



YONGNAM HOLDINGS LIMITED

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

NEWS RELEASE

YONGNAM REPORTS LOSS OF S\$5.3 MILLION FOR 2QFY2014

- ***Outlook and prospects remain positive***
- ***Order book of S\$275 million as at June 30, 2014***

Financial Highlights:

S\$'m	2QFY2014	2QFY2013	% Change	1HFY2014	1HFY2013	% Change
Revenue	61.6	115.1	(46.5)	133.4	197.0	(32.3)
Gross Profit	(2.9)	22.4	NA	-	41.9	(100.0)
Profit After Tax	(5.3)	8.6	NA	(7.2)	20.2	NA
EPS (Basic) (Singapore cent) ⁽¹⁾	(0.42)	0.68	NA	(0.57)	1.59	NA
NAV per share (Singapore cent) ⁽²⁾	-	-	-	23.78	24.98	(1.2)

⁽¹⁾ EPS per share was computed based on the weighted average number of shares of 1,266,942,003 for 2QFY2014 (2QFY2013: 1,265,166,003) and 1,266,942,003 for 1HFY2014 (1HFY2013: 1,263,950,503).

⁽²⁾ NAV per share as at June 30, 2014 and December 31, 2013 respectively.

Singapore, August 6, 2014 – Yongnam Holdings Limited (“Yongnam” or the “Group”), a well-established structural steel contractor and specialist civil engineering solutions provider, today reported a net loss of S\$5.3 million on the back of S\$61.6 million in revenue for the three months ended June 30, 2014 (“2QFY2014”).

Mr Seow Soon Yong, Yongnam's Chief Executive Officer explained: "Yongnam had enjoyed several years of record profits because of the Group's involvement with a number of iconic projects in Singapore. Since FY2013, gross margins had declined, both because of the nature of the projects and increasing competitive pressure. Cost overruns on a few projects further eroded margins.

However, as the outlook remains positive with several interesting prospective projects in the pipeline, we have decided to focus on winning high yield projects, most of which are open for bidding only in the second half of FY2014. The Group will maintain its resources in anticipation of winning more projects in the second half of FY2014."

Performance Review

With the completion of the mega Marina Coastal Expressway ("MCE") contracts at the end of FY2013, the Singapore Sports Hub at the end of 1QFY2014 and no new project secured in 2QFY2014, Group revenue dropped by 46.5% to S\$61.6 million, compared to S\$115.1 million in 2QFY2013. However, quarter-on-quarter, Group revenue fell by a lower 14%, from S\$71.8 million in 1QFY2014.

Revenue for the Specialist Civil Engineering segment decreased by 33.4% year-on-year, from S\$44.7 million in 2QFY2013 to S\$29.7 million in 2QFY2014. Quarter-on-quarter, however, revenue from this segment improved by 4%, from S\$28.5 million in 1QFY2014. Ongoing projects like the MRT Downtown Line 2, Downtown Line 3 and the Hong Kong MTR were the key contributors.

The Structural Steelwork segment recorded a similar year-on-year decrease of 54.9%, from S\$70.4 million in 2QFY2013 to S\$31.7 million in 2QFY2014. Quarter-on-quarter, this segment saw a lower decline of 27%, from S\$43.3 million in 1QFY2014. South Beach Development, National Art Gallery, Market Street and Marina One were the key contributors to this segment in the quarter under review.

Lower margin projects in 2QFY2014 coupled with higher fixed production and project overheads as a result of lower fabrication and erection activities caused the Group to incur a gross loss of S\$2.9 million, compared to gross profit of S\$22.4 million in 2QFY2013.

General and administrative expenses decreased by S\$8.8 million to S\$2.6 million in view of a one-off S\$5.1 million provision for doubtful debt made in 2QFY2013. Excluding the provision, general and administrative expenses would have decreased by S\$3.7 million, mainly due to lower general and administrative staff costs. Higher bank interest and charges brought finance costs higher, from S\$0.6 million in 2QFY2013 to S\$1.1 million in 2QFY2014.

Consequently, the Group registered a loss per share of 0.42 Singapore cent in 2QFY2014, compared to earnings per share of 0.68 Singapore cent in 2QFY2013. Net asset value per share declined marginally by 1.2 Singapore cents, from 24.98 Singapore cents as at December 31, 2013 to 23.78 Singapore cents as at June 30, 2014.

Nonetheless, net gearing remained at a healthy level of 0.59 times as at June 30, 2014, notwithstanding a marginal increase from 0.53 times as at December 31, 2013.

Outlook

“FY2014 will be a challenging year as the Group’s performance is dependent on securing new contracts in the remaining months of this year. Even if secured, most of these new contracts will start contributing only from the last quarter,” added Mr Seow.

Going forward, the Group is further reviewing its project cost management to improve cost efficiencies and put in place additional checks and balances to ensure better project management and cost effectiveness.

Concurrently, the Group will continue to actively bid for high yield projects in Singapore and the region. Together with consortium partners, Changi Airport Planners and Engineers and JGC Corporation, Yongnam had, on April 22, 2014, re-submitted its proposal for the design, construction, operation and maintenance of the Hanthawaddy International Airport in Myanmar.

“The Group is focused on developing a new and recurring revenue stream for the longer term. Our pursuit of infrastructural development projects on a build, operate and transfer basis in Myanmar recently, is in line with our strategy to gain a foothold in the airport development and management sector,” concluded Mr Seow.

The Group is also currently in active pursuit of \$1.1 billion worth of new infrastructural and commercial projects in Singapore, Hong Kong, India and the Middle East of which 40%, if awarded, is expected to commence in the last quarter of FY2014.

The Group's order book stood at \$275 million at the end of June 2014.

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 production capacity of 84,000 tons of steel fabrication.

The Group utilizes 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, 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 and 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 is the solutions provider of choice for the structural steel industry.

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