YONGNAM HOLDINGS LIMITED
(Co Reg No : 199401612N)

FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 JUNE 2018

1 (a) GROUP INCOME STATEMENT

	Group					
	2Q FY2018 30/6/2018	2Q FY2017 30/6/2017	Fav / (Unfav)	Half-year 30/6/2018	Half-year 30/6/2017	Fav / (Unfav)
	$'000	$'000	%	$'000	$'000	%
Revenue	45,490	79,781	(43.0)	99,552	171,241	(41.9)
Cost of sales	(48,788)	(80,303)	39.2	(102,371)	(168,343)	39.2
Gross loss	(3,298)	(522)	531.8	(2,819)	2,898	(197.3)
Other income	179	53	237.7	238	175	36.0
General and administrative expenses	(4,802)	(3,292)	(45.9)	(9,060)	(7,296)	(24.2)
Interest income	1	3	(66.7)	3	10	(70.0)
Finance costs	(1,801)	(1,231)	(46.3)	(3,477)	(2,410)	(44.3)
Share of results of an associated company, net of tax	12	-	100.0	12	-	100.0
Loss before tax	(9,709)	(4,989)	(94.6)	(15,103)	(6,623)	128.0
Taxation	1,494	848	(76.2)	2,104	957	(119.9)
Net loss	(8,215)	(4,141)	(98.4)	(12,999)	(5,666)	(129.4)
Attributable to:						
Owners of the Company	(8,376)	(4,116)	(103.5)	(12,999)	(5,582)	(132.9)
Non-controlling interests	161	(25)	744.0	-	(84)	100.0
	(8,215)	(4,141)	(98.4)	(12,999)	(5,666)	(129.4)

Loss before tax is arrived at after charging:						
Loss/(Gain) on disposal of propery, plant & equipment	1,159	(139)		1,363	(187)	
Depreciation	7,029	7,106		13,994	14,164	

1(b)(i) BALANCE SHEET

	Group		Company	
	30/6/2018	31/12/2017	30/6/2018	31/12/2017
	$'000	$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	303,459	312,914	-	-
Investment in subsidiaries	-	-	39,430	39,430
Amount due from subsidiaries	-	-	127,243	127,422
Investment in assocated company	12	-	-	-
	303,471	312,914	166,673	166,852
Current assets				
Steel materials, at cost	44,967	38,570	-	-
Contract assets	98,859	98,546	-	-
Trade debtors	20,950	21,984	-	-
Other debtors and deposits	4,666	3,891	9	9
Prepayments	7,008	1,573	-	4
Tax recoverable	7	4	-	-
Cash and bank balances	15,087	10,195	72	95
	191,544	174,763	81	108
Current liabilities				
Gross amount due to customers for contract work-in-progress	8,967	5,008	-	-
Trade creditors	66,542	81,683	-	-
Other creditors and accruals	4,404	7,060	262	481
Amount due to a joint venture partner	490	-	-	-
Borrowings	27,134	75,802	-	-
Hire purchase creditors	1,965	1,957	-	-
	109,502	171,510	262	481
Net current assets/ (liabilities)	82,042	3,253	(181)	(373)
Non-current liabilities				
Borrowings	99,136	15,340	-	-
Hire purchase creditors	2,935	3,293	-	-
Deferred taxation	8,217	10,292	-	-
	110,288	28,925	-	-
Net assets	**275,225**	**287,242**	**166,492**	**166,479**
Equity				
Share capital	141,445	141,445	141,445	141,445
Reserves	138,900	150,756	25,047	25,034
Non-controlling interest	(5,120)	(4,959)	-	-
	275,225	**287,242**	**166,492**	**166,479**

Other debtors increased mainly due to refundable deposits paid for rental of yards and dormitory as well as deposit paid for purchase of machinery. 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 payables during the quarter. Other creditors and accruals reduced due to payment of certain obligations. Net borrowing increased due to drawdown of new borrowings during the quarter.

