

NEWS RELEASE

NAM CHEONG REGISTERS REVENUE OF RM326.3 MILLION¹ AND NET PROFIT OF RM39.3 MILLION² IN 1Q 2015

- ***Secures two contracts worth US\$58 million from repeat customers - Marco Polo Marine Ltd and Topaz Energy and Marine Limited;***
- ***Maintained healthy gross profit margin of 20%;***
- ***Healthy order book of approximately RM1.6 billion as at March 31, 2015 provides good visibility;***
- ***Focus remains on resilient shallow water segment which Nam Cheong possesses expertise in.***

Singapore, May 14, 2015 – 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 net profit of RM39.3 million on revenue of RM326.3 million for the three months ended March 31, 2015 (“1Q 2015”). This compared to a net profit of RM71.3 million and revenue of RM407.3 million registered in the previous corresponding period (“1Q 2014”).

Datuk Tiong Su Kouk (“拿督张仕國”), Executive Chairman of Nam Cheong, said, “In the last quarter, the volatility in oil prices has affected players across the industry, including Nam Cheong. We similarly experienced a slowdown in new orders and believe that once greater clarity in global oil prices emerges, the flow of contract wins will improve.

¹ Approximately S\$120.7 million based on an exchange rate of S\$1.00 to RM2.704

² Approximately S\$14.5 million based on an exchange rate of S\$1.00 to RM2.704

“Amidst this cyclical downturn, we are glad to have secured two contracts worth US\$58 million from our repeat customers - Marco Polo Marine Ltd and Topaz Energy and Marine Limited, in March 2015.

“The recent contract win from Topaz Energy and Marine Limited, a Dubai-based customer attests to Nam Cheong’s diverse geographical expansion efforts. As the Group moves forward into 2015, we believe our existing international footprint will provide the ballast to buoy our business and reduce the concentration risks within any specific region.”

Financial Review

The Group’s revenue of RM326.3 million in 1Q 2015 was 20% lower mainly due to the shipbuilding segment registering a lower number of vessel deliveries during the quarter compared to 1Q 2014. Six vessels were delivered in 1Q 2015, down from the seven delivered in 1Q 2014. This resulted in the shipbuilding segment recording a 19% decrease in revenue to RM310.7 million in 1Q 2015 from RM383.2 million in 1Q 2014. In addition, with the lower utilisation achieved by Nam Cheong’s vessel chartering segment, it experienced a 35% decline in revenue to RM15.6 million during the quarter from RM24.1 million in 1Q 2014. This contributed to the lower overall profit achieved by the Group.

Correspondingly, gross profit decreased by 21% to RM68.3 million in 1Q 2015 compared to RM86.3 million in 1Q 2014 while the overall gross profit margin remained stable at 21% for both quarters. The shipbuilding segment’s gross profit margin was maintained at 20%, whilst gross profit margin for the vessel chartering segment remained within the range of 38% to 40% for both quarters.

During the quarter, in the absence of a net fair value gain on derivatives of RM5.8 million recorded in 1Q 2014, Nam Cheong’s other income was RM2.9 million in 1Q 2015 as compared to RM7.2 million recorded in 1Q 2014.

Net foreign exchange loss amounting to RM2.5 million and net fair value loss on derivatives of RM3.8 million contributed to an increase in selling and administrative expenses of RM5.8 million to RM24.7 million during the quarter.

Primarily due to the issuance of additional Medium Term Notes in 3Q 2014, finance costs were higher at RM7.0 million in 1Q 2015 compared to RM3.6 million in 1Q 2014.

The Group's share of profit in jointly controlled entities recorded a gain of RM2.6 million in 1Q 2015 as more assets were deployed by the jointly controlled entities. However, the gain was offset by the share of loss in associate of RM2.7 million in 1Q 2015 due to lower vessel utilisation rate achieved.

The Group's balance sheet as at March 31, 2015 remained healthy, with shareholders' equity at RM1.3 billion compared to RM1.2 billion as at December 31, 2014. Nam Cheong's net gearing ratio increased marginally to 0.45 time as at March 31, 2015 from 0.42 time as at December 31, 2014.

The Group has an order book of approximately RM1.6 billion as at March 31, 2015, comprising a mix of OSVs due for deliveries up till 2016.

Outlook

The International Energy Agency forecasts a pick-up in global oil demand for 2015 to increase by 1.1 million barrels per day to reach a total demand of 93.6 million barrels per day as compared to a growth in demand of 0.7 million barrels per day in 2014³. In the long-run, global demand for oil per day is anticipated to expand by an average of 1.2% a year till 2020, with consumption over the period to outstrip production capacity by approximately 1.5 million barrels a day⁴.

On the oil price front, Brent crude oil hovered at a four-month high at US\$65.37 per barrel in late April 2015 and has risen about US\$9 since March 2015⁵.

Mr Leong concluded, “Over the last month, oil prices have somewhat stabilised, at levels above US\$60. At these prices, Nam Cheong continues to have sufficient headroom in selling vessels to shallow water customers as most of them require oil prices to be in the range of US\$25 to US\$50 for operations and profitability to breakeven.

“As such, our focus naturally remains firmly fixed on the shallow water segment which has shown a greater degree of resilience and one which Nam Cheong possesses considerable expertise in.

“As potential issues begin to surface for overleveraged players in a low oil price environment, our relatively conservative balance sheet and our farsighted raising of excess cash during buoyant times in the recent past will enable us to weather the volatility, secure greater market share and emerge stronger from this choppy but ultimately, necessary industry cycle.”

³ *Oil Market Report, April 2015 - International Energy Agency, April 15, 2015*

⁴ *IEA Sees U.S. Adding Most Oil to Global Supply Through 2020 – Bloomberg, February 10, 2015*

⁵ *Oil price hovers at four-month high – BBC News, April 27, 2015*

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 able to deliver 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 the increase in demand for Nam Cheong’s vessels in recent years, the Group has outsourced the construction of vessels to selected shipyards in China. This has given the Group access to additional production capacities and Nam Cheong has successfully delivered over 120 vessels since 2007.

Nam Cheong’s shipbuilding business, which makes up over 90% of its revenue for 2008 to 2014, 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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