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## Fourth Quarter and Full Year Ended 31 December 2019 Financial Statements and Related Announcement

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## 1. Unaudited Financial Statements

### 1(a)(i) Statements of Comprehensive Income (Group)

	4th Quarter ended 31.12.2019 RM'000	4th Quarter ended 31.12.2018 RM'000	Change %	Full year ended 31.12.2019 RM'000	Full year ended 31.12.2018 RM'000	Change %
<b>Revenue</b>	89,013	99,439	(10%)	285,362	329,862	(13%)
Cost of sales	(59,105)	(61,720)	(4%)	(194,006)	(248,604)	(22%)
<b>Gross profit</b>	29,908	37,719	(21%)	91,356	81,258	12%
Other income	3,515	108,449	(97%)	76,093	1,074,141	(93%)
Selling and administrative expenses	(11,783)	(9,474)	24%	(39,354)	(32,022)	23%
Other operating expenses	(12,033)	(41,279)	(71%)	(16,820)	(49,953)	(66%)
<b>Operating profit</b>	9,607	95,415	(90%)	111,275	1,073,424	(90%)
Finance costs	(9,933)	(5,792)	71%	(41,099)	(25,803)	59%
Share of results of equity accounted joint ventures, net of tax	820	(462)	(100%)	2,106	(1,016)	(100%)
Share of results of equity accounted associate, net of tax	(3)	(5,857)	(100%)	(4,387)	(9,634)	(54%)
<b>Profit before tax</b>	491	83,304	(99%)	67,895	1,036,971	(93%)
Income tax expense	(118)	(231)	(49%)	(3,111)	(314)	>100%
<b>Profit for the financial period/year</b>	373	83,073	(100%)	64,784	1,036,657	(94%)

1. Unaudited Financial Statements (Contd.)

1(a)(i) Statements of Comprehensive Income (Group) (Contd.)

	4th Quarter ended 31.12.2019 RM'000	4th Quarter ended 31.12.2018 RM'000	Change %	Full year ended 31.12.2019 RM'000	Full year ended 31.12.2018 RM'000	Change %
<b>Other comprehensive income</b>						
Exchange differences on translating foreign operations	3,832	(26,345)	>100%	25,715	(30,986)	>100%
Fair value gain/(loss) on available-for-sale	(307)	(2)	>100%	(136)	(2,029)	(93%)
<b>Other comprehensive income/(loss) for the financial period, net of tax</b>	<u>3,525</u>	<u>(26,347)</u>	>100%	<u>25,579</u>	<u>(33,015)</u>	>100%
<b>Total comprehensive income for the financial period/year</b>	<u>3,898</u>	<u>56,726</u>	(93%)	<u>90,363</u>	<u>1,003,642</u>	(91%)
<b>Profit attributable to:</b>						
Owners of the parent	343	79,729	(100%)	63,919	1,032,956	(94%)
Non-controlling interest	30	3,344	(99%)	865	3,701	(77%)
<b>Profit for the financial period/year</b>	<u>373</u>	<u>83,073</u>	(100%)	<u>64,784</u>	<u>1,036,657</u>	(94%)
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	3,868	53,382	(93%)	89,498	999,941	(91%)
Non-controlling interest	30	3,344	(99%)	865	3,701	(77%)
<b>Total comprehensive income for the financial period/year</b>	<u>3,898</u>	<u>56,726</u>	(93%)	<u>90,363</u>	<u>1,003,642</u>	(91%)

1. Unaudited Financial Statements (Contd.)

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

	4th Quarter ended 31.12.2019 RM'000	4th Quarter ended 31.12.2018 RM'000	Change %	Full year ended 31.12.2019 RM'000	Full year ended 31.12.2018 RM'000	Change %
<b>Other income</b>						
Foreign exchange gain	-	38,756	n.m.	-	43,610	n.m.
Deposit forfeited	-	807	n.m.	-	807	n.m.
Impairment of trade receivables written back	2,288	-	n.m.	2,731	-	n.m.
Interest income	1,355	737	84%	3,112	1,845	69%
Inventories written back	(492)	-	n.m.	11,921	-	n.m.
Miscellaneous	(126)	(1,073)	(88%)	1,320	5,137	(74%)
Extinguishment of debt	-	(5,437)	n.m.	-	348,378	n.m.
Overprovision for corporate guarantee	-	-	n.m.	-	32,380	n.m.
Rental income	2	-	n.m.	7	378	(98%)
Reversal of impairment loss on associate	-	8,682	n.m.	-	8,682	n.m.
Waiver of debts	488	65,977	(99%)	57,002	632,924	(91%)
	<u>3,515</u>	<u>108,449</u>	(97%)	<u>76,093</u>	<u>1,074,141</u>	(93%)
<b>Profit before tax</b>						
The following amounts have been included in arriving at profit before tax:						
<b>Administrative expenses</b>						
Amortisation of prepaid land lease payments	66	76	(13%)	270	270	0%
Depreciation of property, plant and equipment	9,173	6,723	36%	29,837	17,370	72%

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(a)(ii) Notes to the Statements of Comprehensive Income (Contd.)

