
**First Quarter Ended 31 March 2017 Financial Statements
and Related Announcement**

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1. Unaudited Financial Statements

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

	1st Quarter ended 31.3.2017 RM'000	1st Quarter ended 31.3.2016 RM'000	Change %
Revenue	17,888	(93,077)	n.m.
Cost of sales	(10,736)	97,291	n.m.
Gross profit	<u>7,152</u>	<u>4,214</u>	70%
Other income	4,502	6,708	(33%)
Selling and administrative expenses	(7,412)	(11,445)	(35%)
Other operating expenses	(43,006)	(36,866)	17%
Operating loss	<u>(38,764)</u>	<u>(37,389)</u>	4%
Finance costs	(6,124)	(1,755)	>100%
Share of post-tax profit of equity accounted associate and jointly controlled entities	(2,485)	(980)	>100%
Loss before tax	<u>(47,373)</u>	<u>(40,124)</u>	18%
Income tax expense	(135)	2	n.m.
Loss for the financial period	<u>(47,508)</u>	<u>(40,122)</u>	18%
Other comprehensive income			
Exchange differences on translating foreign operations	(7,961)	(98,671)	(92%)
Net gain on cash flow hedges	-	6,194	n.m.
Other comprehensive income for the financial period, net of tax	<u>(7,961)</u>	<u>(92,477)</u>	(91%)
Total comprehensive income for the financial period	<u>(55,469)</u>	<u>(132,599)</u>	(58%)
Loss attributable to :			
Owners of the parent	(47,528)	(40,149)	18%
Non-controlling interest	20	27	(26%)
Loss for the financial period	<u>(47,508)</u>	<u>(40,122)</u>	18%
Total comprehensive income attributable to:			
Owners of the parent	(55,489)	(132,626)	(58%)
Non-controlling interest	20	27	(26%)
Total comprehensive income for the financial period	<u>(55,469)</u>	<u>(132,599)</u>	(58%)

1. Unaudited Financial Statements (Contd.)

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

	1st Quarter ended 31.3.2017 RM'000	1st Quarter ended 31.3.2016 RM'000	Change %
Other income			
Interest income	497	1,410	(65%)
Miscellaneous	3,082	1,485	>100%
Net fair value gain on derivatives	-	2,929	n.m.
Rental income	923	858	8%
Gain on disposal of property, plant and equipment	-	26	n.m.
	<u>4,502</u>	<u>6,708</u>	<u>(33%)</u>
Loss before tax			
The following amounts have been included in arriving at profit before tax:			
<i>Selling and administrative expenses</i>			
Amortisation of prepaid land lease payments	27	27	n.m.
Depreciation of property, plant and equipment	5,025	4,936	2%
Depreciation of investment properties	320	312	3%
	<u>5,372</u>	<u>5,275</u>	
<i>Other operating expenses</i>			
Foreign exchange loss, net	42,707	36,866	16%
Loss on disposal of property, plant and equipment	5	-	n.m.
Property, plant and equipment written off	294	-	n.m.
	<u>43,006</u>	<u>36,866</u>	
Income tax expense			
Current income tax	135	(2)	>100%

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(b)(i) Statement of Financial Position

