
**Second Quarter and First Half Year Ended 30 June 2016 Financial Statements
and Related Announcement**

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1. Unaudited Financial Statements

1(a)(i) Statement of Comprehensive Income (Group)

	2nd Quarter ended 30.6.2016 RM'000	2nd Quarter ended 30.6.2015 RM'000	Change %	Half year ended 30.6.2016 RM'000	Half year ended 30.6.2015 RM'000	Change %
Revenue	117,395	192,663	(39%)	24,318	518,914	(95%)
Cost of sales	(101,717)	(162,080)	(37%)	(4,426)	(420,008)	(99%)
Gross profit	15,678	30,583	(49%)	19,892	98,906	(80%)
Other income	2,508	13,807	(82%)	8,188	12,891	(36%)
Selling and administrative expenses	(10,864)	(25,829)	(58%)	(58,147)	(46,788)	24%
Operating profit / (loss)	7,322	18,561	(61%)	(30,067)	65,009	n.m.
Finance costs	(3,541)	(6,257)	(43%)	(5,296)	(13,210)	(60%)
Share of post-tax profit of equity accounted associate and jointly controlled entities	(1,109)	(223)	>100%	(2,089)	(398)	>100%
Profit / (Loss) before tax	2,672	12,081	n.m.	(37,452)	51,401	n.m.
Income tax expense	-	(1,598)	n.m.	2	(1,594)	n.m.
Profit / (Loss) for the financial period	2,672	10,483	n.m.	(37,450)	49,807	n.m.

1. Unaudited Financial Statements (Contd.)

	2nd Quarter ended 30.6.2016 RM'000	2nd Quarter ended 30.6.2015 RM'000	Change %	Half year ended 30.6.2016 RM'000	Half year ended 30.6.2015 RM'000	Change %
Other comprehensive income						
Exchange differences on translating foreign operations	28,932	(24,916)	n.m.	(69,739)	67,742	n.m.
Net gain / (loss) on cash flow hedges	201	18,001	(99%)	6,395	(13,965)	n.m.
Other comprehensive income for the financial period, net of tax	<u>29,133</u>	<u>(6,915)</u>	n.m.	<u>(63,344)</u>	<u>53,777</u>	n.m.
Total comprehensive income for the financial period	<u>31,805</u>	<u>3,568</u>	>100%	<u>(100,794)</u>	<u>103,584</u>	n.m.
Profit / (Loss) attributable to :						
Owners of the parent	3,036	10,679	n.m.	(37,113)	49,975	n.m.
Non-controlling interest	(364)	(196)	86%	(337)	(168)	>100%
Profit / (Loss) for the financial period	<u>2,672</u>	<u>10,483</u>	n.m.	<u>(37,450)</u>	<u>49,807</u>	n.m.
Total comprehensive income attributable to:						
Owners of the parent	32,169	3,764	>100%	(100,457)	103,752	n.m.
Non-controlling interest	(364)	(196)	86%	(337)	(168)	>100%
Total comprehensive income for the financial period	<u>31,805</u>	<u>3,568</u>	>100%	<u>(100,794)</u>	<u>103,584</u>	n.m.