	4th Quarter ended 31.12.2019 RM'000	4th Quarter ended 31.12.2018 RM'000	Change %	Full year ended 31.12.2019 RM'000	Full year ended 31.12.2018 RM'000	Change %
<b>Profit before tax (Contd.)</b>						
The following amounts have been included in arriving at profit before tax:						
<i>Other operating expenses</i>						
Dry docking expenses	-	534	n.m.	-	534	n.m.
Contract termination expenses relating to prepayments for inventories	-	4,166	n.m.	878	4,166	(79%)
Impairment of property, plant and equipment	-	15,287	n.m.	33	15,287	(100%)
Impairment of trade and other receivables	-	16,722	n.m.	-	16,722	n.m.
Inventories written down	-	403	n.m.	-	403	n.m.
Property, plant and equipment written off	-	52	n.m.	12	363	(97%)
Impairment on other investments	-	2,707	n.m.	-	2,707	n.m.
Change in fair value of financial liabilities	4,414	-	n.m.	4,414	-	n.m.
Foreign exchange loss, net	7,619	-	n.m.	10,243	-	n.m.
Loss on disposal of property, plant and equipment	-	-	n.m.	-	5	n.m.
Restructuring expenses	-	(1,988)	n.m.	1,240	8,025	(85%)
<b>Income tax expense</b>						
Current income tax	118	231	(49%)	3,111	314	>100%

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(b)(i) Statements of Financial Position

	Group		Company	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	803,385	613,249	-	-
Prepaid land lease payments	6,592	6,863	-	-
Investment in joint ventures	5,132	3,024	-	-
Investment in an associate	18,501	22,888	-	-
	<u>833,610</u>	<u>646,024</u>	<u>-</u>	<u>-</u>
<b>Current assets</b>				
Inventories	123,541	147,284	-	-
Trade and other receivables	155,864	86,742	-	-
Prepayments	5,382	11,459	23	53
Current income tax recoverable	365	-	-	-
Fixed deposits	988	40,872	-	-
Cash and cash equivalents	46,490	68,808	95	318
	<u>332,630</u>	<u>355,165</u>	<u>118</u>	<u>371</u>
<b>TOTAL ASSETS</b>	<u>1,166,240</u>	<u>1,001,189</u>	<u>118</u>	<u>371</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	3,484	3,417	3,484	3,417
Share premium	300,417	297,796	300,417	297,796
Treasury shares	(4,097)	(4,097)	(4,097)	(4,097)
Other reserves	312,933	286,595	779,367	778,608
Accumulated losses	(983,453)	(1,047,372)	(1,805,145)	(1,779,064)
	<u>(370,716)</u>	<u>(463,661)</u>	<u>(725,974)</u>	<u>(703,340)</u>
<b>Non-controlling interest</b>	<u>6,062</u>	<u>5,197</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>	<u>(364,654)</u>	<u>(458,464)</u>	<u>(725,974)</u>	<u>(703,340)</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	592	220	-	-
Finance lease liability	1,005	-	-	-
Trade and other payables	198,790	143,711	-	-
Loans and borrowings	904,005	1,009,516	671,465	670,223
	<u>1,104,392</u>	<u>1,153,447</u>	<u>671,465</u>	<u>670,223</u>

**1. Unaudited Financial Statements (Contd.)**

**1(b)(i) Statements of Financial Position (Contd.)**

	Group		Company	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<b>EQUITY AND LIABILITIES (Contd.)</b>				
<b>Current liabilities</b>				
Finance lease liability	234	-	-	-
Loans and borrowings	96,036	-	-	-
Trade and other payables	330,232	306,206	54,627	33,488
	<u>426,502</u>	<u>306,206</u>	<u>54,627</u>	<u>33,488</u>
<b>Total liabilities</b>	<u>1,530,894</u>	<u>1,459,653</u>	<u>726,092</u>	<u>703,711</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,166,240</u>	<u>1,001,189</u>	<u>118</u>	<u>371</u>

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

	As at 31.12.2019		As at 31.12.2018	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount repayable in one year or less, or on demand	<u>96,036</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount repayable after one year	<u>-</u>	<u>904,005</u>	<u>100,870</u>	<u>908,646</u>

