



ANNUAL
2020
REPORT



CONTENTS

02	CORPORATE PROFILE & BUSINESS OVERVIEW
06	CORPORATE INFORMATION
08	FINANCIAL HIGHLIGHTS
10	CHAIRMAN'S STATEMENT
12	FINANCIAL & OPERATIONS REVIEW
14	BOARD OF DIRECTORS
17	KEY EXECUTIVES
19	CORPORATE STRUCTURE
20	CORPORATE MILESTONES
21	SHAREHOLDERS' INFORMATION
23	CORPORATE GOVERNANCE
45	DIRECTORS' REPORT
51	INDEPENDENT AUDITOR'S REPORT
54	STATEMENTS OF FINANCIAL POSITION
55	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
56	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
58	CONSOLIDATED STATEMENT OF CASH FLOWS
60	NOTES TO THE FINANCIAL STATEMENTS
124	DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION
131	ANNEXURE A





CORPORATE PROFILE

At Nam Cheong, we believe in meeting our clients' need through three basic principles:

QUALITY. RELIABILITY. DELIVERY.

The company emphasises on its strong procurement philosophies and takes pride in building top notch OSVs, thereby aspiring to revolutionise Nam Cheong into a global household brand and steers the future of shipbuilding.

Our extensive track record and comprehensive knowledge about the offshore support vessel market enable us to strategically envisage and identify the most appropriate vessels to construct for our prospective customers. Coupled with our cutting edge engineering expertise, our ultimate mission is to make certain that the customers receive quality and suitable vessels on schedule. This allows them to execute their projects in a timely manner and enhance their efficiency.

Nam Cheong Limited ("NCL") and its subsidiaries (the "Group") are an offshore marine group headquartered in Kuala Lumpur, Malaysia.

The Group's history can be traced back to the 1960s with the incorporation of its principal operating subsidiary, Nam Cheong Dockyard Sdn. Bhd. ("NCD"), in Malaysia as a private limited company (under the Malaysia Companies Act 1965) on 5 December 1968, which was then engaged primarily in the construction of barges and fishing vessels in Malaysia.

In 2007, the Group expanded its shipbuilding operations, with part of their scope being the engagement, supervision and monitoring of the PRC Contractors where the Group's shipbuilding operations are outsourced to the PRC Contractors. In May 2011, NCL was listed on the Mainboard of the SGX-ST through a reverse takeover of Eagle Brand Holdings Limited. On 25 April 2011, Eagle Brand Holdings Limited changed its name to Nam Cheong Limited.



VISION

OUR VISION IS TO CREATE CONSISTENT VALUE GROWTH THROUGH INNOVATIVE SUPPLY CHAIN SOLUTIONS AND UNIQUE PARTNERSHIPS.

TO REALISE THIS VISION, WE PRACTISE A CLIENT VALUE ADDING BUSINESS MODEL THAT GIVES STRATEGIC CAPABILITIES TO THE OIL AND GAS INDUSTRY.

MISSION

TIMELY DELIVERY OF RELIABLE VESSELS AND CHARTERING SERVICES TO OUR CUSTOMERS, THUS SAVING THEM INVALUABLE TIME AND ENHANCING THEIR OPERATIONS.



CORPORATE PROFILE & BUSINESS OVERVIEW



The Group's core business is the provision of Offshore Support Vessels ("OSVs") used in the offshore oil and gas exploration and production ("E&P") and oilfield services industries, including Safety Standby Vessels ("SSVs"), Anchor Handling Tug Supply ("AHTS") vessels, Platform Supply Vessels ("PSVs") accommodation work barges and maintenance work vessels, through its vessel chartering and shipbuilding division.

The Group's customers consist primarily of national and international oil majors, oil field service providers and ship owners as well as marine services operators operating in the offshore oil and gas industry in Malaysia, Singapore, Indonesia, Vietnam, the People's Republic of China ("PRC"), Netherlands, India, Tunisia, the Middle East, the United States and West Africa and Latin America.

