



**NAM CHEONG LIMITED**  
**(Incorporated in Bermuda)**  
**(Company Registration Number 25458)**

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**VARIANCE BETWEEN THE UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 AND REPLACEMENT ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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The Board of Directors (“**Board**”) of Nam Cheong Limited (“**Company**”) and its subsidiaries (together the “**Group**”) refers to:

- (a) the announcement issued on 2 April 2019 in relation to the disclaimer of opinion by the independent auditors of the Company Foo Kon Tan LLP (“**Auditors**”) on the financial statements for the financial year ended 31 December 2018 and variance between the unaudited financial statements (“**Unaudited 2018 Results**”) and the audited financial statements (“**Audited FY2018 Financial Statements**”), for the financial year ended 31 December 2018; and
- (b) the announcement issued on 5 April 2019 in relation to the Annual Report for financial year ended 2018 (“**2018 Annual Report**”), which has been despatched to the Company’s shareholders on 5 April 2019.

On 29 March 2019, the Company after having discussed with, and agreed on, the content of the basis of disclaimer of opinion on the Audited FY2018 Financial Statements relating to the “going concern” issue, and not having received any written indications to the contrary that the Audited FY2018 Financial Statements were not finalised from the Auditors, proceeded to arrange for the printing of the 2018 Annual Report, which was subsequently despatched to the shareholders on 5 April 2018.

Subsequently, on 8 April 2019, the Company was unexpectedly informed by the Auditors that certain further adjustments to the Audited FY2018 Financial Statements (as detailed below) were required in finalising the audit and issue of the FY2018 Financial Statements. Given these adjustments, the Company will despatch a replacement 2018 Annual Report (“**Replacement 2018 Annual Report**”) containing the revised Audited FY2018 Financial Statements (“**Revised Audited FY2018 Financial Statements**”) to the shareholders on 13 April 2019.

These adjustments were mainly in relation to the (a) non-current assets and non-current liabilities; and (b) basis for disclaimer of opinion in the Independent Auditor’s Report.

For further details in relation to (a), the shareholders can refer to “Table A: Statement of Financial Position (at Group Level)” and “Table B: Consolidated Statement or Comprehensive Profit or Loss (at Group Level)”.

For further details in relation to (b), the shareholders can refer to “Table C: Summary of the Salient Amendments to the 2018 Annual Report”.

For the full report, the shareholders can refer to the Revised Audited FY2018 Financial Statements contained in the Replacement 2018 Annual Report accompanying this announcement.

Following the release of the Unaudited FY2018 Results on 27 February 2019, certain adjustments have been made to the Revised Audited FY2018 Financial Statements as compared to what was disclosed in the 2018 Annual Report. For further details, the shareholders can refer to "Table D: Variance between Unaudited FY2018 Results and the Revised Audited FY2018 Financial Statements".

**Table A: Statement of Financial Position (at Group Level)**

	<b>2018 Annual Report RM'000</b>	<b>Replacement 2018 Annual Report RM'000</b>	<b>Variance RM'000</b>	<b>Notes</b>
Non current assets	665,812	646,024	(19,788)	Mainly due to (1) impairment of trade receivable amounted to RM17.1 million and (2) impairment of other investments amounted to RM2.7 million.
Non current liabilities	1,191,990	1,153,447	(38,543)	Due to fair value adjustment to non-current trade payable in connection with the debt restructuring to RM38.5 million.
Total equity	(477,219)	(458,464)	18,755	

**Table B: Consolidated Statement of Comprehensive Profit or Loss (at Group Level)**

	<b>2018 Annual Report RM'000</b>	<b>Replacement 2018 Annual Report RM'000</b>	<b>Variance RM'000</b>	<b>Notes</b>
Other income	1,035,957	1,074,141	38,184	Due to fair value adjustment to non-current trade payable in connection with the debt restructuring amounted to RM38.5 million.
Other operating expenses	(30,524)	(49,953)	(19,429)	Mainly due to (1) impairment of trade receivable amounted to RM17.1 million and (2) impairment of other investments amounted to RM2.7 million.
Profit for the year	1,017,902	1,036,657	18,755	