1. Unaudited Financial Statements (Contd.)

1(a)(ii) Notes to the Statement of Comprehensive Income

	2nd Quarter ended 30.6.2016 RM'000	2nd Quarter ended 30.6.2015 RM'000	Change %	Half year ended 30.6.2016 RM'000	Half year ended 30.6.2015 RM'000	Change %
Other income						
Interest income	1,031	2,081	(50%)	2,441	3,588	(32%)
Miscellaneous	151	71	>100%	1,636	840	95%
Net fair value gain on derivatives	-	10,893	n.m.	2,530	7,116	(64%)
Gain on disposal of property, plant and equipment	-	68	n.m.	26	68	(62%)
Rental income	697	694	n.m.	1,555	1,279	22%
Foreign exchange gain, net	629	-	n.m.	-	-	n.m.
	<u>2,508</u>	<u>13,807</u>	(82%)	<u>8,188</u>	<u>12,891</u>	(36%)
Profit / (Loss) before tax						
The following amounts have been included in arriving at profit / (loss) before tax:						
Amortisation of prepaid land lease payments	27	27	n.m.	54	54	n.m.
Depreciation of property, plant and equipment	4,953	4,445	11%	9,889	8,818	12%
Depreciation of investment properties	321	292	10%	633	572	11%
Foreign exchange loss, net	-	7,433	n.m.	36,237	9,931	>100%
Net fair value loss on derivatives	399	-	n.m.	-	-	n.m.
Share grant plan expenses	-	77	n.m.	-	683	n.m.
	<u>-</u>	<u>1,598</u>	n.m.	<u>(2)</u>	<u>1,594</u>	n.m.
Income tax expense						
Current income tax	-	1,598	n.m.	(2)	1,594	n.m.

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(b)(I) Statement of Financial Position

	Group		Company	
	30.6.2016 RM'000	31.12.2015 RM'000	30.6.2016 RM'000	31.12.2015 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	413,884	449,881	-	-
Prepaid land lease payments	7,538	7,673	-	-
Investment properties	90,068	92,241	-	-
Investment in subsidiaries	-	-	1,079,188	1,079,188
Investment in joint ventures	7,731	8,624	-	-
Investment in an associate	83,380	88,281	-	-
Held-to-maturity financial assets	35,952	110,102	-	-
	<u>638,553</u>	<u>756,802</u>	<u>1,079,188</u>	<u>1,079,188</u>
Current assets				
Held-to-maturity financial assets	23,347	16,924	-	-
Inventories	1,881,951	1,827,799	-	-
Trade and other receivables	95,877	105,656	1,268,892	1,198,273
Prepayments	189,973	214,033	244	244
Current income tax recoverable	1,175	744	-	-
Due from customers on contracts	617,250	522,734	-	-
Derivatives	404	151	-	-
Cash and cash equivalents	260,472	506,060	60,006	131,483
	<u>3,070,449</u>	<u>3,194,101</u>	<u>1,329,142</u>	<u>1,330,000</u>
TOTAL ASSETS	3,709,002	3,950,903	2,408,330	2,409,188
EQUITY AND LIABILITIES				
Equity				
Share capital	405,962	405,962	405,962	405,962
Share premium	82,347	82,347	82,347	82,347
Treasury shares	(4,097)	(4,097)	(4,097)	(4,097)
Other reserves	230,755	294,099	778,608	778,608
Retained earnings	561,715	598,828	43,733	19,855
	<u>1,276,682</u>	<u>1,377,139</u>	<u>1,306,553</u>	<u>1,282,675</u>
Non-controlling interest	(360)	(23)	-	-
Total equity	1,276,322	1,377,116	1,306,553	1,282,675
Non-current liabilities				
Loans and borrowings	1,160,881	1,181,227	1,082,284	1,105,256
Deferred tax liabilities	1,476	1,478	-	-
Trade and other payables	2,692	2,692	-	-
	<u>1,165,049</u>	<u>1,185,397</u>	<u>1,082,284</u>	<u>1,105,256</u>

1. Unaudited Financial Statements (Contd.)

1(b)(I) Statement of Financial Position (contd.)

	Group		Company	
	30.6.2016 RM'000	31.12.2015 RM'000	30.6.2016 RM'000	31.12.2015 RM'000
Current liabilities				
Due to customers on contracts	15,160	16,968	-	-
Derivatives	474	9,146	-	-
Loans and borrowings	505,367	627,980	14,051	18,690
Trade and other payables	746,430	734,096	5,442	2,567
Provisions	200	200	-	-
	<u>1,267,631</u>	<u>1,388,390</u>	<u>19,493</u>	<u>21,257</u>
Total liabilities	<u>2,432,680</u>	<u>2,573,787</u>	<u>1,101,777</u>	<u>1,126,513</u>
TOTAL EQUITY AND LIABILITIES	<u>3,709,002</u>	<u>3,950,903</u>	<u>2,408,330</u>	<u>2,409,188</u>

