

## NEWS RELEASE

### NAM CHEONG REGISTERS REVENUE OF RM117.4 MILLION<sup>1</sup> IN 2Q 2016

- ***Tightening cost management amidst challenging environment;***
- ***Records net profit of RM2.7 million<sup>2</sup>;***
- ***Healthy order book of RM1.1 billion as at June 30, 2016.***

**Singapore, August 11, 2016** – Nam Cheong Limited (“南昌有限公司”) (“**Nam Cheong**”), or together with its subsidiaries, (the “Group”), a leading global offshore marine player listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and Malaysia’s largest Offshore Support Vessel (“OSV”) builder, today reported that it registered a revenue of RM117.4 million for the three months ended June 30, 2016 (“2Q 2016”) as compared to RM192.7 million in the previous corresponding period (“2Q 2015”).

Tan Sri Datuk Tiong Su Kouk (“丹斯里拿督张仕國”), Executive Chairman of Nam Cheong, said, “While oil prices have rebounded from the lows since the beginning of the year, the offshore and marine industry continues to be under pressure. This has invariably affected the flow of OSV orders. We continue to be prudent by tightening our cost management, and are glad to note that our shipbuilding segment’s gross profit margin has improved during the second quarter.”

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<sup>1</sup> Approximately S\$39.2 million based on an exchange rate of S\$1.00 to RM2.9981

<sup>2</sup> Approximately S\$0.9 million based on an exchange rate of S\$1.00 to RM2.9981

“With our significant cash and cash equivalent position of RM260.5 million as at Jun 30, 2016, a slowing rate of cash required for working capital purposes, and financing support from banks and bondholders, we believe these will provide us with the financial resilience to overcome the downturn. In addition, given the substantial deemed interest in Nam Cheong’s shares of close to 60% collectively held by the Board and the management team, shareholders can be assured that our interests are closely aligned with that of all stakeholders. The current dynamics of the industry remain challenging but we will be working hard to mitigate its effects and be alongside our investors at each and every step of the way to weather this downturn.”

## **Financial Review**

The 39% decline in revenue to RM117.4 million during 2Q 2016 was largely due to slower progressive revenue recognition from vessels sold by Nam Cheong’s shipbuilding segment. This resulted in the segment’s 36% decrease in revenue to RM114.0 million in 2Q 2016 from RM179.2 million in 2Q 2015. The Group’s overall revenue was also impacted by the lower utilisation rate achieved by the vessel chartering segment. The segment’s revenue slipped 75% to RM3.4 million during the quarter, as compared to RM13.5 million in 2Q 2015.

In line with the lower revenue achieved, gross profit declined 49% to RM15.7 million in 2Q 2016 from RM30.6 million in 2Q 2015. Although overall gross profit margin decreased to 13% from 16% and was mainly impacted by the vessel chartering segment’s lower performance, the shipbuilding segment turned in a better performance, with its gross profit margin improving by four percentage points to 19% during the quarter. The vessel chartering segment incurred a gross loss in 2Q 2016.

Primarily due to the quarter’s absence of a net fair value gain on derivatives of RM10.9 million which was recorded in 2Q 2015, other income in 2Q 2016 declined 82% to RM2.5 million.

Selling and administrative expenses dipped 58% to RM10.9 million during the quarter, largely due to lower foreign exchange losses and marketing expenses. As a result of higher interest expenses capitalised as the vessels' cost of construction, finance costs declined by 43% to RM3.5 million in 2Q 2016.

Nam Cheong's share of results in jointly controlled entities registered a RM2.3 million gain in 2Q 2016. However, the gain was negated by a RM3.4 million share of loss in its associate resulting from lower vessel utilisation rate.

Consequently, the Group recorded a lower net profit of RM2.7 million in 2Q 2016 as compared to RM10.5 million in 2Q 2015.

Nam Cheong's shareholders' equity as at June 30, 2016 amounted to RM1.3 billion as compared to RM1.4 billion as at December 31, 2015, while its net gearing ratio increased to 1.10 times from 0.95 time over the same period.

The Group's gross order book as at June 30, 2016 stood at approximately RM1.1 billion, comprising a mix of OSVs due for deliveries up till 2018.

## **Outlook**

The World Bank has again raised its estimates for crude oil prices in 2016 from US\$41 to US\$43, in light of the easing of oversupply and robust demand during the second quarter of the year.<sup>3</sup>

Mr Leong Seng Keat (“梁成杰”), Nam Cheong's Group Chief Executive Officer said, “Despite the recent improvement in oil prices, the outlook continues to be challenging. As such, we anticipate the progress of vessel sales and shipbuilding activities to remain slow. In response to the challenges and to reduce cash out flows, we have deferred the delivery of vessels that are currently undergoing construction at our customers' requests and at our own initiative.

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<sup>3</sup> *World Bank Raises 2016 Oil Price Forecast – The World Bank, July 26, 2016*

“To help us stay nimble and capitalise on compelling opportunities when they arise, we are closely attuned to the market through constant communication with our customers, key partners and players in the industry.”

## **ABOUT NAM CHEONG**

Headquartered in Kuala Lumpur, Malaysia, Nam Cheong is a global leading offshore marine group specialising in the building of OSVs. Nam Cheong is the largest shipbuilder of OSVs in Malaysia and with about 7% of the regional market share and the second largest player east of the Suez Canal.

Since its humble beginnings in 1968 building only fishing vessels, the Group today owns and operates one of the largest shipbuilding yards for OSVs in Malaysia. The Group focuses on the construction and engineering of complex, sophisticated, environmentally friendly and quality OSVs that are equipped with the latest technology for use in the offshore oil and gas exploration and production (“E&P”) and oil services industries. These vessels include anchor handling towing supply (“AHTS”) vessels, platform supply vessels (“PSVs”), accommodation work boats and accommodation work barges.

Nam Cheong has attained strong reputation in Malaysia, the South-East Asian region, the Middle East, West Africa, Latin America and United States for its expertise and track record in constructing OSVs for customers who consist primarily of ship owners and marine services operators. In 2014, the Group received the first repeat order for its vessels from West Africa.

Nam Cheong is capable of delivering up to 12 vessels (depending on the size and complexity of the OSVs) from its 12.6-hectare Miri shipyard located in Kuala Baram, Sarawak, Malaysia. In line with Nam Cheong’s asset-light strategy, the Group has outsourced the construction of vessels to selected shipyards in China. This has increased the Group’s operational efficiencies and provided access to additional production capacities. Nam Cheong has successfully delivered more than 130 vessels since 2007.

Nam Cheong's shipbuilding business, which makes up over 90% of its revenue for 2008 to 2015, is complemented by its vessel chartering operations. Nam Cheong currently has a fleet of over 10 vessels, which are chartered out by way of bareboat or time charters. Nam Cheong was successfully listed on SGX-ST on May 27, 2011.

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ISSUED ON BEHALF OF : Nam Cheong Limited  
BY : Citigate Dewe Rogerson, i.MAGE Pte Ltd  
55 Market Street  
#02-01  
SINGAPORE 048941  
CONTACT : Ms Dolores Phua / Mr Han Zhongchou  
at telephone  
DURING OFFICE HOURS : 6534-5122 (Office)  
AFTER OFFICE HOURS : 9750-8237 / 9154-3765 (Handphone)  
EMAIL : [dolores.phua@citigatedrimage.com](mailto:dolores.phua@citigatedrimage.com)  
[zhongchou.han@citigatedrimage.com](mailto:zhongchou.han@citigatedrimage.com)

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