



YONGNAM HOLDINGS LIMITED

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

NEWS RELEASE

YONGNAM FY2016 FINANCIAL RESULTS REPORT

- ***Revenue up 19.2% to S\$321.4 million***
- ***Net loss attributable to shareholders of S\$31.6 million due to lower margins of certain projects***
- ***Order book of S\$274 million as at December 31, 2016***
- ***Continuously reviewing and managing cost structure, including the relocation of part of its factory operations to Johor in 2018***
- ***Actively pursuing infrastructural developments and commercial projects in Singapore and the region***

Singapore, February 28, 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 financial year ended December 31, 2016 (“FY2016”). Group revenue rose 19.2% to S\$321.4 million, while net loss attributable to shareholders amounted to S\$31.6 million due to lower margins resulting from cost-overrun for a project and provisions made in anticipation of lower negotiated awards in variation orders for certain projects.

Commenting on the Group’s full year performance, Mr Seow Soon Yong, Chief Executive Officer of Yongnam, said, “The challenging operating environment has resulted in lower margins for a number of our projects, which impacted our bottomline in FY2016. We are monitoring the situation closely together with our customers while watching closely costs and expenses.”

“To enhance cost competitiveness and operational efficiency, Yongnam will be relocating part of its factory operations in Singapore to a new site in Johor, Malaysia, in 2018. The highly automated fabrication processes will continue to be carried out in Singapore. Additionally, the Group is also reviewing its cost structure to better manage costs and achieve greater efficiencies. With these measures in place, the Group will be better positioned to weather this challenging period,” added Mr Seow.

Performance Review

The Group registered a 19.2% increase in revenue to S\$321.4 million in FY2016. This was due to higher revenue contributions from Structural Steelwork and the Mechanical Engineering businesses.

On a segmental basis, revenue contribution from Structural Steelworks increased 21.7%, from S\$177.1 million in FY2015 to S\$215.6 million in FY2016. Marina One, Senoko Food Hub, and Jewel Changi Airport were the key contributors to Structural Steelwork’s revenue in the quarter under review.

Mechanical Engineering registered a jump in revenue to S\$32.1 million in FY2016, compared to S\$5.8 million in FY2015. The increase is due to the supply and fabrication of Heat Recovery Steam Generator (“HRSG”) non-pressure parts for two power plants in Qatar and Egypt.

Meanwhile, revenue contribution from Specialist Civil Engineering was primarily driven by ongoing projects such as the MRT Thomson Line in Singapore and the Hong Kong MTR. This segment turned in a revenue of S\$66.2 million in FY2016, 23.0% lower than that of FY2015, mainly due to the tailing down of the MRT Downtown Line 2 and Downtown Line 3 projects at the end of FY2015.

On a geographical basis, Singapore continued to be the core contributor, accounting for 90.1% of total revenue, with Hong Kong accounting for the balance 9.9%.

The Group reported a gross loss of S\$13.8 million as compared to a gross profit of S\$19.7 million in FY2015. This was mainly due to the Senoko Food Hub project incurring cost-overrun and provisions made in anticipation of lower negotiated awards in variation orders for certain projects in Singapore and Hong Kong. In addition, the overall lower level of strutting and other activities in Singapore and Hong Kong have also resulted in overhead costs not being fully absorbed, hence further depressing the Group's gross margin.

The Group's general and administrative expense increased marginally from S\$19.0 million in FY2015 to S\$19.4 million in FY2016. This was mainly due to higher professional fees from the rights issue exercise on July 5, 2016 and tendering expenses which was partially offset by lower staff costs. Finance cost increased marginally from S\$5.5 million to S\$5.6 million, due to higher bank charges.

Net asset value per share decreased from 93.89 Singapore cents as at December 31, 2015 to 62.94 Singapore cents as at December 31, 2016 due mainly to the rights issue on July 5, 2016. The Group's net gearing remained at a healthy level of 0.33 time as at December 31, 2016, compared to 0.45 time as at December 31, 2015.

Outlook

The Building and Construction Authority ("BCA") expects public sector construction demand to be between S\$20.0 billion and S\$24.0 billion this year. Upcoming mega public sector infrastructure projects this year include various major contracts for the Deep Tunnel Sewerage System (DTSS phase 2), North-South Corridor and Circle Line 6. In the medium term, public sector demand is expected to be supported by various upcoming mega infrastructure projects such as the Jurong Regional Line, Cross Island Line, and various infrastructure developments for Changi Airport Terminal 5.

As part of the Singapore Budget 2017 unveiled recently, the government announced plans to bring forward S\$700 million worth of public sector infrastructure projects to start in FY2017 and FY2018, which include the upgrading of community clubs and sports facilities. Going forward, the government will continue to make significant investments in critical economic infrastructure such as Changi Airport Terminal 5, the Kuala Lumpur-Singapore High Speed Rail and the Tuas Terminal, while public transport infrastructure will continue to be enhanced with plans to double the MRT network by 2030.

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\$1.5 billion worth of new infrastructural and commercial projects in Singapore, Hong Kong, Malaysia and the Middle East. As at December 31, 2016, the Group's order book stood at S\$274 million.

However, the Group expects the overall business outlook to remain challenging. The planned relocation of some of its factory operations in Singapore to a lower-cost location in Johor, Malaysia, in 2018 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 continuing to review its overall cost structure to further manage it and achieve greater efficiencies.

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, 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 Singapore Building and Construction Authority 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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