1. Unaudited Financial Statements (Contd.)

1(b)(ii) Aggregate amount of Group's Borrowings and Debt Securities

	As at 30.6.2016		As at 31.12.2015	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount repayable in one year or less, or on demand	491,316	14,051	609,290	18,690
Amount repayable after one year	136,800	1,024,081	122,141	1,059,086

Details of any collaterals

The Group borrowings are primarily secured by fixed deposits, proceeds from sale of vessels, and charges over certain properties and assets.

1. Unaudited Financial Statements (Contd.)

1(c) Statement of Cash Flows (Group)

	2nd Quarter ended 30.6.2016 RM'000	2nd Quarter ended 30.6.2015 RM'000	Half year ended 30.6.2016 RM'000	Half year ended 30.6.2015 RM'000
Operating activities				
Profit / (Loss) before tax	2,672	12,081	(37,452)	51,401
Adjustments for:				
Amortisation of prepaid land lease payments	27	27	54	54
Depreciation of property, plant and equipment	4,953	4,445	9,889	8,818
Depreciation of investment properties	321	292	633	572
Gain on disposal of property, plant and equipment	-	(68)	(26)	(68)
Interest expense	3,541	6,257	5,296	13,210
Interest income	(1,031)	(2,081)	(2,441)	(3,588)
Net fair value loss / (gain) on derivatives	399	(10,893)	(2,530)	(7,116)
Share grant plan expenses	-	77	-	683
Share of post-tax loss of equity accounted associate and jointly controlled entities	1,109	223	2,089	398
Unrealised (gain) / loss on foreign exchange	(13,876)	31,942	29,880	39,030
Total adjustments	(4,557)	30,221	42,844	51,993
Operating cash flows before working capital changes	(1,885)	42,302	5,392	103,394
Changes in working capital:				
Increase in inventories	(14,570)	(171,398)	(30,769)	(383,698)
Decrease / (Increase) in receivables	29,320	53,517	(2,642)	332,904
(Increase) / Decrease in prepayments	(2,741)	(12,632)	14,610	20,483
Increase in amount due from customers on contracts	(186,898)	(222,710)	(222,172)	(81,601)
Increase / (Decrease) in payables	73,819	37,767	57,685	(315,373)
Decrease in amount due to customers on contracts	(727)	(6,310)	(798)	(15,470)
Total changes in working capital	(101,797)	(321,766)	(184,086)	(442,755)
Cash flows used in operations	(103,682)	(279,464)	(178,694)	(339,361)
Interest paid	(21,573)	(16,874)	(39,338)	(34,709)
Taxes paid, net of refund	(148)	80	(431)	(1,195)
Net cash flows used in operating activities	(125,403)	(296,258)	(218,463)	(375,265)

1. Unaudited Financial Statements (Contd.)

1(c) Statement of Cash Flows (Group) (Contd.)

	2nd Quarter ended 30.6.2016 RM'000	2nd Quarter ended 30.6.2015 RM'000	Half year ended 30.6.2016 RM'000	Half year ended 30.6.2015 RM'000
Investing activities				
Acquisition of property, plant and equipment	(11)	(440)	(65)	(1,122)
Interest received	1,031	2,081	2,441	3,588
Proceeds from disposal of held-to-maturity financial assets	44,067	-	60,551	-
Proceeds from disposal of property, plant and equipment	-	85	26	85
Net cash flows from investing activities	45,087	1,726	62,953	2,551
Financing activities				
Dividends paid	-	(84,896)	-	(84,896)
Proceeds from bank borrowings	23,951	135,699	111,285	274,716
Repayments of bank borrowings	(25,859)	(46,998)	(194,722)	(61,267)
Placement of fixed deposit	(1,127)	-	(57,058)	-
Net cash flows (used in) / from financing activities	(3,035)	3,805	(140,495)	128,553
Net decrease in cash and cash equivalents	(83,351)	(290,727)	(296,005)	(244,161)
Effects of foreign exchange rate changes	11,819	(747)	(8,039)	15,149
Cash and cash equivalents at 1 April / 1 January	209,479	862,362	441,991	799,900
Cash and cash equivalents at 30 June	137,947	570,888	137,947	570,888

