



YONGNAM HOLDINGS LIMITED

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

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2019

1 (a) GROUP INCOME STATEMENT

	Group		
	3 mths 31/3/2019	3 mths 31/3/2018	Fav / (Unfav)
	\$'000	\$'000	%
Revenue	51,092	54,062	(5.5)
Cost of sales	(52,486)	(53,583)	2.0
Gross profit	(1,394)	479	(391.0)
Other income	93	59	57.6
General and administrative expenses	(3,986)	(4,258)	6.4
Interest income	1	2	(50.0)
Finance costs	(2,643)	(1,676)	(57.7)
Share of results of an associated company, net of tax	43	-	100.0
Loss before tax	(7,886)	(5,394)	(46.2)
Taxation	1,000	610	(63.9)
Net loss	(6,886)	(4,784)	(43.9)

Attributable to:

Owners of the Company	(6,490)	(4,623)	(40.4)
Non-controlling interests	(396)	(161)	(146.0)
	(6,886)	(4,784)	(43.9)

Loss before tax is arrived at after charging:

Loss on disposal of property, plant & equipment	26	204
Depreciation	9,059	6,965

1(b)(i) BALANCE SHEET

	Group		Company	
	31/3/2019	31/12/2018	31/3/2019	31/12/2018
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	311,334	314,804	-	-
Right-of-use assets	50,036	-	-	-
Investment in subsidiaries	-	-	167,018	167,313
Investment in associated company	103	60	-	-
	361,473	314,864	167,018	167,313
Current assets				
Inventories	42,435	45,365	-	-
Contract assets	74,324	63,642	-	-
Trade debtors	22,494	29,851	-	-
Other receivables and deposits	3,927	4,505	9	9
Prepayments	5,115	5,645	11	4
Tax recoverable	89	-	-	-
Cash and bank balances	9,852	14,264	28	41
	158,236	163,272	48	54
Current liabilities				
Contract liabilities	44,173	15,129	-	-
Trade creditors	50,893	65,985	-	-
Other creditors and accruals	7,781	10,369	552	860
Borrowings	41,246	47,099	-	-
Hire purchase creditors	2,284	2,292	-	-
Lease liabilities	5,381	-	-	-
Income tax payable	-	5	-	-
	151,758	140,879	552	860
Net current assets/ (liabilities)	6,478	22,393	(504)	(806)
Non-current liabilities				
Borrowings	81,955	87,511	-	-
Hire purchase creditors	2,607	3,167	-	-
Lease liabilities	46,707	-	-	-
Deferred taxation	(182)	915	-	-
	131,087	91,593	-	-
Net assets	236,864	245,664	166,514	166,507
Equity				
Share capital	141,445	141,445	141,445	141,445
Reserves	103,963	112,368	25,069	25,062
	245,408	253,813	166,514	166,507
Non-controlling interest	(8,544)	(8,149)	-	-
Net assets	236,864	245,664	166,514	166,507

Increase in Right-of-Use Assets is due to the adoption of new SFRS (I) 16 Leases accounting standards, which brought the operating leases to the balance sheet. Contract assets increased due to un-billed work done for on-going projects. Trade debtor decreased due to collection of billings during the quarter. Other receivables and deposits decreased mainly due to collection of receivables from associated company and refund of tender deposits.

Contract liabilities increased due to advance billings from customer for on-going projects. Decrease in trade creditors was due to payments made to trade payables during the quarter. Other creditors and accruals reduced due to payment of certain obligations. Net borrowing increased due to the adoption of new SFRS (I) 16 Leases accounting standards, which brought the off-balance sheet operating leases to the balance sheet.

1(b)(ii) **GROUP BORROWINGS AND DEBT SECURITIES**

	As at 31/3/19		As at 31/3/18	
	\$'000		\$'000	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	42,148	6,763	46,779	2,612
Amount repayable after one year	84,562	46,707	90,678	-

Details of collateral:

Certain group borrowings (including HP creditors) are secured by way of a fixed charge on certain assets of the Group's principal subsidiaries.

