



YONGNAM HOLDINGS LIMITED

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

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2019

1 (a) GROUP INCOME STATEMENT

	Group					
	2Q FY2019	2Q FY2018	Fav /	Half-year	Half-year	Fav /
	30/6/2019	30/6/2018	(Unfav)	30/6/2019	30/6/2018	(Unfav)
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	50,544	45,490	11.1	101,636	99,552	2.1
Cost of sales	(50,658)	(48,788)	(3.8)	(103,144)	(102,371)	(0.8)
Gross loss	(114)	(3,298)	96.5	(1,508)	(2,819)	46.5
Other income	76	179	(57.5)	169	238	(29.0)
General and administrative expenses	(3,563)	(4,802)	25.8	(7,549)	(9,060)	16.7
Interest income	1	1	0.0	2	3	(33.3)
Finance costs	(3,391)	(1,801)	(88.3)	(6,034)	(3,477)	(73.5)
Share of results of an associated company, net of tax	139	12	1,058.3	182	12	1,416.7
Loss before tax	(6,852)	(9,709)	29.4	(14,738)	(15,103)	2.4
Taxation	778	1,494	47.9	1,778	2,104	15.5
Net loss	(6,074)	(8,215)	26.1	(12,960)	(12,999)	0.3

Attributable to:

Owners of the Company	(5,895)	(8,215)	28.2	(12,385)	(12,838)	3.5
Non-controlling interests	(179)	-	nm	(575)	(161)	(257.1)
	(6,074)	(8,215)	26.1	(12,960)	(12,999)	0.3

nm - not meaningful

Loss before tax is arrived at after charging:

Loss on disposal of property, plant & equipment	21	1,159		47	1,363
Depreciation	9,081	7,029		17,303	13,994

1(b)(i) BALANCE SHEET

	Group		Company	
	30/6/2019	31/12/2018	30/6/2019	31/12/2018
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	310,250	314,804	-	-
Right-of-use assets	49,638	-	-	-
Investment in subsidiaries	-	-	178,939	167,313
Investment in associated company	242	60	-	-
	360,130	314,864	178,939	167,313
Current assets				
Inventories	39,547	45,365	-	-
Contract assets	74,135	63,642	-	-
Trade debtors	14,435	29,851	-	-
Other receivables and deposits	3,877	4,505	9	9
Prepayments	4,560	5,645	-	4
Tax recoverable	99	-	-	-
Deferred tax assets	959	-	-	-
Cash and bank balances	19,181	14,264	110	41
	156,793	163,272	119	54
Current liabilities				
Contract liabilities	33,486	15,129	-	-
Trade creditors	54,977	65,985	-	-
Other creditors and accruals	12,313	10,369	-	-
Borrowings	40,843	47,099	347	860
Hire purchase creditors	1,864	2,292	-	-
Lease liabilities	5,355	-	-	-
Income tax payable	17	5	-	-
	148,855	140,879	347	860
Net current assets/ (liabilities)	7,938	22,393	(228)	(806)
Non-current liabilities				
Borrowings	76,140	87,511	-	-
Hire purchase creditors	2,168	3,167	-	-
Convertible bonds (liability component)	11,914	-	11,914	-
Lease liabilities	45,203	-	-	-
Deferred tax liabilities	-	915	-	-
	135,425	91,593	11,914	-
Net assets	232,643	245,664	166,797	166,507
Equity				
Share capital	141,445	141,445	141,445	141,445
Convertible bonds (equity component)	269	-	269	-
Reserves	99,652	112,368	25,083	25,062
	241,366	253,813	166,797	166,507
Non-controlling interest	(8,723)	(8,149)	-	-
Net assets	232,643	245,664	166,797	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. Inventories decreased due to consumption of inventories to projects. Contract assets increased due to un-billed work done for on-going projects. Trade debtor decreased due to collection of billings. Other receivables and deposits decreased mainly due to collection of receivables from associated company and refund of tender deposits. Prepayment decreased mainly due to amortisation of front-end facilities fees during the period.