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

	As at 30/06/18		As at 31/12/17	
	$'000		$'000	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	29,099	-	70,350	7,409
Amount repayable after one year	102,071	-	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

	2Q FY2018 30/06/2018	2Q FY2017 30/06/2017	Half-year 30/06/2018	Half-year 30/06/2017
	$'000	$'000	$'000	$'000
Operating activities				
Loss before tax	(9,709)	(4,989)	(15,103)	(6,623)
Add/(less):				
Depreciation	7,029	7,106	13,994	14,164
Consumption allowance	289	428	880	(634)
Interest income	(1)	(3)	(3)	(10)
Interest expense	1,801	1,231	3,477	2,410
Loss on disposal of other investment	-	-	-	8
Loss/(Gain) on disposal of property, plant & equipment	1,159	(139)	1,363	(187)
Share of results of an associated company	(12)	-	(12)	-
Effects of changes in foreign exchange	(767)	(19)	(398)	669
Operating cash flows before changes in working capital	(211)	3,615	4,198	9,797
(Increase)/Decrease in steel materials and work-in-progress	(6,372)	(918)	(2,599)	4,343
(Increase)/Decrease in trade and other debtors	(1,333)	5,660	(4,896)	10,966
(Decrease)/Increase in trade and other creditors	(6,410)	(6,571)	(17,366)	1,213
Cash flows from operations	(14,326)	1,786	(20,663)	26,319
Income tax paid	(13)	(1)	(17)	(2)
Interest received	1	3	3	10
Interest paid	(1,801)	(1,231)	(3,477)	(2,410)
Net cash flows (used in)/from operating activities	(16,139)	557	(24,154)	23,917
Investing activities				
Purchase of property, plant & equipment	(4,857)	(4,353)	(9,952)	(22,970)
Proceeds from disposal of property, plant & equipment	2,816	1,095	5,732	1,748
Decrease in investment in joint venture	-	50	-	-
Proceed from disposal of other investment	-	-	-	24
Net cash flows used in investing activities	(2,041)	(3,208)	(4,220)	(21,198)
Financing activities				
Proceeds from borrowings	34,000	6,093	100,000	7,540
Repayment of borrowings	(15,016)	(8,125)	(65,365)	(13,125)
Hire purchase instalments paid	(492)	(785)	(1,389)	(1,707)
Net cash flows from/(used in) financing activities	18,492	(2,817)	33,246	(7,292)
Net increase/(decrease) in cash and cash equivalents	312	(5,468)	4,872	(4,573)
Effect of exchange rate changes on cash and cash equivalents	15	(39)	20	(116)
Cash and cash equivalents as at beginning of period	14,760	16,732	10,195	15,914
Cash and cash equivalents as at end of period	15,087	11,225	15,087	11,225

1(d)(i) STATEMENT OF COMPREHENSIVE INCOME

	Group					
	2Q 2018 30/06/2018	2Q 2017 30/06/2017	Fav/(Unfav)	Half-year 30/06/2018	Half-year 30/06/2017	Fav/(Unfav)
	$'000	$'000	%	$'000	$'000	%
Loss after tax	(8,215)	(4,141)	(98.4)	(12,999)	(5,666)	(129.4)
Foreign currency translation	1,194	(595)	nm	982	(2,105)	nm
Total comprehensive loss	(7,021)	(4,736)	(48.2)	(12,017)	(7,771)	(54.6)

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	-	-	-	(212)	(4,623)	(161)	(4,996)
Balance at 31 March 2018	141,445	6,837	12,800	(3,588)	129,872	(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	(2,394)	121,496	(4,959)	275,225
Balance at 1 January 2017	129,636	6,837	12,800	(3,451)	153,722	(511)	299,033
Effect of adoption of the SFRS(I) 1	-	-	-	3,451	-	-	3,451
Total comprehensive loss for the period	-	-	-	(1,510)	(1,466)	(59)	(3,035)
Balance at 31 March 2017	129,636	6,837	12,800	(1,510)	152,256	(570)	299,449
Total comprehensive loss for the period	-	-	-	(595)	(4,116)	(25)	(4,736)
Balance at 30 June 2017	129,636	6,837	12,800	(2,105)	148,140	(595)	294,713
COMPANY							
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
Balance at 1 January 2017	129,636	-	12,800	-	332	-	142,768
Total comprehensive income for the period	-	-	-	-	34	-	34
Balance at 31 March 2017	129,636	-	12,800	-	366	-	142,802
Total comprehensive income for the period	-	-	-	-	7	-	7
Balance at 30 June 2017	129,636	-	12,800	-	373	-	142,809

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

There were no shares issued during the period from 1 April 2018 to 30 June 2018.

