



# 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 2019

### 1 (a) GROUP INCOME STATEMENT

	Group		
	FY2019	FY2018	Fav / (Unfav)
	\$'000	\$'000	%
Revenue	205,130	161,449	27.1
Cost of sales	(218,864)	(207,302)	(5.6)
Gross loss	(13,734)	(45,853)	70.0
Other income	272	500	(45.6)
General and administrative expenses (Note 1)	(33,514)	(12,731)	(163.2)
Interest income	15	4	275.0
Finance costs (Note 2)	(12,298)	(8,033)	(53.1)
Share of results of an associated company, net of tax	399	60	565.0
Loss before tax	(58,860)	(66,053)	10.9
Taxation	4,861	11,844	(59.0)
Loss after tax	(53,999)	(54,209)	0.4
Attributable to:			
Owners of the Company	(53,051)	(51,019)	(4.0)
Non-controlling interests	(948)	(3,190)	70.3
	(53,999)	(54,209)	0.4
Loss before tax is arrived at after charging/(crediting):			
Loss/(Gain) on disposal of property, plant & equipment	15,138	(2,911)	
Depreciation	33,018	29,905	
Strut consumption allowance	6,059	4,067	

Note (1) - General and administrative expenses increased from \$12.7 million in FY2018 to \$33.5 million in FY2019, mainly due to impairment of a trade receivable, operational restructuring costs and loss on disposal of strutting assets which totalled to \$19.6 million, following a review on its strutting assets to dispose those assets with low utilisation.

Note (2) - Finance costs increased from \$8.0 million to \$12.3 million mainly due to notional interest on lease liabilities, arising from the adoption of new SFRS (I) 16 Leases accounting standard, and convertible bond interest.

1(b)(i) **BALANCE SHEET**

	<b>Group</b>		<b>Company</b>	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>				
Property, plant and equipment	260,924	314,804	-	-
Right-of-use assets	48,058	-	-	-
Investment in subsidiaries	-	-	179,442	167,313
Deferred tax assets	5,056	-	-	-
Investment in associated company	459	60	-	-
	<b>314,497</b>	<b>314,864</b>	<b>179,442</b>	<b>167,313</b>
<b>Current assets</b>				
Inventories	27,120	45,365	-	-
Contract assets	79,432	63,642	-	-
Trade debtors	21,897	29,851	-	-
Other receivables and deposits	6,655	4,505	9	9
Prepayments	4,373	5,645	4	4
Cash and bank balances	9,117	14,264	21	41
	<b>148,594</b>	<b>163,272</b>	<b>34</b>	<b>54</b>
<b>Current liabilities</b>				
Contract liabilities	20,225	15,129	-	-
Trade creditors	58,509	65,985	-	-
Other creditors and accruals	12,681	10,369	556	860
Borrowings	40,549	47,099	-	-
Hire purchase creditors	1,928	2,292	-	-
Lease liabilities	5,259	-	-	-
Income tax payable	525	5	-	-
	<b>139,676</b>	<b>140,879</b>	<b>556</b>	<b>860</b>
<b>Net current assets / (liabilities)</b>	<b>8,918</b>	<b>22,393</b>	<b>(522)</b>	<b>(806)</b>
<b>Non-current liabilities</b>				
Borrowings	70,719	87,511	-	-
Hire purchase creditors	2,591	3,167	-	-
Lease liabilities	46,302	-	-	-
Convertible bonds (liability component)	12,077	-	12,077	-
Convertible bonds (embedded derivative)	269	-	269	-
Deferred tax liabilities	-	915	-	-
	<b>131,958</b>	<b>91,593</b>	<b>12,346</b>	<b>-</b>
<b>Net assets</b>	<b>191,457</b>	<b>245,664</b>	<b>166,574</b>	<b>166,507</b>
<b>Equity</b>				
Share capital	141,445	141,445	141,445	141,445
Reserves	59,109	112,368	25,129	25,062
	<b>200,554</b>	<b>253,813</b>	<b>166,574</b>	<b>166,507</b>
Non-controlling interest	(9,097)	(8,149)	-	-
	<b>191,457</b>	<b>245,664</b>	<b>166,574</b>	<b>166,507</b>

Property, plant and equipment decreases mainly due to sales of strutting assets during the year. 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 sale and 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 increased due to receivables from sale of fixed asset. Prepayment decreased mainly due to amortisation of front-end facilities fees during the year.

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. The Group has issued convertible bond of \$12.5 million on 4 June 2019, give rise to recognition of convertible bond liability in the balance sheet.

