

NEWS RELEASE

NAM CHEONG ACHIEVES REVENUE GROWTH OF 53% TO REACH RM1.9 BILLION¹ IN FY2014

- ***Net profit up 47%, reaching RM302.2 million²;***
- ***Results reflect customers' continued confidence in Nam Cheong's capabilities;***
- ***Robust order book of RM1.7 billion³ as at December 31, 2014;***
- ***Continues to focus on resilient shallow water segment and prospects over the longer horizon;***
- ***Total dividend of 1.5 Singapore cents proposed for FY2014.***

Singapore, February 12, 2015 – 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 its results for the full year ended December 31, 2014 (“FY2014”). Nam Cheong achieved revenue of RM1.9 billion, an increase of 53% compared to RM1.3 billion in the previous corresponding year (“FY2013”). In line with the growth in revenue, the Group registered a 47% rise in net profit in FY2014 to reach RM302.2 million.

¹ Approximately S\$717.7 million based on an exchange rate of S\$1.00 to RM2.6475

² Approximately S\$114.1 million based on an exchange rate of S\$1.00 to RM2.6475

³ Approximately S\$642.1 million based on an exchange rate of S\$1.00 to RM2.6475

Datuk Tiong Su Kouk (“拿督张仕國”), Executive Chairman of Nam Cheong, said, “Repeat customers form a strong pillar of Nam Cheong’s business and our FY2014 results reflect the robust demand for our vessels by customers and their continued confidence in Nam Cheong as a reputable OSV builder. Most recently in December 2014, notwithstanding an uncertain macro environment, we secured two vessel orders collectively worth US\$45 million from our Netherlands-based and West Africa-based repeat customers. Being a specialist in the resilient shallow water segment, we were also less affected by the current low oil prices compared to our deepwater counterparts.

“During the year, we achieved several milestones, one of which was the launch of our proprietary design Anchor Handling Tug Supply vessel, the fuel efficient NCA80E. We also strengthened our ship chartering presence in the cabotage-protected market of Indonesia by investing US\$30.7 million in PT Pelayaran Nasional Bina Buana Raya Tbk, an indirect subsidiary of SGX-ST Main Board listed integrated marine logistic company, Marco Polo Marine Limited. This will also lay the groundwork for potential future vessel purchases by BBR from our Group.”

Financial Review

The Group’s 53% rise in revenue in FY2014 to RM1.9 billion was driven mainly by its shipbuilding business segment which saw an increase in the total number of vessels delivered from 20 in FY2013 to 24 in FY2014. Accordingly, revenue for the shipbuilding business segment increased 54% to RM1.8 billion in FY2014 compared to RM1.2 billion in FY2013. The vessel chartering business segment’s revenue improved by 35% to RM88.1 million in FY2014 from RM65.1 million in FY2013 mainly attributable to the expansion of Nam Cheong’s chartering fleet since the second quarter of FY2013.

In line with the stronger performance in Nam Cheong's top line, gross profit grew 43% to RM378.5 million in FY2014 compared to RM264.4 million in FY2013 while gross profit margin remained at a healthy level of 20% in FY2014 as compared to 21% in FY2013. For the shipbuilding business segment, gross profit margin was maintained at 19% and 20% for FY2014 and FY2013 respectively. The vessel chartering business segment's gross profit margin came in lower at 26% in FY2014 compared to 42% in FY2013 largely due to the higher operating costs from the chartering-in of a vessel to fulfill a newly secured time charter contract in place of the unavailability of a similar but committed Nam Cheong owned vessel.

Mainly due to a net fair value loss on derivatives of RM9.2 million and share grant plan expenses of RM4.1 million, FY2014's selling and administrative expenses rose by RM24.0 million. Finance costs rose by RM4.8 million in FY2014 as a result of the issuance of additional Medium Term Notes in the third quarter of FY2014.

The Group's share of profit of jointly controlled entities recorded a gain of RM10.3 million as a greater amount of assets were deployed by Nam Cheong's jointly controlled entities.

With the increase in Nam Cheong's overall revenue, the Group's net profit after tax in FY2014 rose by 47% or RM96.0 million to RM302.2 million from RM206.2 million in FY2013 while net profit after tax margins were maintained at a healthy level of 16% in FY2014 and FY2013.

