



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 30 JUNE 2023

A CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Group		
	1H FY2023	1H FY2022	Fav /(Unfav)
	\$'000	\$'000	%
Revenue	70,693	74,696	(5.4)
Cost of sales	(73,532)	(71,926)	(2.2)
Gross (Loss)/Profit	(2,839)	2,770	nm
Other income	91	1,964	(95.4)
General and administrative expenses	(3,767)	(4,900)	23.1
Interest income	8	-	nm
Finance costs	(5,993)	(6,194)	3.2
Share of results of an associated company, net of tax	233	(285)	nm
Loss before exceptional items and tax	(12,267)	(6,645)	(84.6)
Exceptional items (Note 1)	(431)	(2,582)	83.3
Loss before tax	(12,698)	(9,227)	(37.6)
Taxation	-	(157)	nm
Loss after tax	(12,698)	(9,384)	(35.3)
Attributable to:			
Owners of the Company	(12,698)	(9,774)	(29.9)
Non-controlling interests	-	390	nm
	(12,698)	(9,384)	(35.3)

Note 1 : Exceptional items

Loss on disposal of property, plant & equipment (Note 1(a))	-	763	nm
Site expenses for preparation / return of yards	-	1,584	nm
Restructuring costs	431	235	(83.4)
	431	2,582	83.3

nm - not meaningful

Note 1 (a)

The Group identified certain steel beams and columns of low utilisation and which had no immediate use for existing and/or upcoming projects. This group of steel beams and columns were surplus to the project requirement then, and were scrapped to better manage the Group's cash flow.

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	
		30/6/2023	31/12/2022	30/6/2023	31/12/2022
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	1	174,106	184,585	-	-
Right-of-use assets		31,901	33,738	-	-
Investment in subsidiaries		-	-	62,690	62,769
Investment securities		1,024	1,003	-	-
Deferred tax asset		1	1	-	-
Restricted bank balance	2	-	2,505	-	-
Investment in associated company		874	641	-	-
		207,906	222,473	62,690	62,769
Current assets					
Inventories	3	11,061	14,030	-	-
Contract assets	4	40,209	42,693	-	-
Trade debtors	5	12,193	18,417	-	-
Other receivables and deposits		8,041	8,132	-	-
Prepayments		2,440	2,383	29	34
Cash and bank balances	7	2,674	2,090	19	14
		76,618	87,745	48	48
Current liabilities					
Contract liabilities	6	11,691	23,050	-	-
Trade creditors		60,651	60,793	-	-
Other creditors and accruals		19,788	22,828	2,160	2,149
Borrowings	7	101,018	96,427	-	-
Lease liabilities		8,038	7,720	-	-
Bond payable		168	336	168	336
Convertible bonds (liability)		5,450	5,415	5,450	5,415
Income tax payable		39	36	-	-
		206,843	216,605	7,778	7,900
Net current liabilities	8	(130,225)	(128,860)	(7,730)	(7,852)
Non-current liabilities					
Lease liabilities		31,712	34,412	-	-
		31,712	34,412	-	-
Net assets		45,969	59,201	54,960	54,917
Equity					
Share capital		152,369	152,369	152,369	152,369
Reserves		(105,796)	(92,564)	(97,409)	(97,452)
		46,573	59,805	54,960	54,917
Non-controlling interest		(604)	(604)	-	-
		45,969	59,201	54,960	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 fixed 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 by projects.

Note 4: Contract assets

Contract assets decreased due to more billing of work done for on-going projects.

Note 5: Trade debtors

Trade debtor decreased due to more receipt 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 was mainly due to subsequent work done against such advance payments, and the buy back of strutting materials from Special Civil Engineering projects.

Note 7: Net Borrowings

Net borrowings increased as a result of the calling of an advance payment bond issued by a financial institution.

Note 8: Net Current Liabilities

On 25 January 2023, the Group filed an application for moratoria pursuant to Sections 64 & 65 of The Insolvency, Restructuring and Dissolution Act 2018 to the Singapore High Court, in respect of both the Company and the Group's key subsidiary, Yongnam Engineering & Construction (Private) Limited ("YNEC"). The High Court granted the moratoria on 13 February 2023 for a period of 3 months expiring on 15 May 2023. The Group subsequently applied for and was granted an extension of the moratoria by a period of three months until 15 August 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 ("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 Group has filed an application to extend the moratoria for a further 3 months until 15 November 2023 to complete the discussions with its major lenders (the "**Moratoria Extension Applications**").

On 4 August 2023, United Overseas Bank Ltd filed applications to place the Company and YNEC under judicial management (the "**JM Applications**"). Malayan Banking Berhad, Singapore Branch and its syndicate of lenders (the "**Maybank Syndicate**") have also filed an affidavit in support of the JM Applications, save for the choice of the proposed judicial managers. The JM Applications will be heard together with the Moratoria Extension Applications on 14 August 2023. In this regard and in light of the position taken by the Maybank Syndicate, the Company and YNEC will be seeking leave to withdraw the Moratoria Extension Applications at the hearing on 14 August 2023.

C CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	1H FY2023	1H FY2022
	\$'000	\$'000
Operating activities		
Loss before tax	(12,698)	(9,227)
Add/(less):		
Depreciation	11,604	12,884
Consumption allowance for steel beams and columns	720	224
Interest income	(8)	-
Finance costs	5,993	6,194
Net gain on fair value of derivative instruments held at FVTPL	-	(837)
(Gain)/Loss on disposal of property, plant & equipment	(1,182)	723
Share of results of an associated company	(233)	285
Effects of changes in foreign exchange	(83)	(206)
Operating cash flows before changes in working capital	4,113	10,040
Decrease in inventories	12,356	4,371
Decrease/(Increase) in trade, other receivables and contract assets	2,109	(3,691)
(Decrease)/Increase in trade, other creditors and contract liabilities	(14,341)	6,980
Cash flows generated from operations	4,237	17,700
Income tax paid	(70)	(66)
Interest received	8	-
Interest paid	(5,878)	(5,374)
Net cash flows (used in)/provided from operating activities	(1,703)	12,260
Investing activities		
Purchase of property, plant & equipment	(6,329)	(6,370)
Proceeds from disposal of property, plant & equipment	5,280	4,405
Net cash flows used in investing activities	(1,049)	(1,965)
Financing activities		
Repayment of convertible bonds	(178)	(300)
Proceeds from borrowings	11,407	-
Repayment of borrowings	(6,479)	(4,328)
Decrease in restricted bank balances	2,505	-
Lease payments	(3,924)	(5,929)
Net cash flows generated from /(used in) financing activities	3,331	(10,557)
Net increase /(decrease) in cash and cash equivalents	579	(262)
Effect of exchange rate changes on cash and cash equivalents	5	(29)
Cash and bank balances at beginning of period	2,090	2,914
Cash and bank balances at end of period	2,674	2,623

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		
	1H FY2023	1H FY2022	Fav/(Unfav)
	\$'000	\$'000	%
Loss after tax	(12,698)	(9,384)	(35.3)
Foreign currency translation	(555)	(655)	15.3
Net fair value gain/(loss) on equity instruments at fair value through other than comprehensive income	10	(28)	nm
Total comprehensive loss	(13,243)	(10,067)	(31.5)
Attributable to:			
Owners of the Company	(13,243)	(10,457)	(26.6)
Non-controlling interests	-	390	nm
	(13,243)	(10,067)	(31.5)

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	-	-	-	(555)	21	(12,698)	-	(13,232)
Balance at 30 June 2023	152,369	6,837	12,800	(8,300)	(569)	(116,564)	(604)	45,969
Balance at 1 January 2022	149,384	6,837	12,800	(6,741)	(409)	(59,981)	(8,766)	93,124
Conversion of bonds	2,502	-	-	-	-	-	-	2,502
Total comprehensive income / (loss) for the period	-	-	-	(655)	(96)	(9,774)	390	(10,135)
Balance at 30 June 2022	151,886	6,837	12,800	(7,396)	(505)	(69,755)	(8,376)	85,491
COMPANY								
Balance at 1 January 2023	152,369	-	12,800	-	-	(110,252)	-	54,917
Total comprehensive income for the period	-	-	-	-	-	43	-	43
Balance at 30 June 2023	152,369	-	12,800	-	-	(110,209)	-	54,960
Balance at 1 January 2022	149,384	-	12,800	-	-	(52,383)	-	109,801
Conversion of bonds	2,502	-	-	-	-	-	-	2,502
Total comprehensive income for the period	-	-	-	-	-	696	-	696
Balance at 30 June 2022	151,886	-	12,800	-	-	(51,687)	-	112,999

F NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The condensed half yearly financial statements for the six months ended 30 June 2023 have been prepared in accordance with the SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. This 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 six 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 31 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 2023. 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 period under review.

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 six months ended 30 June 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 30 June 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 six months period ended 30 June 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:

	1H FY2023	1H FY2022
	\$'000	\$'000
(Gain)/Loss on disposal of property, plant & equipment	(1,182)	723
Depreciation	11,604	12,884
Allowance on strut consumption	720	224

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
6 months ended 30 June 2023				
Revenue				
External customers	42,804	27,889		70,693
Inter-segment revenue	1,043	(2,972)	1,929	-
Total revenue	43,847	24,917	1,929	70,693
Depreciation	8,188	3,416	-	11,604
Result				
Segment result	(805)	(6,321)	180	(6,946)
Share of results of associated companies				233
Finance income				8
Finance cost				(5,993)
Loss before tax				(12,698)
Tax				-
Loss after tax				(12,698)
Non-current assets	127,109	80,797	-	207,906

	Singapore \$'000	Rest of Asia Pacific \$'000	Eliminations \$'000	Group \$'000
6 months ended 30 June 2022				
Revenue				
External customers	54,070	20,626	-	74,696
Inter-segment revenue	484	3,622	(4,106)	-
Total revenue	54,554	24,248	(4,106)	74,696
Depreciation	9,864	3,019	-	12,884
Result				
Segment result	(2,559)	(459)	270	(2,748)
Share of results of associated companies				(285)
Finance income				-
Finance cost				(6,194)
Loss before tax				(9,227)
Tax				(157)
Loss after tax				(9,384)
Non-current assets	149,351	95,988	-	245,339

