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 SEPTEMBER 2019

1 (a) GROUP INCOME STATEMENT

	Group					
	3Q 2019 30/9/2019	3Q 2018 30/9/2018	Fav / (Unfav)	9 Months 30/9/2019	9 Months 30/9/2018	Fav / (Unfav)
	$'000	$'000	%	$'000	$'000	%
Revenue	65,034	33,876	92.0	166,670	133,428	24.9
Cost of sales	(65,402)	(47,277)	(38.3)	(168,546)	(149,648)	(12.6)
Gross loss	(368)	(13,401)	97.3	(1,876)	(16,220)	88.4
Other income	58	120	(51.7)	227	358	(36.6)
General and administrative expenses	(8,285)	(2,642)	(213.6)	(15,834)	(11,702)	(35.3)
Interest income	7	1	600.0	9	4	125.0
Finance costs	(3,199)	(2,305)	(38.8)	(9,233)	(5,782)	(59.7)
Share of results of an associated company, net of tax	(24)	34	nm	158	46	100.0
Loss before tax	(11,811)	(18,193)	35.1	(26,549)	(33,296)	20.3
Taxation	433	3,783	(88.6)	2,211	5,887	(62.4)
Net loss	(11,378)	(14,410)	21.0	(24,338)	(27,409)	11.2
Attributable to:						
Owners of the Company	(11,148)	(13,780)	19.1	(23,533)	(26,618)	11.6
Non-controlling interests	(230)	(630)	63.5	(805)	(791)	(1.8)
	(11,378)	(14,410)	21.0	(24,338)	(27,409)	11.2

nm - not meaningful

Loss before tax is arrived at after charging:						
Loss/(Gain) on disposal of property, plant & equipment	1,196	(300)		1,243	1,063	
Depreciation	7,727	7,218		25,030	21,212	
Impairment on trade receivable	2,156	-		2,156	-	

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

	Group		Company	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
	$'000	$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	285,364	314,804	-	-
Right-of-use assets	49,695	-	-	-
Investment in subsidiaries	-	-	179,430	167,313
Investment in assocated company	218	60	-	-
	335,277	314,864	179,430	167,313
Current assets				
Inventories	34,128	45,365	-	-
Contract assets	86,595	63,642	-	-
Trade debtors	13,035	29,851	-	-
Other receivables and deposits	4,592	4,505	9	9
Prepayments	4,354	5,645	15	4
Deferred tax assets	2,208	-	-	-
Cash and bank balances	11,449	14,264	17	41
	156,361	163,272	41	54
Current liabilities				
Contract liabilities	21,885	15,129	-	-
Trade creditors	53,395	65,985	-	-
Other creditors and accruals	11,606	10,369	436	860
Borrowings	42,952	47,099	-	-
Hire purchase creditors	1,655	2,292	-	-
Lease liabilities	5,377	-	-	-
Income tax payable	731	5	-	-
	137,601	140,879	436	860
Net current assets / (liabilities)	18,760	22,393	(395)	(806)
Non-current liabilities				
Borrowings	70,576	87,511	-	-
Hire purchase creditors	1,869	3,167	-	-
Convertible bonds (liability component)	12,214	-	12,214	-
Lease liabilities	47,553	-	-	-
Deferred tax liabilities	-	915	-	-
	132,212	91,593	12,214	-
Net assets	**221,825**	**245,664**	**166,821**	**166,507**
Equity				
Share capital	141,445	141,445	141,445	141,445
Convertible bonds (equity component)	269	-	269	-
Reserves	89,064	112,368	25,107	25,062
	230,778	253,813	166,821	166,507
Non-controlling interest	(8,953)	(8,149)	-	-
	221,825	**245,664**	**166,821**	**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. 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 30/09/19		As at 31/12/18	
	$'000		$'000	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	43,725	6,259	46,779	2,612
Amount repayable after one year	72,445	59,767	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**

