YONGNAM HOLDINGS LIMITED
(Co Reg No : 199401612N)

FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

1 (a) GROUP INCOME STATEMENT

	Group					
	3Q 2018 30/9/2018	3Q 2017 30/9/2017	Fav / (Unfav)	9 Months 30/9/2018	9 Months 30/9/2017	Fav / (Unfav)
	$'000	$'000	%	$'000	$'000	%
Revenue	33,876	68,406	(50.5)	133,428	239,647	(44.3)
Cost of sales	(47,277)	(70,081)	32.5	(149,648)	(238,424)	37.2
Gross (loss)/ profit	(13,401)	(1,675)	(700.1)	(16,220)	1,223	nm
Other income	120	47	155.3	358	222	61.3
General and administrative expenses	(2,642)	(3,095)	14.6	(11,702)	(10,391)	12.6
Interest income	1	3	(66.7)	4	13	(69.2)
Finance costs	(2,305)	(1,276)	(80.6)	(5,782)	(3,686)	56.9
Share of results of an associated company, net of tax	34	-	100.0	46	-	100.0
Loss before tax	(18,193)	(5,996)	(203.4)	(33,296)	(12,619)	(163.9)
Taxation	3,783	1,265	199.1	5,887	2,222	164.9
Net loss	(14,410)	(4,731)	(204.6)	(27,409)	(10,397)	(163.6)
Attributable to:						
Owners of the Company	(13,780)	(4,923)	179.9	(26,618)	(10,505)	(153.4)
Non-controlling interests	(630)	192	nm	(791)	108	nm
	(14,410)	(4,731)	(204.6)	(27,409)	(10,397)	(163.6)

nm - not meaningful

Loss before tax is arrived at after charging:						
(Gain)/ Loss on disposal of property, plant & equipment	(300)	(88)		1,063	(275)	
Depreciation	7,218	7,138		21,212	21,302	

1(b)(i) BALANCE SHEET

	Group		Company	
	30/9/2018	31/12/2017	30/9/2018	31/12/2017
	$'000	$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	305,206	312,914	-	-
Investment in subsidiaries	-	-	39,430	39,430
Amount due from subsidiaries	-	-	127,358	127,422
Investment in assocated company	46	-	-	-
	305,252	312,914	166,788	166,852
Current assets				
Steel materials, at cost	44,277	38,570	-	-
Contract assets	90,377	98,546	-	-
Trade debtors	25,768	21,984	-	-
Other debtors and deposits	4,395	3,891	9	9
Prepayments	6,654	1,573	15	4
Tax recoverable	1	4	-	-
Cash and bank balances	11,465	10,195	51	95
	182,937	174,763	75	108
Current liabilities				
Contract liabilities	18,279	5,008	-	-
Trade creditors	58,276	81,683	-	-
Other creditors and accruals	8,199	7,060	363	481
Borrowings	40,022	75,802	-	-
Hire purchase creditors	2,130	1,957	-	-
	126,906	171,510	363	481
Net current assets / (liabilities)	56,031	3,253	(288)	(373)
Non-current liabilities				
Borrowings	93,183	15,340	-	-
Hire purchase creditors	3,169	3,293	-	-
Deferred taxation	4,444	10,292	-	-
	100,796	28,925	-	-
Net assets	**260,487**	**287,242**	**166,500**	**166,479**
Equity				
Share capital	141,445	141,445	141,445	141,445
Reserves	124,791	150,756	25,055	25,034
Non-controlling interest	(5,749)	(4,959)	-	-
	260,487	**287,242**	**166,500**	**166,479**

Decrease in net contract assets was due to billing of work done for on-going projects. Trade debtors increased due to billings 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 period. Net borrowing increased due to drawdown of new borrowings.

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

	As at 30/09/18		As at 31/12/17	
	$'000		$'000	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	39,530	2,622	70,350	7,409
Amount repayable after one year	96,352	-	18,633	-

