



YONGNAM HOLDINGS LIMITED

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

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

1 (a) GROUP INCOME STATEMENT

	Group		
	FY2018	FY2017	Fav /
	\$'000	*Restated \$'000	(Unfav) %
Revenue	161,449	306,679	(47.4)
Cost of sales	(207,302)	(311,319)	33.4
Gross loss	(45,853)	(4,640)	(888.2)
Other income	500	503	(0.6)
General and administrative expenses	(12,731)	(16,096)	20.9
Interest income	4	17	(76.5)
Finance costs	(8,033)	(4,460)	(80.1)
Share of results of an associated company, net of tax	60	-	100.0
Loss before tax	(66,053)	(24,676)	(167.7)
Taxation	11,844	3,273	261.9
Loss after tax	(54,209)	(21,403)	(153.3)
Attributable to:			
Owners of the Company	(51,019)	(16,955)	(200.9)
Non-controlling interests	(3,190)	(4,448)	28.3
	(54,209)	(21,403)	(153.3)

**Prior period figures were restated upon adoption of SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) under IFRS Convergence.*

Loss before tax is arrived at after charging/(crediting):

(Gain)/ Loss on disposal of property, plant & equipment	(2,911)	(53)
Depreciation	29,905	29,854

1(b)(i) BALANCE SHEET

	Group		Company	
	31/12/2018	31/12/2017 Restated*	31/12/2018	31/12/2017
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	314,804	327,479	-	-
Investment in subsidiaries	-	-	64,430	39,430
Amount due from subsidiaries	-	-	102,883	127,422
Investment in an associated company	60	-	-	-
	314,864	327,479	167,313	166,852
Current assets				
Inventories	45,365	38,570	-	-
Contract assets	63,642	98,546	-	-
Trade debtors	29,851	21,984	-	-
Other receivables and deposits	4,505	3,891	9	9
Prepayments	5,645	1,573	4	4
Tax recoverable	-	4	-	-
Cash and bank balances	14,264	10,195	41	95
	163,272	174,763	54	108
Current liabilities				
Contract liabilities	15,129	5,008	-	-
Trade creditors	65,985	81,683	-	-
Other creditors and accruals	10,369	7,060	860	481
Provision for taxation	5	-	-	-
Borrowings	47,099	75,802	-	-
Hire purchase creditors	2,292	1,957	-	-
	140,879	171,510	860	481
Net current assets / (liabilities)	22,393	3,253	(806)	(373)
Non-current liabilities				
Borrowings	87,511	15,340	-	-
Hire purchase creditors	3,167	3,293	-	-
Deferred taxation	915	12,768	-	-
	91,593	31,401	-	-
Net assets	245,664	299,331	166,507	166,479
Equity				
Share capital	141,445	141,445	141,445	141,445
Reserves	112,367	162,845	25,062	25,034
Non-controlling interest	(8,148)	(4,959)	-	-
	245,664	299,331	166,507	166,479

*Prior period figures were restated upon adoption of SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) and SFRS(I) 15 Revenue with Contracts with Customers.

Increase in inventories was due to purchase of new materials for on-going projects. Decrease in net contract assets was due to billing of work done for on-going projects.

Trade debtors increased due to billings issued for on-going projects. Other debtors and deposits increased mainly due to refundable deposits paid for rental of yards and dormitory. Increase in prepayment is mainly due to prepaid loan facility fees and front end fees to be amortised over the loan period.

Decrease in trade creditors was due to payments made to trade creditors during the year. Other creditors and accruals increased due to higher accrued operating expenses as at year end. Net borrowing increased due to drawdown of new borrowings during the year. Non-controlling interest increased due to higher losses to be shared by joint venture partners.

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

	As at 31/12/18		As at 31/12/17	
	\$'000		\$'000	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	46,779	2,612	70,359	7,409
Amount repayable after one year	90,678	-	18,624	-

Details of collateral:

Bank borrowings and hire purchase creditors are secured by way of a fixed charge on certain assets of the Group's subsidiaries.

