03/2023	3 months 31/03/2022
(i) Based on weighted average number of shares in issue (cents)	(0.90)	(1.12)
(ii) On a fully diluted basis (cents) #	(0.90)	(1.12)
(i) Weighted average number of shares in issue	703,942,767	642,542,767
(ii) Weighted average number of shares for diluted earnings	703,942,767	642,542,767

- Based on the weighted average number of units during the period, adjusted for effects of potential dilutive units arising from the assumed conversion of the outstanding convertible bonds to ordinary shares.

5 Net asset value per share

	Group (cents)		Company (cents)	
	31/3/2023	31/12/2022	31/3/2023	31/12/2022
Net asset value per share	7.59	8.50	7.80	7.80

6 Property, plant and equipments

Group	Freehold land	Leasehold property	Plant and machinery	Motor vehicles	Office equipment and furniture	Steel beams and columns	Cranes	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

As at 31 December 2022

Cost	27,890	56,396	34,397	4,615	7,477	240,857	37,459	409,091
Accumulated amortisation and impairment	(6,515)	(40,559)	(29,729)	(4,296)	(7,219)	(103,370)	(32,818)	(224,506)
Net Book value	21,375	15,837	4,668	319	258	137,487	4,641	184,585

3 months period ended 31 March 2023

Opening net book value	21,375	15,837	4,668	319	258	137,487	4,641	184,585
Addition	-	-	47	39	47	3,399	-	3,532
Disposal/Write off	-	-	-	-	(1)	(2,659)	(73)	(2,733)
Depreciation	-	(746)	(251)	(38)	(35)	(2,632)	(226)	(3,928)
Strut consumption allowance	-	-	-	-	-	(329)	-	(329)
Exchange differences	(275)	(2)	(9)	(2)	-	(324)	(2)	(614)
Closing net book value	21,100	15,089	4,455	318	269	134,942	4,340	180,513

As at 31 March 2023

Cost	21,100	56,382	34,357	4,604	7,500	239,708	33,604	397,255
Accumulated amortisation and impairment	-	(41,293)	(29,902)	(4,286)	(7,231)	(104,766)	(29,264)	(216,742)
Net Book value	21,100	15,089	4,455	318	269	134,942	4,340	180,513

7 Borrowings

	As at 31/03/2023		As at 31/12/2022	
	\$'000		\$'000	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	86,495	20,731	92,154	10,024
Amount repayable after one year	-	-	-	-

G Other Information Required by Listing Rule Appendix 7

1 REVIEW

The condensed consolidated statement of financial position of the Company and its subsidiaries as at 31 March 2023 and the related condensed consolidated income statement and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended and certain explanatory notes have not been audited or reviewed.

2 SHARE CAPITAL

There were no shares issued during the period from 1 January 2023 to 31 March 2023.

As at 31 March 2023, there were 103,400,000 unissued ordinary shares (31 March 2022: 164,800,000) which may be issued on conversion of convertible bonds of the Company.

As at 31 March 2023, the total number of issued shares was 703,942,767 (31 December 2022: 703,942,767).

3 AUDIT

These figures have not been audited or reviewed by the auditors.

4 REVIEW OF THE PERFORMANCE OF THE GROUP

The Group's revenue for the three months ended 31 March 2023 ("Q1 FY2023") increased by 6.4% to \$37.3 million compared to \$35.0 million in the previous corresponding period ended 31 March 2022 ("Q1 FY2022").

Revenue from Specialist Civil Engineering projects increased by 19.1% from \$22.0 million in Q1 FY2022 to \$26.1 million in Q1 FY2023. The contributions for the review period came mainly from CR102, N111 and N103 projects, as well as infrastructural projects in Hong Kong.

Revenue from Structural Steelwork decreased by 14.5%, from \$13.0 million in Q1 FY2022 to \$11.1 million in Q1 FY2023. Key contributors include projects for Punggol Sport Hub Complex, Singapore General Hospital, Mandai Crematorium and ICA Building.

As construction costs remained high due to increased energy and raw material costs, as well as a tight labour market, the Group's project margins remain challenging. Group's gross loss in Q1 FY2023 increased to \$1.5 million, compared to a gross loss of \$1.3 million in Q1 FY2022.

