

NEWS RELEASE

NAM CHEONG'S NET PROFIT RISES 53% TO RM63.0 MILLION¹ FOR 2Q 2014

- ***Strong revenue growth on the back of larger order book of approximately RM1.7 billion;***
- ***Gross profit margins of 18% maintained at healthy range;***
- ***Low net gearing ratio of 0.60 times as at June 30, 2014 ensures headroom for growth.***

Singapore, August 8, 2014 – Nam Cheong Limited (“南昌有限公司”) (“Nam Cheong”, 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 robust financial performance, with revenue rising 38% to RM378.8 million² in the three months ended June 30, 2014 (“2Q 2014”) from RM275.3 million in the corresponding period last year (“2Q 2013”). This strong performance boosted net profit by 53% to RM63.0 million from RM41.1 million in 2Q 2013.

Datuk Tiong Su Kouk (“拿督张仕國”), Executive Chairman of Nam Cheong, said: “This solid set of financial performance points to the buoyant demand for our vessels amidst increasing opportunities in the industry. On a year-to-date basis, Nam Cheong has achieved strong orders for 13 vessels worth approximately US\$290 million.

¹ Approximately S\$26.3 million based on an exchange rate of S\$1.00 to RM2.559

² Approximately S\$148.0 million based on an exchange rate of S\$1.00 to RM2.559

“Beyond the pursuit of financial performance, we are also mindful of the need to remain committed to good corporate governance practices for the benefit of our stakeholders. In this regard, we are honoured to have won the Bronze for the prestigious Best Managed Board Award at the Singapore Corporate Awards 2014 earlier last month. This award is a testament and reminder for us to remain focused on maintaining excellent Board processes while progressing towards our aim in being a leading global OSV player.”

Financial Review

In 2Q 2014, Nam Cheong's core shipbuilding segment achieved a 37% rise to RM355.6 million from RM259.2 million in 2Q 2013, mainly attributable to the progressive recognition of revenue from the sale of Platform Supply Vessels which contributed RM228.5 million or 60% to the Group's total shipbuilding revenue for 2Q 2014. The Group's vessel chartering segment saw a 44% surge in revenue to RM23.2 million, resulting from the addition of two new vessels to its chartering fleet since 2Q 2013. The shipbuilding segment contributed 94% of Nam Cheong's top line while the vessel chartering segment contributed 6%.

In line with the rise in revenue, gross profit rose 24% to RM67.0 million in 2Q 2014 from RM53.8 million in 2Q 2013. Gross profit margins for these two periods were maintained at healthy levels of 18% in 2Q 2014 and 20% in 2Q 2013 respectively.

Other income more than doubled in 2Q 2014 to RM7.6 million from RM3.2 million mainly as a result of net fair value gain on derivatives and net foreign exchange gains.

Due to the higher Medium Term Notes' interest expense and the amortisation of debt issuance cost, finance costs increased to RM3.8 million in 2Q 2014 over 2Q 2013's RM1.6 million.

Net profit after taxation for 2Q 2014 saw a 53% rise to RM63.0 million, in line with the overall improvement of revenue compared to RM41.1 million in 2Q 2013.

For the six months ended June 30, 2014 (“1H 2014”), revenue rose 54% to RM786.1 million from RM510.1 million in the corresponding period last year (“1H 2013”). Correspondingly net profit surged 75% to RM134.4 million from RM76.9 million over the same period.

The Group retains a robust balance sheet with a healthy cash position of RM194.2 million which provides a strong platform for Nam Cheong to tap on growth opportunities. Nam Cheong’s net gearing ratio of 0.60 times as at June 30, 2014 also allows headroom for growth.

Outlook

The global and regional outlook of the Exploration and Production (“E&P”) sector remains upbeat, with global spending expected to hit US\$1 trillion in 2017³. As a result of steadily increasing crude oil prices over the past few years, strong interest in the oil and gas E&P sector is boosting strong demand and profitability for the offshore industry³. In Malaysia, which continues to be Nam Cheong's most important market, the oil and gas sector's medium term performance is expected to be robust with Malaysian OSV operators to benefit from Petronas’ capital expenditure push.

The Group's robust order book as at July 1, 2014 stands at approximately RM1.7 billion, comprising a mix of shallow and deep water OSVs that are due for deliveries up to 2015.

Mr Leong Seng Keat (“梁成杰”), Nam Cheong’s Group Chief Executive Officer said: “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 projects⁴. This development allows us to capitalise on our strong links with oilfield service companies in Malaysia which will enable Nam Cheong to secure vessel orders.

³ *The Business Times - Offshore equities market set for takeoff, July 2, 2014*

⁴ *Petronas to spend \$14bn on EOR projects – Upstream Online, January 14, 2014*

“We remain focused on our core competencies in producing quality OSVs and the timely delivery of our vessels through our intimate knowledge of the market. Our efforts in being a customer focused vessel builder has paid off in helping us build a strong reputation in the industry not just regionally but also globally, as can be seen from the momentum of orders in the past few months.

“Through our track record in securing repeat orders from our existing customers, we are confident of our strong position in the penetration of new markets and in sustaining our lead in existing ones.”

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 Canal⁵.

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.

⁵ *Independent market research report by Pareto Securities Asia Pte Ltd., March 23, 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, three landing crafts, two AHTS vessels, and an accommodation vessel, which are chartered out by way of bareboat or time charters. The Group intends to expand in this area for the recurring income stream, and mitigate the cyclical and project-based nature of the shipbuilding industry. Nam Cheong was successfully listed on SGX-ST on May 27, 2011.

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064/14/010/NCL

August 8, 2014