

NEWS RELEASE

Nam Cheong narrows net loss for 1Q2021 amid stable gross margins

- Vessel chartering revenue slipped by 2% year-on-year (YoY) to RM59.8 million for 1Q2021 due to weaker work barge utilisation rate
- Group maintained vessel chartering gross margin at 27% for 1Q2021
- With the absence of impairment of property, plant and equipment and inventories written down, Group's net loss reduced by 85% YoY to RM16.9 million for 1Q2021

Singapore, 14 May 2021 – Nam Cheong Limited (“Nam Cheong” or the “Group”), one of Malaysia’s leading Offshore Support Vessel (OSV) providers, today announced its financial results for the three months ended 31 March 2021 (“1Q2021”).

Financial Highlights	1Q2021 (RM'000)	1Q2020 (RM'000)	Change (%)
Revenue	59,805	61,148	(2)
Gross Profit	16,242	16,779	(3)
Gross Margin	27.0%	27.0%	0 ppt
Other Income	960	4,474	(79)
Selling and Administrative Expenses	(6,370)	(9,177)	(31)
Assets Impairments and Written Down	-	(112,025)	<i>n.m</i>
Other Operating Expenses	(16,911)	(1,183)	>100
Operating Loss	(6,079)	(101,132)	(94)
Finance Costs	(9,320)	(11,021)	(15)
Loss for the financial period	(16,869)	(113,872)	(85)
Net Loss attributable to owners of the parent (PATMI)	(17,007)	(114,376)	(85)

Ppt = percentage points
N.M = not meaningful

During 1Q2021, the Group's overall revenue dipped 2% YoY to RM59.8 million following lower work barge utilisation rate which impacted its vessel chartering revenue. As there were no vessels scheduled for delivery in this period, the Group recorded no shipbuilding revenues this quarter (1Q2020: nil shipbuilding revenue as well).

Reflecting the overall revenue trend, Gross profit decreased marginally 3% YoY to RM16.2 million for 1Q2021, with vessel chartering margins remaining stable at 27%.

Due to the absence of the waiver of land lease payments and debts in 1Q2020, other income was lower at RM960,000 for 1Q2021, compared to RM4.5 million in 1Q2020.

Selling and administrative expenses decreased 31% YoY to RM6.4 million for 1Q2021 mainly due to the group wide cost rationalisation exercise in the financial year 2020.

Total other operating expenses decreased to RM16.9 million in 1Q2021 from RM113.2 million in 1Q2020 mainly due to the absence of impairment made on property, plant and equipment of RM96.4 million and inventories written down amounting to RM15.6 million in 1Q2020. This was partially offset by the increase in foreign exchange loss of RM11.8 million.

As a result of the above, the Group narrowed net loss after tax to RM16.9 million for 1Q2021 from a net loss of RM113.9 million in 1Q2020.

Commenting on the Group's results, **Mr. Leong Seng Keat, Chief Executive Officer of Nam Cheong** said, *"With uncertainties continuing due to the ongoing coronavirus pandemic, any recovery in the offshore and gas industry remains tepid at best. We are thankful to be able to continue to see stable vessel chartering revenue and gross margin.*

We will continue to monitor the market situation keenly and are progressing well in our efforts in seeking viable restructuring solutions with both our trade and financial creditors to tide through this difficult period."

Outlook

As Malaysia continues to experience surging COVID-19 figures, the situation remains very fluid with the imposition of movement restriction orders across the country. The country kickstarted its launch of a 10-year blueprint¹ to rescue its oil and gas industry, a crucial revenue source for its economy that has been hit particularly hard from weak fuel prices and the pandemic.

Meanwhile, despite the ongoing challenges, the International Energy Agency ("IEA") continues to expect a rebound in world oil demand², mainly supported by the cold weather in northern Asia, Europe and the US. The IEA forecasts global oil demand to return to 2019 levels by 2023.

The Group continues to work with its creditors on business restructuring options and will provide relevant updates as and when there is further progress.

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¹ Malaysia launches 10-year blueprint to revive oil and gas sector

<https://www.straitstimes.com/asia/se-asia/malaysia-launches-10-year-blueprint-to-revive-oil-and-gas-sector>

² Oil Market Report -March 2021

<https://www.iea.org/reports/oil-market-report-march-2021>



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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, with the Group operating a chartering fleet of over 30 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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