Other income decreased from \$0.6 million in Q1 FY2022 to \$0.05 million in Q1 FY2023 mainly due to lower Government wage credit scheme and foreign work levies rebate received in Q1 FY2023.

General and administrative expenses reduced significantly to \$2.3 million in Q1 FY2023, compared to \$3.9 million in Q1 FY2022, mainly due to lower professional cost incurred, as well as gain of \$0.9 million on disposal of certain fixed assets in Q1 FY2023 compared to a loss of \$0.6 million in 1Q FY2022.

On the other hand, Finance costs increased from \$2.5 million in Q1 FY2022 to \$2.75 million in Q1 FY2023 due to higher interest rates during the period.

The Group incurred a loss before tax of \$6.4 million in Q1 FY2023, compared to a loss before tax of \$7.2 million in Q1 FY2022. Net asset value per share decreased by 10.6% from 8.50 cents as at 31 December 2022 to 7.59 cents as at 31 March 2023.

The Group's net gearing is higher at 1.96 times as at 31 March 2023, compared to 1.65 times as at 31 December 2022.

5 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable. The Group has not previously disclosed any forecast or prospect statements to its shareholders.

6 A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or event that may effect the group in the next reporting period and the next 12 months

On 13 April 2023, the Group announced that it had entered into definitive agreements with Turbo Vision Pte. Ltd in relation to the following:

(a) a loan agreement for a term loan in the principal amount of \$3,000,000; and

(b) a conditional subscription agreement (the "Subscription Agreement") for the following:

(i) subscription by the Subscriber of \$20,000,000 in new ordinary shares in the Company, on the terms and conditions of the Subscription Agreement; and

(ii) subscription by the Subscriber of two tranches of unlisted share options ("Options"), with the first tranche being non-transferable, having a principal amount of \$10,000,000 and expiring one year from the date of its issue; and the second tranche being transferable, having a principal amount of \$20,000,000 and expiring three years from the date of its issue, with each Option carrying the right to subscribe for one new ordinary share in the Company per Option, on the terms and conditions of the Subscription Agreement.

The Group has been in discussion with its major secured creditors, unsecured creditors, and the potential investor, Turbo Vision Pte. Ltd, on the restructuring of the financial indebtedness of the Group.

The above proposed transactions are intended to place the Group in a position to carry out a scheme of arrangement with certain of the Group's unsecured creditors and to negotiate settlement arrangements in relation to existing facilities with the Group's lenders. Therefore, the proposed transactions, when completed, will provide certainty of funding for the Group to continue as a going concern and to secure new projects in the near future.

The operating environment of the construction industry continues to be highly competitive where construction costs have remained high, and the labour supply remains tight. Margins of projects secured prior to the COVID pandemic are adversely impacted, and certain of these projects are being progressively completed.

As at 31 March 2023, the Group's order book remained robust at \$363.3 million. The Group is currently in pursuit of potential projects amounting to about \$953 million. Included in this pipeline are commercial development projects as well as public infrastructure projects including the MRT Jurong Regional Line and the Cross Island Line.

Resumption of the construction of Changi Airport Terminal 5, as well as developments in the Jurong Lake District, Paya Lebar and Tengah areas over the next few years will bring new project opportunities to the local construction industry. Regionally, governments are expected to prime infrastructural developments to invigorate their economies stifled by the COVID pandemic.

Against a highly competitive backdrop, the Group will continue to reduce expenditure and exercise caution in its active pursuit of new projects and business opportunities in Singapore as well as in the region.

7 DIVIDEND

(a) Current financial period reported on

None

(b) Corresponding period of the immediately preceding financial year

None

(c) If no dividend has been declared / recommended, a statement to the effect and the reason

No dividend is recommended for the three months period ended 31 March 2023 as the Board of Directors deems it appropriate to conserve funds for the Group's business activities and working capital requirement.

8 Interested Person Transactions

The Group has not obtained a general mandate from shareholders for Interested Party Transactions pursuant to Rule 920(1)(a)ii.

9 Negative assurance

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to its attention which may render the financial results for the three months period ended 31 March 2023 to be false or misleading, in any material aspect.

10 Confirmation that the issuer has procured undertakings from all its directors and executive officers

The Company confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual of Singapore Exchange Securities Trading Limited.

SEOW SOON YONG
Chief Executive Officer

CHIA SIN CHENG
Finance & Executive Director

Date: 11 May 2023