At present, the OSVs provided by the Group include:

ANCHOR HANDLING TUG SUPPLY (AHTS)

AHTS vessels are designed to provide anchor handling for offshore drilling rigs, tow offshore drilling rigs, barges and other types of OSVs, and also transport supplies and equipment to and from offshore drilling rigs, production platforms and other types of offshore support vessels and installations. The Group's AHTS vessels range from 5,000 bhp to 12,000 bhp, which can produce between 60 and 150 tonnes of bollard pull. The vessels are generally between 60 metres to 78 metres long and are equipped with fire-fighting and fuel-efficient capabilities.

ACCOMMODATION WORK BARGES (AWB)

AWB are vessels specifically designed to house and accommodate crew. Depending on the size and specifications, the capacity of accommodation barges may vary from 150 to 500 people.

MAINTENANCE WORK VESSEL (MWW)

MWW are vessels designed as a platform for the loading and unloading of cargo or as a temporary workspace for the handling of equipment and materials. Measuring up to 78 metres in length, the Group's accommodation workboats are installed with DP2 and have a carrying capacity of up to 200 people. The workboats are currently built for operation in Asia but can be upgraded in size to operate in Europe if required by customers.

PLATFORM SUPPLY VESSEL (PSV)

PSV are designed for the transportation of supplies and equipment to and from offshore oil and gas support production platforms, offshore drilling rigs and other types of offshore vessels and installations. The Group's PSVs measure up to 90 metres in length and have a speed of up to 15 knots. Typically, they can carry loads of up to 5,000 DWT and are equipped with fire-fighting and fuel-efficient capabilities as well as DPS.

SHIP CHARTERING

The Group started vessel chartering operations since 2007. These operations are carried out through our subsidiaries, SKOSV Sdn Bhd and SKOM Sdn Bhd. The Group currently has a fleet of more than 30 vessels, comprising AHTS, PSV,

MWV, AWB, Safety Standby Vessel and Landing Craft. From bareboat charter, we moved to time chartering which succeed by a team of professionals who commits to strive the highest standard of quality, health, safety, security & environment.

We hold a valid Petronas license and are being seen as one of the largest OSV providers in Malaysia to the national oil company and international oil majors.

SHIPBUILDING

The Group's shipbuilding was conducted solely in its 12.6-hectare Miri shipyard located in Kuala Baram, Sarawak, Malaysia, and East Malaysia prior to 2006. However, due to an increase in the demand for its vessels, the Group started outsourcing the construction of vessels to yards in the PRC.

The Group builds vessels on both a build-to-order and build-to-stock basis. For build-to-order vessels, it typically commences the construction process only upon securing a firm order from a customer. For build-to-stock vessels, however, it commences the construction of the vessels in anticipation of future or potential orders and seeks to sell the vessels to customers at a later stage when the selling prices are favorable. The Group initiates the design and

engineering of vessels contracts after it has assessed the market demand for vessels and the availability of major equipment for vessels with identified specifications.

The Group's strategic focus is on building OSVs such as AHTS vessels, accommodation workboats, accommodation barges, and since 2011, Platform Supply Vessels ("PSVs") which comply with the technical specifications required to operate in the North Sea, including the requirements of the Norwegian Maritime Directorate and Det Norske Veritas ("DNV"), as well as alternative PSVs designed specifically for Asian waters.

The Group secures its sale contracts through negotiations and is awarded contracts mainly based on its track record, capacity, pricing, technical product specifications and technical financial capabilities. The Group has developed strong relationships with its customers over the years and has gained a reputation for building reliable, high quality vessels.

The Group typically builds vessels based on standard proven designs, which are widely accepted, and specifications that are able to meet the requirements of its customers.



CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DATUK TIONG SU KOUK
(Executive Chairman)

TIONG CHIONG HIIUNG
(Executive Vice Chairman cum Finance Director)

LEONG SENG KEAT
(Chief Executive Officer)

AJAIB HARI DASS
(Lead Independent Director)

YEE KIT HONG
(Independent Director)

KAN YUT KEONG, BENJAMIN
(Independent Director)

AUDIT COMMITTEE

YEE KIT HONG (Chairman)

AJAIB HARI DASS

KAN YUT KEONG, BENJAMIN

NOMINATING COMMITTEE

AJAIB HARI DASS (Chairman)

YEE KIT HONG

TIONG CHIONG HIIUNG

REMUNERATION COMMITTEE

AJAIB HARI DASS (Chairman)

YEE KIT HONG

KAN YUT KEONG, BENJAMIN

COMPANY SECRETARY

KONG WEI FUNG

CHEOK HUI YEE

ASSISTANT SECRETARY

CONYERS CORPORATE SERVICES (BERMUDA) LIMITED

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Tel: (441) 295 5950
Fax: (441) 292 4720

CORRESPONDENCE ADDRESS AND CONTACT

80 Robinson Road
#02-00
Singapore 068898
Tel: (65) 6236 3333 (General enquiries) /
(65) 6438 2990 (Investor relations)
<http://www.namcheong.com.my>

BERMUDA REGISTRAR AND SHARE TRANSFER OFFICE

MUFG FUND SERVICES (BERMUDA) LIMITED

4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12, Bermuda

SINGAPORE SHARE TRANSFER AGENT

IN.CORP CORPORATE SERVICES PTE. LTD.

(formerly known as RHT Corporate advisory Pte. Ltd.)
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712
Tel: (65) 6812 1611
Fax: (65) 6812 1601

AUDITOR

FOO KON TAN LLP

(a principal member of HLB International)
Chartered Accountants
24 Raffles Place
#07-03 Clifford Centre
Singapore 048621
Tel: (65) 6336 3355
Fax: (65) 6337 2197

Audit Partner-In-Charge

MR CHIN SIN BENG

(Appointed from the financial year
ended 31 December 2019)



FINANCIAL HIGHLIGHTS

	2020	2019	% changes
Group Statement of Profit or Loss (RM'000)			
Revenue	372,296	285,362	30%
Gross Profit	103,208	91,356	13%
Net (Loss)/Profit After Tax	(404,324)	65,218	(720%)
Group Statement of Financial Position (RM'000)			
Total Assets	729,474	1,156,183	(37%)
Total Liabilities	1,500,903	1,520,403	(1%)
Shareholders' Deficit	(771,429)	(364,220)	112%
Borrowings	998,879	1,001,280	(0.2%)
Financial Ratios			
(Loss)/Earnings Per share			
Basic (sen)	(5.57)	0.90	
Diluted (sen)	(5.57)	0.89	
Net Liability Value Per Share (sen)	(10.6)	(5.1)	



CHAIRMAN'S STATEMENT



DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, I present to you Nam Cheong's Annual report for the full year ended December 31, 2020 ("FY 2020").

The onset of the novel coronavirus outbreak in early 2020 very quickly developed into a global pandemic, leading nations to impose stringent lockdowns, disrupting businesses worldwide. These effects exacerbated the turmoil in the global oil & gas market and soon enough sent oil prices sinking into the negative territory for the first time in April 2020. Oil & Gas ("O&G") companies went into negative spirals and we find ourselves struggling in the brutal cycle of lack of projects and lack of financing options.

NAVIGATING THROUGH GRAVE UNCERTAINTIES

Enduring through these challenges, we are grateful to report a 30% year-on-year ("YoY") increase in revenues and 13% YoY growth in gross profit for FY2020.

Despite bleak market conditions, we saw growth in both our vessel chartering and shipbuilding businesses. We secured and completed the sale and delivery of an Emergency Response and Rescue Vessel ("ERRV") and an Anchor Handling Tug Supply Vessel ("AHTS") which brought in RM72.2 million in shipbuilding revenues for the year. Efforts to continue increasing our fleet size also led to a 5% YoY increase in vessel chartering revenues. With stable vessel chartering margins and fresh shipbuilding revenues, we achieved RM103.2 million in gross profits for FY2020.

