

NEWS RELEASE

NAM CHEONG ACHIEVES RECORD-BREAKING NET PROFIT OF *RM206.2 MILLION*¹ IN FY2013

- ***FY2013 revenue surpasses the billion mark to reach a record of RM1.3 billion*²;**
- ***Achieves record 4Q 2013 revenue and net profit of RM406.1 million and RM70.2 million respectively;***
- ***Maintains strong gross profit margin of 20% for 4Q 2013;***
- ***Total dividend of 1.0 Singapore cent proposed for FY2013.***

Singapore, February 26, 2014 – 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, is pleased to report its results for the three months ended December 31, 2013 (“4Q 2013”). The Group achieved a record revenue of RM406.1 million, which was 7% higher than the RM379.2 million received in the corresponding period last year (“4Q 2012”). In line with its topline performance, the Group achieved another record-breaking net profit of RM70.2 million for 4Q 2013.

Datuk Tiong Su Kouk (“拿督张仕國”), Executive Chairman of Nam Cheong, said, “Our build-to-stock business model, which we have fine-tuned over the years, has culminated in yet another successful quarter. Amid favourable industry prospects, this has allowed us to break our net profit record for the second successive quarter, contributing strongly to our full-year results. Having hit new highs in FY2013, we look to do better next year as we seek to grow our market position and capitalise on further opportunities.”

¹ Approximately S\$79.5 million. Currency conversation based on S\$1.00=RM2.5953 as quoted on Bloomberg L.P. on February 25, 2014

² Approximately S\$484.5 million. Currency conversation based on S\$1.00=RM2.5953 as quoted on Bloomberg L.P. on February 25, 2014

The Group's stronger topline performance for 4Q 2013 was attributable to its two business segments of shipbuilding and vessel chartering. Revenue for the shipbuilding segment grew 4% to RM385.1 million for 4Q 2013 from RM370.3 million for 4Q 2012 on the back of an increase in number of vessels delivered over the quarter. In line with the expansion of the chartering fleet in FY 2013, revenue from the vessel chartering segment grew by 148% to RM21.0 million for 4Q 2013 from RM8.5 million for 4Q 2012.

The Group's gross profit grew in tandem with revenue gains as it marked a 8% increase from RM74.0 million for 4Q 2012 to RM79.7 million for 4Q 2013. Over the period, gross profit margin was 20%, in line with the Group's ideal range of between 19% and 20%. The shipbuilding segment recorded a gross profit margin gain of two percentage points from 19% in 4Q 2012 to 21% in 4Q 2013. Gross profit margin for the vessel chartering segment came in lower at 1% however, as a result of the higher cost of operation arising from the chartering-in of a vessel to fulfil a newly secured time charter contract due to unavailability of a committed similar vessel owned by the Group.

Other income of RM5.0 million earned by the Group in 4Q 2013 was over 100% higher than the RM1.0 million received in 4Q 2012. This was due to the reversal of share option expenses and write back of allowance on trade and other receivables, which are no longer required, amounting to RM1.4 million and RM2.6 million respectively.

With increased topline performance, the Group's net profit after tax gained 42% from RM49.3 million in 4Q 2012 to RM70.2 million in 4Q 2013.

Mr. Leong Seng Keat (“梁成杰”), Nam Cheong's Group Chief Executive Officer said, “Our order book today remains very healthy at RM1.5 billion and this bears further testament to the strength of our business model which continues to yield results for us. Having achieved record order wins in 2013, we expect the sales momentum to continue this year as we tap into a resurgent market.”

For the full year ended December 31, 2013 (“FY2013”), revenue grew by 43% year-on-year to approximately RM1.3 billion from RM876.6 million in the previous corresponding period (“FY2012”).

With consistent topline gains made in four successive quarters, the Group’s shipbuilding and vessel chartering segments recorded revenue gains of 42% and 73% respectively. The shipbuilding segment contributed to 95% of the Group’s FY2013 revenue while the vessel chartering segment accounted for the remaining 5%.

As a result, FY2013 net profit registered a strong double-digit growth of 51% to RM206.2 million from RM136.6 million in FY2012. This marks another year of record earnings for the Group.

The Group continued to maintain a healthy balance sheet in FY2013 with total assets growing by RM873.4 million. Total liabilities increased by a comparably lower RM527.0 million for FY2013. Net gearing ratio as at December 31, 2013 was 0.52 times, marking an increase from 0.38 times as at December 31, 2012.