**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) Statements of Cash Flows (Group)

	4th Quarter ended 31.12.2019 RM'000	4th Quarter ended 31.12.2018 RM'000	Full year ended 31.12.2019 RM'000	Full year ended 31.12.2018 RM'000
<b>Operating activities</b>				
Profit before tax	491	83,304	67,895	1,036,971
Adjustments for:				
Amortisation of prepaid land lease payments	66	76	270	270
Depreciation of property, plant and equipment	9,173	6,723	29,837	17,370
Extinguishment of debt	-	5,437	-	(348,378)
Loss on disposal of property, plant and equipment	-	-	-	5
Contract termination expenses relating to prepayments for inventories	-	4,166	878	4,166
Impairment on property, plant and equipment	-	15,287	33	15,287
Reversal of impairment on investment in associate	-	(8,682)	-	(8,682)
Impairment of trade and other receivables	-	16,722	-	16,722
Impairment of trade and other receivables written back	(2,288)	-	(2,731)	-
Impairment on other investments	-	2,707	-	2,707
Inventories written back	492	-	(11,921)	-
Inventories written down	-	403	-	403
Interest expense	9,933	5,792	41,099	25,803
Interest income	(1,355)	(737)	(3,112)	(1,845)
Property, plant and equipment written off	-	52	12	363
Share grant expense	109	592	759	592
Share of results of equity accounted joint ventures, net of tax	(820)	462	(2,106)	1,016
Share of results of equity accounted associate, net of tax	3	5,857	4,387	9,634
Unrealised loss / (gain) on foreign exchange	6,727	(66,041)	5,861	(90,017)
Waiver of debts	(488)	(65,977)	(57,002)	(632,924)
Total adjustments	21,552	(77,161)	6,264	(987,508)
<b>Operating cash before working capital changes</b>	22,043	6,143	74,159	49,463
Changes in working capital:				
Changes in inventories	(2,910)	6,909	1,095	(96,458)
Changes in receivables	29,268	46,413	(22,935)	33,004
Changes in prepayments	2,567	(8,658)	5,198	(10,867)
Changes in contract assets	-	421	-	38,381
Changes in payables	606	(48,959)	(25,167)	(15,355)
Changes in provision	-	-	-	(32,380)
Changes in contract liabilities	-	(698)	-	(698)
Total changes in working capital	29,531	(4,572)	(41,809)	(84,373)
<b>Cash from / (used in) operations</b>	51,574	1,571	32,350	(34,910)
Interest paid	(12,496)	(5,957)	(34,909)	(17,265)
Taxes paid, net of refund	(1,762)	(161)	(2,276)	148
<b>Net cash from / (used in) operating activities</b>	37,316	(4,547)	(4,835)	(52,027)



**1. Unaudited Financial Statements (Contd.)**  
**1(c) Statements of Cash Flows (Group) (Contd.)**

	<b>4th Quarter ended 31.12.2019 RM'000</b>	<b>4th Quarter ended 31.12.2018 RM'000</b>	<b>Full year ended 31.12.2019 RM'000</b>	<b>Full year ended 31.12.2018 RM'000</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(32,274)	(991)	(58,853)	(90,384)
Interest received	1,355	737	3,112	1,845
Investment in jointly controlled entity	-	-	(2)	-
Proceeds from disposal of property, plant and equipment	2	-	3	4
<b>Net cash used in investing activities</b>	<b>(30,917)</b>	<b>(254)</b>	<b>(55,740)</b>	<b>(88,535)</b>
<b>Financing activities</b>				
Repayments of bank borrowings	(926)	(867)	(3,576)	(10,816)
Repayments of medium term notes	-	(434)	-	(9,825)
Proceeds from issuance of shares	-	-	-	66,005
Decrease in fixed deposits pledged	-	20,173	2,700	20,206
<b>Net cash (used in) / from financing activities</b>	<b>(926)</b>	<b>18,872</b>	<b>(876)</b>	<b>65,570</b>
<b>Net changes in cash and cash equivalents</b>	<b>5,473</b>	<b>14,071</b>	<b>(61,451)</b>	<b>(74,992)</b>
<b>Effects of foreign exchange rate changes</b>	<b>(1,469)</b>	<b>6,711</b>	<b>1,949</b>	<b>(1,322)</b>
<b>Cash and cash equivalents at 1 October / 31 December</b>	<b>43,203</b>	<b>85,927</b>	<b>106,709</b>	<b>183,023</b>
<b>Cash and cash equivalents at 31 December</b>	<b>47,207</b>	<b>106,709</b>	<b>47,207</b>	<b>106,709</b>
Cash and cash equivalents comprise the following as at the statements of financial position date:				
Fixed deposits with licensed banks	988	40,872	988	40,872
Cash and bank balances	46,490	68,808	46,490	68,808
	47,478	109,680	47,478	109,680
Less: Restricted fixed deposits with licensed banks	(271)	(2,971)	(271)	(2,971)
<b>Total cash and cash equivalents</b>	<b>47,207</b>	<b>106,709</b>	<b>47,207</b>	<b>106,709</b>

