

NEWS RELEASE

NAM CHEONG'S BOTTOMLINE FOR 1Q 2016 AFFECTED BY ADVERSE FOREIGN EXCHANGE MOVEMENT

- *Revenue negatively impacted by Perdana's cancellation of vessel and lower vessel delivery;*
- *Registers gross profit of RM4.2 million¹ but reports net loss of RM40.1 million² mainly due to adverse foreign exchange movement of RM36.9 million;*
- *Healthy order book of approximately RM1.1 billion as at March 31, 2016 provides good visibility till 2018;*
- *Healthy cash position, sizeable undrawn committed bank lines, and strong support from banks and bondholders;*
- *Continual focus on optimising cost structure and fortifying balance sheet to weather through cycle.*

Singapore, May 12, 2016 – 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 a revenue of RM(93.1) million for the three months ended March 31, 2016 (“1Q 2016”), a decrease from RM326.3 million in the previous corresponding period (“1Q 2015”).

The lower topline was mainly due to the reversal of revenue from Perdana Petroleum Berhad’s (“Perdana”) cancellation of an Accommodation Work Barge (“AWB”). The construction of this vessel is at an advanced stage. As a result of adverse foreign exchange movement of RM36.9 million, the Group reported a net loss of RM40.1 million as compared to a net profit of RM39.3 million, over the same corresponding period.

¹ Approximately S\$1.4 million based on an exchange rate of S\$1.00 to RM2.9569

² Approximately S\$13.6 million based on an exchange rate of S\$1.00 to RM2.9569

Datuk Tiong Su Kouk (“拿督张仕國”), Executive Chairman of Nam Cheong, said, “Amidst a weak O&M environment, the progress of vessel sales and shipbuilding has remained slow. Additionally, during the quarter, we were notified of a contract cancellation by Perdana for an AWB which was sold in June 2014. However, a 20% deposit of US\$8.4 million has been forfeited by Perdana in favour of Nam Cheong.

“Apart from this isolated case, we have not faced any customer requests for cancellations. We will continue to maintain close and constant communication with all customers to keep abreast of developments, while tapping on pockets of demand trends for the potential sale of this AWB.

“Nam Cheong’s business model has always operated under the assumption of a low oil price environment. This allows us to remain competitive and to pass cost savings to our customers, thus, deriving longer-term benefits of market share and trusted relationships. We will continue to make concerted efforts to drive our long-term strategy and derive cost efficiencies in this current tough environment.”

Nam Cheong remains financially resilient to withstand the current downturn given its healthy cash position, a well-spaced maturity debt profile, sizeable undrawn committed bank lines, and strong support from banks and bondholders. In July 2015, Nam Cheong’s balance sheet was also bolstered through the raising of S\$75 million under its S\$600 million Multicurrency Medium Term Note Programme as part of the Group’s refinancing efforts.

Financial Review

Other than the reversal of revenue resulting from the cancellation of the AWB, a lower number of vessel deliveries during the quarter compared to 1Q 2015 also affected the Group's revenue in 1Q 2016. One vessel was delivered in 1Q 2016, down from the six delivered in 1Q 2015. As a result of these factors, the shipbuilding segment's revenue declined to RM(97.1) million during the quarter from RM310.7 million in 1Q 2015. In addition, with the lower utilisation achieved by Nam Cheong's vessel chartering segment, it experienced a 74% decline in revenue to RM4.0 million during the quarter from RM15.6 million in 1Q 2015.

Correspondingly, gross profit decreased by 94% to RM4.2 million in 1Q 2016 compared to RM68.3 million in 1Q 2015.

During the quarter, other income was higher at RM6.7 million as compared to RM2.9 million in 1Q 2015. This was mainly due to a net fair value gain on derivatives of RM2.9 million.

The Group's share of profit in jointly controlled entities recorded a gain of RM0.6 million in 1Q 2016. However, the gain was offset by the share of loss in associate of RM1.5 million in 1Q 2016 due to a lower vessel utilisation rate.

Mainly as a result of adverse foreign exchange movement amounting to RM36.9 million, selling and administrative expenses increased to RM48.3 million in 1Q 2016 from RM24.7 million in 1Q 2015. As the majority of Nam Cheong's borrowings consists of outstanding Singapore Dollar ("SGD") debts while the functional currency of subsidiaries are in US Dollar ("USD"), the strengthening of the SGD against the USD led to an adverse foreign exchange movement. Finance cost, on the other hand, decreased to RM1.8 million in 1Q 2016 as compared to RM7.0 million in 1Q 2015 as a result of higher interest expense being capitalised as cost of construction in 1Q 2016.

The Group's balance sheet as at March 31, 2016 remained stable, with shareholders' equity holding steady at RM1.24 billion compared to RM1.38 billion as at December 31, 2015. Nam Cheong's net gearing ratio increased to 1.02 times as at March 31, 2016 from 0.95 time as at December 31, 2015.

The Group has an order book of approximately RM1.1 billion as at March 31, 2016, comprising a mix of OSVs due for deliveries up till 2018.

Outlook

With improving market sentiments, it has prompted the World Bank to raise its forecast of 2016's crude oil prices to US\$41 per barrel. This represents an increase from the US\$37 per barrel prediction it made at the start of 2016³. However, the outlook of the O&M industry remains challenging.

Mr Leong Seng Keat (“梁成杰”), Nam Cheong's Group Chief Executive Officer said, “Our strategy of staying lean and mean remains firmly in place and is consistent with how we operate even during the buoyant times. Further initiatives in place during this period of a challenging outlook include the slowing of cash outflows to conserve our cash reserves, which has been manageable, given Nam Cheong's optimised cost structure.

“With our order book of RM1.1 billion as at March 31, 2016, this provides us clear revenue visibility till 2018 and a cushion while we weather through this cycle along with the rest of the industry. While we continue to exercise caution by fortifying our balance sheet and maintaining financial flexibility, we are also laying the groundwork to capitalise on the upside when the tide turns. These include maintaining close relationships with existing customers and reaching out to potential customers on our products and services.

³ World Bank sees US\$41 oil this year, but cuts outlook for other commodities – Business Times, April 27, 2016

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, which makes up over 90% of its revenue for 2008 to 2015, 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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May 12, 2016