

NEWS RELEASE

Nam Cheong reports RM10.6 million operating profit for 1Q2019; looks to vessel chartering to buoy profitability

- Revenue surges 251.0% year-on-year (YoY) to RM29.9 million for 1Q2019, driven by increased vessel chartering income
- Group registers third consecutive quarter of gross profit amounting to RM7.4 million for 1Q2019, reversing gross loss from 1Q2018
- Following an uptick in Malaysia's offshore marine segment, Group intends to ride on positive industry wave through its three pillars of growth, including a venture into EPCIC.

Singapore, 14 May 2019 – 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 ended 31 March 2019 (“1Q2019”).

Financial Highlights	1Q2019 (RM'000)	1Q2018 (RM'000)	Change (%)
Revenue	29,938	8,530	251.0
Gross Profit	7,426	(1,818)	<i>n.m</i>
Gross Margin	24.8%	<i>n.m</i>	<i>n.m</i>
Other Income	13,554	549,454	(97.5)
Administrative Expenses	8,017	7,536	6.4
Operating Profit	10,560	537,316	(98.0)
Finance Costs	7,566	12,633	(40.1)
Profit for the financial period	405	521,849	<i>n.m</i>

N.M means not mentionable

The Group’s revenue grew 251.0% to RM29.9 million for 1Q2019 from RM8.5 million for the corresponding quarter last year (“1Q2018”), with a larger fleet and higher utilisation rates during 1Q2019 pushing revenue from the vessel chartering segment. The vessel chartering unit accounted for the entire revenue base for 1Q2019 and 1Q2018, whereas the shipbuilding segment did not post any revenue for both quarters as no vessel delivery was scheduled during the period.

In line with the higher revenue, gross profit grew to RM7.4 million for 1Q2019, reversing a gross loss of RM1.8 million for 1Q2018. This marks the fourth quarter Nam Cheong registers a gross profit. Gross margins rose to 24.8% for 1Q2019.

Administrative expenses climbed 6.4% to RM8.0 million during 1Q2019 from RM7.5 million for 1Q2018, primarily due to increasing vessel chartering activities, consistent with the revenue increase.

The Group posted a lower operating profit of RM10.6 million for 1Q2019, compared to RM537.3 million for 1Q2018. This was primarily due to the absence of waiver of debt recorded for 1Q2018 of RM549.5 million as the Group successfully terminated shipbuilding contracts payable to certain shipyards.



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Finance costs decreased 40.1% to RM7.6 million for 1Q2019 from RM12.6 million recorded for 1Q2018, mainly as a result of the adjustment of interest expense following the conclusion of debt restructuring exercise in September 2018. The restructuring converted RM1.6 billion of short-term borrowings to RM1.0 billion of term loans repayable from 2021 to 2024, reducing RM629 million of borrowings.

Net profit for 1Q2019 was RM0.4 million, lower than 1Q2018's net profit of RM521.8 million, mainly owing to the absence of debt waiver recorded for 1Q2018.

Commenting on the Group's results, **Mr. Leong Seng Keat, Chief Executive Officer of Nam Cheong** said, *"A fourth consecutive quarter of gross profit marks the tide gradually turning for our business, and the Group's agility in steering our ship ever forward. Most importantly, such performance underscores our improved fundamentals after charting through turbulent times.*

After restructuring our debt last September, we are anchored by our three-pronged strategy in our next phase of rebuilding: we seek to expand our vessel chartering segment, further diversify our income stream through exploring the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) segment, and evolve our shipbuilding capabilities to cover a broader scope of offshore marine related services, including fabrication work."

Outlook

According to the Petronas Activity Outlook 2019-2021, a positive outlook is expected for anchor handling tug supply vessels (AHTS), platform supply vessels (PSV), as well as accommodation and maintenance vessels. A pickup in drilling and development activities is also expected to bolster demand for AHTS and PSV.

Meanwhile, a positive outlook for the Maintenance, Construction, and Modification (MCM) segment and an expected increase in man hours required in the Brownfield Hook-up & Commissioning (HUC) segment further boost expected demand for accommodation and maintenance vessels.

In response to the uptick in the offshore and marine activities in Malaysia, the Group has been deploying its vessels for charter in Malaysian waters, and expects the vessel chartering unit to continue its growth momentum. The Group will continue to monitor and review the shipbuilding schedule for the remaining vessels which have yet to be delivered, including potential deferment and cancellation plans, through ongoing communication and consultation with its stakeholders.

- End -

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, which has grown to make up 41% of FY2018's revenue base. The Group



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currently has a chartering fleet of 32 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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