1. Unaudited Financial Statements (Contd.)

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

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Available- for-sale reserve RM'000	Share grant reserve RM'000	Accumulated losses RM'000	Equity attributable to owners of the parent RM'000	Non- controlling interest RM'000	Total equity RM'000
<b>Group</b>										
<b>At 1 January 2018</b>	81,192	82,347	(4,097)	320,986	(2,372)	-	(2,138,467)	(1,660,411)	1,496	(1,658,915)
Adoption of IFRS 15	-	-	-	996	-	-	(19,370)	(18,374)	-	(18,374)
<b>At 1 January 2018, restated</b>	81,192	82,347	(4,097)	321,982	(2,372)	-	(2,157,837)	(1,678,785)	1,496	(1,677,289)
Profit for the period	-	-	-	-	-	-	953,227	953,227	357	953,584
Other comprehensive loss	-	-	-	(4,641)	-	-	-	(4,641)	-	(4,641)
Fair value loss on available- for-sale	-	-	-	-	(2,027)	-	-	(2,027)	-	(2,027)
Arising from dilution of equity interests in a subsidiary	-	-	-	-	-	-	(3,259)	(3,259)	-	(3,259)
Allotment and Issuance of Non-Sustainable Debt shares	1,772	150,280	-	-	-	-	-	152,052	-	152,052
Allotment and Issuance of Rights shares	833	65,172	-	-	-	-	-	66,005	-	66,005
Capital reorganisation	(80,380)	-	-	-	-	-	80,380	-	-	-
<b>At 30 September 2018</b>	3,417	297,799	(4,097)	317,341	(4,399)	-	(1,127,489)	(517,428)	1,853	(515,575)
Profit for the period	-	-	-	-	-	-	79,729	79,729	3,344	83,073
Other comprehensive loss	-	-	-	(26,345)	-	-	-	(26,345)	-	(26,345)
Fair value loss on available for- sales	-	-	-	-	(2)	-	-	(2)	-	(2)
Arising from dilution of equity interests in a subsidiary	-	-	-	-	-	-	(204)	(204)	-	(204)
Allotment and Issuance of Non-Sustainable Debt shares	-	(3)	-	-	-	-	-	(3)	-	(3)
Share grant plan expenses	-	-	-	-	-	-	592	592	-	592
<b>At 31 December 2018</b>	3,417	297,796	(4,097)	290,996	(4,401)	-	(1,047,372)	(463,661)	5,197	(458,464)

1. Unaudited Financial Statements (Contd.)

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

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Available-for-sale reserve RM'000	Share grant reserve RM'000	Accumulated losses RM'000	Equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
<b>Group</b>										
<b>At 1 January 2019</b>	3,417	297,796	(4,097)	290,996	(4,401)	-	(1,047,372)	(463,661)	5,197	(458,464)
Profit for the period	-	-	-	-	-	-	63,576	63,576	835	64,411
Other comprehensive loss	-	-	-	21,883	-	-	-	21,883	-	21,883
Fair value gain on available for-sales	-	-	-	-	171	-	-	171	-	171
Allotment and issuance of the Term Loan Shares	67	2,621	-	-	-	-	-	2,688	-	2,688
Share grant plan expenses	-	-	-	-	-	650	-	650	-	650
<b>At 30 September 2019</b>	3,484	300,417	(4,097)	312,879	(4,230)	650	(983,796)	(374,693)	6,032	(368,661)
Profit for the period	-	-	-	-	-	-	343	343	30	373
Other comprehensive income	-	-	-	3,832	-	-	-	3,832	-	3,832
Fair value loss on available for-sales	-	-	-	-	(307)	-	-	(307)	-	(307)
Share grant plan expenses	-	-	-	-	-	109	-	109	-	109
<b>At 31 December 2019</b>	3,484	300,417	(4,097)	316,711	(4,537)	759	(983,453)	(370,716)	6,062	(364,654)

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

Company	Share capital RM'000	Share premium RM'000	Share grant reserve RM'000	Treasury shares RM'000	Contributed surplus RM'000	Accumulated losses RM'000	Equity attributable to owners of the parent RM'000
<b>At 1 January 2018</b>	81,192	82,347	-	(4,097)	778,608	(2,515,853)	(1,577,803)
Profit for the period	-	-	-	-	-	698,321	698,321
Allotment and Issuance of Non-Sustainable Debt shares	1,772	150,280	-	-	-	-	152,052
Allotment and Issuance of Rights shares	833	65,172	-	-	-	-	66,005
Capital reorganisation	(80,380)	-	-	-	-	80,380	-
<b>At 30 September 2018</b>	3,417	297,799	-	(4,097)	778,608	(1,737,152)	(661,425)
Loss for the period	-	-	-	-	-	(41,912)	(41,912)
Allotment and Issuance of Non-Sustainable Debt shares	-	(3)	-	-	-	-	(3)
<b>At 31 December 2018</b>	3,417	297,796	-	(4,097)	778,608	(1,779,064)	(703,340)
<b>At 1 January 2019</b>	3,417	297,796	-	(4,097)	778,608	(1,779,064)	(703,340)
Loss for the period	-	-	-	-	-	(2,754)	(2,754)
Share grant plan expenses	-	-	650	-	-	-	650
Allotment and issuance of the Term Loan Shares	67	2,621	-	-	-	-	2,688
<b>At 30 September 2019</b>	3,484	300,417	650	(4,097)	778,608	(1,781,818)	(702,756)
Loss for the period	-	-	-	-	-	(23,327)	(23,327)
Share grant plan expenses	-	-	109	-	-	-	109
<b>At 31 December 2019</b>	3,484	300,417	759	(4,097)	778,608	(1,805,145)	(725,974)

**Note:**

On 4 March 2019, share awards amounted to 70,179,408 shares was granted pursuant to the Nam Cheong Management Incentive Plan ("NCMI Plan").