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. Other creditors and accruals increased due to accrual made of certain obligations. Net borrowing increased due to lease liabilities arising from 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 30/06/19		As at 31/12/18	
	\$'000		\$'000	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	41,321	6,741	46,779	2,612
Amount repayable after one year	78,308	57,117	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

	2Q FY2019 30/06/2019	2Q FY2018 30/06/2018	Half-year 30/06/2019	Half-year 30/06/2018
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Loss before tax	(6,852)	(9,709)	(14,738)	(15,103)
Add/(less):				
Depreciation	9,081	7,029	17,303	13,994
Consumption allowance	1,968	289	2,760	880
Interest income	(1)	(1)	(2)	(3)
Interest expense	3,391	1,801	6,034	3,477
Loss on disposal of property, plant & equipment	21	1,159	47	1,363
Share of results of an associated company	(139)	(12)	(182)	(12)
Effects of changes in foreign exchange	(207)	(767)	-	(398)
Operating cash flows before changes in working capital	7,262	(211)	11,222	4,198
Decrease/(Increase) in steel materials	2,880	(6,372)	5,811	(2,599)
Decrease/(Increase) in trade and other debtors and contract assets	1,683	(1,333)	(539)	(4,896)
Increase/(Decrease) in trade and other creditors and contract liabilities	5,261	(6,410)	16,566	(17,366)
Cash flows from/(used in) operations	17,086	(14,326)	33,060	(20,663)
Income tax received/(paid)	3	(13)	(177)	(17)
Interest received	1	1	2	3
Interest paid	(3,391)	(1,801)	(6,034)	(3,477)
Net cash flows from/(used in) operating activities	13,699	(16,139)	26,851	(24,154)
Investing activities				
Purchase of property, plant & equipment	(8,920)	(4,857)	(16,182)	(9,952)
Proceeds from disposal of property, plant & equipment	1,045	2,816	4,134	5,732
Net cash flows used in investing activities	(7,875)	(2,041)	(12,048)	(4,220)
Financing activities				
Proceeds from borrowings	-	34,000	-	100,000
Repayment of borrowings	(5,991)	(15,016)	(17,607)	(65,365)
Proceeds from issuance of convertible bonds	12,083	-	12,083	-
Lease payments	(1,641)	-	(2,842)	-
Hire purchase instalments paid	(946)	(492)	(1,513)	(1,389)
Net cash flows from/(used in) financing activities	3,505	18,492	(9,879)	33,246
Net increase in cash and cash equivalents	9,329	312	4,924	4,872
Effect of exchange rate changes on cash and cash equivalents	-	(39)	(7)	20
Cash and cash equivalents as at beginning of period	9,852	14,760	14,264	10,195
Cash and cash equivalents as at end of period	19,181	15,033	19,181	15,087

1(d)(i) STATEMENT OF COMPREHENSIVE INCOME

	Group					
	2Q 2019 \$'000	2Q 2018 \$'000	Fav/(Unfav) %	Half-year \$'000	Half-year \$'000	Fav/(Unfav) %
Loss after tax	(6,074)	(8,215)	26.1	(12,960)	(12,999)	0.3
Foreign currency translation	(229)	1,194	nm	(330)	982	nm
Total comprehensive loss	(6,303)	(7,021)	10.2	(13,290)	(12,017)	(10.6)

nm - not meaningful

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

	Share capital \$'000	Capital reserves \$'000	Convertible Bonds (Equity) \$'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	141,445	6,837	-	12,800	(6,285)	99,016	(8,149)	245,664
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)	92,526	(8,545)	238,677
Issuance of convertible bonds	-	-	269	-	-	-	-	269
Total comprehensive loss for the period	-	-	-	-	(229)	(5,895)	(179)	(6,303)
Balance at 30 June 2019	141,445	6,837	269	12,800	(6,615)	86,631	(8,724)	232,643
Balance at 1 January 2018	141,445	6,837	-	12,800	(6,827)	137,946	(4,959)	287,242
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)	133,323	(5,120)	282,246
Total comprehensive income/(loss) for the period	-	-	-	-	1,194	(8,376)	161	(7,021)
Balance at 30 June 2018	141,445	6,837	-	12,800	(5,845)	124,947	(4,959)	275,225
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
Issuance of convertible bonds	-	-	269	-	-	-	-	269
Total comprehensive income for the period	-	-	-	-	-	14	-	14
Balance at 30 June 2019	141,445	-	269	12,800	-	12,283	-	166,797
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
Total comprehensive income for the period	-	-	-	-	-	5	-	5
Balance at 30 June 2018	141,445	-	-	12,800	-	12,247	-	166,492

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

There were no shares issued during the period from 1 April 2019 to 30 June 2019.

As at 30 June 2019, there was 69,832,402 (30 June 2018: NIL) unissued ordinary shares relating to convertible bonds issued on 4 June 2019.