	3Q 2019 30/09/2019	3Q 2018 30/09/2018	9 Months 30/09/2019	9 Months 30/09/2018
	$'000	$'000	$'000	$'000
Operating activities				
Loss before tax	(11,811)	(18,193)	(26,549)	(33,296)
Add/(less):				
Depreciation	7,727	7,218	25,030	21,212
Consumption allowance	3,072	651	5,832	1,531
Interest income	(7)	(1)	(9)	(4)
Interest expense	3,199	2,305	9,233	5,782
Impairment on trade receivable	2,156	-	2,156	-
Loss/ (Gain) on disposal of property, plant & equipment	1,196	(300)	1,243	1,063
Share of results of an associated company	24	(34)	(158)	(46)
Effects of changes in foreign exchange	(187)	(622)	(187)	(1,020)
Operating cash flows before changes in working capital	5,369	(8,976)	16,591	(4,778)
Decrease in steel materials	5,438	18,493	11,249	15,894
Decrease/ (Increase) in trade and other debtors and contract assets	13,971	(4,262)	13,432	(9,158)
Decrease in trade and other creditors and contract liabilities	(21,266)	(4,980)	(4,700)	(22,346)
Cash flows from operations	3,512	275	36,572	(20,388)
Income tax paid	(30)	(1)	(207)	(18)
Interest received	7	1	9	4
Interest paid	(2,798)	(2,305)	(8,832)	(5,782)
Net cash flows from/(used in) operating activities	691	(2,030)	27,542	(26,184)
Investing activities				
Purchase of property, plant & equipment	(8,378)	(10,537)	(24,560)	(20,489)
Proceeds from disposal of property, plant & equipment	5,598	1,676	9,732	7,408
Net cash flows used in investing activities	(2,780)	(8,861)	(14,828)	(13,081)
Financing activities				
Proceeds from borrowings	2,355	10,622	2,355	110,622
Repayment of borrowings	(5,986)	(2,776)	(23,593)	(68,141)
Proceeds from issuance of convertible bonds	-	-	12,083	-
Lease payments	(1,482)	-	(4,324)	-
Hire purchase instalments paid	(560)	(565)	(2,073)	(1,954)
Net cash flows (used in)/from financing activities	(5,673)	7,281	(15,552)	40,527
Net (decrease)/increase in cash and cash equivalents	(7,762)	(3,610)	(2,838)	1,262
Effect of exchange rate changes on cash and cash equivalents	30	(12)	23	8
Cash and cash equivalents as at beginning of period	19,181	15,087	14,264	10,195
Cash and cash equivalents as at end of period	11,449	11,465	11,449	11,465

1(d)(i) STATEMENT OF COMPREHENSIVE INCOME

	Group					
	3Q 2019 30/09/2019	3Q 2018 30/09/2018	Fav/(Unfav)	9 Months 30/09/2019	9 Months 30/09/2018	Fav/(Unfav)
	$'000	$'000	%	$'000	$'000	%
Net loss	(11,378)	(14,410)	21.0	(24,338)	(27,409)	11.2
Foreign currency translation	560	(328)	nm	230	654	(64.8)
Total comprehensive loss	(10,818)	(14,738)	26.6	(24,108)	(26,755)	9.9

Attributable to:

Owners of the Company	(10,588)	(14,108)	25.0	(23,303)	(26,125)	10.8
Non-controlling interests	(230)	(630)	63.5	(805)	(630)	(27.8)
	(10,818)	(14,738)	26.6	(24,108)	(26,755)	9.9

