

## NEWS RELEASE

### NAM CHEONG POSTS REVENUE OF RM170.4 MILLION<sup>1</sup> FOR FY2016

- ***Net loss of RM42.8 million<sup>2</sup> mainly on lower shipbuilding revenue and assets impairment***
- ***Despite near-term industry challenges, long-term outlook for offshore and marine sector remains promising***

**Singapore, February 28, 2017** – 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 revenue of RM170.4 million for the full year ended December 31, 2016 (“FY2016”), compared to RM950.0 million in the previous corresponding year (“FY2015”). Mainly in line with the lower revenue, the Group reported a net loss of RM42.8 million as compared to net profit of RM27.9 million over the same period.

Tan Sri Datuk Tiong Su Kouk (“丹斯里拿督张仕國”), Executive Chairman of Nam Cheong, said, “The short to mid-term oil and gas industry outlook remains weak and continues to pose challenges for all industry players. Top on our priority is to stay nimble with an asset-light strategy and continue to be ‘close to the ground’ for market feedback and pockets of opportunities. At the same time, Nam Cheong will continue to stay focused on optimisation of our capital structure and ongoing measures to tighten costs for greater efficiencies.”

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<sup>1</sup> Approximately S\$53.9 million based on an exchange rate of S\$1.00 to RM3.16

<sup>2</sup> Approximately S\$13.5 million based on an exchange rate of S\$1.00 to RM3.16

## **Financial Review**

Group revenue for FY2016 declined 82% year-on-year to RM170.4 million from RM950.0 million for the previous corresponding quarter, due mainly to lower shipbuilding revenue recognised.

Revenue from the shipbuilding segment was 84% lower at RM146.4 million for FY2016, compared to RM905.6 million for FY2015, largely as a result of fewer number of vessels delivered. Nam Cheong's vessel chartering segment dipped 46% to RM24.0 million for FY2016 from RM44.4 million a year ago, mainly due to lower utilisation rate in FY2016 as compared to FY2015.

In line with the lower revenue, gross profit decreased 94% to RM8.5 million in FY2016, compared to RM150.0 million in FY2015. Overall gross profit margins for FY2016 was 5%, compared to 16% in FY2015. Gross profit margins for the Group's shipbuilding segment was 17%, within the healthy range of 15% to 19%.

Other income for FY2016 surged to RM106.1 million for FY2016, compared to RM18.1 million in FY2015, due largely to the deposit forfeited by Perdana Petroleum Berhad ("Perdana") in relation to the cancellation of the US\$42 million AWBs which were sold in June 2014 as well as foreign exchange gain.

Selling and administrative expenses lowered 27% to RM42.8 million whilst finance costs dropped 36% to RM15.5 million.

The Group reported a gain in share of profits in jointly controlled entities of RM6.6 million in FY2016, which was, however, offset by a share of loss in associate of RM14.3 million resulting from a lower vessel utilisation rate by the Group's associate.

Correspondingly, the Group reported a net loss after tax of RM42.8 million for FY2016, compared to a net profit of RM27.9 million in FY2015.

For 4Q 2016, the Group reported a lower net loss of RM6.1 million, compared to RM22.3 million in 4Q2015 mainly due to the impairment on investment in associate, property, plant and equipment and inventories, which was partly offset by the deposit forfeited by Perdana. Revenue declined 50% to RM120.3 million from RM241.8 million over the same period.

Nam Cheong's shareholders' equity as at December 31, 2016 held steady at RM1.4 billion. The Group's net gearing ratio was 1.11 times as at December 31, 2016, an increase from 0.95 time as at December 31, 2015.

## **Outlook**

EIA forecasts Brent crude oil prices to average \$55/b in 2017 and \$57/b in 2018<sup>3</sup>.

Mr Leong Seng Keat (“梁成杰”), Nam Cheong's Group Chief Executive Officer said, “We have observed a recent improvement in oil prices, notwithstanding current weakness in the O&M sector. At the same time, due to an underinvestment in both capex and opex during the past two years which has affected the availability of oil reserves in the longer term, oil majors are likely to increase their spending to replace reserves in the next few years and the long-term outlook for offshore and marine sector remains promising.

“Meanwhile, we anticipate the progress of vessel sales and shipbuilding activities to remain slow. To better manage the challenges and to reduce cash outflows, we have deferred the delivery of vessels that are currently undergoing construction at our customers' requests and at our own initiative.

“In closing, we appreciate the support from all our stakeholders in riding through the storm with us as we soldier on during this long winter.”

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<sup>3</sup> US EIA Short-Term Energy Outlook, February 7, 2017

## **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 more than 130 vessels since 2007.

Nam Cheong's shipbuilding business, which makes up over 90% of its revenue for 2008 to 2015, 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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