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## 1. Unaudited Financial Statements (Contd.)

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, subdivision, consolidation, 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 31 December 2019 and 31 December 2018, the total number of issued shares excluding treasury shares was 7,144,298,867 and 7,017,940,767 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.

There were no movement in the treasury shares during forth quarter of 2019. As at 31 December 2019, 6,678,597 shares were held as treasury shares by the Company.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no movement in the subsidiary holdings during forth quarter of 2019. As at 31 December 2019, 114,356,460 shares were held as subsidiary holdings.

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 modifications or emphasis of matter)

Not applicable.

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

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 2018.

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 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 2018.

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	
	4th Quarter ended 31.12.2019	4th Quarter ended 31.12.2018	Full year ended 31.12.2019	Full year ended 31.12.2018
Earnings per ordinary shares of the Group for the financial period based on net profit attributable to shareholders:				
(i) Based on weighted average number of ordinary shares in issue (Sen)	0.005	1.14	0.90	30.34
Weighted average number of shares	7,144,298,867	7,017,940,767	7,136,336,576	3,404,364,689
(ii) On a fully diluted basis (Sen)	0.005	1.14	0.89	30.34
Adjusted weighted average number of shares	7,214,478,275	7,017,940,767	7,194,595,098	3,404,364,689

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 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018
Net asset value per ordinary share (Sen)	(5.1)	(6.5)	(10.2)	(10.0)
Ordinary shares in issue	7,144,298,867	7,017,940,767	7,144,298,867	7,017,940,767

8. 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)

#### FY2019 vs FY2018

	FY2019				FY2018				Variance			
	RM'000	%	Gross RM'000	Gross Profit %	RM'000	%	Gross RM'000	Gross Profit %	RM'000	%	RM'000	%
Shipbuilding	-	-	-	n.m.	195,340	59%	51,288	26%	(195,340)	(100%)	(51,288)	(100%)
Vessel Chartering	285,362	100%	91,356	32%	134,522	41%	29,970	22%	150,840	112%	61,386	205%
Total	285,362	100%	91,356	32%	329,862	100%	81,258	25%	(44,500)	(13%)	10,098	12%

Due to the absence of shipbuilding revenue in financial year ended 31 December 2019 ("FY 2019"), the Group's revenue decreased by 13% to RM285.4 million in FY 2019. However, the Group's revenue from vessel chartering surged by 112% from RM134.5 million in the previous corresponding year ended 31 December 2018 ("FY2018") to RM285.4 million in FY 2019. This was mainly attributable to the expanded fleet size to 36 vessels in FY 2019 as compared to 28 vessels in FY 2018.

Despite the drop in revenue, gross profit increased by 12% YoY to RM91.4 million in FY 2019 with the gross profit margin increasing from 25% in FY 2018 to 32% in FY 2019, owing to the significant improvement of GPM for vessel chartering segment from 22% in FY 2018 to 32% in FY 2019.

8. (Contd.)

**Review of Group Performance (Contd.)**

**(a) Statements of Comprehensive Income (Group) (Contd.)**

**FY2019 vs FY2018**

Other income was lower at RM76.1 million in FY 2019 as compared to RM1.1 billion recorded in FY 2018 mainly due to the absence of extinguishment of debts of RM348.4 million in FY 2018 and lower waiver of debts of RM57.0 million in FY 2019 as compared to RM632.9 million in FY 2018.

Selling and administrative expenses increased by RM7.3 million or 23% to RM39.4 million in FY 2019 as compared to RM32.0 million in FY 2018, primarily due to increase in vessel chartering activities which were consistent with the increase in chartering revenue.

Other operating expenses in FY 2019 amounted to RM16.8 million mainly comprised foreign exchange loss, whereas the other operating expenses in FY 2018 amounted to RM50.0 million mainly due to impairment made on property, plant and equipment and trade and other receivables of RM32.0 million and restructuring expenses of RM8.0 million.

Finance costs increased to RM41.1 million in FY 2019 as compared to RM25.8 million recorded in FY 2018, mainly due to the increase in finance cost related to the expanded fleet size in FY 2019 which were consistent with the increase in chartering revenue.