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
Issuance of convertible bonds	-	-	269	-	-	-	-	269
Total comprehensive loss for the period	-	-	-	-	(330)	(12,385)	(575)	(13,290)
Balance at 30 June 2019	141,445	6,837	269	12,800	(6,615)	86,631	(8,724)	232,643
Total comprehensive loss for the period	-	-	-	-	560	(11,148)	(230)	(10,818)
Balance at 30 September 2019	141,445	6,837	269	12,800	(6,055)	75,483	(8,954)	221,825
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	-	-	-	-	982	(12,999)	-	(12,017)
Balance at 30 June 2018	141,445	6,837	-	12,800	(5,845)	124,947	(4,959)	275,225
Total comprehensive loss for the period	-	-	-	-	(328)	(13,780)	(630)	(14,738)
Balance at 30 September 2018	141,445	6,837	-	12,800	(6,173)	111,167	(5,589)	260,487
COMPANY								
Balance at 1 January 2019	141,445	-	-	12,800	-	12,262	-	166,507
Issuance of convertible bonds	-	-	269	-	-	-	-	269
Total comprehensive income for the period	-	-	-	-	-	21	-	21
Balance at 30 June 2019	141,445	-	269	12,800	-	12,283	-	166,797
Total comprehensive income for the period	-	-	-	-	-	24	-	24
Balance at 30 September 2019	141,445	-	269	12,800	-	12,307	-	166,821
Balance at 1 January 2018	141,445	-	-	12,800	-	12,234	-	166,479
Total comprehensive income for the period	-	-	-	-	-	13	-	13
Balance at 30 June 2018	141,445	-	-	12,800	-	12,247	-	166,492
Total comprehensive income for the period	-	-	-	-	-	8	-	8
Balance at 30 September 2018	141,445	-	-	12,800	-	12,255	-	166,500

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

There was no shares issued during the period from 1 July 2019 to 30 September 2019.

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

As at 30 September 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 cummulative 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.

Leasee 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:

<u>Balance sheets as at 1 January 2019</u>

	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)			
	3Q 2019 30/09/2019	3Q 2018 30/09/2018	9 Months 30/09/2019	9 Months 30/09/2018
(i) Based on weighted average number of shares in issue	(2.13)	(2.64)	(4.50)	(5.09)
(ii) On a fully diluted basis #	(1.83)	(2.64)	(3.90)	(5.09)
(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)	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
Net asset value per share	44.16	48.57	31.92	31.86

8 **REVIEW OF THE PERFORMANCE OF THE GROUP**

The Group's revenue increased by 92% to $65.0 million for the quarter ended 30 September 2019 ("3QFY2019"), compared to $33.9 million in 3QFY2018, 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 159.9% from $14.7 million in 3QFY2018 to $38.4 million in 3QFY2019 mainly due to higher contributions from Singapore Changi Terminal 5 project and infrastructural projects in Australia. The contributions for the review quarter 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 by more than ten-fold from $0.8 million in 3QFY2018 to $9.9 million in 3QFY2019, mainly due to contributions from a four-storey regional headquarters with mezzanine offices and a two-storey production facility located in Tampines Industrial Crescent.

Conversely, revenue contribution from Structural Steelwork projects decreased by 7.3%, from $16.4 million in 3QFY2018 to $15.2 million in 3QFY2019 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 $0.4 million in 3QFY2019, compared to a gross loss of $13.4 million in 3QFY2018 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 $2.6 million in 3QFY2018 to $8.3 million in 3QFY2019, mainly due to impairment of a trade receivable and operational restructuring costs which amounted to $5.8 million. Finance costs increased from $2.3 million to $3.2 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 $14.4 million in 3QFY2018 to $11.4 million in 3QFY2019. Excluding the restructuring costs and the impairment charge on trade receivable, the Group's net loss would have been lower at $5.6 million, an improvement of 61.1% from a net loss of $14.4 million in 3QFY2018.

Net asset value per share decreased from 48.57 Singapore cents as at 31 December 2018 to 44.16 Singapore cents as at 30 September 2019.

The Group's net gearing is higher at 0.77 times as at 30 September 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 sheet.

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 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 and Jurong Regional MRT Line.

The total value of the infrastructure and commercial contracts across the geographical regions of Singapore, Hong Kong and Australia, that the Group is currently in active pursuit of, stands at approximately $1.2 billion. If awarded, most of the potential projects, the bulk of which are in Singapore, 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.

As at 30 September 2019, the Group's order book stood at $371 million, compared to $280 million as at 30 September 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**

No dividend is recommended for period ended 30 September 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 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 9 months ended 30 September 2019 to be false or misleading, in any material aspect.

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: 11 November 2019