

## NEWS RELEASE

### **NAM CHEONG REGISTERS REVENUE OF RM518.9 MILLION<sup>1</sup> AND NET PROFIT OF RM49.8 MILLION<sup>2</sup> IN 1H 2015**

- ***Gross profit margin at a healthy level of 19%;***
- ***Order book of approximately RM1.5 billion, comprising a mix of offshore supply vessels for deliveries up till 2016;***
- ***Strong cash and cash equivalents of RM571.1 million with net gearing at 0.83 time;***
- ***Asset-light strategy and focus on resilient shallow water segment places Group on firm footing amidst macro uncertainties.***

**Singapore, August 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 RM49.8 million on revenue of RM518.9 million for the six months ended June 30, 2015 (“1H 2015”). This compared to a net profit of RM134.4 million and revenue of RM786.1 million registered in the previous corresponding period (“1H 2014”).

Datuk Tiong Su Kouk (“拿督張仕國”), Executive Chairman of Nam Cheong, said, “The macro volatilities have continued to present challenges for all industry players during the period and we have likewise seen a slowdown in new orders.

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<sup>1</sup> Approximately S\$179.9 million based on an exchange rate of S\$1.00 to RM2.8850

<sup>2</sup> Approximately S\$17.3 million based on an exchange rate of S\$1.00 to RM2.8850

“We have gone through many cycles over the past four decades of running the business and have in place strategies that have continued to help us to counter downcycles. In particular, we have an asset-light strategy through the outsourcing of construction of our vessels to reputable shipyards in China, which has allowed us to avoid excess capacity during down-cycles, therefore ensuring profitability.”

“We remain optimistic on our global market position as the cost leader in the offshore marine space, which will allow us to capture the potential industry uptick as soon as the market turns favourable.”

## **Financial Review**

The Group’s revenue of RM518.9 million in 1H 2015 was 34% lower mainly due to the shipbuilding segment registering a lower number of vessel deliveries during the period compared to 1H 2014. Seven vessels were delivered in 1H 2015, down from 12 delivered in 1H 2014. This resulted in the shipbuilding segment recording a 34% decrease in revenue to RM489.8 million in 1H 2015, from RM738.8 million in 1H 2014. In addition, with the lower vessel utilisation rate of Nam Cheong’s vessel chartering segment, it experienced a 38% decline in revenue to RM29.1 million, from RM47.3 million over the same period. This contributed to the lower overall profit achieved by the Group.

Correspondingly, gross profit decreased by 35% to RM98.9 million in 1H 2015 compared to RM153.2 million in 1H 2014 while the overall gross profit margin remained stable at 19% for both periods. The shipbuilding segment’s gross profit margin was maintained in the range of 18% to 19%, whilst gross profit margin for the vessel chartering segment remained within the range of 32% to 33%.

Nam Cheong’s other income reached RM12.9 million in 1H 2015 as compared to RM14.1 million recorded in 1H 2014.

Selling and administrative expenses increased by RM19.6 million to RM46.8 million in 1H 2015 due to a net foreign exchange loss and an increase in marketing expenses. Finance costs were higher at RM13.2 million in 1H 2015 compared to RM7.4 million in 1H 2014 primarily due to the issuance of additional Medium Term Notes in the third quarter of 2014.

The Group's share of profit in jointly controlled entities recorded a gain of RM4.1 million in 1H 2015 as more assets were deployed by the jointly controlled entities. However, the gain was offset by the share of loss in associate of RM4.5 million in 1H 2015 due to a lower vessel utilisation rate.

The Group's balance sheet as at June 30, 2015 remained healthy, with cash and cash equivalents amounting to RM571.1 million and a gearing ratio of 0.83 time. Shareholders' equity stood at RM1.24 billion as compared to RM1.22 billion as at December 31, 2014.

The Group has an order book of approximately RM1.5 billion as at June 30, 2015, comprising a mix of OSVs due for deliveries up till 2016.

## **Outlook**

Crude oil climbed from a low of nearly US\$52 to above US\$60 during most parts of May and June 2015 and subsequently dipped below US\$50 in July 2015<sup>3</sup>.

OPEC has projected global oil demand in 2015 growing at 1.18 million barrels per day ("mb/d"), outpacing 2014's growth of 0.96 mb/d. For the second half of 2015, the organisation also expects an increase in the pace of total oil consumption. This will lead to a total oil demand of 92.50 mb/d for 2015. As for the supply of non-OPEC oil, it is forecasted to grow by 0.68 mb/d, a level lower than the strong growth of 2.17 mb/d witnessed last year<sup>4</sup>.

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<sup>3</sup> *Crude oil, WTI (NYMEX) Price – Nasdaq*

<sup>4</sup> *Monthly Oil Market Report - OPEC, June 10, 2015*

Due to the projected increase in number of fields coming on stream as compared to those being decommissioned, the Group expects a rise in cumulative planned offshore infrastructure development in the shallow water segment over the next few years<sup>5</sup>.

Mr Leong Seng Keat (“梁成杰”), Nam Cheong’s Group Chief Executive Officer concluded, “2015 saw oil prices on a rollercoaster ride and despite the short-term pain, we believe that this is a necessary jolt to the industry. This industry cycle inevitably prunes weaker competition, leading to a leaner environment going forward. As such, it benefits players like ourselves which have built sustainable businesses and are equipped with strong track records of deploying capital prudently. In July 2015, we forged a stronger balance sheet by raising S\$75 million under our S\$600 million Multicurrency Medium Term Note Programme as part of our refinancing efforts, placing us in a good position to withstand further fluctuations in the market.”

Mr Leong continued, “Within the shallow water segment in areas such as Mexico, the fields’ average cost of oil extraction continues to be relatively low, at US\$20 per barrel<sup>6</sup>. Thus, although some customers may adopt a wait and see approach, the medium to long-term economics and prospects of the shallow water segment, which is Nam Cheong’s core focus, remains robust.”

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<sup>5</sup> IHS Petrodata, April 2015

<sup>6</sup> Mexico a bright spot for Keppel FELS – Business Times, June 1, 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.

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