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

	As at 31/12/19		As at 31/12/18	
	\$'000		\$'000	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	41,699	6,037	46,779	2,612
Amount repayable after one year	73,310	58,648	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**

	FY2019	FY2018
	\$'000	\$'000
<b>Operating activities</b>		
Loss before tax	(58,860)	(66,053)
Add/(less):		
Depreciation	33,018	29,905
Strut Consumption allowance	6,059	4,067
Interest income	(15)	(4)
Interest expense	12,298	8,033
Impairment on trade receivable	2,156	-
Provision for onerous contracts	(212)	393
Loss/(Gain) on disposal of property, plant & equipment	15,138	(2,911)
Share of results of an associated company	(399)	(60)
Effects of changes in foreign exchange	(100)	(330)
<b>Operating cash flows before changes in working capital</b>	9,083	(26,960)
Decrease/ (Increase) in inventories	18,241	(6,774)
Decrease in trade, other receivables and contract assets	14,113	22,573
Increase/ (Decrease) in trade, other creditors and contract liabilities	288	(2,669)
<b>Cash flows generated from/(used in) operations</b>	41,725	(13,830)
Income tax paid	(590)	(18)
Interest received	15	4
Interest paid	(12,035)	(8,033)
<b>Net cash flows from/(used in) operating activities</b>	29,115	(21,877)
<b>Investing activities</b>		
Purchase of property, plant & equipment	(26,951)	(32,878)
Proceeds from disposal of property, plant & equipment	12,685	18,030
<b>Net cash flows used in investing activities</b>	(14,266)	(14,848)
<b>Financing activities</b>		
Proceeds from issuance of convertible bonds	12,082	-
Proceeds from borrowings	2,921	100,113
Repayment of borrowings	(26,137)	(56,776)
Lease payments	(6,162)	-
Payment for hire purchase instalments	(2,688)	(2,547)
<b>Net cash flows(used in)/ from financing activities</b>	(19,984)	40,790
<b>Net (decrease)/increase in cash and cash equivalents</b>	(5,135)	4,065
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(12)	4
Cash and cash equivalents at beginning of year	14,264	10,195
<b>Cash and cash equivalents at end of year</b>	9,117	14,264

1(d)(i) STATEMENT OF COMPREHENSIVE INCOME

	Group		
	FY2019	FY2018	Fav/(Unfav)
	\$'000	\$'000	%
Loss after tax	(53,999)	(54,209)	0.4
Foreign currency translation	(208)	542	nm
Total comprehensive loss	(54,207)	(53,667)	(1.0)

Attributable to:

Owners of the Company	(53,259)	(50,477)	(5.5)
Non-controlling interests	(948)	(3,190)	70.3
	(54,207)	(53,667)	(1.0)

nm - not meaningful

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
<b>GROUP</b>							
Balance at 1 January 2019	141,445	6,837	12,800	(6,285)	99,016	(8,149)	245,664
Issuance of convertible bonds	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(208)	(53,051)	(948)	(54,207)
Balance at 31 December 2019	141,445	6,837	12,800	(6,493)	45,965	(9,097)	191,457
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
<b>COMPANY</b>							
Balance at 1 January 2019	141,445	-	12,800	-	12,262	-	166,507
Issuance of convertible bonds	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	67	-	67
Balance at 31 December 2019	141,445	-	12,800	-	12,329	-	166,574
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

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

There was no share issued during the period from 1 October 2019 to 31 December 2019.

As at 31 December 2019, there was 69,832,402 (31 December 2018: NIL) unissued ordinary shares relating to convertible bonds issued on 4 June 2019.

As at 31 December 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.

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 for 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	-	53,692	53,692
Lease liabilities	-	(53,692)	(53,692)

6 **EARNINGS PER SHARE**

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

	Group	
	FY2019	FY2018
(i) Based on weighted average number of shares in issue (cents)	(10.15)	(9.76)
(ii) On a fully diluted basis (cents) #	(8.83)	(9.76)
(i) Weighted average number of shares in issue	522,602,931	522,602,931
(ii) weighted average number of shares for diluted earnings	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)	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Net asset value per share	38.38	48.57	31.87	31.86

## 8 REVIEW OF THE PERFORMANCE OF THE GROUP

The Group's revenue grew by 27.1% to \$205.1 million for the year ended 31 December 2019 ("FY2019"), compared to \$161.4 million in FY2018, 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 58.5% from \$64.3 million in FY2018 to \$101.8 million in FY2019 mainly due to higher contributions from Singapore Changi Terminal 5 project and infrastructural projects in Australia. The contributions for the financial year under review came from MRT Thomson Line and Circle Line projects, Changi Terminal 5 project and infrastructural projects in Australia.

Revenue from Design and Build projects increased from \$11.1 million in FY2018 to \$26.0 million in FY2019, mainly due to contributions from a four-storey regional headquarters with mezzanine offices and a two-storey production facility located at Tampines Industrial Crescent.

Conversely, revenue contribution from Structural Steelwork projects decreased by 13.4%, from \$81.7 million in FY2018 to \$70.7 million in FY2019 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 as well as Bangalore International Airport Terminal project in India were key contributors to Structural Steelwork's revenue in FY2019.

On a geographical basis, Singapore continued to be the core contributor, accounting for 71.8% of total revenue, compared to 76.4% in FY2018. The other contributors were from rest of the Asia-Pacific countries.