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 2018 30/09/2018	3Q 2017 30/09/2017	9 Months 30/09/2018	9 Months 30/09/2017
	$'000	$'000	$'000	$'000
Operating activities				
Loss before tax	(18,193)	(5,996)	(33,296)	(12,619)
Add/(less):				
Depreciation	7,218	7,138	21,212	21,302
Consumption allowance	651	829	1,531	195
Interest income	(1)	(3)	(4)	(13)
Interest expense	2,305	1,276	5,782	3,686
Loss on disposal of other investment	-	-	-	8
(Gain)/ Loss on disposal of property, plant & equipment	(300)	(88)	1,063	(275)
Share of results of an associated company	(34)	-	(46)	-
Effects of changes in foreign exchange	(622)	265	(1,020)	934
Operating cash flows before changes in working capital	(8,976)	3,421	(4,778)	13,218
Decrease/(Increase) in steel materials and net contract assets	18,493	(4,699)	15,894	(356)
(Increase)/ Decrease in trade and other debtors	(4,262)	19,661	(9,158)	26,106
Decrease in trade and other creditors	(4,980)	(2,087)	(22,346)	(874)
Cash flows from operations	275	16,296	(20,388)	38,094
Income tax paid	(1)	(1)	(18)	(3)
Interest received	1	3	4	13
Interest paid	(2,305)	(1,276)	(5,782)	(3,686)
Net cash flows (used in)/ from operating activities	(2,030)	15,022	(26,184)	34,418
Investing activities				
Purchase of property, plant & equipment	(10,537)	(6,292)	(20,489)	(24,741)
Proceeds from disposal of property, plant & equipment	1,676	551	7,408	2,299
Proceeds from disposal of other investment	-	-	-	24
Net cash flows used in investing activities	(8,861)	(5,741)	(13,081)	(22,418)
Financing activities				
Proceeds from borrowings	10,622	1,597	110,622	9,137
Repayment of borrowings	(2,776)	(5,190)	(68,141)	(18,315)
Hire purchase instalments paid	(565)	(791)	(1,954)	(2,498)
Net cash flows from/(used in) financing activities	7,281	(4,384)	40,527	(11,676)
Net (decrease)/increase in cash and cash equivalents	(3,610)	4,897	1,262	324
Effect of exchange rate changes on cash and cash equivalents	(12)	(42)	8	(158)
Cash and cash equivalents as at beginning of period	15,087	11,225	10,195	15,914
Cash and cash equivalents as at end of period	11,465	16,080	11,465	16,080

1(d)(i) STATEMENT OF COMPREHENSIVE INCOME

	Group					
	3Q 2018 30/09/2018	3Q 2017 30/09/2017	Fav/(Unfav)	9 Months 30/09/2018	9 Months 30/09/2017	Fav/(Unfav)
	$'000	$'000	%	$'000	$'000	%
Net loss	(14,410)	(4,731)	(204.6)	(27,409)	(10,397)	(163.6)
Foreign currency translation	(328)	(478)	31.4	654	(2,583)	nm
Total comprehensive loss	(14,738)	(5,209)	(182.9)	(26,755)	(12,980)	(106.1)
Attributable to:						
Owners of the Company	(14,108)	(5,401)	(161.2)	(26,125)	(13,088)	(99.6)
Non-controlling interests	(630)	192	nm	(630)	108	nm
	(14,738)	(5,209)	(182.9)	(26,755)	(12,980)	(106.1)

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
GROUP							
Balance at 1 January 2018	141,445	6,837	12,800	(6,827)	137,946	(4,959)	287,242
Effect of adoption of the SFRS(I) 1	-	-	-	3,451	(3,451)	-	-
Total comprehensive loss for the period	-	-	-	982	(12,999)	-	(12,017)
Balance at 30 June 2018	141,445	6,837	12,800	(2,394)	121,496	(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	(2,722)	107,716	(5,589)	260,487
Balance at 1 January 2017	129,636	6,837	12,800	(3,451)	153,722	(511)	299,033
Total comprehensive income for the period	-	-	-	(2,105)	(5,582)	(84)	(7,771)
Balance at 30 June 2017	129,636	6,837	12,800	(5,556)	148,140	(595)	291,262
Total comprehensive income for the period	-	-	-	(478)	(4,923)	192	(5,209)
Balance at 30 September 2017	129,636	6,837	12,800	(6,034)	143,217	(403)	286,053
COMPANY							
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
Balance at 1 January 2017	129,636	-	12,800	-	332	-	142,768
Total comprehensive income for the period	-	-	-	-	41	-	41
Balance at 30 June 2017	129,636	-	12,800	-	373	-	142,809
Total comprehensive income for the period	-	-	-	-	7	-	7
Balance at 30 September 2017	129,636	-	12,800	-	380	-	142,816

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

There was no shares issued during the period from 1 July 2018 to 30 September 2018.

As at 30 September 2018, there were 3,954,192 (30 September 2017: 7,612,704) unissued ordinary shares relating to options granted and unexercised under the Employee Share Option Scheme.

As at 30 September 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 2018, 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:

<u>SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)</u>
SFRS(I) requires that the Group applies SFRS(I) on a retrospective basis and restatement of comparatives may be 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 expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of $3,451,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

<u>SFRS(I) 9 Financial Instruments</u>
SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Overall, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9.

The Group plans to adopt 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) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group adopts the simplified approach and records lifetime expected losses on all trade receivables. The impairment calculated using the expected credit loss model does not have a significant impact on the financial statements.

