

## NEWS RELEASE

### NAM CHEONG POSTS REVENUE OF RM17.9 MILLION<sup>1</sup> FOR 1Q 2017

- *Revenue and gross profit improvements in line with higher contributions from shipbuilding and vessel chartering segments*
- *Vessel chartering segment jumps 145% to RM9.7 million on higher utilisation*
- *Net loss of RM47.5 million<sup>2</sup> mainly on foreign exchange loss and share of loss in jointly controlled entities and associate*
- *Proactive working capital management and cost rationalisation measures in place for financial resilience and improvement of competitiveness*

**Singapore, May 15, 2017** – 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 an improvement in revenue to RM17.9 million for the three months ended March 31, 2017 (“1Q 2017”), compared to RM (93.1) million in the previous corresponding period (“1Q 2016”).

The higher topline was mainly due to the increase in vessel chartering revenue with higher utilisation as well as the quarter’s absence of reversal of revenue from Perdana Petroleum Berhad’s (“Perdana”) cancellation of an Accommodation Work Barge (“AWB”) in 1Q 2016. Mainly as a result of adverse foreign exchange movement and a share of loss in jointly controlled entities and associate, the Group reported a net loss of RM47.5 million in 1Q 2017 as compared to a net loss of RM40.1 million over the same corresponding period.

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<sup>1</sup> Approximately S\$5.8 million based on an exchange rate of S\$1.00 to RM3.09

<sup>2</sup> Approximately S\$15.4 million based on an exchange rate of S\$1.00 to RM3.09

Tan Sri Datuk Tiong Su Kouk (“丹斯里拿督张仕國”), Executive Chairman of Nam Cheong, said, “Preserving value for all stakeholders is a key focus for us as we cope with the severe and protracted downturn in the global oil and gas industry. We have taken steps to review our operations and restructure our businesses to improve our financial position whilst continuing our cost rationalisation measures to improve overall competitiveness.

## **Financial Review**

Group revenue for 1Q 2017 improved to RM17.9 million from RM (93.1) million for the previous corresponding quarter, due mainly to higher contributions from both the shipbuilding and vessel chartering segments.

Revenue from the shipbuilding segment was higher at RM8.2 million for 1Q 2017, compared to RM (97.1) million for 1Q 2016, largely as a result of the quarter’s absence of reversal of revenue from Perdana’s earlier cancellation of an AWB. Nam Cheong’s vessel chartering segment jumped 145% to RM9.7 million for 1Q 2017 from RM4.0 million a year ago, mainly due to higher utilisation rate in 1Q 2017 as compared to 1Q 2016.

In line with the higher revenue, gross profit increased by 70% to RM7.2 million in 1Q 2017, compared to RM4.2 million in 1Q 2016. Overall gross profit margin for 1Q 2017 was 40%, compared to (5) % in 1Q 2016.

Selling and administrative expenses lowered 35% to RM7.4 million due mainly to a decrease in staff cost and marketing expenses whilst other operating expenses rose 17% to RM43.0 million due to the increase in net foreign exchange loss of RM5.8 million with the strengthening of Singapore Dollars against the US Dollars.

The Group reported a share of loss in jointly controlled entities and associate of RM2.5 million in 1Q 2017, resulting from lower vessel utilisation rates.

Correspondingly, the Group reported a net loss after tax of RM47.5 million for 1Q 2017, compared to a net loss of RM40.1 million in 1Q 2016.

Nam Cheong's shareholders' equity as at March 31, 2017 held steady at RM1.31 billion. The Group's net gearing ratio was 1.20 times as at March 31, 2017, an increase from 1.11 times as at December 31, 2016.

## **Outlook**

The outlook for the O & M sector remains weak and the Group anticipates the progress of vessel sales and shipbuilding to remain slow.

Mr Leong Seng Keat (“梁成杰”), Nam Cheong's Group Chief Executive Officer said, “We have taken proactive working capital management measures to strengthen our financial resilience during this period of weak vessel sales and shipbuilding activities. At the same time, to better manage cashflows, we will continue to monitor and review our shipbuilding schedule together with deferment and cancellation plans, through ongoing communication and consultation with all stakeholders.”

## **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 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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