

## NEWS RELEASE

### **NAM CHEONG POSTS NET PROFIT OF RM760,000<sup>1</sup> FOR 3Q 2016**

- ***Revenue declines 86% to RM25.8 million on lower shipbuilding revenue;***
- ***An order book for delivery up till 2018.***

**Singapore, November 10, 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 a net profit after tax of RM760,000 for the three months ended September 30, 2016 (“3Q 2016”), compared to a net profit after tax of RM410,000 in the previous corresponding quarter (“3Q 2015”).

Tan Sri Datuk Tiong Su Kouk (“丹斯里拿督张仕國”), Executive Chairman of Nam Cheong, said, “Our financial performance year-to-date is reflective of weaknesses in the global economy and oil markets. Though the Offshore and Marine sector continues to face very challenging conditions, Nam Cheong is working through this period of volatility by optimisation of working capital and ongoing measures to tighten costs for greater efficiencies.”

### **Financial Review**

Group revenue for 3Q 2016 declined 86% year-on-year to RM25.8 million from RM189.3 million for the previous corresponding quarter, due mainly to lower shipbuilding revenue recognised.

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<sup>1</sup> *Approximately S\$250,000 based on an exchange rate of S\$1.00 to RM3.04*

Revenue from the shipbuilding segment was 91% lower at RM16.6 million for 3Q 2016, compared to RM182.1 million for 3Q 2015, largely as a result of slower progressive recognition of revenue from vessels sold. On the other hand, Nam Cheong's vessel chartering segment saw contributions rise 29% to RM9.2 million for 3Q 2016 from RM7.1 million a year ago, mainly due to higher utilisation rate in 3Q 2016 as compared to 3Q 2015.

In line with the lower revenue, gross profit decreased 96% to RM0.8 million in 3Q 2016, compared to RM21.1 million in 3Q 2015. Overall gross profit margins for 3Q 2016 was 3%, compared to 11% in 3Q 2015. Gross profit margins for the Group's shipbuilding segment was in the range of 15% to 19%, while the vessel chartering segment saw a sharp recovery in margins due to higher vessel utilisation rates.

Other income for 3Q 2016 rose to RM15.4 million for 3Q 2016, compared to RM3.2 million in 3Q 2015, due largely to a higher net foreign exchange gain of RM12.2 million.

Selling and administrative expenses was 34% lower at RM10.6 million for 3Q 2016. Finance costs for 3Q 2016 held steady at RM4.7 million.

The Group reported a share of profits in jointly controlled entities of RM2.6 million in 3Q 2016, which was, however, offset by a share of loss in associate of RM2.7 million resulting from a lower vessel utilisation rate by the Group's associate.

Correspondingly, the Group reported a net profit after tax of RM760,000 for 3Q 2016, compared to a net profit of RM410,000 in 3Q 2015.

Nam Cheong's shareholders' equity as at September 30, 2016 was RM1.3 billion, a decrease from RM1.4 billion as at December 31, 2015. The Group's net gearing ratio was 1.12 times as at September 30, 2016, from 0.95 time as at December 31, 2015.

The Group's order book as at September 30, 2016 was approximately RM1.05 billion, comprising a mix of OSVs due for deliveries up till 2018.

## Outlook

The World Bank has recently announced that it is raising its 2017 forecast for crude oil prices to US\$55 per barrel from US\$53 per barrel as OPEC members prepare to limit production after a long period of unrestrained output.<sup>2</sup>

Mr Leong Seng Keat (“梁成杰”), Nam Cheong’s Group Chief Executive Officer said, “While the World Bank has projected energy prices, which include oil, natural gas and coal, to jump almost 25 per cent overall next year, we remain cautious on the outlook as a recovery in capital spending may not emerge so soon. As such, we anticipate the progress of vessel sales and shipbuilding activities to remain slow moving into 2017.

“We have taken proactive capital management measures to strengthen our financial resilience during this period of weak vessel sales and shipbuilding activities, which will enable us to better manage our downside risks and ensure that we have sufficient resources to pursue opportunities as they arise.”

In response to the challenging business environment that the Group is operating in, the Group has deferred the schedule of deliveries of its vessels currently under construction, both at customers’ requests and also at the Group’s initiative. The Group continues to monitor and review the shipbuilding schedule and deferment plan, through ongoing communication and consultation with the stakeholders.

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<sup>2</sup> Source: *World Bank Raises 2017 Oil Price Forecast, October 20, 2016, The World Bank*

## **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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