Cash and cash equivalents comprise the following as at the statements of financial position date:

Fixed deposits with licensed banks	123,527	135,021	123,527	135,021
Cash and bank balances	136,946	436,065	136,946	436,065
Bank overdrafts	(1,399)	-	(1,399)	-
	259,074	571,086	259,074	571,086
Less: Restricted fixed deposits with licensed banks	(121,127)	(198)	(121,127)	(198)
Total cash and cash equivalents	137,947	570,888	137,947	570,888

1. Unaudited Financial Statements (Contd.)

1(d)(i) Statements of Changes in Equity

Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Cash flow hedge reserve RM'000	Share grant reserve RM'000	Retained earnings RM'000	Equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2015	405,962	82,347	(7,090)	115,780	(38,045)	2,825	656,985	1,218,764	568	1,219,332
Profit for the period	-	-	-	-	-	-	39,296	39,296	28	39,324
Other comprehensive income	-	-	-	92,658	(31,966)	-	-	60,692	-	60,692
Contributions by and distributions to owners:										
Share grant plan expenses	-	-	-	-	-	606	-	606	-	606
At 31 March 2015	405,962	82,347	(7,090)	208,438	(70,011)	3,431	696,281	1,319,358	596	1,319,954
Profit for the period	-	-	-	-	-	-	10,679	10,679	(196)	10,483
Other comprehensive income	-	-	-	(24,916)	18,001	-	-	(6,915)	-	(6,915)
Contributions by and distributions to owners:										
Dividend paid	-	-	-	-	-	-	(84,896)	(84,896)	-	(84,896)
Share grant plan expenses	-	-	-	-	-	77	-	77	-	77
Treasury share expenses	-	-	5,285	-	-	(3,508)	(1,777)	-	-	-
At 30 June 2015	405,962	82,347	(1,805)	183,522	(52,010)	-	620,287	1,238,303	400	1,238,703

1. Unaudited Financial Statements (Contd.)

1(d)(i) Statements of Changes in Equity

Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Cash flow hedge reserve RM'000	Share grant reserve RM'000	Retained earnings RM'000	Equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2016	405,962	82,347	(4,097)	300,716	(6,617)	-	598,828	1,377,139	(23)	1,377,116
Loss for the period	-	-	-	-	-	-	(40,149)	(40,149)	27	(40,122)
Other comprehensive income	-	-	-	(98,671)	6,194	-	-	(92,477)	-	(92,477)
At 31 March 2016	405,962	82,347	(4,097)	202,045	(423)	-	558,679	1,244,513	4	1,244,517
Profit for the period	-	-	-	-	-	-	3,036	3,036	(364)	2,672
Other comprehensive income	-	-	-	28,932	201	-	-	29,133	-	29,133
At 30 June 2016	405,962	82,347	(4,097)	230,977	(222)	-	561,715	1,276,682	(360)	1,276,322

1. Unaudited Financial Statements (Contd.)

1(d)(i) Statements of Changes in Equity (Contd.)

