

NEWS RELEASE

Nam Cheong reports growth in both revenue and gross profit for FY2020

- Group's revenue grew 30% year-on-year ("YoY") to RM372.3 million mainly due to RM72.2 million revenue recognised from the shipbuilding division following the sale and delivery of two vessels
- Vessel chartering revenue also grew by 5% YoY to RM300.1 million as the fleet size increased from 36 to 37 vessels
- Gross profit increased by 13% YoY to RM103.2 million in FY2020 with vessel chartering division's margin at 32%
- However, owing to the weak oil prices and coronavirus-induced challenges, Group recorded impairments, provisions and fair value adjustments that resulted in net loss of RM404.3 million for FY2020
- Despite the difficulties, the Group is making steady progress with the financial creditors through the mediation of Corporate Debt Restructuring Committee of Malaysia ("CDRC"), to achieve a sustainable debt restructuring solution

Singapore, 1 March 2021 – Nam Cheong Limited ("Nam Cheong" or the "Group"), one of Malaysia's largest Offshore Support Vessel (OSV) providers, today announced its financial results for the three months ("4Q2020") and full year ("FY2020") ended 31 December 2020.

Financial Highlights	4Q2020 (RM'000)	4Q2019 (RM'000)	Change (%)	FY2020 (RM'000)	FY2019 (RM'000)	Change (%)
Revenue	104,172	89,013	17	372,296	285,362	30
Gross Profit	38,960	29,908	30	103,208	91,356	13
Gross Margin	37.0%	34.0%	3.0ppt	28.0%	32.0%	(4.0ppt)
Other Income	3,758	3,669	(2)	11,796	75,804	(84)
Selling and Administrative Expenses	(11,832)	(11,783)	0	(42,355)	(39,354)	8
Assets impairments and written down	(7,398)	444	>100	(351,844)	854	>100
Other operating expenses	(48,275)	(12,033)	>100	(75,384)	(16,787)	>100
Operating (Loss)/Profit	(24,787)	10,205	<(100)	(354,579)	111,873	<(100)
Finance Costs	(8,807)	(9,933)	(11)	(38,201)	(41,099)	(7)
(Loss)/Profit for the period	(35,816)	807	<(100)	(404,324)	65,218	<(100)
Net (Loss)/Profit attributable to owners of the parent (PATMI)	(35,202)	777	<(100)	(404,156)	64,353	<(100)

N.M = not meaningful
Ppt = percentage points

Overall Group's revenue increased by 30% YoY to RM372.3 million in FY2020. This was mainly driven by revenue contribution from the shipbuilding division of RM72.2 million following the sale and delivery of an Emergency Response and Rescue Vessel ("ERRV") and another Anchor Handling Tug Supply Vessel ("AHTS") during the financial year. The vessel chartering division also contributed to revenue growth with 5% YoY increase in revenue to RM300.1 million in FY2020 as the fleet size increased from 36 to 37 vessels.

Congruent with the rise in revenue, gross profit grew 13% YoY to RM103.2 million in FY2020 on the back of stable vessel chartering margin at 32%. Gross profit from vessel chartering side grew 6% YoY to RM96.7 million in FY2020 while shipbuilding side registered RM6.5 million of gross profit¹.

Other Income fell from RM75.8 million in FY2019 to RM11.8 million in FY2020 as the waiver of debts worth RM57.0 million that were registered in FY2019 and absence of the one-off inventories write-back of RM11.9 million in FY2019 were offset by the slight gain from the disposal of property, plant and equipment ("PPE") of RM3.4 million in FY2020.

In line with the growth in the vessel chartering business and also due to a one-off expense from group-wide cost rationalisation exercise, selling and administrative expenses increased 8.0% YoY to RM42.4 million. Financing costs relating to vessel financing during the period however decreased, leading to lower finance costs of RM38.2 million in FY2020, as compared with RM41.1 million in FY2019.

Other Operating expenses rose significantly from RM15.9 million in FY2019 to RM427.2 million in FY2020 as there were impairments of RM283.5 million, RM17.3 million, and RM16.1 million on PPE, investment in associate and receivables respectively, in addition to inventories written down of RM33.5 million, a fair value adjustment on long-term payables of RM15.3 million and provision for a financial guarantee of RM44.0 million in FY2020.

As a result of the above, arising from events that have taken place during the period, including Covid-19 and the volatility in oil prices the Group recorded a net loss of RM404.3 million in FY2020 as compared with RM65.2 million in net profit for FY2019.

Commenting on the Group's results, **Mr. Leong Seng Keat, Chief Executive Officer of Nam Cheong** said, *"Despite the turbulent oil and gas industry and the downturn caused by the Covid19 pandemic, we are encouraged by continued revenue growth during this challenging year. We are also thankful to have completed the sale and delivery of two vessels during the year. We will continue in our proactive search for viable solutions with our creditors in a way that best preserves shareholder value."*

The Group's wholly owned subsidiary, Nam Cheong Dockyard ("NCD") applied and was formally admitted into the CDRC in October 2020. Since November 2020, NCD has been engaging actively with both trade creditors and financial creditors, with more steady progress in the latter, and the Group is hopeful for a positive outcome.

Outlook

The double blow of the coronavirus and oil price shock in 2020 has hit the oil and gas ("O&G") market in Malaysia particularly hard. With weak demand for all major offshore vessel types and lower vessel utilisation rates, many O&G players are now struggling in a vicious cycle of lack of funding options and projects.

¹ There was no revenue/ gross profit contribution from shipbuilding division in FY2019.



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With Malaysia's reintroduction of stringent movement restriction orders in January 2021² and the recent extension of the orders³ until March 4, much remains uncertain on the nation's economic recovery from the pandemic.

Oil price on the other hand is rising⁴ and might offer a glimmer of hope for the oil and gas industry.

The Group is working very hard to weather through these headwinds and is actively reviewing its options extensively to restructure its businesses, operations, and balance sheet to best preserve value for the stakeholders of the Company.

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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 and currently has 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**

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² Malaysia's reinstatement of COVID restrictions creates uncertainty for steel market

<https://www.spglobal.com/platts/en/market-insights/latest-news/metals/011221-malysias-reinstatement-of-covid-restrictions-creates-uncertainty-for-steel-market>

³ Malaysia extends MCO for Selangor, KL, Johor and Penang until Mar 4

<https://www.channelnewsasia.com/news/asia/malaysia-extends-mco-selangor-kl-johor-penang-feb-19-mar-4-14206236>

⁴ \$100 Oil: Big Banks believe a new oil Supercycle is beginning

<https://oilprice.com/Energy/Oil-Prices/100-Oil-Big-Banks-Believe-A-New-Oil-Supercycle-Is-Beginning.html>