1(c) **GROUP CONSOLIDATED CASH FLOW STATEMENT**

	3 mths 31/03/2019	3 mths 31/03/2018
	\$'000	\$'000
Operating activities		
Loss before tax	(7,886)	(5,394)
Add/(less):		
Depreciation	9,059	6,965
(Write back)/ Allowance of consumption allowance	(45)	591
Interest income	(1)	(2)
Interest expense	2,643	1,676
Loss on disposal of property, plant & equipment	26	204
Share of results of associated company	(43)	-
Effects of changes in foreign exchange	207	369
Operating cash flows before changes in working capital	3,960	4,409
Decrease in steel materials	2,931	3,773
Increase in trade and other debtors and contract assets	(2,222)	(3,563)
Increase/(Decrease) in trade and other creditors and contract liabilities	11,305	(10,956)
Cash flows from/(used in) operations	15,974	(6,337)
Income tax paid	(180)	(4)
Interest received	1	2
Interest paid	(2,643)	(1,676)
Net cash flows (used in)/from operating activities	13,152	(8,015)
Investing activities		
Purchase of property, plant & equipment	(7,262)	(5,095)
Proceeds from disposal of property, plant & equipment	3,089	2,916
Net cash flows used in investing activities	(4,173)	(2,179)
Financing activities		
Proceeds from borrowings	-	66,000
Repayment of borrowings	(11,616)	(50,349)
Lease payments	(1,201)	-
Hire purchase instalments paid	(567)	(897)
Net cash flows (used in)/from financing activities	(13,384)	14,754
Net (decrease)/ increase in cash and cash equivalents	(4,405)	4,560
Effect of exchange rate changes on cash and cash equivalents	(7)	5
Cash and cash equivalents as at beginning of period	14,264	10,195
Cash and cash equivalents as at end of period	9,852	14,760

1(d)(i) STATEMENT OF COMPREHENSIVE INCOME

	Group		
	3 mths 31/03/2019	3 mths 31/03/2018	Fav/(Unfav)
	\$'000	\$'000	%
Loss after tax	(6,886)	(4,784)	(43.9)
Foreign currency translation	(101)	(212)	52.4
Total comprehensive loss	(6,987)	(4,996)	(39.9)

1(d)(ii) STATEMENT OF CHANGES IN EQUITY

	Share capital \$'000	Capital reserves \$'000	Share option reserves \$'000	Foreign currency translation reserves \$'000	Retained earnings \$'000	Non-controlling interests \$'000	Total \$'000
GROUP							
Balance at 1 January 2019, as previously reported	141,445	6,837	12,800	(6,285)	99,016	(8,149)	245,664
Effect of Initial Adoption of the SFRS(I) 16	-	-	-	-	(1,813)	-	(1,813)
Balance at 1 January 2019, as restated	141,445	6,837	12,800	(6,285)	97,203	(8,149)	243,851
Total comprehensive loss for the period	-	-	-	(101)	(6,490)	(396)	(6,987)
Balance at 31 March 2019	141,445	6,837	12,800	(6,386)	90,713	(8,545)	236,864
Balance at 1 January 2018	141,445	6,837	12,800	(6,827)	150,035	(4,959)	299,331
Total comprehensive loss for the period	-	-	-	(212)	(4,623)	(161)	(4,996)
Balance at 31 March 2018	141,445	6,837	12,800	(7,039)	145,412	(5,120)	294,335
COMPANY							
Balance at 1 January 2019	141,445	-	12,800	-	12,262	-	166,507
Total comprehensive income for the period	-	-	-	-	7	-	7
Balance at 31 March 2019	141,445	-	12,800	-	12,269	-	166,514
Balance at 1 January 2018	141,445	-	12,800	-	12,234	-	166,479
Total comprehensive income for the period	-	-	-	-	8	-	8
Balance at 31 March 2018	141,445	-	12,800	-	12,242	-	166,487

1(d)(iii)&(iv) SHARE CAPITAL

There were no shares issued during the period from 1 January 2019 to 31 March 2019.

As at 31 March 2019, the total number of issued shares was 522,602,931 (31 December 2018: 522,602,931).

2 AUDIT

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

3 AUDITOR'S REPORT

Not applicable.

4 ACCOUNTING POLICIES

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting year as those in the financial year ended 31 December 2018, except as disclosed in paragraph 5 below.

5 CHANGES IN ACCOUNTING POLICIES

The adoption of new/revised/amendments to SFRS (I)s which came into effect from 1 January 2019 does not have a material impact on the financial statements of the Group and the Company for the period under review, except for the following:

(i) SFRS (I) 16 Leases

SFRS (I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group recognises its existing operating lease arrangements as ROU assets with corresponding lease liabilities. The Group applied the practical expedient to recognise amounts of ROU assets equal to its lease liabilities at 1 January 2019 using modified retrospective approach. The cumulative effect of adopting SFRS (I) 16 has been recognised as an adjustment to opening retained earnings at 1 January 2019. The Group has also applied recognition exemptions for short-term leases and leases of low value items in accordance with the principles of SFRS(I) 16.

Under SFRS (I) 16, qualifying lease payments were no longer recorded as general and administrative expenses but capitalised to balance sheet as ROU assets and depreciable over the lease terms.

Lessee must present cash paid for interest portion of the lease liability as either operating activities or financing activities, as permitted by SFRS 1-7- Statement of Cash Flows. The Group has opted to report interest portion for lease liability as part of operating activities and cash payment for principal portion for lease liability as financing activities. The application to SFRS (I)16 did not have an impact on the net cash flows.