Company	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Share grant reserve RM'000	Contributed surplus RM'000	Retained profit RM'000	Equity attributable to owners of the parent RM'000
At 1 January 2015	405,962	82,347	(7,090)	2,825	778,608	8,523	1,271,175
Loss for the period	-	-	-	-	-	(2,687)	(2,687)
Contributions by and distributions to owners:							
Share grant plan expenses	-	-	-	606	-	-	606
At 31 March 2015	405,962	82,347	(7,090)	3,431	778,608	5,836	1,269,094
Profit for the period	-	-	-	-	-	101,228	101,228
Contributions by and distributions to owners:							
Dividend paid	-	-	-	-	-	(84,896)	(84,896)
Share grant plan expenses	-	-	-	77	-	-	77
Treasury share expenses	-	-	5,285	(3,508)	-	(1,777)	-
At 30 June 2015	405,962	82,347	(1,805)	-	778,608	20,391	1,285,503
At 1 January 2016	405,962	82,347	(4,097)	-	778,608	19,855	1,282,675
Loss for the period	-	-	-	-	-	(17,154)	(17,154)
At 31 March 2016	405,962	82,347	(4,097)	-	778,608	2,701	1,265,521
Profit for the period	-	-	-	-	-	41,032	41,032
At 30 June 2016	405,962	82,347	(4,097)	-	778,608	43,733	1,306,553

Notes:

(a) There were no share granted in 2Q of FY2016 under the Nam Cheong Group 2013 Share Grant Plan ("2013 Share Grant Plan"). During 2Q 2016, there were neither share grant being released (2Q 2015: 4,838,560) nor lapsed (2Q 2015: 172,283) under the 2013 Share Grant Plan.

1. Unaudited Financial Statements (Contd.)

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital during the financial period under review.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and corresponding period of immediately preceding year.

As at 30 June 2016 and 30 June 2015, the total number of issued shares excluding treasury shares was 2,096,465,885 and 2,101,093,885 respectively.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on preceding year.

During 2Q 2016, there were no treasury shares was acquired and re-issued pursuant to the 2013 Share Grant Plan.

As at 30 June 2016, 6,678,597 treasury shares were held as treasury shares by the Company.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

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4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Other than the changes mentioned in item no. 5 below, the accounting policies and methods of computation for the current reporting period adopted are consistent with those stated in the Annual Report for the financial year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has revised the estimated useful lives of vessels from 20 years to 25 years pursuant to the Group's recent operational and sector review of our vessels. It is the Group's practice to regularly review on fleet composition to ensure that the fleet remains competitive and market relevant. As the Group's fleet composition has gradually grew towards a fleet with more enhanced specification, the useful life of the vessels is expected to be 25 years. Accordingly, the Group has revised the estimated useful lives of the vessels from 20 to 25 years.

In accordance with IFRS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the change in accounting estimate has been applied from 1 January 2016. Accordingly, the adoption of the change in accounting estimate has no effect in prior years.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group		Group	
	2nd Quarter ended 30.6.2016	2nd Quarter ended 30.6.2015	Half year ended 30.6.2016	Half year ended 30.6.2015
Earnings per ordinary shares of the Group for the financial period based on net profit / (loss) attributable to shareholders:				
(i) Based on weighted average number of ordinary shares in issue (Sen)	0.14	0.51	(1.77)	2.38
Weighted average number of shares	2,096,465,885	2,101,930,673	2,096,465,885	2,098,260,253
(ii) On a fully diluted basis (Sen)	0.14	0.51	(1.77)	2.38
Adjusted weighted average number of shares	2,096,465,885	2,101,124,177	2,096,465,885	2,101,194,780

7. Net asset value (for the Issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group		Company	
	As at 30.6.2016	As at 31.12.2015	As at 30.6.2016	As at 31.12.2015
Net asset value per ordinary share (Sen)	60.9	65.7	62.3	61.2
Ordinary shares in issue	2,096,465,885	2,096,465,885	2,096,465,885	2,096,465,885

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review of Group Performance

(a) Statements of comprehensive income (Group)

1H 2016 vs 1H 2015

	1H 2016				1H 2015				Variance			
	Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	16,950	70%	32,078	189%	489,836	94%	89,607	18%	(472,886)	(97%)	(57,529)	(64%)
Vessel Chartering	7,368	30%	(12,186)	(165%)	29,078	6%	9,299	32%	(21,710)	(75%)	(21,485)	(231%)
Total	24,318	100%	19,892	82%	518,914	100%	98,906	19%	(494,596)	(95%)	(79,014)	(80%)

