

## NEWS RELEASE

### Chartering side drives performance for Nam Cheong for 1Q2020 with revenue more than doubling to RM61.1 million

- Vessel chartering revenue surged 104.2% year-on-year (YoY) for 1Q2020 with expansion in Group's fleet
- Gross profit climbed 125.9% YoY to RM16.8 million in 1Q2020 with larger fleet size and better utilisation rates
- However, the Group reported a net loss for 1Q2020 at RM113.9 million, mainly due to the impairment of property, plant and equipment and inventories written down
- Managing this difficult and developing situation, the Group is actively reviewing its options to restructure its businesses, operations and balance sheet to preserve value for the stakeholders of the Company.

Singapore, 12 May 2020 – Nam Cheong Limited (“Nam Cheong” or the “Group”), one of Malaysia’s leading Offshore Support Vessel (OSV) providers, today announced its financial results for the three months ended 31 March 2020 (“1Q2020”).

Financial Highlights	1Q2020 (RM'000)	1Q2019 (RM'000)	Change (%)
Revenue	61,148	29,938	104.2
Gross Profit	16,779	7,426	125.9
Gross Margin	27.4%	24.8%	2.6 ppt
Other Income	4,474	13,554	(67.0)
Impairment on property, plant and equipment	(96,431)	-	n.m.
Inventories written down	(15,594)	-	n.m.
Other Operating Expenses	(1,183)	(2,403)	(50.8)
Operating (Loss)/Profit	(101,132)	10,560	n.m.
Finance Costs	(11,021)	(7,566)	45.7
<b>(Loss)/Profit for the financial period</b>	<b>(113,872)</b>	<b>405</b>	<b>n.m.</b>

N.M means not meaningful  
Ppt refers to percentage points

Accounting for the entire Group's revenue base, vessel chartering revenue jumped 104.2% YoY to RM61.1 million for 1Q2020. The Group's fleet size stood at 37 in 1Q2020, as compared to 32 in 1Q2019. As there was no vessel delivery scheduled for this period, no shipbuilding revenue was recognised this quarter (none for 1Q2019 as well).

Consistent with the uptrend from the vessel chartering revenue, gross profit grew 125.9% YoY from RM7.4 million in 1Q2019 to RM16.8 million for 1Q2020. Gross profit margin increased from 24.8% in 1Q2019 to 27.4% in 1Q2020. The growth in revenue and gross profit were mainly due to the enlarged fleet size and higher utilisation rates for vessels.

Other income decreased 67.0% YoY to RM4.5 million in 1Q2020 due primarily to the absence of inventories written back which amounted to RM12.2 million in 1Q2019. The decrease in other income was partially offset by the waiver of prepaid land lease payment of RM2.5 million.

Selling and administrative expenses inched up 14.0% YoY to RM9.2 million in 1Q2020 owing to the increased chartering activities.

Despite better gross profit, the Group booked an operating loss of RM101.1 million for 1Q2020, compared with the RM10.6 million in operating profit for 1Q2019. This was mainly due to the RM96.4 million impairment on property, plant and equipment and a RM15.6 million write-down on inventories, as a result of the marked to market value of the Group's vessels.

In line with the increased fleet size, higher vessel financing costs led to the 45.7% YoY increase in financing costs to RM11.0 million for 1Q2020.

As a result of the above, the Group posted a net loss after tax of RM113.9 million for 1Q2020, as compared to a net profit after tax of RM0.4 million in 1Q2019.

Commenting on the Group's results, **Mr. Leong Seng Keat, Chief Executive Officer of Nam Cheong** said, *"Despite the growing demand for our vessel chartering business during the first quarter, the unanticipated and sudden oversupply in the oil market coupled with the coronavirus-triggered fall in consumption led to the steep decline in the oil prices resulting in a severely impacted offshore and marine industry.*

*Moving forward, manoeuvring through this volatile market is expected to be difficult and challenging. We remain cautious, aiming to constantly assess the developing situation to tackle impending challenges and position the Group to ride out the tough market environment."*

## Outlook

The Petronas Activity Outlook 2019-2021 may have initially given a positive outlook for vessel demand in Malaysia, but that has since changed as the cautious recovery was met with a black swan event – the COVID-19 pandemic.

The International Energy Agency expects oil demand to be severely affected as the demand for fuel drops in tandem with government- instituted lockdowns<sup>1</sup>. The COVID-19 induced near-term disruptions, coupled with the ongoing geopolitical uncertainties and trade tensions offer no respite and the outlook on the oil and gas market remains bearish.

Managing this difficult and developing situation, the Group is actively reviewing its options to restructure its businesses, operations and balance sheet to preserve value for the stakeholders of the Company.

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<sup>1</sup> Oil price collapse, coronavirus threaten fragile OSV recovery  
<https://www.rivieramm.com/news-content-hub/news-content-hub/oil-price-collapse-coronavirus-threatens-fragile-osv-recovery-58443>



140 Paya Lebar Road, #07-02 AZ@PayaLebar Singapore 409015. Tel: (65) 6578 6780 | Fax: (65) 6316 5301 Website: [www.namcheong.com.my](http://www.namcheong.com.my)

## **ABOUT NAM CHEONG LIMITED (BLOOMBERG TICKER NCL: SP)**

Headquartered in Kuala Lumpur, Malaysia, Nam Cheong Limited (“Nam Cheong” or the “Group”) is a global offshore marine group specialising in the building and chartering of OSVs. Since its humble beginnings in 1968 building only fishing vessels, the Group is now Malaysia’s largest OSV builder, owning and operating one of the largest shipbuilding yards for OSVs in Malaysia.

The Group focuses on OSV chartering, as well as the construction and engineering of 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, with customers hailing from Malaysia, Southeast Asia, Middle East, West Africa, Latin America, Europe, and the United States. The Group has delivered over 140 vessels since 2007, which include anchor handling towing supply (“AHTS”) vessels, platform supply vessels (“PSVs”), accommodation work boats and accommodation work barges.

Beyond building some of the most sophisticated OSVs, Nam Cheong is expanding its vessel chartering operations, with the Group operating a chartering fleet of over 30 vessels. Nam Cheong was successfully listed on SGX-ST on May 27, 2011.

### **Issued for and on behalf of Nam Cheong Ltd. by Financial PR**

For more information, please contact:

Romil SINGH / Robin MOH

[romil@financialpr.com.sg](mailto:romil@financialpr.com.sg) / [robin@financialpr.com.sg](mailto:robin@financialpr.com.sg)

Tel: (65) 6438 2990, Fax: (65) 6438 0064