Revenue by Business Segments

	1H FY2023 \$'000	1H FY2022 \$'000
Structural steelworks	17,084	27,996
Specialist civil engineering	53,629	46,639
Others	(20)	61
	70,693	74,696

4 Earning per share

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

	Group	
	1H FY2023	1H FY2022
(i) Based on weighted average number of shares in issue (cents)	(1.80)	(1.47)
(ii) On a fully diluted basis (cents) #	(1.80)	(1.47)
(i) Weighted average number of shares in issue	703,942,767	666,727,297
(ii) Weighted average number of shares for diluted earnings	703,942,767	666,727,297

- 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)	
	30/6/2023	31/12/2022	30/6/2023	31/12/2022
Net asset value per share	6.62	8.50	7.81	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

Half year ended 30 June 2023

Opening net book value	21,375	15,837	4,668	319	258	137,487	4,641	184,585
Addition	-	-	227	345	65	6,837	-	7,474
Disposal/Write off	-	-	(124)	(167)	-	(8,214)	(73)	(8,578)
Depreciation	-	(1,491)	(492)	(80)	(69)	(5,539)	(443)	(8,114)
Strut consumption allowance	-	-	-	-	-	(55)	-	(55)
Exchange differences	(1,301)	(7)	(8)	1	2	115	(8)	(1,206)
Closing net book value	20,074	14,339	4,271	418	256	130,631	4,117	174,106

As at 30 June 2023

Cost	26,589	56,334	32,963	4,156	7,494	234,395	31,229	393,160
Accumulated amortisation and impairment	(6,515)	(41,995)	(28,692)	(3,738)	(7,238)	(103,764)	(27,112)	(219,054)
Net Book value	20,074	14,339	4,271	418	256	130,631	4,117	174,106

7 Borrowings

	As at 30/06/2023		As at 31/12/2022	
	\$'000		\$'000	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	85,196	21,440	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 30 June 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 half year period 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 30 June 2023.

As at 30 June 2023, there were 103,400,000 unissued ordinary shares (30 June 2022: 113,400,000) which may be issued on conversion of convertible bonds of the Company.

As at 30 June 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 6 months ended 30 June 2023 ("1H FY2023" or Review Period) decreased marginally by 5.4% to \$70.1 million compared to \$74.7 million in the previous corresponding period ended 30 June 2022 ("1H FY2022").

Revenue from Specialist Civil Engineering projects increased by 15.0% from \$46.6 million in 1H FY2022 to \$53.6 million in 1H FY2023. Contributions for the Review Period came mainly from MRT CR102, MRT J109, Changi Airport T5 ARC, North-South Corridor N111 and N103 projects, as well as infrastructural projects in Hong Kong.

Revenue from Structural Steelwork decreased by 39.0%, from \$28.0 million in 1H FY2022 to \$17.1 million in 1H FY2023. Key contributors include projects for Punggol Sport Hub Complex, Singapore General Hospital, Mandai Crematorium and ICA Building. The decrease in Structural Steelwork revenue is mainly due to certain projects reaching their tail end and hence lower work done.

As construction costs remained high and the labour market remained tight, the Group's project margins remain challenged, leading to the Group incurring a gross loss in 1H FY2023 of \$2.8 million, compared to a gross profit of \$2.8 million in 1H FY2022.

Other income decreased from \$1.96 million in 1H FY2022 to \$0.09 million in 1H FY2023 mainly due to lower Government wage credit scheme and rebates for foreign worker levies received during the Review Period.

General and administrative expenses reduced by 23.1% to \$3.8 million in 1H FY2023, compared to \$4.9 million in 1H FY2022. The reduction was mainly due to lower professional fees and higher gains on disposal of certain fixed assets in 1H FY2023.

Finance costs reduced slightly to \$6.0 million in 1H FY2023 compared to \$6.2 million in 1H FY2022, due to lower bond interest for the period. However, interest rates on loans and other borrowings were higher during the Review Period.

Consequently, the Group incurred a loss before tax of \$12.7 million in 1H FY2023, compared to a loss before tax of \$9.2 million in 1H FY2022. Net asset value per share decreased from 8.50 cents as at 31 December 2022 to 6.62 cents as at 30 June 2023.

The Group's net gearing is at 2.26 times as at 30 June 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 25 January 2023, the Group filed an application for moratoria pursuant to Sections 64 & 65 of The Insolvency, Restructuring and Dissolution Act 2018 to the Singapore High Court, in respect of both the Company and the Group's key subsidiary, Yongnam Engineering & Construction (Private) Limited ("YNEC"). The High Court granted the moratoria on 13 February 2023 for a period of 3 months expiring on 15 May 2023. The Group subsequently applied for and was granted an extension of the moratoria by a period of three months until 15 August 2023.

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Due to the financial difficulties faced by the Group, it has become much more challenging for the Group to secure new projects. As at 30 June 2023, the Group's order book is \$363.3 million.

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 six months period ended 30 June 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 six months period ended 30 June 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 August 2023