Share of results of equity accounted joint ventures, net of tax, turnaround to register a RM2.1 million gain in FY 2019 from a loss of RM1.0 million recorded in FY 2018 mainly attributed to higher vessel utilisation. Share of results of equity accounted associate, net of tax, recorded a lower loss of RM4.4 million in FY2019 as compared to RM9.6 million in FY 2018 due to improved vessel utilisation rate.

Mainly as a result of the absence in extinguishment of debt and a lower amount of waiver of debts recorded during the current financial period, the Group registered a lower net profit after tax of RM64.8 million in FY 2019 as compared to net profit after tax of RM1.0 billion in FY 2018.

**4Q 2019 vs 4Q 2018**

	4Q 2019				4Q 2018				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	-	-	-	n.m.	50,635	51%	36,592	72%	(50,635)	(100%)	(36,592)	(100%)
Vessel Chartering	89,013	100%	29,908	34%	48,804	49%	1,127	2%	40,209	82%	28,781	>100%
Total	89,013	100%	29,908	34%	99,439	100%	37,719	38%	(10,426)	(10%)	(7,811)	(21%)



8. (Contd.)

**Review of Group Performance (Contd.)**

**(a) Statements of Comprehensive Income (Group) (Contd.)**

**4Q 2019 vs 4Q 2018 (Contd.)**

Due to the absence of shipbuilding revenue in the three months ended 31 December 2019 ("4Q 2019"), the Group's revenue decreased by 10% to RM89.0 million in 4Q 2019. However, the Group's revenue from vessel chartering surged by 82% from RM48.8 million in the previous year corresponding three months ended 31 December 2018 ("4Q 2018") to RM89.0 million in 4Q 2019. This was mainly attributable to the expanded fleet size to 36 vessels in 4Q 2019 as compared to 28 vessels in 4Q 2018.

Despite the drop in overall revenue and gross profit margin in 4Q 2019 as a result of the absence of shipbuilding revenue, the gross profit margin for vessel chartering increased significantly from 2% in 4Q 2018 to 34% in 4Q 2019.

Other income was lower at RM3.5 million in 4Q 2019 as compared to RM108.4 million recorded in 4Q 2018 mainly due to the absence of waiver of debts by trade creditors in 4Q 2019, which amounted to RM66.0 million as result of successful negotiation and settlement.

Selling and administrative expenses increased from RM9.5 million to RM11.8 million in 4Q 2019, primarily due to increase in vessel chartering activities which was consistent with the increase in revenue.

Other operating expenses of RM12.0 million in 4Q 2019 was lower than RM41.3 million recorded in 4Q 2018 mainly due to lower impairment made on property, plant and equipment and trade and other receivables.

Finance costs increased to RM9.9 million in 4Q 2019 as compared to RM5.8 million recorded in 4Q 2018, mainly due to the increase in finance cost related to vessel financing to support the expanded fleet size in FY 2019 which were consistent with the increase in chartering revenue.

Share of results of equity accounted joint ventures, net of tax, turnaround to register a higher gain of RM0.8 million in 4Q 2019 as compared to RM0.5 million loss recorded in 4Q 2018 mainly attributed to higher vessel utilisation rate. Share of results of equity accounted associate, net of tax, recorded a break even in 4Q 2019 as compared to RM5.9 million loss in 4Q 2018 due to improved vessel utilisation rate.

Mainly as a result of the absence of extinguishment of debts in 4Q 2019, the Group recorded a lower net profit after tax of RM0.4 million in 4Q 2019 as compared to a net profit after tax of RM83.1 million in 4Q 2018.

8. (Contd.)

**Review of Group Performance (Contd.)**

**(b) Statements of financial position (Group)**

**Total Assets**

Total assets of the Group increased by 16.5% or RM165.1 million from RM1.0 billion as at 31 December 2018 ("FY 2018") to RM 1.2 billion as at 31 December 2019 ("FY 2019") mainly due to:

- (i) Property, plant and equipment increased by RM190.1 million or 31.0% from RM613.2 million as at FY 2018 to RM803.4 million as at FY 2019 as the Group expanded its fleet from 28 vessels as at FY2018 to 36 vessels as at FY 2019; and
- (ii) Trade and other receivables increased by RM69.1 million or 79.7% from RM86.7 million as at FY2018 to RM155.9 million as at FY 2019 which was consistent with the increase in vessel chartering revenue of more than twofold during the period.

The increase in total assets was partially offset by the following items:

- (i) Fixed deposits and Cash and cash equivalents decreased by RM62.2 million mainly due to the acquisition of additional property, plant and equipment and repayment of term loan interest during the period; and
- (ii) Inventories decreased by RM23.7 million due to the reclassification of certain inventories to property, plant and equipment during the period.

**Total Liabilities**

Total liabilities of the Group increased by 4.9% or RM71.2 million from RM1.46 billion as at FY 2018 to RM1.53 billion as at FY 2019 mainly due to the increase in trade and other payables of RM79.1 million in relation to the abovementioned increase in property, plant and equipment during the period.

