



YONGNAM HOLDINGS LIMITED

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

NEWS RELEASE

YONGNAM REPORTS FY2017 REVENUE OF S\$306.7 MILLION

- ***Net loss attributable to owners of the Company halved to S\$15.8 million on the back of lower gross loss due to improved margins for some on-going projects***
- ***Order book of S\$152 million as at December 31, 2017, with S\$22.9 million worth of new contracts secured year to-date***
- ***Actively pursuing S\$1.2 billion worth of new infrastructural developments and commercial projects in Singapore, Hong Kong, Australia, Malaysia and the Middle East***

Singapore, March 1, 2018 – Yongnam Holdings Limited (“Yongnam” or the “Group”), a well-established structural steel contractor and specialist civil engineering solutions provider, reported revenue of S\$306.7 million and halved its net loss attributable to owners of the Company to S\$15.8 million for the financial year ended December 31, 2017 (“FY2017”).

Mr Seow Soon Yong, Chief Executive Officer of Yongnam, said, “The reduced losses incurred in FY2017 were mainly due to some on-going projects with better margins. Despite the continued challenging business and operating environment in FY2017, the Group stayed focused on managing costs and realising greater efficiencies in our operations.”

“We started the year by securing three Specialised Civil Engineering contracts for Thomson-East Coast Line and Circle Line 6 and one Structural Steelwork contract for a development at Health City Novena and will continue to actively participate in bidding for various major public sector infrastructure projects in Singapore, Hong Kong, Australia, Malaysia and the Middle East to strengthen our order book.”

Performance Review

The Group recorded revenue of S\$306.7 million in FY2017, which was 4.6% lower than S\$321.4 million generated in FY2016. This was due to lower revenue contributions from the Group's Structural Steelworks and Mechanical Engineering businesses, which more than offset the increase in contributions from the Specialist Civil Engineering segment.

Revenue from the Structural Steelworks segment decreased by 9.0% to S\$196.2 million in FY2017, attributable mainly to the substantial completion of Marina One, Jewel Changi Airport and Senoko Food Hub projects. SGH Community Hospital and the remaining works in Senoko Food Hub and Jewel Changi Airport were the key contributors to the segment's revenue during the quarter ended December 31, 2017 ("4QFY2017").

The Group's Mechanical Engineering segment's revenue contribution declined from S\$32.1 million in FY2016 to S\$1.7 million in FY2017 with the completion of the fabrication of Heat Recovery Steam Generator non-pressure parts for two power plants in Qatar and Egypt a year ago.

Revenue from the Specialist Civil Engineering increased by 34.4% from S\$66.2 million in FY2016 to S\$89.0 million in FY2017, due mainly to higher contribution from Thomson-East Coast MRT projects and HK MTR projects.

Notwithstanding the decline in Group revenue in FY2017, the Group's gross loss was at S\$3.6 million as compared to a gross loss of S\$13.8 million in FY2016. This was due to improved project margins for some on-going projects.

The Group's FY2017 gross loss remained impacted by the continued low level of strutting and other activities in Singapore and Hong Kong, resulting in overhead costs not being fully absorbed. A provision was also made in anticipation of lower negotiated variation orders for Senoko Food Hub project. Together, these factors depressed the Group's gross margin for the financial year under review.

General and administrative expenses declined by 19.0% to S\$15.7 million in FY2017, attributable mainly to lower staff costs, professional fees and other general and administrative expenses as well as the absence of allowance for doubtful debt in FY2017. Finance costs decreased from S\$5.6 million in FY2016 to S\$4.5 million in FY2017, due to lower borrowings and bank charges.

On a geographical basis, Singapore continued to be the core contributor, accounting for 88.1% of total revenue in FY2017, with other contributors being Hong Kong and Myanmar.

Net asset value per share decreased from 63.05 Singapore cents as at December 31, 2016 to 55.91 Singapore cents as at December 31, 2017, due mainly to the share placement exercise, which was completed on October 17, 2017.

The Group's net gearing remained at a healthy level of 0.30 times as at December 31, 2017, compared to 0.33 times as at December 31, 2016.

Outlook

In January 2018, the Building and Construction Authority projected that the public sector demand for construction projects is expected to grow between S\$16 billion and S\$19 billion, as compared to the S\$15.5 billion recorded in 2017. Upcoming mega public sector infrastructure projects in Singapore this year include various major contracts for the Circle Line 6 and North South Corridor, which the Group has tendered for. In the medium term, construction demand from the public sector is expected to be supported by 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.

Mr Seow added, "Backed by our proven track record, cutting-edge fabrication technologies and reputation as an established structural steel contractor and specialist civil engineering solutions provider, the Group is well-positioned to seize opportunities locally and overseas to strengthen our order book."

The Group is actively pursuing S\$1.2 billion worth of new infrastructure and commercial projects in Singapore, Hong Kong, Australia, Malaysia and the Middle East.

As at December 31, 2017, the Group's order book stood at S\$152 million. Year-to-date, the Group secured S\$22.9 million worth of projects in Singapore, which are expected to have a positive impact on its financial performance in the current financial year.

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. 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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