	Group		Company	
	31.3.2017 RM'000	31.12.2016 RM'000	31.3.2017 RM'000	31.12.2016 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	417,340	428,497	-	-
Prepaid land lease payments	7,335	7,403	-	-
Investment properties	94,367	92,784	-	-
Investment in subsidiaries	-	-	1,079,188	2,307,317
Investment in joint ventures	9,356	10,957	-	-
Investment in an associate	73,830	74,840	-	-
Available-for-sale financial assets	11,006	30,442	-	-
	<u>613,234</u>	<u>644,923</u>	<u>1,079,188</u>	<u>2,307,317</u>
Current assets				
Available-for-sale financial assets	5,286	4,716	-	-
Inventories	2,437,097	2,398,304	-	-
Trade and other receivables	135,426	128,012	1,266,840	100,576
Prepayments	175,468	156,785	-	7
Current income tax recoverable	1,749	1,674	-	-
Due from customers on contracts	477,719	462,398	-	-
Cash and cash equivalents	259,671	301,493	128,197	61,511
	<u>3,492,416</u>	<u>3,453,382</u>	<u>1,395,037</u>	<u>162,094</u>
TOTAL ASSETS	<u>4,105,650</u>	<u>4,098,305</u>	<u>2,474,225</u>	<u>2,469,411</u>
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	318,941	327,787	778,608	778,608
Retained earnings	509,286	556,814	53,325	58,413
	<u>1,312,439</u>	<u>1,368,813</u>	<u>1,316,145</u>	<u>1,321,233</u>
Non-controlling interest	<u>(760)</u>	<u>(780)</u>	<u>-</u>	<u>-</u>
Total equity	<u>1,311,679</u>	<u>1,368,033</u>	<u>1,316,145</u>	<u>1,321,233</u>
Non-current liabilities				
Loans and borrowings	895,222	874,781	865,909	847,228
Deferred tax liabilities	1,483	1,480	-	-
Trade and other payables	2,637	2,637	-	-
	<u>899,342</u>	<u>878,898</u>	<u>865,909</u>	<u>847,228</u>

1. Unaudited Financial Statements (Contd.)

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

	Group		Company	
	31.3.2017 RM'000	31.12.2016 RM'000	31.3.2017 RM'000	31.12.2016 RM'000
Current liabilities				
Due to customers on contracts	1,336	3,791	-	-
Loans and borrowings	941,264	948,720	285,365	294,457
Trade and other payables	951,829	898,663	6,806	6,493
Provisions	200	200	-	-
	<u>1,894,629</u>	<u>1,851,374</u>	<u>292,171</u>	<u>300,950</u>
Total liabilities	<u>2,793,971</u>	<u>2,730,272</u>	<u>1,158,080</u>	<u>1,148,178</u>
TOTAL EQUITY AND LIABILITIES	<u>4,105,650</u>	<u>4,098,305</u>	<u>2,474,225</u>	<u>2,469,411</u>

1. Unaudited Financial Statements (Contd.)

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

	As at 31.3.2017		As at 31.12.2016	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount repayable in one year or less, or on demand	672,116	269,148	670,154	278,566
Amount repayable after one year	61,162	834,060	58,760	816,021

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)

	1st Quarter ended 31.3.2017 RM'000	1st Quarter ended 31.3.2016 RM'000
Operating activities		
Loss before tax	(47,373)	(40,124)
Adjustments for:		
Amortisation of prepaid land lease payments	27	27
Depreciation of property, plant and equipment	5,025	4,936
Depreciation of investment properties	320	312
Loss / (Gain) on disposal of property, plant and equipment	5	(26)
Interest expense	6,124	1,755
Interest income	(497)	(1,410)
Net fair value gain on derivatives	-	(2,929)
Property, plant and equipment written off	294	-
Share of post-tax loss of equity accounted associate and jointly controlled entities	2,485	980
Unrealised loss on foreign exchange	50,713	43,756
Total adjustments	64,496	47,401
Operating cash flows before working capital changes	17,123	7,277
Changes in working capital:		
Increase in inventories	(69,785)	(16,199)
Increase in receivables	(16,529)	(31,960)
(Increase) / Decrease in prepayments	(20,749)	17,351
Increase in amount due from customers on contracts	(21,395)	(35,274)
Increase / (Decrease) in payables	66,075	(16,134)
Decrease in amount due to customers on contracts	(2,419)	(71)
Total changes in working capital	(64,802)	(82,287)
Cash flows used in operations	(47,679)	(75,010)
Interest paid	(22,040)	(17,765)
Taxes paid, net of refund	(210)	(283)
Net cash flows used in operating activities	(69,929)	(93,058)

