

**NEWS RELEASE****NAM CHEONG RETURNS TO PROFITABILITY – POSTS NET PROFIT OF RM559.6 MILLION<sup>1</sup> FOR 1H 2018**

- ***Restructured substantial amount of trade debts outside of the Scheme;***
- ***No assets impairment and write-down in 1H 2018***
- ***Significant growth in vessel chartering income***
- ***Share trading resumes on August 23, 2018***
- ***Shareholders approve Group’s proposed renounceable non-underwritten rights issue of up to 2,096,465,885 new ordinary shares at an issue price of S\$0.014 for each Rights Share at Special General Meeting on August 20, 2018***
  - ***Irrevocable undertaking by major shareholder for the proposed rights issue, with deposit of a committed sum of RM50 million into escrow account for purposes of fulfilling obligations***
  - ***Seeks shareholders’ continual support for rights issue which closes on September 20, 2018***

**Singapore, August 22, 2018** – 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 one of Malaysia’s largest Offshore Support Vessel (“OSV”) provider, today reported that it has returned to profitability, posting net profit after tax of RM559.6 million for the half year ended June 30, 2018 (“1H 2018”), compared to a loss of RM2.1 billion in the previous corresponding year (“1H 2017”). This is mainly due to the restructuring of the Group’s debt with trade creditors resulting in the waiver of debts amounting to RM557.5 million.

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<sup>1</sup> Approximately S\$187.5 million based on an exchange rate of S\$1.00 to RM2.99

Tan Sri Datuk Tiong Su Kouk (“丹斯里拿督张仕國”), Executive Chairman of Nam Cheong, said, “We are encouraged that our debt issue is now largely behind us, having crossed many hurdles during the restructuring exercise. We are also very grateful for the strong support and trust of our creditors, which is a clear vote of confidence in our management team and the Scheme of Arrangement. We are pleased that our share trading will resume on August 23, 2018, and will press on with our growth plans.

“Whilst we have made significant progress in our restructuring efforts, we recognise that industry challenges remain. Cost and capital structure optimisation remains a top priority and we will continue to tighten control for sustainable long-term growth.”

## **Financial Review**

The Group saw a 35% jump in Nam Cheong’s vessel chartering segment to RM36.9 million for 1H 2018 from RM27.3 million a year ago, mainly due to an increase in utilisation rate and the addition of new vessels to the chartering fleet during the second quarter ended June 30, 2018 (“2Q 2018”).

Mr Leong Seng Keat (“梁成杰”), Nam Cheong’s Group Chief Executive Officer said, “Since 2017, we started to focus on optimising our idle assets through vessel chartering by setting up our own full-fledged chartering operation, and have established our position as a key player in the Malaysian chartering market. We are pleased to have made good headway and this strategy has already yielded results.”

Revenue from the shipbuilding segment was 30% lower at RM98.8 million for 1H 2018, compared to RM141.8 million for 1H 2017, notwithstanding the sale and delivery of two vessels in both 1H 2018 and 1H 2017, respectively.

Overall, the Group’s revenue declined 20% year-on-year to RM135.7 million in 1H 2018, from RM169.1 million for the previous corresponding quarter, due mainly to lower shipbuilding revenue recognised. The Group’s gross profit margin improved 2.0 percentage points to 13.0%, compared to 11.0% over the same period.

Notably, the vessel chartering segment had shown significant improvement by registering a gross profit of RM9.2 million in 1H 2018, as compared to a gross loss of RM0.3 million in 1H 2017, driven by the segment's revenue growth.

Other income for 1H 2018 was RM593.6 million, compared to RM5.7 million in 1H 2017, due largely to the waiver of debts by trade creditors amounting to RM557.5 million and a foreign exchange gain of RM30.6 million.

In line with cost rationalisation, selling and administrative expenses lowered marginally by 2% to RM14.6 million, whilst finance costs rose to RM27.4 million in 1H 2018 as a result of lower interest expense being capitalised in the cost of construction in 1H 2018.

The Group reported a lower loss in share of results of equity accounted joint ventures of RM0.7 million in 1H 2018. However, the share of loss in equity accounted associate was higher to the sum of RM3.7 million, resulting from lower vessel utilisation rate.

With the waiver of debts and with no assets impairment and write-down, the Group reported a net profit after tax of RM559.6 million for 1H 2018, compared to a net loss after tax of RM2.1 billion in 1H 2017.

For 2Q 2018, the Group reported a net profit after tax of RM37.8 million, compared to a net loss after taxation of RM2.02 billion for the second quarter ended June 30, 2017 ("2Q 2017") mainly due to a foreign exchange gain and no assets impairment and write-down.

### **Proposed Rights Issue**

The Group's proposed renounceable non-underwritten rights issue of up to 2,096,465,885 new ordinary shares at an issue price of S\$0.014 for each Rights Share, on the basis of one (1) Rights Share for every one (1) ordinary share, has received in-principle approval from SGX in July 2018.

“We hope shareholders will continue to lend support to the Group by subscribing for our recently proposed renounceable non-underwritten rights issue, which will further strengthen our financial position and sustain our businesses for the long-term. As a demonstration of my commitment as a major shareholder of Nam Cheong, I have made an irrevocable undertaking with the deposit of a committed sum of RM50 million for the purposes of fulfilling obligations in relation to my irrevocable undertaking,” added Tan Sri Datuk Tiong.

Net proceeds from the proposed fund-raising exercise will be used mainly for working capital and partially for the cash payment to creditors, who had elected to receive the cash payment for a portion of their unsecured debt, as well as for the operations of the Group. The rights issue closes on September 20, 2018.

## **Outlook**

The US Energy Information Administration (“EIA”) forecasts Brent crude oil prices to average US\$71 per barrel in 2018 and US\$68 per barrel in 2019<sup>2</sup> on the back of a general decline in global oil inventories.

Mr Leong said, “We have observed a gradual improvement in oil prices, signaling a bottoming out from the low of between US\$30 – 35 per barrel in 2015. Whilst the near-term weakness in the offshore and marine sector is expected to persist, we see pockets of opportunities for vessel chartering for exploration and production works. We have positioned ourselves, premised on our established presence in this business segment since 2007, in preparation of further market consolidation and a possible increase in charter rates, in line with this nascent stage recovery in the oil and gas industry.”

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<sup>2</sup> US EIA Short-Term Energy Outlook, February 7, 2017

## **ABOUT NAM CHEONG LIMITED**

Headquartered in Kuala Lumpur, Malaysia, Nam Cheong is a global leading offshore marine group specialising in providing OSVs.

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.

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 outsources the construction of vessels to selected shipyards in China. Nam Cheong has successfully delivered more than 130 vessels since 2007.

As part of its value chain expansion, Nam Cheong has established a presence in vessel chartering since 2007 and currently has a fleet of over 20 vessels, which are chartered out by way of bareboat or time charters to oil majors and oil field service providers. Nam Cheong was listed on the SGX-ST on May 27, 2011.

For media queries, please contact:

**Nam Cheong Limited**

Tel: +603 2283 1377 (Office Hours)

E-Mail: [ir@ncl.com.sg](mailto:ir@ncl.com.sg)

**Citigate Dewe Rogerson Singapore**

Dolores Phua / Derrick Tee

Tel: +65 6534 5122 (Office Hours)

E-Mail: [dolores.phua@citigatedewerogerson.com](mailto:dolores.phua@citigatedewerogerson.com) /  
[derrick.tee@citigatedewerogerson.com](mailto:derrick.tee@citigatedewerogerson.com)