

NEWS RELEASE

NAM CHEONG REPORTS 3% INCREASE IN REVENUE TO RM329.9 MILLION¹ FOR FY2018

- ***Continues to register significant growth in vessel chartering income***
- ***Gross profit up 127%, with a 14 percentage point increase in gross profit margin***
- ***Expects stable outlook for the Group's businesses and continued growth in vessel chartering***

Singapore, 27 February 2019 – 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 (“**SGX-ST**”) and one of Malaysia’s largest Offshore Support Vessel (“**OSV**”) provider, today reported a 3% increase in revenue to RM329.9 million for the financial year ended 31 December 2018 (“**FY2018**”), from RM319.6 million in the same period a year ago (“**FY2017**”). This was achieved on the back of continued growth in the vessel chartering segment.

Tan Sri Datuk Tiong Su Kouk (“丹斯里拿督张仕國”), Executive Chairman of Nam Cheong, said, “It is encouraging that our concerted steps taken to focus on vessel chartering have yielded good results. We have seen an uptick in the demand of our vessels for charter, led by a gradual increase in offshore and marine activities.”

“Apart from our renewed focus on vessel chartering, Nam Cheong remains committed to a disciplined capital management policy as we work towards achieving sustainable growth and value for shareholders.”

¹ Approximately S\$109.6 million based on an exchange rate of S\$1.00 to RM3.01

Financial Review

The significant 106% increase in vessel chartering income to RM134.5 million in FY2018 from RM65.2 million in FY2017 was mainly due to the addition of seven vessels to the chartering fleet during the financial year.

The shipbuilding segment achieved four units of sales and delivery of vessel in FY2018 as compared to three units in FY2017 respectively, albeit a lower revenue of RM195.3 million in FY2018 as compared to RM254.4 million in FY2017 due to sale of different vessel types.

Correspondingly, gross profit rose 127% to RM81.3 million in FY2018, from RM35.8 million in FY2017. Gross profit margin correspondingly rose 14 percentage points to 25% in FY2018, from 11% in FY2017.

The Group reported lower selling and administrative expenses in FY2018, decreasing by RM2.4 million to RM31.3 million, in line with ongoing cost rationalisation efforts.

Finance costs decreased by RM47.6 million to RM25.8 million in FY2018 as a result of the adjustment of interest expense in accordance with the Scheme of Arrangements.

Operating expenses decreased significantly to RM43.3 million in FY2018 from RM2.9 billion in FY2017 mainly due to the absence of inventories write down and lower asset impairments.

Share of results in joint ventures and associate recorded losses of RM1.1 million and RM8.5 million respectively in FY2018 due to low vessel utilisation rate in certain regions.

Correspondingly, the Group recorded profit after tax of RM963.3 million for the year, as compared to a net loss after taxation of RM3.0 billion in FY2017, mainly due to an improved debt profile in FY2018.

For the three months ended 31 December 2018 (“**4Q2018**”), the Group reported a 39% or RM28.1 million jump in revenue to RM99.4 million. This was driven by a 147% or RM29.1 million surge in vessel chartering income to RM48.8 million, from RM19.7 million in the same period last year (“**4Q2017**”), in line with the addition of seven vessels to the chartering fleet. Mainly as a result of the waiver of debts, the Group recorded profit after tax of RM9.7 million in 4Q2018, a turnaround from a loss after taxation of RM897.5 million in 4Q2017.

Outlook

According to the Petronas Activity Outlook 2019-2021, a positive outlook is expected for anchor handling towing supply (“**AHTS**”) vessels, platform supply vessels (“**PSVs**”), as well as accommodation and maintenance vessels. Demand for AHTS and PSVs are expected to increase due to a pickup in drilling and development activities. Meanwhile, a positive outlook for the Maintenance, Construction, and Modification (“**MCM**”) segment, and an expected increase in man hours required in the Brownfield Hook-up & Commissioning (“**HUC**”) segment, further strengthens the expected demand for accommodation and maintenance vessels.

Mr Leong Seng Keat (“**梁成杰**”), Nam Cheong’s Group Chief Executive Officer commented, “In response to the uptick in the O&M activities in Malaysia, the Group has been deploying its vessels for charter in Malaysia, thus the vessel chartering segment is expected to continue its growth momentum.”

On the other hand, the Group will continue to monitor and review the shipbuilding schedule, together with deferment and cancellation plans, for its remaining vessels which have yet to be delivered, through ongoing communication and consultation with its stakeholders.

“We remain firmly focused on operational excellence whilst prudently capitalising on compelling opportunities to build a sustainable business that generates value for Nam Cheong’s investors,” Mr Leong added.

ABOUT NAM CHEONG

Headquartered in Kuala Lumpur, Malaysia, Nam Cheong is a global leading offshore marine group specialising in providing OSVs.

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.

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 outsources the construction of vessels to selected shipyards in China. Nam Cheong has successfully delivered more than 140 vessels since 2007.

As part of its value chain expansion, Nam Cheong has established a presence in vessel chartering since 2007 and currently has a fleet of over 20 vessels, which are chartered out by way of bareboat or time charters to oil majors and oil field service providers. Nam Cheong was listed on the SGX-ST on May 27, 2011.

For more information, please visit: <http://www.namcheong.com.my>

For media queries, please contact:

Nam Cheong Limited

Tel: +603 2280 6777 (Office Hours)

E-Mail: ir@ncl.com.sg

Citigate Dewe Rogerson Singapore

Dolores Phua / Joey Ho

Tel: +65 6534 5122 (Office Hours)

E-Mail: dolores.phua@citigatedewerogerson.com /
joey.ho@citigatedewerogerson.com