Dividend

In view of this record financial performance, the Board has recommended a first and final dividend of 0.5 Singapore cent plus a special dividend of 0.5 Singapore cent. Total dividends payable amounted to S\$21.0 million, representing a payout ratio of 27% of profit attributable to shareholders in FY2013.

Datuk Tiong added, “In the last quarter, it was mentioned that we hope to provide shareholders with a ‘happy dividend’ for the full year. As we attained record earnings for FY2013, we would like to share the fruits of our labour with our loyal shareholders, many of whom have shown their confidence in us over the years. The proposed generous dividend is a symbol of our continual commitment to reward shareholders.”

Outlook

The global macro conditions are expected to improve with the gradual economic recovery of developed nations and the world oil demand is projected to grow by 1.1 million barrels per day³. Consequently, exploration and production (“E&P”) spending is expected to reach a new record of US\$732 billion in 2014. This reflects a 6.1% increase from the US\$682 million expected expenditure for 2013⁴.

Within Asia-Pacific, Malaysia is expected to exhibit a robust performance in the medium term. As a key driver in Malaysia’s oil and gas industry, Petronas seeks to rejuvenate mature assets and develop marginal oilfields, having pledged US\$14 billion to enhanced oil recovery projects⁵. In addition, the Malaysian government has reduced its petroleum income tax, exhibiting its encouragement for more aggressive oil exploration by E&P operators⁶. With the expected upswing in E&P activities in Malaysia, OSV owners are looking to expand their fleet on the back of higher rates and improved utilisation⁷.

In addition, the global OSV fleet is ageing with over 30% of vessels being of traditional build and in operation for over 25 years⁸. In order to cope with the present-day operational demands, operators and charterers are looking to replace older vessels with modern variants that are better-equipped to do their jobs more efficiently.

Mr. Leong concluded, “With the current uptick in the OSV sector, we look to tap on the opportunities arising from various regions of the world. As a leading global offshore marine player, we have the ability and capacity to deliver to the increased needs of our customers amid an increase in global E&P activities. We look to grow from strength to strength as we work with our customers to ensure that our vessels continue to meet their requirements.”

³ OPEC, *Monthly Oil Market Report*, 12 Feb 2014

⁴ *Barclay Global 2014 E&P Spending Outlook*, 9 Dec 2013

⁵ *Upstream News*, 14 Jan 2014

⁶ *Upstream News*, 29 Nov 2013

⁷ *Maybank Kim Eng Research*, October 2013

⁸ “*Ideal Investment Scenario for Offshore Support Vessels*”, *Synergy Offshore*, March 6, 2013

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 Canal⁹.

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 platform supply vessels (“PSVs”), safety standby vessels (“SSVs”), anchor handling towing supply (“AHTS”) vessels, accommodation work boats and accommodation work barges.

Nam Cheong has attained strong reputation in Malaysia, the South-East Asian region, the Middle East 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 2012, the Group expanded its geographical reach to South America and West Africa.

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 100 vessels since 2007.

⁹ *Independent market research report by Pareto Securities Asia Pte Ltd., March 23, 2011*

Nam Cheong's shipbuilding business, which makes up over 90% of its revenue for 2008 to 2012, is complemented by its vessel chartering operations. Nam Cheong currently has a fleet of 14 vessels, comprising nine SSVs, two AHTS vessels two landing crafts and an accommodation vessel, which are chartered out by way of bareboat or time charters. The Group intends to expand in this area for the recurring income stream, and mitigate the cyclical and project-based nature of the shipbuilding industry. Nam Cheong was successfully listed on SGX-ST on May 27, 2011.

ISSUED ON BEHALF OF : Nam Cheong Limited
BY : Citigate Dewe Rogerson, i.MAGE Pte Ltd
55 Market Street
#02-01
SINGAPORE 048941
CONTACT : Ms Dolores Phua / Mr Clarence Koh
at telephone
DURING OFFICE HOURS : 6534-5122 (Office)
AFTER OFFICE HOURS : 9750-8237 / 9129-6977 (Handphone)
EMAIL : dolores.phua@citigatedrimage.com
clarence.koh@citigatedrimage.com

016/14/02/NCL

February 26, 2014