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

	FY2018	FY2017
		Restated
	\$'000	\$'000
Operating activities		
Loss before tax	(66,053)	(24,676)
Add/(less):		
Depreciation	29,905	29,854
Consumption allowance	4,067	1,092
Interest income	(4)	(17)
Interest expense	8,033	4,460
Bad debt written off	-	206
Write off of investment in a joint venture	-	1,468
Loss on disposal of other investment	-	8
(Gain)/Loss on disposal of property, plant & equipment	(2,911)	(53)
Share of results of an associated company	(60)	-
Effects of changes in foreign exchange	(330)	408
Operating cash flows before changes in working capital	(27,353)	12,750
(Increase)/Decrease in inventories	(6,774)	1,528
Decrease in trade, other receivables and contract assets	22,573	25,370
Decrease in trade, other creditors and contract liabilities	(2,275)	(8,413)
Cash flows (used in)/ generated from operations	(13,829)	31,235
Income tax paid	(18)	(92)
Interest received	4	17
Interest paid	(8,033)	(4,460)
Net cash flows (used in)/ from operating activities	(21,876)	26,700
Investing activities		
Purchase of property, plant & equipment	(32,878)	(28,952)
Proceeds from disposal of property, plant & equipment	18,029	2,985
Proceeds from disposal of other investment	-	24
Net cash flows used in investing activities	(14,849)	(25,943)
Financing activities		
Proceeds from issuance of shares	-	11,809
Proceeds from borrowings	100,113	18,258
Repayment of borrowings	(56,776)	(33,265)
Payment for hire purchase instalments	(2,547)	(3,105)
Net cash flows from/(used in) financing activities	40,790	(6,303)
Net increase/(decrease) in cash and cash equivalents	4,065	(5,546)
Effect of exchange rate changes on cash and cash equivalents	4	(173)
Cash and cash equivalents at beginning of year	10,195	15,914
Cash and cash equivalents at end of year	14,264	10,195

1(d)(i) STATEMENT OF COMPREHENSIVE INCOME

	Group		
	FY2018	FY2017	Fav/(Unfav)
	\$'000	\$'000	%
Loss after tax	(54,209)	(21,403)	(153.3)
Foreign currency translation	542	(3,376)	nm
Total comprehensive loss	(53,667)	(24,779)	(116.6)

Attributable to:

Owners of the Company	(50,477)	(20,331)	(148.3)
Non-controlling interests	(3,190)	(4,448)	28.3
	(53,667)	(24,779)	(116.6)

nm - not meaningful

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

	Share capital	Capital reserves	Share option reserves	Foreign currency translation reserves	Retained earnings	Non-controlling interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
GROUP							
Balance at 1 January 2018	141,445	6,837	12,800	(6,827)	150,035	(4,959)	299,331
Total comprehensive loss for the year	-	-	-	542	(51,019)	(3,190)	(53,667)
Balance at 31 December 2018	141,445	6,837	12,800	(6,285)	99,016	(8,149)	245,664
Balance at 1 January 2017, as previously reported	129,636	6,837	12,800	(3,451)	153,722	(511)	299,033
Effect of adoption of the SFRS(I) 1	-	-	-	-	13,268	-	13,268
Balance at 1 January 2017, as restated	129,636	6,837	12,800	(3,451)	166,990	(511)	312,301
Issuance of shares	11,809	-	-	-	-	-	11,809
Total comprehensive loss for the year	-	-	-	(3,376)	(16,955)	(4,448)	(24,779)
Balance at 31 December 2017	141,445	6,837	12,800	(6,827)	150,035	(4,959)	299,331
COMPANY							
Balance at 1 January 2018	141,445	-	12,800	-	12,234	-	166,479
Total comprehensive loss for the year	-	-	-	-	28	-	28
Balance at 31 December 2018	141,445	-	12,800	-	12,262	-	166,507
Balance at 1 January 2017	129,636	-	12,800	-	332	-	142,768
Issuance of shares	11,809	-	-	-	-	-	11,809
Total comprehensive income for the year	-	-	-	-	11,902	-	11,902
Balance at 31 December 2017	141,445	-	12,800	-	12,234	-	166,479

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

There was no share issued during the period from 1 October 2018 to 31 December 2018.

As at 31 December 2018, there was 3,954,192 (31 December 2017: 7,520,304) unissued ordinary shares relating to options granted and unexercised under the Employee Share Option Scheme.

As at 31 December 2018, the total number of issued shares was 522,602,931 (31 December 2017: 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 period as those in the financial year ended 31 December 2017, except as disclosed in paragraph 5 below.

5 CHANGES IN ACCOUNTING POLICIES

On 29 December 2017, the Accounting Standards Council issued SFRS(I), Singapore's equivalent of the International Financial Reporting Standards ("IFRSs"). Singapore-incorporated companies listed on the Singapore Exchange will apply SFRS(I) for annual financial period beginning on or after 1 January 2018.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2017, except for the adoption of new/revised SFRS(I) applicable for the financial period beginning 1 January 2018 as follows:

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

The Group applies SFRS(I) on a retrospective basis and restatement of comparatives is required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies.

