

## NEWS RELEASE

### **NAM CHEONG'S NET PROFIT SURGES 99% TO HIT RM71.3 MILLION<sup>1</sup> FOR 1Q 2014**

- ***Achieves strong 1Q 2014 revenue and net profit on robust momentum in offshore marine industry***
- ***Gross profit margin up 2.6 percentage points to 21.2%***
- ***Low net gearing ratio of 0.35x as at March 31, 2014 ensures headroom for growth***

**Singapore, May 15, 2014** – 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 strong revenue and net profit for the three months ended March 31, 2014 (“1Q 2014”).

Net profit surged 99% to hit a high of RM71.3 million in 1Q 2014, from RM35.8 million in the corresponding period last year (“1Q 2013”). This was achieved on the back of robust revenue growth of 74% to RM407.3 million<sup>2</sup> in 1Q 2014, from RM234.7 million in 1Q 2013.

Datuk Tiong Su Kouk (“拿督张仕國”), Executive Chairman of Nam Cheong, said: “We are delighted to have achieved a solid set of record performance that’s premised on sound fundamentals – timely delivery of top-notch OSV vessels, strong global customer relationships, as well as a unique business model that is firmly attuned to market trends and demands.

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<sup>1</sup> Approximately S\$27.6 million based on an exchange rate of S\$1.00 to RM2.5811

<sup>2</sup> Approximately S\$157.8 million based on an exchange rate of S\$1.00 to RM2.5811

“We are in the throes of a booming offshore marine upcycle, as evident by our win of 7 vessels worth over US\$110 million to date. Buoyed by strong order wins, we have a healthy order book of approximately RM1.4 billion through till 2016.”

## **Financial Review**

Revenue for the Group’s core shipbuilding segment increased 68% to RM383.2 million in 1Q 2014 from RM228.3 million in 1Q 2013 on the back of an increase in number of vessels delivered over the quarter. A significant portion of the increase in shipbuilding revenue was attributed to the progressive recognition of revenue derived from the sale of Platform Supply Vessels, which contributed RM229.3 million or 60% to the Group’s total shipbuilding revenue for 1Q 2014. The Group’s vessel chartering segment saw a climb of 274% to RM24.1 million from RM6.4 million over the same period, following the expansion of its chartering fleet since 1Q 2013.

The Group’s gross profit grew in tandem with revenue gains, surging 97% from RM43.7 million for 1Q 2013 to RM86.3 million for 1Q 2014. Over the same period, gross profit margin was up 2.6 percentage points to 21.2% in 1Q 2014 from 18.6% in 1Q 2013. This was mainly attributable to a gross profit margin gain of 3% from the Group’s core shipbuilding segment, from 17% in 1Q 2013 to 20% in 1Q 2014. Gross profit margin for the vessel chartering segment was lower at 38% as a result of chartering-in of a vessel to fulfil a secured time charter contract. The Group vessel which was intended to perform this charter was then unavailable.

Other income increased 14% to RM7.2 million, mainly due to the increase in net fair value gain on derivatives of RM3.2 million. Share of profit of jointly controlled entities achieved a gain of RM715,000 as more assets were deployed by the jointly controlled entities.

In line with business expansion, selling and administrative expenses rose approximately RM10.1 million to RM19.0 million in 1Q 2014. Finance cost on the other hand decreased by RM1.5 million to RM3.6 million in 1Q 2014 as a result of a higher level of interest expense being capitalised in cost of construction contracts in 1Q 2014 as compared to 1Q 2013, in line with increased shipbuilding activities.

Overall, net profit after tax was higher at RM71.3 million in 1Q 2014 compared to RM35.8 million for 1Q 2013, representing a jump of 99% year-on-year.

Mr. Leong Seng Keat (“梁成杰”), Nam Cheong’s Group Chief Executive Officer said, “We’ve seen continued strong demand for a mix of OSVs for both shallow and deep water operations. With increased investments by oil majors, we have also observed that supply remains tight in some segments such as vessels that are involved in the oil production stage, especially for small size AHTS vessels with higher specifications, as well as mid-size PSVs. Hence we expect spending to be sustained or increased, especially in relation to oil production and enhanced oil recovery areas.”

With the Group’s healthy balance sheet and strong cash position of RM448.1 million, it is well-positioned for growth. In addition, the Group’s net gearing ratio of 0.35 times as at March 31, 2014 ensures sufficient headroom for growth.

## **Outlook**

The global macro conditions are expected to improve with global growth projected to be slightly higher in 2014, at around 3.6%, rising to 3.9% in 2015<sup>3</sup>. World oil consumption is expected to increase by 1.4 million barrels a day this year to a record 92.7 million a day, according to the IEA<sup>4</sup>. Consequently, exploration and production (“E&P”) spending is expected to reach a new record of US\$723 billion in 2014.<sup>5</sup>

Within Asia-Pacific, Malaysia is expected to exhibit a robust performance in the medium term. As a key driver in Malaysia’s oil and gas industry, Petronas seeks to rejuvenate mature assets and develop marginal oilfields, having pledged US\$14 billion to enhanced oil recovery projects<sup>6</sup>. With the expected upswing in E&P activities in Malaysia, OSV owners are looking to expand their fleet on the back of higher rates and improved utilisation<sup>7</sup>.

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<sup>3</sup> Source : IMF, *World Economic Outlook*, Apr 2014

<sup>4</sup> Source : Bloomberg, 14 Mar 2014

<sup>5</sup> Barclay Global 2014 E&P Spending Outlook, 9 Dec 2013

<sup>6</sup> Upstream News, 14 Jan 2014

<sup>7</sup> Maybank Kim Eng Research, Oct 2013

Mr. Leong concluded, “We are actively tapping on the opportunities arising from various parts of the world – particularly the exciting Latin America and West African regions. As a leading global offshore marine player, we have the ability and capacity to deliver to the increased needs of our customers amid an increase in global E&P activities.”

## **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<sup>8</sup>.

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 platform supply vessels (“PSVs”), safety standby vessels (“SSVs”), anchor handling towing supply (“AHTS”) vessels, 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 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 2013, the Group expanded its geographical reach to Latin America.

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<sup>8</sup> *Independent market research report by Pareto Securities Asia Pte Ltd., 23 Mar, 2011*

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 100 vessels since 2007.

Nam Cheong's shipbuilding business, which makes up over 90% of its revenue for 2008 to 2013, is complemented by its vessel chartering operations. Nam Cheong currently has a fleet of 15 vessels, comprising nine SSVs, two AHTS vessels, three landing crafts and an accommodation vessel, 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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