



YONGNAM HOLDINGS LIMITED

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

NEWS RELEASE

YONGNAM REPORTS 1QFY2017 FINANCIALS

- ***Revenue up 24.0% to S\$91.5 million due mainly to higher contributions from the Structural Steelworks business***
- ***Net loss of S\$1.5 million due mainly to lower gross profit margin and overall lower level of strutting and fabrication activities***
- ***Order book of S\$218 million as at March 31, 2017***
- ***Pursuing S\$1.1 billion worth of infrastructural developments and commercial projects in Singapore and the region***

Singapore, May 15, 2017 – Yongnam Holdings Limited (“Yongnam” or the “Group”), a well-established structural steel contractor and specialist civil engineering solutions provider, today reported its financial results for the three months ended March 31, 2017 (“1QFY2017”). Group revenue increased 24.0% to S\$91.5 million, while net loss amounted to S\$1.5 million due to lower margins and overhead costs not being fully absorbed given the Group’s lower level of strutting and fabrication activities. Yongnam had recorded revenue of S\$73.8 million and net profit of S\$1.7 million in the previous corresponding financial quarter (“1QFY2016”).

Commenting on the Group’s first quarter performance, Mr Seow Soon Yong, Chief Executive Officer of Yongnam, said, “Our first quarter topline was supported by Yongnam’s increased participation in structural steelwork opportunities in Singapore such as the Jewel Changi Airport. This was partially offset by lower contribution from the Mechanical Engineering business as two projects were substantially completed by end 2016.”

“Yongnam is currently in active pursuit of S\$1.1 billion worth of new infrastructure and commercial projects in Singapore, Hong Kong, Malaysia and the Middle East. These potential projects that Yongnam are currently pursuing, if awarded, are likely to kick off in the fourth quarter of this year. While the overall near-term business outlook is expected to remain challenging, the Group remains positive of the mid-to-long term prospects of the industry, backed by Yongnam’s unparalleled track record and accumulated expertise as one of the region’s leading steel specialist contractors and specialist civil engineering solutions providers,” added Mr Seow.

On a segmental basis, revenue contribution from Structural Steelworks surged 49.6% from S\$45.3 million in 1QFY2016 to S\$67.7 million in 1QFY2017, supported by key projects including Senoko Food Hub and Jewel Changi Airport. Revenue from the Specialist Civil Engineering unit stood at S\$19.7 million in 1QFY2017, unchanged from a year ago. Key revenue contributors during the review quarter included the Thomson Line in Singapore and Hong Kong MTR.

Mechanical Engineering saw its revenue contribution decline from S\$8.5 million in 1QFY2016 to S\$1.3 million in 1QFY2017, due to the substantial completion of the two Middle East projects involving the supply and fabrication of Heat Recovery Steam Generator non-pressure parts for two power plants located respectively in Qatar and Egypt by the end of FY2016.

The Group’s gross profit decreased from S\$8.1 million in 1QFY2016 to S\$3.4 million in 1QFY2017. This was mainly attributable to lower margins from the Senoko Food Hub project as well as the overall lower level of strutting and fabrication activities in Singapore and Hong Kong, which resulted in overhead costs not being fully absorbed and therefore depressing the Group’s overall gross margin.

General and administrative expenses declined 20.4% to S\$4.0 million in 1QFY2017, attributable mainly to lower staff costs. Finance costs was also down by 31.1% from S\$1.7 million in 1QFY2016 to S\$1.2 million in 1QFY2017, due to lower bank charges and interest.

Net asset value per share decreased from 62.94 Singapore cents as at December 31, 2016 to 62.30 Singapore cents as at March 31, 2017.

Yongnam's gearing as at March 31, 2017 remained stable at a healthy 0.31 times, compared to 0.33 times as at December 31, 2016.

Outlook

Upcoming mega public sector infrastructure projects in Singapore this year, which the Group has bid for, include various major contracts for the Circle Line 6, North-South Corridor and Deep Tunnel Sewerage System (DTSS phase 2). Public sector demand is expected to be supported by various upcoming mega infrastructure projects such as the Jurong Regional Line, Cross Island Line, the Kuala Lumpur – Singapore High Speed Rail and various infrastructure developments for Changi Airport Terminal 5.

Backed by its strong track record and expertise as a steel specialist accumulated over the years, Yongnam will continue to focus on opportunities presented by the infrastructure sector in Singapore and the region. As at March 31, 2017, the Group's order book stood at S\$218 million.

To enhance its cost competitiveness and operational efficiency, the Group will be relocating part of its factory operations in Singapore to a new site in Johor, Malaysia, in 2018, leaving fabrication with higher automation processes to be carried out in Singapore. This move will enable the Group to ensure cost savings in foreign worker levy, lower fabrication labour cost as well as ancillary staff cost such as accommodation and transportation.

In addition, the Group is also reviewing its cost structure to further manage it and achieve greater efficiencies. With these measures in place, the Group will be better positioned to weather this challenging period.

About Yongnam Holdings Limited

With more than 40 years of experience in steel fabrication, Yongnam excels in adding value to steel construction. The Group's two production facilities in Singapore and Nusajaya, Johor, Malaysia have a total annual production capacity of 84,000 tons of steel fabrication.

The Group utilises the latest fabrication technologies and design innovation to offer solutions to its clients on a fast-track basis. Yongnam's modular strutting system continues to give the Group a strong competitive edge in meeting increasingly more stringent design and project requirements in infrastructure and construction projects. With a traceability procedure that meets the requirements of the Singapore Building and Construction Authority ("BCA"), its modular strutting system is the first to be certified by an independent auditor for reusability in earth retaining or stabilising structures.

Yongnam's technical and value engineering solutions for steel fabrication and erection have resulted in increased productivity, improved yield and lower costs. The Group's in-house pool of experienced and qualified engineers, detailers, technicians, welders, riggers and fitters are consistently adding value to clients' projects.

Yongnam is an ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certified company, accredited fabricator of the highest S1 category from the Singapore Structural Steel Society and holds A1 Grades from the BCA for the categories of General Building and Civil Engineering. The Group's Quality Management System takes a planned approach towards continuous improvement of its products, processes and services. Yongnam has also achieved a bizSAFE Star Level award and BCA Green and Gracious Builder award.

Yongnam aims to be the partner of choice in providing solutions for the steel construction industry.

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