



YONGNAM HOLDINGS LIMITED

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

NEWS RELEASE

YONGNAM ANNOUNCES 2QFY2017 FINANCIAL RESULTS

- ***Order book of S\$205 million as at June 30, 2017***
- ***Actively pursuing S\$1.2 billion worth of new infrastructural developments and commercial projects in Singapore and regionally, with most of the potential projects, if awarded, commencing in 2018***

Singapore, August 14, 2017 – Yongnam Holdings Limited (“Yongnam” or the “Group”), a well-established structural steel contractor and specialist civil engineering solutions provider, reported a revenue of S\$79.8 million and net loss of S\$4.1 million for the three months ended June 30, 2017 (“2QFY2017”). The loss incurred is due mainly to lower margins from certain projects as well as overall lower level of strutting and fabrication activities which resulted in overhead costs not fully absorbed.

Mr Seow Soon Yong, Chief Executive Officer of Yongnam, said, “The business and operating environment for the Group is expected to continue to remain challenging in the year ahead. Nonetheless, backed by our strong track record as a well-established structural steel contractor and specialist civil engineering solutions provider, Yongnam has been bidding for various major public sector infrastructure projects in Singapore this year and is also actively bidding for various infrastructure projects in Hong Kong and Australia.”

“We have seen progress with the successful award of four contracts from private and public sector clients in Singapore worth S\$36.2 million in June 2017. The Group is investing time and resources in the bidding of suitable projects in Singapore and regionally, though we expect most of the potential major infrastructural projects, if awarded, to kick off and commence contributions in 2018,” added Mr Seow.

Performance Review

Group revenue declined 5.4% to S\$79.8 million in 2QFY2017. On a segmental basis, revenue contribution from Structural Steelworks posted a 8.6% dip to S\$49.3 million in 2QFY2017. Senoko Food Hub and Jewel Changi Airport were key contributors to the Structural Steelworks division during the period under review. With the completion of the fabrication of Heat Recovery Steam Generator non-pressure parts for two power plants in Qatar and Egypt, the Mechanical Engineering division saw its revenue decline from S\$9.7 million in 2QFY2016 to S\$0.2 million in 2QFY2017.

Revenue from the Specialist Civil Engineering rose by 21.4% to S\$23.5 million in 2QFY2017, due mainly to higher contribution from Thomson-East Coast MRT projects. Besides the Thomson-East Coast MRT, Hong Kong MTR was the other key revenue contributor in the quarter under review.

The Group incurred a gross loss of S\$0.5 million 2QFY2017 as compared to gross profit of S\$7.5 million in 2QFY2016. This was mainly due to lower margins from certain projects 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 35.4% to S\$3.3 million in 2QFY2017, attributable mainly to lower staff costs, professional fees and other general and administrative expenses. Finance costs decreased from S\$1.4 million to S\$1.2 million, due to lower interest costs.

Net asset value per share decreased from 62.94 Singapore cents as at December 31, 2016 to 61.31 Singapore cents as at June 30, 2017. As at June 30, 2017, the Group's net gearing remained unchanged at a healthy level of 0.33 times, from December 31, 2016.

Outlook

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. The Group is currently in active pursuit of S\$1.2 billion worth of new infrastructural and commercial projects in Singapore, Hong Kong, Malaysia, Australia and the Middle East. As at June 30, 2017, the Group's order book stood at S\$205 million.

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 and North-South Corridor. The Group is also bidding for various infrastructure projects in Hong Kong and Australia. Public sector demand is expected to be supported by various upcoming mega infrastructure projects in the medium term, 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.

Despite the positive mid-to-long term prospects of the industry, the Group expects the overall business outlook in 2017 to remain challenging as most of the potential projects, if awarded, will only commence in 2018.

To enhance its cost competitiveness and operational efficiency, the Group, where possible, will continue to relocate part of its factory operations in Singapore to a new site in Johor, Malaysia, 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.

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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