On transition to the new financial reporting framework, the Group has elected to apply deemed cost exemption for its leasehold property as property, plant and equipment. The deemed cost adjustment of \$15,986,000 is reclassified to opening retained earnings as at 1 January 2017. The deferred tax liability of \$2,718,000 arising from the deemed cost adjustment is also reclassified to opening retained earnings as at 1 January 2017. Profit and loss the year ended 31 December 2017 was also restated to take in the depreciation of leasehold property and its corresponding deferred tax movement.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. There is no significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9.

The Group has adopted the standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Under SFRS(I) 15, the Group has accounted for its construction contracts with customers as a single performance obligation, given the significant integration and interrelation of various goods and services in the contract. Under SFRS(I) 15, the Group recognises revenue over time based on its costs incurred to date relative to the total expected costs as an input method to faithfully depict the Company's performance towards the satisfaction of its performance obligation over time.

The Group has adopted SFRS(I) 15 using the retrospective approach and applied all of the requirements of SFRS(I) 15 retrospectively, except for the practical expedients used for completed contracts. Under these practical expedients, completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The following reconciliations summarise the impacts on initial application of SFRS(I) 1 and SFRS(I) 15 on the Group's financial statements:

	31 December 2017 & 1 January 2018			
	As previously reported	Effect of SFRS (I) 1	Effect of SFRS (I) 15	As restated
	\$'000	\$'000	\$'000	\$'000
Balance sheets				
Retained earnings	137,946	12,089	-	150,035
Property, plant & equipments	312,914	14,565	-	327,479
Deferred tax liabilities	10,292	2,476	-	12,768
Contract assets	-	-	98,546	98,546
Contract liabilities	-	-	5,008	5,008
Gross amount due from customers for contract WIP	98,546	-	(98,546)	-
Gross amount due to customers for contract WIP	5,008	-	(5,008)	-
Profit and loss				
Cost of sales	310,324	995	-	311,319
General and administrative expenses	15,670	426	-	16,096
Taxation	3,031	242	-	3,273

6 EARNINGS PER SHARE

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

	Group	
	FY2018	FY2017
(i) Based on weighted average number of shares in issue (cents)	(9.76)	(3.50)
(ii) On a fully diluted basis (cents)	(9.76)	(3.50)
(i) Weighted average number of shares in issue	522,602,931	484,993,342
(ii) weighted average number of shares for diluted earnings	522,602,931	484,993,342

7 NET ASSET VALUE PER SHARE

	Group (cents)		Company (cents)	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net asset value per share	48.57	58.23	31.86	31.86

8 REVIEW OF THE PERFORMANCE OF THE GROUP

Group revenue decreased by 47.4% to \$161.4 million for the year ended 31 December 2018 ("FY2018"), compared to \$306.7 million in FY2017, due to lower contributions from all business segments.

On a segmental basis, revenue contribution from Structural Steelworks decreased 58.4%, from \$196.2 million in FY2017 to \$81.7 million in FY2018, mainly due to the substantial completion of Senoko Food Hub and Jewel Changi Airport project at the end of FY2017. JTC Logistics Hub, SGH Community Hospital and a new industrial development in Singapore were the key contributors to Structural Steelwork's revenue in the year.

Revenue from Specialist Civil Engineering projects decreased by 27.8%, from \$88.9 million in FY2017 to \$64.3 million in FY2018, due to lower contributions from the Thomson MRT Line project as well as the completion of certain HK MTR projects. The Thomson MRT Line, HK MTR projects and infrastructural projects in Australia's State of Victoria were the key contributors to Specialist Civil Engineering's revenue during the year.

Revenue from Design and Build projects decreased by 44.2% from \$19.8 million in FY2017 to \$11.1 million in FY2018 mainly due to the substantial completion of a project for light industrial developments at Kallang Junction in Singapore at the end of FY2017.

On a geographical basis, Singapore continued to be the core contributor, accounting for 76.4% of total revenue, compared to 88.1% in FY2017. The other contributors were Hong Kong and the rest of the Asia-Pacific countries.