1. Unaudited Financial Statements (Contd.)

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

	1st Quarter ended 31.3.2017 RM'000	1st Quarter ended 31.3.2016 RM'000
Investing activities		
Acquisition of property, plant and equipment	(4)	(54)
Interest received	497	1,410
Proceeds from available-for-sale financial assets	17,996	16,484
Proceeds from disposal of property, plant and equipment	7	26
Net cash flows from investing activities	18,496	17,866
Financing activities		
Proceeds from bank borrowings	57,937	87,334
Repayments of bank borrowings	(50,835)	(168,863)
Placement of fixed deposit	-	(55,931)
Net cash flows from / (used in) financing activities	7,102	(137,460)
Net decrease in cash and cash equivalents	(44,331)	(212,652)
Effects of foreign exchange rate changes	(2,330)	(19,860)
Cash and cash equivalents at 1 January	162,618	441,991
Cash and cash equivalents at 31 March	115,957	209,479

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

Fixed deposits with licensed banks	132,589	120,551
Cash and bank balances	127,082	205,949
Bank overdrafts	(15,393)	-
	244,278	326,500
Less: Restricted fixed deposits with licensed banks	(128,321)	(117,021)
Total cash and cash equivalents	115,957	209,479

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	Cash flow hedge reserve RM'000	Available- for-sale 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
Group										
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
At 1 January 2017	405,962	82,347	(4,097)	327,787	-	-	556,814	1,368,813	(780)	1,368,033
Loss for the period	-	-	-	-	-	-	(47,528)	(47,528)	20	(47,508)
Other comprehensive income	-	-	-	(7,961)	-	-	-	(7,961)	-	(7,961)
Fair value loss on available- for-sales	-	-	-	-	-	(885)	-	(885)	-	(885)
At 31 March 2017	405,962	82,347	(4,097)	319,826	-	(885)	509,286	1,312,439	(760)	1,311,679

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	Contributed surplus RM'000	Retained profit RM'000	Equity attributable to owners of the parent RM'000
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
At 1 January 2017	405,962	82,347	(4,097)	778,608	58,413	1,321,233
Loss for the period	-	-	-	-	(5,088)	(5,088)
At 31 March 2017	405,962	82,347	(4,097)	778,608	53,325	1,316,145

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 31 March 2017 and 31 March 2016, the total number of issued shares excluding treasury shares was 2,096,465,885.

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 1Q 2017, there were no treasury shares acquired.

As at 31 March 2017, 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.

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 2016.

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

Not applicable.

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	
	1st Quarter ended 31.3.2017	1st Quarter ended 31.3.2016
Earnings per ordinary shares of the Group for the financial period based on net loss attributable to shareholders:		
(i) Based on weighted average number of ordinary shares in issue (Sen)	(2.27)	(1.92)
Weighted average number of shares	2,096,465,885	2,096,465,885
(ii) On a fully diluted basis (Sen)	(2.27)	(1.92)
Adjusted weighted average number of shares	2,096,465,885	2,096,465,885

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 31.3.2017	As at 31.12.2016	As at 31.3.2017	As at 31.12.2016
Net asset value per ordinary share (Sen)	62.6	65.3	62.8	63.0
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)

1Q 2017 vs 1Q 2016

	1Q 2017				1Q 2016				Variance			
	Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	8,150	46%	7,504	92%	(97,058)	104%	10,691	(11%)	105,208	(108%)	(3,187)	(30%)
Vessel Chartering	9,738	54%	(352)	(4%)	3,981	(4%)	(6,477)	(163%)	5,757	145%	6,125	(95%)
Total	17,888	100%	7,152	40%	(93,077)	100%	4,214	(5%)	110,965	(119%)	2,938	70%

For first quarter ended 31 March 2017 ("1Q 2017"), the Group recorded revenue of RM17.9 million as compared to RM(93.1) million recorded during the previous year corresponding first quarter ended 31 March 2016 ("1Q 2016"). The shipbuilding segment recorded revenue of RM8.2 million for 1Q 2017 as compared to RM(97.1) million recorded for 1Q 2016 largely as a result of the quarter's absence of reversal of revenue from Perdana Petroleum Berhad's cancellation of an Accommodation Work Barge in 1Q 2016.

