

NEWS RELEASE**NAM CHEONG REGISTERS REVENUE OF RM708.2 MILLION¹ AND NET PROFIT OF RM50.2 MILLION² IN 9M 2015**

- ***Gross profit margin at a healthy level of 17%;***
- ***Order book of approximately RM1.4 billion, comprising a mix of offshore supply vessels for deliveries up till 2016;***
- ***Cash and cash equivalents of RM614.8 million;***
- ***Expects progress of vessel sales and shipbuilding activities to remain slow;***
- ***Outsourcing strategy provides production flexibility; cost leadership positions Group for greater resilience.***

Singapore, November 13, 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 RM50.2 million on revenue of RM708.2 million for the nine months ended September 30, 2015 (“9M 2015”). In the previous corresponding period (“9M 2014”), a net profit of RM260.0 million and revenue of RM1.4 billion was registered.

Datuk Tiong Su Kouk (“拿督张仕國”), Executive Chairman of Nam Cheong, said, “The extended and less than ideal macro volatilities have dampened sentiments across the industry which consequently, affected our performance. In light of the challenging business environment and coupled with our customers’ as well as our own initiative, we have deferred the delivery schedule of our vessels which are currently under construction.

¹ *Approximately S\$229.4 million based on an exchange rate of S\$1.00 to RM3.0874*

² *Approximately S\$16.3 million based on an exchange rate of S\$1.00 to RM3.0874*

“We intend to continue optimising our operations by driving productivity during this market cycle, just as we have consistently done so even in times of normalised cycles and periods of upswings. Over the medium to longer term, our operations remain resilient as we have a good global market position and competitive niche as an OSV builder. Additionally, our asset-light strategy is proving itself in volatile times, with production flexibility given our long-term relationships with reputable, outsourced Chinese yards.”

Financial Review

The Group’s revenue of RM708.2 million in 9M 2015 was 50% lower as compared to RM1.4 billion in 9M 2014, mainly due to the shipbuilding segment registering a lower number of vessel deliveries during the period compared to 9M 2014. Nine vessels were delivered in 9M 2015, down from 18 delivered in 9M 2014. This resulted in the shipbuilding segment recording a 50% decrease in revenue to RM672.0 million in 9M 2015, from RM1.3 billion in 9M 2014. In addition, with the lower vessel utilisation rate of Nam Cheong’s vessel chartering segment, the segment experienced a 49% decline in revenue to RM36.2 million, from RM70.8 million in 9M 2014. These factors contributed to the lower overall profit achieved by the Group.

Correspondingly, gross profit decreased by 60% to RM120.0 million in 9M 2015 compared to RM302.0 million in 9M 2014. While overall gross profit margin dipped 4 percentage points, it remained at a healthy level of 17% in 9M 2015. The shipbuilding and vessel chartering segments recorded gross profit margins of 17% and 12% respectively.

Other income of RM13.7 million in 9M 2015 was largely consistent with the RM14.5 million recorded in 9M 2014. Selling and administrative expenses increased by RM19.1 million to RM60.5 million in 9M 2015 primarily due to a net foreign exchange loss of RM10.8 million, an increase in depreciation of RM3.2 million and an increase in marketing expenses of RM2.4 million. Finance cost was higher at RM17.9 million in 9M 2015 compared to RM15.0 million in 9M 2014 due to the issuance of additional Medium Term Notes since the third quarter of 2014.

The Group's share of profit in jointly controlled entities recorded a gain of RM6.3 million in 9M 2015 as more assets were deployed by Nam Cheong's jointly controlled entities. However, the gain was offset by the share of loss in associate of RM9.2 million in 9M 2015 due to a lower vessel utilisation rate.

The Group's balance sheet as at September 30, 2015 remained healthy, with cash and cash equivalents amounting to RM614.8 million and a net gearing ratio of 0.97 time. Shareholders' equity stood at RM1.37 billion as compared to RM1.22 billion as at December 31, 2014.

The Group's order book of approximately RM1.4 billion as at September 30, 2015, comprises a mix of OSVs due for deliveries up till 2016.

Outlook

OPEC has forecasted that global oil demand to grow by 1.46 million barrels per day ("mb/d") in 2015 and another 1.29 million barrels per day in 2016³. As a result of the strong growth anticipated in global oil demand, coupled with the slowing oil supply from non-OPEC, the market is likely to balance in the second half of 2016⁴.

Mr Leong Seng Keat ("梁成杰"), Nam Cheong's Group Chief Executive Officer remarked, "Over the past year, oil companies have been reducing their capital expenditure levels. As such, we expect the offshore and marine sector to remain weak and for the progress of our vessel sales and shipbuilding activities to remain slow.

"However, we will continue to take advantage of our strategy in outsourcing our shipbuilding operations to derive operational efficiencies and flexibility in production delivery schedules. This has allowed us to better manage our margins. Further, our market positioning as a cost leader in the offshore and marine sector is likely to help us withstand this downturn and ensure that we capture a greater proportion of benefits when the market recovers."

³ *Monthly Oil Market Report – OPEC, September 14, 2015*

⁴ *Pareto Securities AS: 22nd Annual Oil & Offshore Conference, September 2 – 3, 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 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 130 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.

ISSUED ON BEHALF OF : Nam Cheong Limited
BY : Citigate Dewe Rogerson, i.MAGE Pte Ltd
55 Market Street
#02-01
SINGAPORE 048941
CONTACT : Ms Dolores Phua / Mr Han Zhongchou
at telephone
DURING OFFICE HOURS : 6534-5122 (Office)
AFTER OFFICE HOURS : 9750-8237 / 9154-3765 (Handphone)
EMAIL : dolores.phua@citigatedrimage.com /
zhongchou.han@citigatedrimage.com

104/15/005/NCL

November 13, 2015