



YONGNAM HOLDINGS LIMITED

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

NEWS RELEASE

YONGNAM REPORTS FY2019 FINANCIALS

- ***Stronger order book of S\$405 million as at December 31, 2019, compared to S\$366 million a year ago***
- ***Actively pursuing S\$1.3 billion worth of new infrastructural developments and commercial projects in Singapore, Hong Kong and Australia***

Singapore, February 28, 2020 – Yongnam Holdings Limited (“Yongnam” or the “Group”), a well-established structural steel contractor and specialist civil engineering solutions provider, reported that the Group’s revenue increased by 27.1% to S\$205.1 million for the financial year ended December 31, 2019 (“FY2019”) compared to S\$161.4 million for the financial year ended December 31, 2018 (“FY2018”).

The Group reduced its loss before tax from S\$66.1 million in FY2018 to S\$58.9 million in FY2019. Excluding the impairment charge on a trade receivable, operational restructuring costs and loss on disposal of strutting assets following a review to enhance asset utilisation, the Group’s loss before tax would have been lower at S\$39.3 million, compared to a loss before tax of S\$66.1 million in FY2018.

Performance Review

The Group’s FY2019 revenue growth was attributed to higher contributions from the Specialist Civil Engineering and Design and Build business segments.

On a segmental basis, revenue contribution from the Specialist Civil Engineering segment rose by 58.5% from S\$64.3 million in FY2018 to S\$101.8 million in FY2019. This was attributed mainly to higher contributions from Singapore Changi Terminal 5 project and infrastructural projects in Australia. Revenue contributions for the year under review were from the Thomson Line and Circle Line MRT projects, Changi Terminal 5 project and infrastructural projects in Australia.

Revenue from Design and Build projects increased from S\$11.1 million in FY2018 to S\$26.0 million in FY2019, mainly due to contributions from a four-storey regional headquarters with mezzanine offices and a two-storey production facility located in Tampines Industrial Crescent.

Meanwhile, revenue contribution from Structural Steelwork projects decreased by 13.4% to S\$70.7 million in FY2019. This was due to the substantial completion of Changi Jewel, Outram Community Hospital and Evonik methionine plant in Jurong Island at the end of FY2018. JTC Logistics Hub, JTC North Coast Development, a new industrial development in Singapore and the Bangalore International Airport Terminal project in India were key contributors to the Structural Steelwork segment's revenue in FY2019.

During the year under review, the Group narrowed its gross loss significantly to S\$13.7 million in FY2019 from S\$45.9 million in FY2018, due to higher revenue and better margin projects. Despite the improvement, the Group's gross margin remained affected by the continued low level of strutting and fabrication activities in Singapore and Hong Kong, resulting in significant overhead costs not being fully allocated to projects.

General and administrative expenses jumped from S\$12.7 million in FY2018 to S\$33.5 million in FY2019, mainly due to the impairment of a trade receivable, operational restructuring costs and loss on disposal of strutting assets which amounted to S\$19.6 million. The Group had embarked on a review of its strutting assets and disposed assets with low utilisation.

Finance costs rose from S\$8.0 million to S\$12.3 million mainly due to notional interest on lease liabilities, arising from the adoption of new SFRS (I) 16 Leases accounting standard and convertible bond interest.

The Group's net gearing was 0.89 times as at December 31, 2019, compared to 0.51 times as at December 31, 2018, mainly due to the adoption of new SFRS (I) 16 lease accounting standard which brought the off-balance sheet operating leases to the balance sheet and issuance of convertible bonds. Net asset value per share was 38.38 Singapore cents as at December 31, 2019, compared to 48.57 Singapore cents as at December 31, 2018.

Outlook

In December 2019, the Group announced it had secured five specialist civil engineering contracts for infrastructure developments worth S\$101.3 million in Singapore and Hong Kong. As at 31 December 2019, the Group's order book stood at S\$405 million, compared to S\$366 million as at 31 December 2018.

The Group is also currently in active pursuit of approximately S\$1.3 billion of infrastructure and commercial contracts across Singapore, Hong Kong and Australia.

Mr Seow Soon Yong, Chief Executive Officer of Yongnam, said, "During the year under review, Yongnam has focused on growing our order book and revenues, while actively managing costs and improving operating efficiencies, including increasing asset utilisation.

Amidst the uncertain economic outlook exacerbated by the COVID-19 outbreak in Singapore and regionally, the Group will prudently tap opportunities brought about by Singapore's pipeline of public sector infrastructure projects and tender for selected commercial projects. We will be pursuing a number of upcoming mega public sector infrastructure projects in Singapore, which include various major contracts for the North-South Corridor, Changi Airport Terminal 5 development works, Jurong Regional MRT Line and Cross Island Line, and commercial projects, including the Marina Bay Sands expansion," added Mr Seow.

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-9001:2015, ISO 14001:2015, ISO 45001:2018 certified company and a certified manufacturer of CE-marked structural steelwork to EN 1090 and EN ISO 3834 for the highest execution class EXC4 for the EU market. Yongnam is also an accredited fabricator of the highest S1 category from the Singapore Structural Steel Society and holds A1 and A2 Grades from the BCA for the categories of General Building and Civil Engineering respectively.

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.

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

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