The Group reported a gross loss of \$13.7 million in FY2019, compared to a gross loss of \$45.8 million in FY2018 due to higher revenue and better margin projects. Despite the improvement, the Group's gross margin continued to be depressed by the low level of strutting and fabrication activities in Singapore and Hong Kong, resulting in significant overhead costs not being fully allocated to projects.

General and administrative expenses increased from \$12.7 million in FY2018 to \$33.5 million in FY2019, mainly due to impairment of a trade receivable of \$2.2 million, operational restructuring costs and loss on disposal of strutting assets which totalled to \$17.4 million, following a review on its strutting assets to dispose those assets with low utilisation. Finance costs increased from \$8.0 million to \$12.3 million mainly due to notional interest on lease liabilities, arising from the adoption of new SFRS (I) 16 Leases accounting standard, 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 loss before tax from \$66.1 million in FY2018 to \$58.9 million in FY2019. Excluding the operational restructuring costs, loss on disposal of strutting assets and the impairment charge on a trade receivable, the Group's loss before tax would have been lower at \$39.3 million, compared to a loss before tax of \$66.1 million in FY2018.

Net asset value per share decreased from 48.57 Singapore cents as at 31 December 2018 to 38.38 Singapore cents as at 31 December 2019.

The Group's net gearing is higher at 0.89 times as at 31 December 2019, compared to 0.51 times as at 31 December 2018, mainly due to the adoption of new SFRS (I) 16 lease accounting standard which brought the off-balance sheet operating leases to the balance sheet and issuance of convertible bonds.

## 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 December 2019, the Group announced it had secured five specialist civil engineering contracts for infrastructure developments worth \$101.3 million in Singapore and Hong Kong. As at 31 December 2019, the Group's order book stood at \$405 million, compared to \$366 million as at 31 December 2018.

The Group is currently 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, Jurong Regional MRT Line, Cross Island Line and commercial projects, including the Marina Bay Sands expansion.

The total value of the infrastructure and commercial projects across the geographical regions of Singapore, Hong Kong and Australia, that the Group is currently in active pursuit of, stands at approximately \$1.3 billion.

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 the construction activity in Singapore.

Amidst the uncertain economic outlook exacerbated by the COVID-19 outbreak in Singapore and regionally, the Group has stepped up on its precautionary measures and will monitor the macroeconomic environment closely. The Group will continue to actively explore business opportunities in Singapore and selectively bid for targeted contracts in the region.

### **CESSATION OF QUARTERLY REPORTING**

Following the recent amendments to Rule 705(2) of the Listing Manual of Singapore Exchange Securities Trading Limited ("Amended Listing Rules") which took effect from 7 February 2020, the Company will cease to release announcements of its unaudited financial results of the Group on quarterly basis.

Going forward, the Company will release announcements pertaining to the unaudited financial results of the Group on a half-yearly basis as required under the Amended Listing Rules.

Accordingly, the next financial results announcement of the Company will be in respect of the six-month period ending 30 June 2020, which will be announced no later than 14 August 2020.

The Company will continue to keep shareholders updated on material developments relating to the Company and the Group in compliance with its continuing disclosure obligations, as and when appropriate.

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 and the reason**

No dividend is recommended for period ended 31 December 2019 as the Board of Directors deems it appropriate to conserve funds for the Group's business activities and working capital requirement.

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 \$'000	Rest of Asia- Pacific \$'000	Eliminations \$'000	Group \$'000
<b>Year ended 31 December 2019</b>				
<b>Revenue</b>				
External customers	147,313	57,817	-	205,130
Inter-segment revenue	1,143	21,335	(22,478)	-
Total revenue	148,456	79,152	(22,478)	205,130
<b>Result</b>				
Segment result	(43,484)	(1,107)	(1,986)	(46,577)
Finance income				15
Finance cost				(12,298)
Loss before tax				(58,860)
Tax				4,861
Loss after tax				(53,999)
<b>Year ended 31 December 2018</b>				
<b>Revenue</b>				
External customers	123,488	37,961	-	161,449
Inter-segment revenue	(2,213)	19,430	(17,217)	-
Total revenue	121,275	57,391	(17,217)	161,449
<b>Result</b>				
Segment result	(58,705)	1,233	(552)	(58,024)
Finance income				4
Finance cost				(8,033)
Loss before tax				(66,053)
Tax				11,844
Loss after tax				(54,209)

**Revenue by Business Segments**

	FY2019 \$'000	FY2018 \$'000
Structural steelworks	70,690	81,656
Specialist civil engineering	101,823	64,252
Mechanical engineering	90	47
Design and Build	26,011	11,071
Others	6,516	4,423
	205,130	161,449

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

	<b>Group</b>		
	FY2019 \$'000	FY2018 \$'000	Fav/(Unfav) %
(a) Sales reported for first half year	101,636	99,552	2.1
(b) Loss after tax for first half year	(12,960)	(12,999)	0.3
(c) Sales reported for second half year	103,494	61,897	67.2
(d) Loss after tax for second half year	(41,039)	(41,210)	0.4

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

	FY2019 \$'000	FY2018 \$'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	63	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	61	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 2020