The impacts of initial application of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follow:

Balance sheets as at 1 January 2019

	1-Jan-19		
	As previously reported	Effect of SFRS (I) 16	As restated
	\$'000	\$'000	\$'000
ROU assets	-	51,426	51,426
Lease liabilities	-	(53,239)	(53,239)
Retained earnings	99,016	(1,813)	97,203

6 EARNINGS PER SHARE

Earnings per share for the year based on net loss attributable to shareholders:-

	Group (cent)	
	3 mths 31/03/2019	3 mths 31/03/2018
(i) Based on weighted average number of shares in issue	(1.24)	(0.88)
(ii) On a fully diluted basis	(1.24)	(0.88)
(i) Weighted average number of shares in issue	522,602,931	522,602,931
(ii) weighted average number of shares for diluted earnings	522,602,931	522,602,931

7 NET ASSET VALUE PER SHARE

	Group (cents)		Company (cents)	
	31/3/2019	31/12/2018	31/3/2019	31/12/2018
Net asset value per share	46.96	48.57	31.86	31.86

8 REVIEW OF THE PERFORMANCE OF THE GROUP

Group revenue decreased marginally by 5.5% to \$51.1 million for the quarter ended March 31, 2019 ("1QFY2019"), compared to \$54.1 million in 1QFY2018, due mainly to lower contributions from the Group's Structural Steelworks business.

On a segmental basis, revenue contribution from Structural Steelwork decreased 21.5%, from \$32.2 million in 1QFY2018 to \$25.3 million in 1QFY2019 due to the substantial completion of Outram Community Hospital and Evonik methionine plant in Jurong Island at the end of FY2018. JTC Logistics Hub, JTC North Coast Development and a new industrial development in Singapore were key contributors to Structural Steelwork's revenue in the quarter under review.

Conversely, revenue from Specialist Civil Engineering projects increased by 6.5% from \$19.1 million in 1QFY2018 to \$20.3 million in 1QFY2019 mainly due to higher contribution from infrastructural projects in Australia's State of Victoria. The contributions for the review quarter came from MRT Thomson Line projects and infrastructural projects in Australia's State of Victoria.

In line with the drop in Group's revenue and lower level of business activities, the Group reported a gross loss of \$1.4 million, compared to a gross profit of \$0.5 million in 1QFY2018. Gross margin was depressed by the continued low level of strutting and other activities in Singapore and Hong Kong, resulting in overhead costs not being fully absorbed.

General and administrative expenses decreased marginally from \$4.3 million in 1QFY2018 to \$4.0 million in 1QFY2019, mainly due to a reduction in staff cost. Finance costs increased from \$1.7 million to \$2.6 million, due to higher borrowings, bank charges, interests and notional interest on lease liabilities arising from the adoption of new SFRS (I) 16 Leases accounting standard, effective 1 January 2019. Depreciation expenses increased due to recognition of Right-of-use assets upon adoption of SFRS (I) 16 Leases.

As a result, the Group reported a net loss of \$6.9 million in 1QFY2019, compared to a net loss of \$4.8 million in 1QFY2018. Net asset value per share decreased from 48.57 Singapore cents as at 31 December 2018 to 46.96 Singapore cents as at 31 March 2019.

The Group's net gearing is higher at 0.72 times as at 31 March 2019, compared to 0.51 times as at 31 December 2018, due to the adoption of new SFRS (I) 16 lease accounting standard which brought the off-balance sheet operating leases to the balance sheets.

9 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.

10 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

Singapore's construction demand for the next few years is expected to be supported by major infrastructure projects such as the Cross Island Line, developments at Jurong Lake District and construction of Changi Airport Terminal 5.

According to the Building and Construction Authority of Singapore ("BCA"), Singapore's projected total construction demand is expected to remain strong for 2019, registering in the upper limit of \$32 billion, comparable to the estimated \$30.5 billion awarded in 2018. Public sector construction demand is estimated to contribute to about 60% of the projected demand for this year, boosted by major infrastructure projects and a pipeline of major industrial building projects.

The above developments will open up opportunities for the Group given its focus on public sector infrastructure projects as well as commercial and industrial developments.

Currently, the Group is pursuing a number of upcoming mega public sector infrastructure projects in Singapore including various major contracts for the North-South Corridor, Changi Airport Terminal 5 development works and Jurong Regional MRT Line.

The total value of the infrastructure and commercial contracts across the geographical regions of Singapore, Hong Kong, Australia, the Philippines and India, that the Group is currently in active pursuit of, stands at approximately \$1.5 billion.

Most of the potential projects, if awarded, are expected to make an impact from the second half of 2019. As at 31 March 2019, the Group's order book stood at \$327 million compared to \$142 million as at 31 March 2018.

11 DIVIDEND

(a) Current financial period reported on

None

(b) Corresponding period of the immediately preceding financial year

None

12 If no dividend has been declared / recommended, a statement to the effect

Not applicable

13 Interested Person Transactions

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

14 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 3 months ended 31 March 2019 to be false or misleading.

15 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.

BY ORDER OF THE BOARD

SEOW SOON YONG
Chief Executive Officer

CHIA SIN CHENG
Finance & Executive Director

Date: 15 May 2019