<u>SFRS(I) 15 Revenue from Contracts with Customers</u>
FRS 115 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 FRS 115, the Group expects to account 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. The Company currently recognises revenue over time using the percentage of completion method for contracts under FRS 11 Construction Contracts. Under FRS 115, the Company expects to continue to recognise 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 applies 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 on the Group’s financial statements:

<u>Balance sheets as at 31 December 2017 and 1 January 2018</u>

	31 December 2017 & 1 January 2018		
	As previously	Effect of	As restated
	$'000	$'000	$'000
Foreign currency translation reserves	(3,451)	3,451	-
Retained earnings	137,946	(3,451)	134,495

6 EARNINGS PER SHARE

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

	Group (cents)			
	3Q 2018 30/09/2018	3Q 2017 30/09/2017	9 Months 30/09/2018	9 Months 30/09/2017
(i) Based on weighted average number of shares in issue	(2.64)	(1.04)	(5.09)	(2.21)
(ii) On a fully diluted basis	(2.64)	(1.04)	(5.09)	(2.21)
(i) Weighted average number of shares in issue	522,602,931	475,102,931	522,602,931	475,102,931
(ii) weighted average number of shares for diluted earnings	522,602,931	475,102,931	522,602,931	475,102,931

7 NET ASSET VALUE PER SHARE

	Group (cents)		Company (cents)	
	30/9/2018	31/12/2017	30/9/2018	31/12/2017
Net asset value per share	50.94	55.91	31.86	31.86

8 REVIEW OF THE PERFORMANCE OF THE GROUP

Group revenue decreased by 50.5% to $33.9 million for the quarter ended September 30, 2018 ("3QFY2018"), compared to $68.4 million in 3QFY2017, due mainly to lower contributions from all business segments.

On a segmental basis, revenue contribution from Structural Steelworks decreased 55.1%, from $36.6 million in 3QFY2017 to $16.4 million in 3QFY2018, mainly due to the substantial completion of Senoko Food Hub and Jewel Changi Airport project at the end of FY2017. JTC Logistic Hub, SGH Community Hospital and Micron fabrication buildings were the key contributors to Structural Steelwork's revenue in the quarter under review.

Revenue from Specialist Civil Engineering projects decreased by 42.3%, from $25.6 million in 3QFY2017 to $14.8 million in 3QFY2018 due to lower contributions from the MRT Thomson Line project as well as the completion of certain HK MTR projects. MRT Thomson Line and HK MTR projects were the key contributors to Specialist Civil Engineering's revenue in the quarter under review.

Revenue from Design and Build projects decreased by 86.1% from $6.1 million in 3QFY2017 to $0.8 million in 3QFY2018 mainly due to the substantial completion of a project for light industrial developments at Kallang Junction in Singapore at the end of FY2017.

In line with the substantial drop in Group's revenue and lower level of business activities, the Group's gross loss widened to $13.4 million in 3QFY2018 as compared to a gross loss of $1.7 million in 3QFY2017. Gross margin remained depressed by the continued low level of strutting and fabrication activities in Singapore and Hong Kong, resulting in overhead costs not being fully absorbed.

Other income increased by 155.3% from $47,000 to $120,000 mainly due to the receipt of a government grant.

General and administrative expenses decreased from $3.1 million in 3QFY2017 to $2.6 million in 3QFY2018, mainly due to lower staff cost and foreign exchange gain recorded in the quarter. Finance costs increased by 80.6% from $1.3 million to $2.3 million, mainly due to higher borrowings, bank charges and interests.

As a result, the Group reported a net loss of $14.4 million in 3QFY2018, compared to a loss of $4.7 million in 3QFY2017. Net asset value per share decreased from 55.91 Singapore cents as at 31 December 2017 to 50.94 Singapore cents as at 30 September 2018.

The Group's net gearing is 0.49 times as at 30 September 2018, compared to 0.30 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 secured four structural steelworks contracts in July 2018 for the fabrication and supply of structural steel kingposts for Singapore General Hospital, a mixed development project in Bidadari as well as the construction of an industrial development in Singapore, with a total value of $23.0 million.

In November 2018, the Group further clinched four contracts worth S$53.4 million in Singapore. These contracts include the main contract works for a four-storey regional headquarters and two-storey production facility project at Tampines Wafer Fab Park. Other contracts include three structural steelwork awards for a nine-storey light industrial and commercial building for JTC Corporation, a 51-storey integrated development located in the Central Business District and a seven-storey Health Campus comprising a community hospital, outpatient clinics and nursing homes in Woodlands respectively.

The Group is also 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 $ 1.3 billion worth of new infrastructure and commercial projects in Singapore, Hong Kong, Australia, the Philippines and India. As at 30 September 2018, the Group's order book stood at $280 million.

The Group continues to invest time and resources in bidding for potential projects in Singapore and internationally. Most of the potential projects, if awarded, are expected to make an impact from 2019.

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 developments 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 period ended 30 September 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.

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 9 months ended 30 September 2018 to be false or misleading, in any material aspect.

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: 13 November 2018