However, in line with the market downturn and turbulent oil and gas industry, we incurred costly impairments, inventory write down, fair value adjustments, and additional provisions which led to a net loss of RM404.3 million in FY2020.

The severe adverse events in 2020 also impacted our operations and hence our financing capabilities. We have since been diligently seeking and considering various options and ways that will help us best meet our financial obligations to our trade and financial creditors.

Our wholly-owned subsidiary, Nam Cheong Dockyard Sdn Bhd ("NCD"), applied and was accepted by the Corporate Debt Restructuring Committee of Malaysia ("CDRC") in October 2020. With CDRC as a mediator, the financial creditors are expected to observe an informal standstill by withholding from any proceedings against NCD and its subsidiaries.

Since November 2020, we kickstarted active discussions with our trade and financial creditors, looking to reach a feasible and sustainable restructuring solution. We are advancing steadily, especially with financial institution creditors, and are optimistic for a positive outcome.

LOOKING AHEAD

While oil prices have been improving, breaking the US\$50 barrier last year, a sustained recovery would hinge on a host of factors including OPEC+'s continuous discipline on the oil production cuts amid the economic uncertainty surrounding new variants of COVID-19 and the efficiency of the vaccines.

With Malaysia's reintroduction of the movement restriction orders since January 2021 and the recent extension of the orders, much remains uncertain on the nation's economic recovery from the pandemic.

Against these precarious developments, we continue to pursue reaching a sustainable restructuring solution with our creditors, along with the CDRC's support. The completion of two shipbuilding projects also came in timely for us in a very difficult year.

Staying hopeful, we seek to finalise our major restructuring project, while continuing to chart revenue growth for 2021.

WORDS OF APPRECIATION

I would like to extend my sincere gratitude to the Board, management team, and staff. It was your dedication, drive, and resilience that enabled us to tide through a very dismal market environment.

To our business partners, bankers, term loan holders and suppliers, I would like to ask for your continued patience and understanding. To our shareholders, thank you for your support and trust in the Group. We are working hard at restructuring our business to meet all financial obligations while retaining shareholder value.

Yours Faithfully

TAN SRI DATUK TIONG SU KOUK

Executive Chairman

9 April 2021

FINANCIAL & OPERATIONS REVIEW

REVENUE AND PROFITABILITY

For the financial year ended 31 December 2020 ("FY2020"), the Group's revenue from vessel chartering increased by 5% from RM285.4 million in the previous financial year ended 31 December 2019 ("FY2019") to RM300.1 million in FY2020. This was mainly attributed to the expanded fleet size to 37 vessels in FY2020 as compared to 36 vessels in FY2019.

The shipbuilding division recorded a revenue of RM72.2 million during FY2020 due to the completion of sale and delivery of an Emergency Response and Rescue Vessel ("ERRV") to a customer based in North Sea and an Anchor Handling Tug Supply Vessel ("AHTS") to a customer based in South East Asia during the financial year.

Consistent with the revenue growth, gross profit increased 13% year-on-year to RM103.2 million for FY2020. Gross profit margins for chartering were relatively stable at 32%.

Other income was lower at RM11.8 million in FY2020 as compared to RM75.8 million recorded in FY2019 mainly due to the absence of inventories written back of RM11.9 million and waiver of debts of RM57.0 million registered in FY2019. The decrease in other income was partially offset by the gain on disposal of property, plant and equipment of RM3.4 million in FY2020.

Administrative expenses were higher at RM42.4 million for FY2020 as compared to RM39.4 million in FY2019, as expenses grew in line with the growth in vessel chartering revenue. The Group also incurred a one-off expense from its group wide cost rationalisation exercise during the financial year.