Mr Leong Seng Keat (“梁成杰”), Nam Cheong's Group Chief Executive Officer said, “Even with our strong financial performance in FY2014 as evidenced by the healthy order wins of 27 vessels worth approximately US\$550 million, our focus remains on prudently deploying capital and further building Nam Cheong's operational capabilities. As at December 31, 2014, our order book stands at a healthy RM1.7 billion, comprising a mix of OSVs that are due for deliveries up to 2016. Nam Cheong's access to the Medium Term Notes market continues to be excellent, ensuring our working capital requirements are met in light of the higher order levels in FY2014.

For the three months ended December 31, 2014 ("4Q 2014"), the Group recorded a 29% rise in revenue to RM523.9 million from RM406.1 million in the previous corresponding period ("4Q 2013"). This was due to the progressive recognition of revenue derived from the Platform Supply Vessels ("PSV") sold in 4Q 2014 which contributed 40% of the quarter's total shipbuilding revenue.

Impacted mainly by lower margins from the built-to-order vessels which has a higher contribution in 4Q 2014 and an increase of RM28.3 million in selling and administrative expenses which consists mainly of net fair value loss on derivatives, profit after tax for 4Q 2014 declined to RM42.2 million from RM70.2 million in 4Q 2013. In addition, a lower income tax credit in 4Q 2014 amounting to RM4.2 million compared to RM12.4 million in 4Q 2013 also impacted the Group's profit after tax. Consequently, net profit margin declined to 8% in 4Q 2014.

Nam Cheong's balance sheet in FY2014 remained robust with shareholders' equity growing by RM280.7 million to reach RM1.2 billion. Net gearing ratio as at December 31, 2014 stood at 0.42 time, an improvement from 0.52 time as at December 31, 2013.

Proposed Dividend

The Board has recommended a first and final dividend of 1.5 Singapore cents amounting to total dividends payable of S\$31.4 million.

Datuk Tiong commented, "In light of our strong financial performance in FY2014 and also to reward our loyal shareholders, we are pleased to announce the proposed dividend which represents a dividend payout ratio of 28% of profit attributable to shareholders in FY2014."

Outlook

Oil prices have been volatile, with West Texas Intermediate having declined 45% in 2014 to reach approximately US\$53 a barrel as at the year end⁴. However, the International Energy Agency predicts a recovery in crude oil prices to be aided by a slower rate of output in 2015 by non-OPEC producers, with supply growth estimated to be lowered by 350,000 barrels⁵.

Companies within the shallow water segment of the offshore and marine sector remain resilient, with projects needing oil prices at around US\$25 – US\$50 per barrel to stay profitable⁶. Projects such as those in the shallow waters of the Gulf of Mexico witnessed oil majors like Exxon Mobil's and Royal Dutch Shell's continued interest in the initial phase of a bidding round for exploratory oil and gas blocks where production costs are lower than US\$20 a barrel⁷. This presents an attractive proposition to the companies in an environment of depressed prices⁷.

Mr Leong concluded, "With Nam Cheong's roots tracing back to the 1960s, the Group has experienced the full depth and breadth of the offshore and marine cyclicity. Despite the recent fluctuations in oil prices, we believe we are well-equipped with the institutional knowledge and experience to successfully weather through the cycle.

"In addition, Nam Cheong's business presence globally has also become more diverse as we continue to secure repeat orders from customers worldwide, mitigating geographical concentration risks.

⁴ *The Straits Times* – Oil prices slide to trade near five-year low, January 1, 2015

⁵ *Bloomberg* – IEA Sees Oil-Price Recovery; Cuts 2015 Non-OPEC Output Estimate, January 16, 2015

⁶ *The Business Times* – Offshore & marine sector: five ways to identify bright spots, December 5, 2014

⁷ *The Wall Street Journal* – Oil Majors Show Early Interest in Mexico Bidding Round, January 20, 2015

“Nam Cheong’s strategy remains focused on the shallow water segment and we expect to benefit from an increase in cumulative planned offshore infrastructure developments in the segment over the next few years. This is largely due to more oil fields coming on-stream than those being decommissioned⁸. Further, we also anticipate greater demand for our vessels, particularly from shallow water geographical regions as a result of the expected global delivery of more than 100 modern jack-up rigs between 2015 and 2017⁹.”

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 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 2013, the Group expanded its geographical reach to Latin America.

⁸ IHS Petrodata, January 2015

⁹ Rigzone, November 2014

Nam Cheong is able to deliver 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 the increase in demand for Nam Cheong's vessels in recent years, the Group has outsourced the construction of vessels to selected shipyards in China. This has given the Group access to additional production capacities and Nam Cheong has successfully delivered over 120 vessels since 2007.

Nam Cheong's shipbuilding business, which makes up over 90% of its revenue for 2008 to 2014, 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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