The revenue from the vessel chartering segment increased 145% to RM9.7 million in 1Q 2017 from RM4.0 million in 1Q 2016 mainly attributed to higher vessel utilisation in 1Q 2017.

8. (contd.)

Review of Group Performance (contd.)

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

1Q 2017 vs 1Q 2016 (contd.)

In tandem with the higher revenue, gross profit increased by 70% from RM4.2 million recorded in 1Q 2016 to RM7.2 million in 1Q 2017. The chartering segment had also shown significant improvement by registering a lower gross loss of RM0.4 million in 1Q 2017 as compared to RM6.5 million in 1Q 2016, as a result of higher utilisation rate of vessels.

Other income for 1Q 2017 was lower as compared to 1Q 2016 mainly due to absence of net fair value gain on derivatives in 1Q 2016 of RM2.9 million.

Selling and administrative expenses lowered 35% to RM7.4 million due mainly to a decrease in staff cost and marketing expenses whilst other operating expenses rose 17% to RM43.0 million mainly due to the increase in net foreign exchange loss of RM5.8 million with the strengthening of Singapore Dollars against the US Dollars.

Finance cost increased to RM6.1 million in 1Q 2017 as compared to RM1.8 in 1Q 2016, as a result of lower interest expense being capitalised in cost of construction in 1Q 2017.

Share of loss in jointly controlled entities and associate recorded a loss of RM1.5 million and RM1.0 million respectively in 1Q 2017 due to the lower vessel utilisation rate achieved by our jointly controlled entities and associate.

Correspondingly, the Group reported a net loss after tax of RM47.5 million for 1Q 2017, compared to a net loss of RM40.1 million in 1Q 2016.

(b) Statements of financial position (Group)

Total Assets

Total assets of the Group increased by RM7.3 million from RM4.10 billion as at 31 December 2016 ("FY2016") to RM4.11 billion as at 31 March 2017 ("PE2017") mainly due to:

- (ii) the net increase in inventories and amount due from customers on contracts by RM54.1 million in PE2017 as a result of progresses of works for its built-to-stock vessels under the shipbuilding programme and which was partially offset by
- (i) the decrease in the cash and cash equivalents by RM41.8 million.

Total Liabilities

Total liabilities of the Group increased by RM63.7 million from RM2.73 billion in FY2016 to RM2.79 billion in PE2017, mainly due to the increase in the trade and other payables by RM53.2 million.

As a result of decreased in cash and cash equivalents, the Group's net gearing ratio increased from 1.11 times in FY2016 to 1.20 times in PE2017.

8. (contd.)

Review of Group Performance (contd.)

(c) Statement of Cash Flows (Group)

1Q 2017 vs 1Q 2016

Net cash flows used in operating activities of RM69.9 million in 1Q 2017 was mainly due to the increase in inventories of RM69.8 million.

Net cash flows from investing activities of RM18.5 million in 1Q 2017 was mainly attributed to the proceeds from the matured available-for-sales financial asset of RM18.0 million.

Net cash flows from financing activities of RM7.1 million in 1Q 2017 was mainly due to the net proceed from bank borrowings.

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

The outlook for the O&M sector remains weak and the Group anticipates 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 together with deferment and cancellation plans, through ongoing communication and consultation with its stakeholders.

The Group has also taken steps to review its options to restructure its businesses, operations and balance sheet to preserve value for the stakeholders of the Company.

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.

11. Dividend (contd.)

(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 three months ended 31 March 2017 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
15 May 2017