As at 30 June 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 period 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 fo 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:

1-Jan-19		
As previously reported	Effect of SFRS (I) 16	As restated
\$'000	\$'000	\$'000

ROU assets	-	53,239	53,239
Lease liabilities	-	(53,239)	(53,239)

6 EARNINGS PER SHARE

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

	Group (cents)			
	2Q 2019 30/06/2019	2Q 2018 30/06/2018	Half-year 30/06/2019	Half-year 30/06/2018
(i) Based on weighted average number of shares in issue	(1.13)	(1.57)	(2.37)	(2.46)
(ii) On a fully diluted basis #	(0.98)	(1.57)	(2.07)	(2.46)
(i) Weighted average number of shares in issue	522,602,931	522,602,931	522,602,931	522,602,931
(ii) Weighted average number of shares for diluted earnings #	592,435,333	522,602,931	592,435,333	522,602,931

- 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.

7 NET ASSET VALUE PER SHARE

	Group (cents)		Company (cents)	
	30/6/2019	31/12/2018	30/6/2019	31/12/2018
Net asset value per share	46.19	48.57	31.92	31.86

8 REVIEW OF THE PERFORMANCE OF THE GROUP

The Group's revenue increased by 11.1% to \$50.5 million for the quarter ended 30 June 2019 ("2QFY2019"), compared to \$45.5 million in 2QFY2018, due mainly to higher contributions from the Group's Specialist Civil Engineering and Design and Build business segments.

On a segmental basis, revenue from Specialist Civil Engineering projects increased by 17.9% from \$19.6 million in 2QFY2018 to \$23.1 million in 2QFY2019 mainly due to higher contribution from infrastructural projects in the Australia. The contributions for the review quarter came from MRT Thomson Line and Circle Line projects and infrastructural projects in the Australia.

Revenue from Design and Build projects increased by approximately four folds from \$1.8 million in 2QFY2018 to \$7.1 million in 2QFY2019, mainly due to higher contribution from a four-storey regional headquarters with mezzanine offices and a two-storey production facility located at the Tampines Industrial Crescent.

Conversely, revenue contribution from Structural Steelwork decreased 20.1%, from \$23.3 million in 2QFY2018 to \$18.6 million in 2QFY2019 due to the substantial completion of Changi Jewel, 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.

The Group reported a marginal gross loss of \$0.1 million in 2QFY2019, compared to a gross loss of \$3.3 million in 2QFY2018 due to better margin projects and higher revenue. Despite the improvement, the Group's gross margin continued to be depressed by the continued low level of strutting and other activities in Singapore and Hong Kong, resulting in significant overhead costs not being fully allocated to projects.

General and administrative expenses decreased from \$4.8 million in 2QFY2018 to \$3.6 million in 2QFY2019, mainly due to lower staff cost and lower loss on disposal of fixed assets incurred in the current quarter. Finance costs increased from \$1.8 million to \$3.4 million mainly due to notional interest on lease liabilities, arising from the adoption of new SFRS (I) 16 Leases accounting standard, in addition to higher bank interest and convertible bond interest. Depreciation expenses increased due to the recognition of Right-of-use assets upon adoption of SFRS (I) 16 Leases.

As a result, the Group narrowed its net loss from \$8.2 million in 2QFY2018 to \$6.1 million in 2QFY2019. Net asset value per share decreased from 48.57 Singapore cents as at 31 December 2018 to 46.19 Singapore cents as at 30 June 2019.

The Group's net gearing is higher at 0.71 times as at 30 June 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

In May 2019, Yongnam secured five contracts worth S\$120.8 million in Singapore, Hong Kong and India, which significantly boosted the Group's order book to \$400 million as at 30 June 2019, compared to \$273 million as at 30 June 2018.

Currently, the Group is actively 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 and the Philippines, that the Group is currently in active pursuit of, stands at approximately \$1.2 billion.

Most of the potential projects, if awarded, are expected to make an impact from FY2020.

Over the next few years, Singapore is expected to focus on major infrastructure projects such as the Cross Island Line, developments at Jurong Lake District and construction of Changi Airport Terminal 5, which will continue to support construction activity in Singapore. The Group will continue to actively explore business opportunities in Singapore and selectively bid for targeted contracts in the region.

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 period ended 30 June 2019.

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 Use of Convertible Bond Proceeds

The Group had fully utilised the net proceeds of S\$12.1 million raised from issuance of convertible bonds as follows:

	\$'000
Payment of operating expenses	1,796
Subcontractor and trade payables	10,287
Total Amount Utilised	12,083

The above utilisations are in accordance with the intended use of proceeds of the Redeemable Convertible Bonds, as stated by the Company in the Announcement dated 22 May 2019.

15 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 6 months ended 30 June 2019 to be false or misleading.

16 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: 14 August 2019