In compliance to International Financial Reporting Standards 16 – Leases, effective from 2019, the Group recorded right-of-use asset and finance lease liability of RM 1.2 million in FY2019.

**Negative working capital**

The decrease in net working capital of RM142.8 million, or 291.6%, from RM49.0 million as at 31 December 2018 to negative working capital of RM93.8 million as at 31 December 2019 was mainly due to the reclassification of the non-current portion of the loan and borrowings of RM96.0 million in FY2019. These loan and borrowings, which are secured over certain properties and assets of the Group, will only fall due on 31 December 2020.

**(c) Statements of Cash Flows (Group)**

**FY 2019 vs FY 2018**

Net cash used in operating activities of RM4.8 million in FY2019 was mainly due to the decrease in payables of RM25.2 million and increase in receivables of RM22.9 million.

Net cash used in investing activities of RM55.7 million in FY 2019 was mainly due to acquisition of property, plant and equipment of RM58.9 million which are partially offset with interest received of RM3.1 million.

Net cash used in financing activities of RM0.9 million in FY 2019 was mainly due to repayment of bank borrowings of RM 3.6 million which was offset with uplifting of fixed deposits pledged amounted to RM2.7 million.

8. (Contd.)

**Review of Group Performance (Contd.)**

**(c) Statement of Cash Flows (Group)**

**4Q 2019 vs 4Q 2018**

Net cash generated from operating activities of RM37.3 million in 4Q 2019 was mainly due to the decrease in receivables of RM29.3 million which offset with interest paid of RM12.5 million.

Net cash used in investing activities of RM30.9 million in 4Q 2019 was attributed to acquisition of property, plant and equipment of RM32.3 million which was offset with interest received of RM1.4 million.

Net cash used in financing activities of RM0.9 million in 4Q 2019 was due to repayment of bank borrowings.

**Use of Proceeds**

As at the date of this Report, the entire net proceeds of S\$22.0 million from the Rights Issue have been fully utilised as follows:

<u>Application of Rights Issue Net Proceeds</u>	<u>Amount (S\$ million)</u>
Net proceeds	22.0
Repayment of the Cash Out Option pursuant to the Schemes	(3.2) <sup>1</sup>
Operations for the Group	(0.1) <sup>1</sup>
Settlement with trade creditors in the course of the operations of the Group	(18.7)
Balance as at the date of this report	<u>-</u>

The above utilisation of the Net Proceeds is in accordance with the stated use and within the amount allocated for the operations of the Group, as previously stated in the Offer Information Statement dated 3 September 2018.

<sup>1</sup> The balance S\$0.1 million originally allocated for the repayment of the Cash Out Option pursuant to the Schemes has been reallocated towards the other intended use of the Net Proceeds, being for use in the operations of the Group. This balance amount is due to a reduction in the S\$ equivalent of the Total Cash Out Payment (being approximately US\$2.4 million) as a result of the exchange rate between US\$ and S\$ at the time of payment of the Cash Out Option.

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

According to Petronas Activity Outlook 2020-2022, the cyclical upward trend is expected to continue in the Malaysia's oil and gas sector. With the favourable oil price outlook encouraging continuous spending in oil and gas exploration and production, oil and gas services providers including drilling, fabrication and vessel are set to benefit from the increasing offshore activities.

Meanwhile, Maintenance, Construction, and Modification (MCM) activities are projected to remain steady and the Brownfield Hook-up & Commissioning (HUC) activities are expected to grow, thereby supporting the Group's revenue stream from the chartering of accommodation and maintenance vessels.

In response to the upbeat offshore and marine activities in Malaysia, the Group has been deploying its vessels for charter in Malaysian waters, and expects the vessel chartering unit to continue its growth momentum. The Group will continue to monitor and review the shipbuilding schedule for the remaining vessels which have yet to be delivered, including potential deferment and cancellation plans, through ongoing communication and consultation with its stakeholders.

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 and the reason(s) for the decision

No dividend has been declared in the period under review as the Company is working through its restructuring arrangement and wishes to enhance the financial strength of the Company.

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13. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows :-

Not applicable.

14. General mandate relating to interested person transactions

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

15. Segmental Reporting

	Shipbuilding RM'000	Chartering RM'000	Others RM'000	Eliminations RM'000	Total RM'000
<b>Financial year ended 31 December 2019</b>					
<b>Revenue</b>					
External revenue	-	285,362	-	-	285,362
<b>Results</b>					
Interest income	1,279	1,830	20,552	(20,549)	3,112
Depreciation of property, plant and equipment	(1,722)	(28,238)	(231)	354	(29,837)
Amortisation of prepaid land lease payments	(162)	(108)	-	-	(270)
Allowance for trade and other receivables	-	-	(398)	-	(398)
Gain on waiver of debt	56,973	-	31,018	(30,989)	57,002
Inventories written back	11,921	-	-	-	11,921
Impairment on property, plant and equipment	-	(33)	-	-	(33)
Contract termination expense relating to prepayments for inventories	(878)	-	-	-	(878)
Finance costs	(28,554)	(14,515)	(17,658)	19,628	(41,099)
Share of results of jointly controlled entities	-	-	2,106	-	2,106
Share of loss on investment in associate	-	-	(4,387)	-	(4,387)
Profit / (Loss) before tax	17,990	77,347	(27,442)	-	67,895