In line with the substantial drop in Group's revenue and lower level of business activities, the Group's gross loss widened to \$45.9 million in FY2018 as compared to a gross loss of \$4.6 million in FY2017. Provisions were also made in anticipation of lower negotiated variation orders for two structural steelworks projects as well as lower project margins for Thomson Line MRT projects. Gross margin was further depressed by the continued low level of strutting and fabrication activities in Singapore and Hong Kong, resulting in overhead costs not being fully absorbed.

On the cost front, general and administrative expenses decreased by 20.9% from \$16.1 million in FY2017 to \$12.7 million in FY2018, mainly due to gain on disposal of fixed asset as well as the absence of write-off of investment in joint venture in FY2018. Finance costs increased from \$4.5 million to \$8.0 million, due to higher borrowings, bank charges and interests.

As a result, the Group's net loss widened from \$21.4 million in FY2017 to \$54.2 million in FY2018. Net loss attributable to owners of the Company was also increased from \$17.0 million in FY2017 to \$51.0 million in FY2018.

Net asset value per share decreased to 48.57 Singapore cents as at 31 December 2018 compared to 58.23 Singapore cents as at 31 December 2017.

The Group's net gearing is 0.51 times as at 31 December 2018, compared to 0.29 times as at 31 December 2017.

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

The Group is pursuing a number of upcoming mega public sector infrastructure projects in Singapore this year. These include various major contracts for the North-South Corridor and Changi Airport Terminal 5 development works. The Group is currently in active pursuit of \$1.7 billion worth of new infrastructure and commercial projects in Singapore, Hong Kong, Australia, the Philippines and India. Most of the potential projects, if awarded, are expected to make an impact from the second half of 2019.

As at 31 December 2018, the Group's order book stood at \$366 million, an increase of \$214 million as compared to \$152 million as at the corresponding period last year.

In the medium term, public sector demand in Singapore is expected to be supported by upcoming mega infrastructure projects, such as the Jurong Regional Line, Cross Island Line and various infrastructure works for Changi Airport Terminal 5.

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**

No dividend has been recommended for the year ended 31 December 2018.

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 **Segmental Information**

	Singapore	Hong Kong	Rest of Asia-Pacific	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2018					
Revenue					
External customers	123,488	14,473	23,488	-	161,449
Inter-segment revenue	(2,213)	-	19,430	(17,217)	-
Total revenue	121,275	14,473	42,918	(17,217)	161,449
Result					
Segment result	(58,705)	(7,366)	8,599	(552)	(58,024)
Finance income					4
Finance cost					(8,033)
Loss before tax					(66,053)
Tax					11,844
Loss after tax					(54,209)

	Singapore	Hong Kong	Rest of Asia-Pacific	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2017					
Revenue					
External customers	270,280	31,921	4,478	-	306,679
Inter-segment revenue	5,541	-	18,501	(24,042)	-
Total revenue	275,821	31,921	22,979	(24,042)	306,679
Result					
Segment result	(22,182)	1,264	1,643	(958)	(20,233)
Finance income					17
Finance cost					(4,460)
Loss before tax					(24,676)
Tax					3,273
Loss after tax					(21,403)

Revenue by Business Segments

	FY2018	FY2017
	\$'000	\$'000
Structural steelworks	81,656	196,189
Specialist civil engineering	64,252	88,955
Mechanical engineering	47	1,690
Design and Build	11,071	19,845
Others	4,423	-
	161,449	306,679

15 **Breakdown of sales and (loss)/profit after tax**

	Group		
	FY2018	FY2017	Fav/(Unfav)
	\$'000	\$'000	%
(a) Sales reported for first half year	99,552	171,241	(41.9)
(b) Loss after tax for first half year	(12,999)	(5,666)	(129.4)
(c) Sales reported for second half year	61,897	135,438	(54.3)
(d) Loss after tax for second half year	(41,210)	(15,737)	(161.9)

16 **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

	FY2018	FY2017
	\$'000	\$'000
Final ordinary dividend	-	-

17 **Reports of person occupying managerial position who are related to a director, chief executive officer or substantial shareholder**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Seow Soon Hock	62	Brother of Seow Soon Yong, Seow Soon Hee and Siau Sun King	Production Director; Reponsible for all fabrication, logistic, planning, manufacturing and delivery of all manufactured products of the Group 2002	Nil
Seow Khng Chai	60	Brother of Seow Soon Yong, Seow Soon Hee and Siau Sun King	General Manager - Malaysia Operation; Responsible for the day-to-day functions of the fabrication facility in Malaysia, including co-ordination of production planning, scheduling, manufacturing and logistics activities 2002	Nil

18 **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: 28 February 2019