Other operating expenses of RM427.2 million in FY2020 was significantly higher than RM16.8 million recorded in FY2019 mainly due to impairment made on property, plant and equipment of RM283.5 million, provision for financial

guarantee of RM44.0 million, impairment on investment in an associate of RM17.3 million, inventories written down of RM33.5 million, impairment on receivables of RM16.1 million and accretion of non-current trade payables of RM15.3 million in FY2020.

Finance costs of RM38.2 million in FY2020 was lower than RM41.1 million recorded in FY2019, mainly due to the decrease in finance cost related to vessel financing during the financial year.

In line with the market downturn and turbulent oil and gas industry, the Group incurred costly impairments, inventory write down, accretion of non-current trade payables, and additional provisions, which led the Group to record a net loss after tax of RM404.3 million in FY2020 as compared to a net profit after tax of RM65.2 million in FY2019.

BUSINESS SEGMENTS

Chartering segment continues to be the main revenue generator for the Group, contributing RM300.1 million or 81% of the total Group's revenue of RM 372.3 million in FY2020. The remaining 19% of the Group's revenue in FY2020 was attributed to the shipbuilding segment, which demonstrates significant improvement from nil in FY2019 to RM72.2 million in FY2020.

SHARE OF RESULTS FROM JOINT VENTURES AND ASSOCIATE

Share of results of equity accounted joint ventures register a RM2.9 million loss in FY2020 as compared to a profit of RM1.9 million in FY2019 mainly due to lower vessel utilisation as a result of drydocking. Share of results of equity accounted



associates continue to record losses of RM1.7 million and RM4.4 million in FY2020 and FY2019 respectively due to low vessel utilisation rate during the financial year.

CASH FLOWS

Net cash from operating activities of RM3.1 million in FY2020 was mainly due to collections from customers during the financial year.

Net cash from investing activities of RM53.5 million in FY2020 was mainly in relation to proceeds from disposal of vessel during the financial year.

Net cash used in financing activities of RM5.3 million in FY2020 was mainly due to repayment of bank borrowings and dividend paid to non-controlling interests of a subsidiary.

TOTAL ASSETS

Total assets of the Group decreased by 36.9% or RM426.7 million from RM1.16 billion as at 31 December 2019 ("FY2019") to RM729.5 million as at 31 December 2020 ("FY2020") mainly due to:

- (i) Property, plant and equipment ("PPE") decreased by RM324.4 million or 40.0% from RM810.0 million as at FY2019 to RM485.6 million as at FY2020 mainly due to the impairment on property, plant and equipment of