Revenue for six months ended 30 June 2016 ("1H 2016") of RM24.3 million was RM494.6 million, or 95%, lower as compared to RM518.9 million achieved during the previous year corresponding six months ended 30 June 2015 ("1H 2015"). The shipbuilding segment recorded revenue of RM17.0 million for 1H 2016, representing a decrease of 97% as compared to RM489.8 million recorded for 1H 2015. This was mainly due to the reversal of revenue from Perdana Petroleum Berhad's ("Perdana") cancellation of an Accommodation Work Barge ("AWB") and lower number of vessels delivery in 1H 2016 as compared to 1H 2015 (1H 2016: 1 unit; 1H 2015: 7 units).

The vessel chartering segment also registered a decrease in revenue of RM21.7 million, or 75%, from RM29.1 million for 1H 2015 to RM7.4 million for 1H 2016, mainly due to lower utilisation rate in 1H 2016.

8. (contd.)

Review of Group Performance (Contd.)

(a) Statements of comprehensive income (Group) (Contd.)

1H 2016 vs 1H 2015

Gross profit decreased by 80%, from RM98.9 million for 1H 2015 to RM19.9 million recorded for 1H 2016, which is in tandem with lower revenue recorded. The gross profit margin for shipbuilding segment was in the range of 15% to 19% excluding contribution from the reversal of Perdana. The chartering segment continues to record gross loss in 1H 2015 due to lower utilisation rate of vessels.

Other income for 1H 2016 of RM8.2 million was lower as compared to RM12.9 million recorded in 1H 2015 mainly due to the decrease in net fair value gain on derivatives of RM4.6 million.

Selling and administrative expenses increased by RM11.4 million in 1H 2016 due mainly to increase in net foreign exchange loss of RM26.3 million and offset by decrease in marketing expenses of RM9.9 million in 1H 2016.

Finance cost decreased by RM7.9 million in 1H 2016 over 1H 2015, as a result of higher interest expense being capitalised in cost of construction in 1H 2016.

Share of profit in jointly controlled entities recorded a gain of RM2.8 million in 1H 2016. However, the gain was offset by the share of loss in associate of RM4.9 million in 1H 2016 due to lower vessel utilisation rate.

Net loss after taxation for 1H 2016 was RM37.5 million.

2Q 2016 vs 2Q 2015

	2Q 2016				2Q 2015				Variance			
	Revenue		Gross Profit	Gross Profit Margin	Revenue		Gross Profit	Gross Profit Margin	Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	114,008	97%	21,387	19%	179,179	93%	27,452	15%	(65,171)	(36%)	(6,065)	(22%)
Vessel Chartering	3,387	3%	(5,709)	(169%)	13,484	7%	3,131	23%	(10,097)	(75%)	(8,840)	(282%)
Total	117,395	100%	15,678	13%	192,663	100%	30,583	16%	(75,268)	(39%)	(14,905)	(49%)

8. (contd.)

Review of Group Performance (contd.)

(a) Statements of comprehensive income (Group) (contd.)

2Q 2016 vs 2Q 2015 (contd.)

Revenue for the three months ended 30 June 2016 ("2Q 2016") of RM117.4 million was RM75.3 million, or 39%, lower as compared to RM192.7 million recorded during the previous year corresponding three months ended 30 June 2015 ("2Q 2015"). Revenue from the shipbuilding segment decreased by 36% to RM114.0 million for 2Q 2016 from RM179.2 million recorded for 2Q 2015. The reduction in shipbuilding revenue in 2Q 2016 was mainly due to slower progressive recognition of revenue from vessel sold. The vessel chartering revenue also recorded a decrease of 75% from RM13.5 million for 2Q 2015 to RM3.4 million for 2Q 2016, mainly due to lower utilisation rate in 2Q 2016.

Gross profit decreased by 49% from RM30.6 million in 2Q 2015 to RM15.7 million in 2Q 2016, in tandem with lower revenue. The gross profit margin for shipbuilding segment was in the range of 15% to 19% whilst that for chartering segment was lower due to lower utilisation rate of vessels. Overall gross profit margins for 2Q 2016 reduced to 13% from 16% in 2Q 2015.