As at 30 June 2018, there were 7,520,304 (30 June 2017: 13,970,880) unissued ordinary shares relating to options granted and unexercised under the Employee Share Option Scheme.

As at 30 June 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)
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.

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. 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.

SFRS(I) 15 Revenue from Contracts with Customers
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:

Balance sheets as at 31 December 2017 and 1 January 2018

	31 December 2017 & 1 January 2018		
	As previously reported	**Effect of SFRS (I) 1**	**As restated**
	$'000	**$'000**	**$'000**
Foreign currency translation reserves	(3,451)	3,451	-
Retained	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)			
	2Q 2018 30/06/2018	2Q 2017 30/06/2017	Half-year 30/06/2018	Half-year 30/06/2017
(i) Based on weighted average number of shares in issue	(1.60)	(0.87)	(2.49)	(1.17)
(ii) On a fully diluted basis	(1.60)	(0.87)	(2.49)	(1.17)
(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)**	
	30/6/2018	31/12/2017	30/6/2018	31/12/2017
Net asset value per share	53.64	55.91	31.86	31.86

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

Group revenue decreased by 43% to $45.5 million for the quarter ended June 30, 2018 (“2QFY2018”), compared to $79.8 million in 2QFY2017, due to lower contributions from all segments.

On a segmental basis, revenue contribution from Structural Steelworks decreased 52.7%, from $49.3 million in 2QFY2017 to $23.3 million in 2QFY2018 due to the substantial completion of Senoko Food Hub and Jewel Changi Airport project at the end of FY2017. Outram Community Hospital was the key contributor to Structural Steelwork’s revenue in the quarter under review.

Revenue from Specialist Civil Engineering projects decreased by 16.5% from $23.5 million in 2QFY2017 to $19.6 million in 2QFY2018 due mainly to a lower contribution from Hong Kong upon the completion of certain MTR projects. The contributions for the review quarter came from the Thomson-East Coast MRT and the Hong Kong MTR.

Revenue from Design and Build projects decreased by 72.8% from $6.7 million in 2QFY2017 to $1.8 million in 2QFY2018 mainly due to the substantial completion of a project for light industrial developments at Kallang Junction in Singapore at the end of FY2017.

The Group’s gross loss increased from $0.5 million in 2QFY2017 to $3.3 million in 2QFY2018, which is due mainly to the drop in revenue as well as lower level of business activity during the quarter. 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 237.7% from $53,000 to $179,000 mainly due to the receipt of a government grant.

General and administrative expenses increased from $3.3 million in 2QFY2017 to $4.8 million in 2QFY2018, mainly due to loss on disposal of fixed assets during the quarter. Finance costs increased from $1.2 million to $1.8 million, due to higher borrowings, bank charges and interests.

As a result, the Group reported a net loss of $8.2 million in 2QFY2018, compared to a loss of $4.1 million in 2QFY2017. Net asset value per share decreased from 55.91 Singapore cents as at 31 December 2017 to 53.64 Singapore cents as at 30 June 2018.

The Group’s net gearing remained at a healthy level of 0.42 times as at 30 June 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**

The results are in line with statement made in results announcement for the financial period ended 31 March 2018.

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**

On 23 May 2018, Yongnam, via its 30% owned joint venture with CIMIC Group Limited’s Leighton Asia, secured a $553.8 million contract for the North-South Corridor project (N103) from Singapore’s Land Transport Authority.

Separately, 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.

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 Circle Line 6, North-South Corridor and Changi T5 Land Preparation. The Group is currently in active pursuit of $1.4 billion worth of new infrastructure and commercial projects in Singapore, Hong Kong, Australia, Philippines, India and Vietnam. As at 30 June 2018, the Group’s order book stood at $273 million.

The Group continues to invest time and resources in bidding for potential projects in Singapore and regionally. 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 June 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 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 2018 to be false or misleading.

15 Confirmation that the issuer has precured 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	**CHIA SIN CHENG**
Chief Executive Officer	Finance & Executive Director

Date: 14 August 2018