15. Segmental Reporting (Contd.)

	Shipbuilding RM'000	Chartering RM'000	Others RM'000	Eliminations RM'000	Total RM'000
<b>As at 31 December 2019</b>					
Additions to non-current assets	17	68,087	12	-	68,116
Investment in jointly controlled entities	-	-	5,132	-	5,132
Investment in associate	-	-	18,501	-	18,501
Segment assets	504,562	1,107,546	15,718	(491,236)	1,136,590
Segment liabilities	2,396,148	1,597,236	903,373	(3,365,863)	1,530,894
<b>Financial year ended 31 December 2018</b>					
<b>Revenue</b>					
External revenue	195,340	134,522	-	-	329,862
<b>Results</b>					
Interest income	5,164	1,423	29,235	(33,977)	1,845
Depreciation of property, plant and equipment	(1,670)	(15,688)	(760)	748	(17,370)
Amortisation of prepaid land lease payments	(162)	(108)	-	-	(270)
Inventories written down	(403)	-	-	-	(403)
Reversal of Impairment on investment in an associate	-	-	8,682	-	8,682
Impairment on property, plant and equipment	(12,905)	(2,382)	-	-	(15,287)

15. Segmental Reporting (Contd.)

	Shipbuilding RM'000	Chartering RM'000	Others RM'000	Eliminations RM'000	Total RM'000
<b>Financial year ended 31 December 2018 (Contd.)</b>					
Contract termination expense relating to prepayments for inventories	(4,166)	-	-	-	(4,166)
Finance costs	(30,151)	(9,357)	(20,859)	34,564	(25,803)
Share of results of jointly controlled entities	-	-	(1,016)	-	(1,016)
Share of loss on investment in associate	-	-	(9,634)	-	(9,634)
Profit before income tax	667,627	1,612	367,732	-	1,036,971
<b>As at 31 December 2018</b>					
Additions to non-current assets	1,445	78	1,041	-	2,564
Investment in associate	-	-	22,888	-	22,888
Investment in joint ventures	-	-	3,456	(432)	3,024
Segment assets	909,203	571,416	343,779	(823,209)	1,001,189
Segment liabilities	2,876,675	933,196	1,008,674	(3,358,892)	1,459,653



15. Segmental Reporting (Contd.)

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>		
Malaysia	285,362	132,678
Marshall Islands	-	96,487
United Kingdom	-	100,697
	<u>285,362</u>	<u>329,862</u>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>		
Malaysia	832,743	644,939
Singapore	867	1,085
	<u>833,610</u>	<u>646,024</u>

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15. Segmental Reporting (Contd.)

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment	803,385	613,249
Prepaid land lease payments	6,592	6,863
Investment in jointly controlled entities	5,132	3,024
Investment in associate	18,501	22,888
	<u>833,610</u>	<u>646,024</u>

16. Review of segment performance

Please refer to paragraph 8

17. A breakdown of Sales

	GROUP		% of increase
	FY2019 RM'000	FY2018 RM'000	
a) Sales reported for first half year	104,607	135,718	(23%)
b) Operating profit after tax before deducting non-controlling interests reported for first half year	2,485	559,604	(100%)
c) Sales reported for second half year	180,755	194,144	(7%)
d) Operating profit after tax before deducting non-controlling interests reported for second half year	62,299	477,053	(87%)

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Tiong Chiong Soon	50 years	<p>1. Son of Executive Chairman and substantial shareholder, Tan Sri Datuk Tiong Su Kouk</p> <p>2. Brother of Executive Vice Chairman, Tiong Chiong Hiiung</p> <p>3. Brother-in-law of Chief Executive Officer, Leong Seng Keat</p>	Director of Nam Cheong Dockyard Sdn Bhd since 01.11.2009. Tiong Chiong Soon is responsible for the shipyard in Miri, Sarawak, Malaysia	Not Applicable
Leong Juin Zer Jonathan	30 years	<p>1. Grandson of Executive Chairman and substantial shareholder, Tan Sri Datuk Tiong Su Kouk</p> <p>2. Nephew of Executive Vice Chairman, Tiong Chiong Hiiung</p> <p>3. Son of Chief Executive Officer, Leong Seng Keat</p>	Leong Juin Zer Jonathan is Business Development Manager	Executive Director of SKOSV Sdn Bhd since 20.2.2020

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19. [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.

20. [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 twelve months ended 31 December 2019 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

28 February 2020