

NEWS RELEASE

NAM CHEONG RECORDS REVENUE OF RM950.0 MILLION¹ AND NET PROFIT OF RM27.9 MILLION² IN FY2015

- ***Defers schedule of vessel deliveries currently under construction;***
- ***Remains committed to optimising operational and financial flexibility, to tide through difficult market conditions;***
- ***Order book of RM1.2 billion as at December 31, 2015.***

Singapore, February 25, 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 announced that it recorded a revenue of RM950.0 million and a net profit of RM27.9 million for the full year ended December 31, 2015 (“FY2015”).

Datuk Tiong Su Kouk (“拿督张仕國”), Executive Chairman of Nam Cheong, said, “Along with the rest of the offshore and marine industry, we have been affected by the severity of the global down-cycle in oil prices, as can be seen from the lower level of vessel orders and the impact to our financials over the past year.

“National and international oil companies have recently announced plans to further reduce their capital and operating expenditures, along with the deferment of projects. Closer to home, Petronas has also understandably taken similar steps. Having expanded our footprint across the world in the years before, our revenue exposure to Malaysia is now lower as compared to the past. However, as a global OSV builder, our business is inescapably affected by events and economic factors around the world. As such, we anticipate the pace of vessel sales and shipbuilding activities to remain slow.”

¹ Approximately S\$316.0 million based on an exchange rate of S\$1.00 to RM3.0060

² Approximately S\$9.3 million based on an exchange rate of S\$1.00 to RM3.0060

Financial Review

Overall revenue in FY2015 decreased 51% to RM950.0 million from RM1.9 billion in the previous corresponding year (“FY2014”) due mainly to a reduction in the shipbuilding business segment’s revenue. This resulted from a lower number of vessels that were completed and delivered, from 24 in FY2014 to 11 during the year. As such, the shipbuilding business segment’s revenue decreased 51% to RM905.6 million from RM1.8 billion in FY2014. The vessel chartering business segment’s revenue declined by 50% to RM44.4 million in FY2015 from RM88.1 million in FY2014, due primarily to lower utilisation rate during the year.

Nam Cheong’s gross profit dipped by 60% to RM150.0 million during the year, in line with the lower top-line registered, while gross profit margin was 16% as compared to 20% in FY2014. Higher revenue contribution from build-to-order vessels led the shipbuilding business segment’s gross profit margin to record a decrease of 2 percentage points, to 17%. Lower vessel utilisation rate led the vessel chartering business segment to register a gross loss of RM3.1 million.

Selling and administrative expenses decreased marginally by RM1.8 million during the year. The issuance of additional Medium Term Notes led the Group’s finance expenses to rise by RM8.3 million to RM24.2 million in FY2015.

Nam Cheong’s share of results of associate and jointly controlled entities recorded a loss of RM25.2 million. This was primarily attributable to a RM31.9 million share of loss in an associate that had a lower vessel utilisation rate.

Consequently, the Group’s net profit after tax in FY2015 declined to RM27.9 million from RM302.2 million in FY2014.

Shareholders’ equity rose by RM157.8 million to RM1.4 billion as at December 31, 2015. Due to the increase in loans and borrowings, net gearing ratio as at December 31, 2015 reached 0.95 time as compared to 0.42 time as at December 31, 2014.

Nam Cheong's gross order book stood at approximately RM1.2 billion as at December 31, 2015, comprising of a mix of OSVs that are due for deliveries up till 2018.

Outlook

For the first half of 2016, the International Energy Agency ("IEA") has increased its estimate of global crude oil supply to exceed consumption by an average of 1.75 million barrels per day, up from its previous forecast of 1.5 million³.

Mr Leong Seng Keat ("梁成杰"), Nam Cheong's Group Chief Executive Officer concluded, "Given the challenging outlook of the industry and business environment, we have battened down the hatches and will continue to focus on calibrating our cost structure to ride out this storm. In addition, at the request of our customers and at our own initiative, we have deferred the schedule of vessel deliveries that are currently under construction.

"Over the shorter-term, challenges of oversupply in oil will likely take some time to rebalance. In the mid to longer-term however, we believe prospects for the OSV market remain encouraging.

"As with every winter that passes, spring follows. With our commitment to optimise our operational and financial flexibility, Nam Cheong will be able to tide through these difficult market conditions similarly faced by players across the oil and gas sector. Furthermore, with our strategies of being asset-light, constant attention to driving cost efficiencies and prudent seeking of growth opportunities firmly in place, we should be well-positioned to capture greater market share when the tide turns."

³ *IEA Raises Estimate of Surplus Oil Supply on Higher OPEC Output – Bloomberg, February 9, 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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