Primarily due to the quarter's absence of a net fair value gain on derivatives of RM10.9 million which was recorded in 2Q 2015, other income in 2Q 2016 declined 82% to RM2.5 million.

Selling and administrative expenses dipped 58% to RM10.9 million during 2Q 2016, largely due to lower foreign exchange losses and marketing expenses.

Finance costs declined by 43% to RM3.5 million in 2Q 2016, as a result of higher interest expenses capitalised as vessels' cost of construction.

Share of profit in jointly controlled entities recorded a gain of RM2.3 million in 2Q 2016. However, the gain was offset by the share of loss in associate of RM3.4 million in 2Q 2016 due to the lower vessel utilisation rate achieved by our associate.

Net profit after taxation for 2Q 2016 was RM2.7 million.

(b) Statements of financial position (Group)

Total Assets

Total assets of the Group decreased by RM241.9 million from RM3.95 billion as at 31 December 2015 ("FY2015") to RM3.71 billion as at 30 June 2016 ("PE2016") mainly due to the decrease in the cash and cash equivalents.

Total Liabilities

Total liabilities of the Group reduced by RM141.1 million from RM2.57 billion in FY2015 to RM2.43 billion in PE2016, mainly due to the decrease in the total amount of loans and borrowings by RM143.0 million.

As a result of decreased in cash and cash equivalents, the Group's net gearing ratio increased from 0.95 times in FY2015 to 1.10 times in PE2016.

8. (contd.)

Review of Group Performance (contd.)

(c) Statement of Cash Flows (Group)

1H 2016 vs 1H 2015

Net cash flows used in operating activities of RM218.5 million in 1H 2016 was mainly due to the increase in amount due from customers on contract of RM222.2 million.

Net cash flows from investing activities of RM63.0 million in 1H 2016 was mainly attributed to the proceeds from disposal of held-to-maturity financial assets of RM60.6 million.

Net cash flows used in financing activities of RM140.5 million in 1H 2016 was mainly attributed to the repayments of bank borrowing of RM194.7 million.

2Q 2016 vs 2Q 2015

Net cash flows used in operating activities of RM125.4 million in 2Q 2016 was mainly due to the increase in amount due from customers on contract of RM186.9 million.

Net cash flows from investing activities of RM45.1 million in 2Q 2016 was mainly attributed to the proceeds from disposal of held-to-maturity financial assets of RM44.1 million.

Net cash flows used in financing activities of RM3.0 million in 2Q 2016 was mainly attributed to the repayments of bank borrowing of RM25.9 million and partial offset by proceed from bank borrowings of RM24.0 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

There is no material change from the previous prospect statement.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Due to lower oil prices, oil companies have been cutting capital expenditure and operating costs over the past year. The outlook for the O&M sector remains weak and the Group anticipates that the progress of vessel sales and shipbuilding to remain slow.

In response to the challenging business environment that the Group is operating in, the Group has deferred the schedule of deliveries of its vessels currently under construction, both at customers' requests and also at the Group's initiative. The Group continues to monitor and review the shipbuilding schedule and deferment plan, through ongoing communication and consultation with the stakeholders.

The Group has a gross order book of approximately RM1.1 billion as at June 30, 2016, comprising a mix of OSVs due for deliveries up till 2018.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared in the period under review.

13. General mandate relating to interested person transactions

The Group has not obtained a general mandate from shareholders for interested person transactions.

14. Confirmation pursuant to Appendix 7.7 under Rule 720(1) of the Listing Manual

The Board of Directors of Nam Cheong Limited hereby confirms that the undertakings from all its directors and executive officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

15. Confirmation from the Board

We, the undersigned, hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements of the Group and of the Company for the six months ended 30 June 2016 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Tan Sri Datuk Tiong Su Kouk
Executive Chairman

Leong Seng Keat
Chief Executive Officer

Singapore
11 August 2016