## TABLE C: SUMMARY OF THE SALIENT AMENDMENTS TO THE 2018 ANNUAL REPORT

### Page 53-56 Independent auditor's report to the members of Nam Cheong Limited:

#### *Additional basis for Disclaimer of Opinion*

#### (2) *Opening balances*

*The financial statements for the financial year ended 31 December 2017 were audited by another firm of auditors who expressed a disclaimer of opinion on those financial statements in respect of the Group's and the Company's ability to continue as going concern in its report dated 17 July 2018.*

#### *(i) Available-for-sale financial assets (Note 9 to the financial statements)*

*As at 31 December 2017, management had estimated the fair value of available-for-sale financial assets based on indicative prices obtained from an information database for bond investors. Fair value of financial instruments should be assessed using a valuation methodology, and inputs and assumptions appropriate for the subject financial asset.*

*There were no alternative audit procedures that we could perform to satisfy ourselves concerning the carrying amount of the available-for-sale financial assets at 1 January 2018.*

#### *(ii) Non-current trade receivables (Note 11 to the financial statements)*

*At 31 December 2017, non-current trade receivables of RM16,797,000 (US\$3,907,000) related to the remaining balance of the proceeds from sale of a vessel to a customer during the year ended 31 December 2017. Pursuant to a credit arrangement entered into with the customer, this amount bears interest at 6% per annum and is secured by a personal guarantee of the chairman of the customer and repayable by on 1 July 2020, Management is of the view that this amount is recoverable based on the contractual arrangement.*

*In the absence of management's supporting documentations related to the customer's financial capacity for debt payment, there were no practicable alternative audit procedures that we could carry out to satisfy ourselves with respect to the recoverability of the amount at 1 January 2018.*

#### *(iii) Provision for financial guarantee (Note 22) to the financial statements)*

*The Group and the Company did not recognise a liability at inception in respect of guarantees provided to financial institutions for loans granted to joint ventures and subsidiaries, respectively.*

*During the year ended 31 December 2017, the Group and the Company recognised a provision for financial guarantee liability of RM32.4 million and RM484.4 million following the joint ventures' and subsidiaries' default on bank loan repayments obligations.*

*Given that management's initial measurement of the fair values of these financial guarantees was not performed, we were unable to satisfy ourselves by alternative means concerning the appropriate quantum of financial guarantee expense to be recognised in profit or loss for the year ended 31 December 2017.*

#### *(iv) Disclosure of fair values of financial assets and financial liabilities measured at amortised cost (Note 11, 20 to the financial statements)*

*The Group had assumed the carrying amounts of non-current trade receivables of RM16,797,000 and non-current trade payables of RM2,582,000 approximated their fair values as at 31 December 2017 without any valuations based on an appropriate valuation method.*

*There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the opening balances in respect of available-for-sale financial assets and non-current trade receivables and the comparative figures were free from material misstatement. Any adjustments to the opening balances as at 1 January 2018 that would be required may have a consequential significant effect on the Group's assets as at 1 January 2018 and 31 December 2018 and its results for the year ended 31 December 2017 and 2018, and the presentation and disclosure thereof in the financial statements.*

The remaining amendments and related notes in the Replacement 2018 Annual Report are mainly editorial in nature for the purpose of enhancement of disclosure.

**TABLE D: VARIANCE BETWEEN UNAUDITED FY2018 RESULTS AND THE REVISED AUDITED FY2018 FINANCIAL STATEMENTS**

Following the release of the Unaudited FY2018 Results on 27 February 2019, certain adjustments have been made to the Revised Audited FY2018 Financial Statements as compared to what was disclosed in the 2018 Annual Report. The tables below set out the variances between the Unaudited FY2018 Results and the Revised Audited FY2018 Financial Statements with accompanying notes of explanation:

**(a) Statement of Comprehensive Income**

	<b>Unaudited FY2018 Results RM'000</b>	<b>Revised Audited FY2018 Financial Statements RM'000</b>	<b>Variance RM'000</b>	<b>Notes</b>
Other income	992,318	1,074,141	81,823	Mainly due to (1) reclassification and overstatement of unrealised foreign exchange loss of RM54.3 million arising from borrowings and (2) understatement of waiver of debt amounted to RM38.5 million.
Selling and administrative expenses	(31,340)	(32,022)	(682)	Mainly due to (1) under accrual of share grant expenses amounted to RM591,000 and (2) under accrual of Director's fees of RM91,000.
Other operating expenses	(43,310)	(49,953)	(6,643)	Mainly due to (1) net effect against unrealised foreign exchange loss of RM54.3 million arising from borrowings, (2) impairment of trade receivable amounted to RM17.1 million and (3) impairment of other investment amounted to RM2.7 million.
Share of results of equity accounted joint ventures, net of tax	(1,054)	(1,016)	38	Due to adjustments made in the joint ventures' audited financial statements by the component auditors.
Share of results of equity accounted associate, net of tax	(8,493)	(9,634)	(1,141)	Due to adjustment made in the associate's audited financial statement by the component auditor.
Profit for the year	963,262	1,036,657	73,395	

**(b) Statements of Financial Position**

	Group (RM'000)		Company (RM'000)		Variance		Notes
	Unaudited FY2018 Results	Revised Audited FY2018 Financial Statements	Unaudited FY2018 Results	Revised Audited FY2018 Financial Statements	Group (RM'000)	Company (RM'000)	
Non current assets	666,886	646,024	-	-	(20,862)	-	Mainly due to (1) impairment of trade receivable amounted to RM17.1 million and (2) impairment of other investment amounted to RM2.7 million.
Current assets	346,363	355,165	125,975	371	8,802	(125,604)	<b>Group</b> Mainly due to reclassification of amount due to joint ventures to amount due from joint ventures.  <b>Company</b> Mainly due to impairment of amount due from subsidiaries.
Non current liabilities	1,248,182	1,153,447	715,897	670,223	(94,735)	(45,674)	<b>Group</b> Mainly due to (1) overstatement of unrealised foreign exchange loss of RM54.3 million in loans and borrowings and (2) understatement of waiver of debt amounted to RM38.5 million.  <b>Company</b> Mainly due to overstatement of unrealised foreign exchange loss of RM45.7 million in loans and borrowings.

**(b) Statements of Financial Position (cont'd)**

	Group (RM'000)		Company (RM'000)		Variance		Notes
	Unaudited FY2018 Results	Revised Audited FY2018 Financial Statements	Unaudited FY2018 Results	Revised Audited FY2018 Financial Statements	Group (RM'000)	Company (RM'000)	
Current liabilities	297,314	306,206	27,728	33,488	8,892	5,760	<p><b>Group</b> Mainly due to reclassification of amount due to joint venture to amount due from joint ventures.</p> <p><b>Company</b> Mainly due to reclassification of amount due from subsidiaries to amount due to subsidiaries.</p>
Total equity	(532,247)	(458,464)	(617,650)	(703,340)	73,783	(85,690)	

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

	Unaudited FY2018 Results RM'000	Revised Audited FY2018 Financial Statements RM'000	Variance RM'000	Notes
Net cash flows used in operating activities	(28,850)	(52,027)	(23,177)	Mainly due to the reclassification of pledged fixed deposits utilised for settlement from operating activities to financing activities.
Net cash flows from financing activities	42,393	65,570	23,177	

The notice of the annual general meeting contained in the 2018 Annual Report has not been changed and the annual general meeting will be convened on 29 April 2019 at 10.00 am at Furama RiverFront, Venus 1 & II Level 3, 405 Havelock, Singapore 169633.

This announcement is to be read in conjunction with the accompanying Replacement 2018 Annual Report.

BY ORDER OF THE BOARD  
NAM CHEONG LIMITED

Tan Sri Datuk Tiong Su Kouk  
Executive Chairman  
12 April 2019