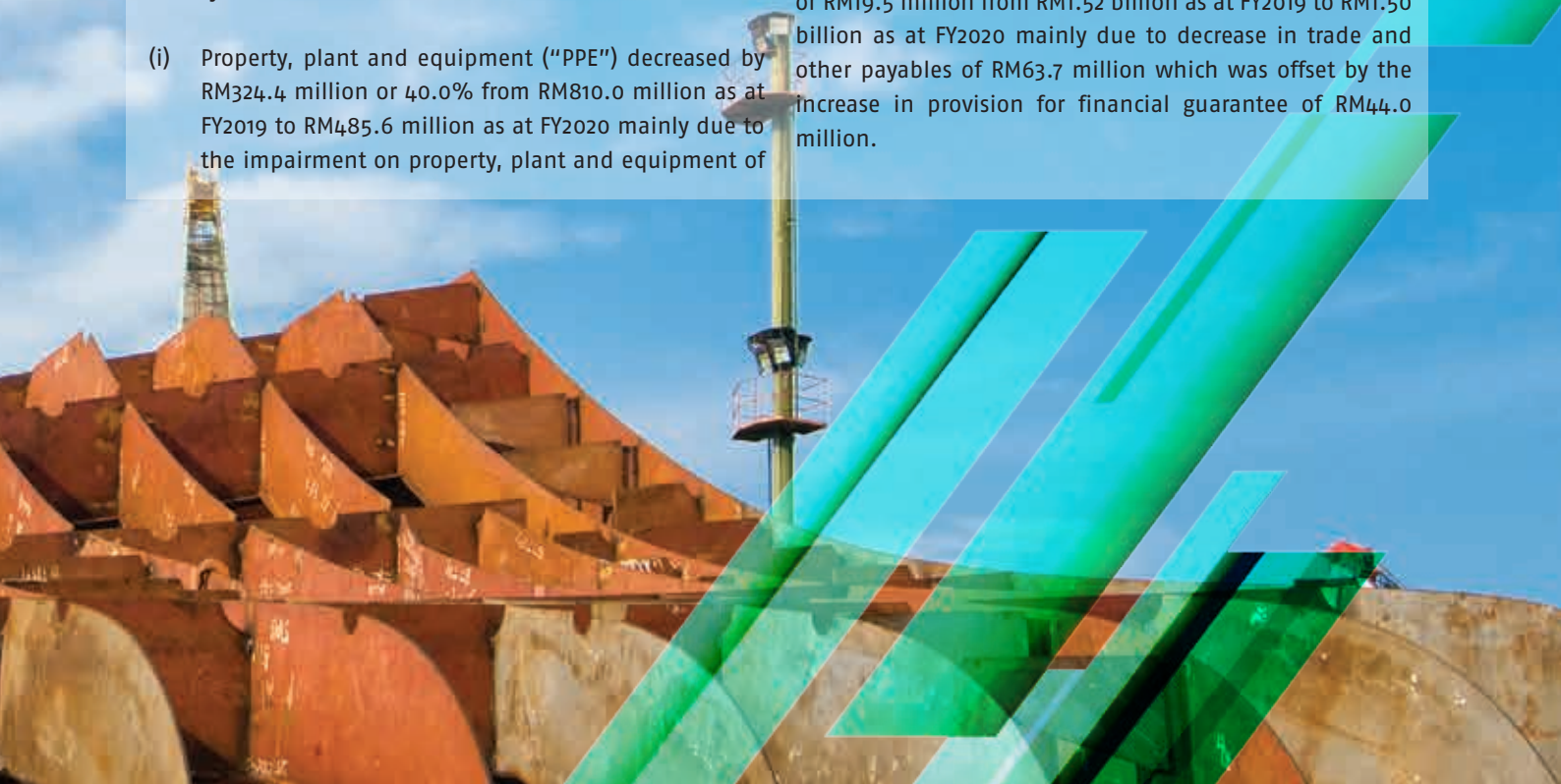
RM283.5 million arising from market value assessment of vessels and shipyard during the financial year, as well as the sale of a Platform Supply Vessel;

- (ii) Inventories decreased by RM105.6 million or 85.5% from RM123.5 million as at FY2019 to RM17.9 million as at FY2020 mainly due to the sale of the ERRV, the write down of inventories resulting from market value assessment and the reclassification of a completed AHTS to PPE; and
- (iii) Trade and other receivables decreased by RM18.1 million or 12.6% from RM143.5 million as at FY2019 to RM125.4 million as at FY2020 mainly due to asset impairment as well as collections from customers during the financial year.

The decrease in total assets was partially offset by the increase in cash and cash equivalents of RM48.9 million, which was attributed to collection from customers during the financial year.

TOTAL LIABILITIES

Total liabilities of the Group decreased marginally by 1.3% or RM19.5 million from RM1.52 billion as at FY2019 to RM1.50 billion as at FY2020 mainly due to decrease in trade and other payables of RM63.7 million which was offset by the increase in provision for financial guarantee of RM44.0 million.



BOARD OF DIRECTORS



TAN SRI DATUK TIONG SU KOUK

Executive Chairman

Date of Appointment: 28 April 2011

In 1998, Tan Sri Datuk Tiong Su Kouk had through a series of equity injections increased his shareholding interest in Nam Cheong Dockyard Sdn Bhd ("NCD"). In the following year, Tan Sri Datuk Tiong has obtained majority shareholding control and has since assumed an active role in the management of the Group.

Tan Sri Datuk Tiong has more than 20 years of solid experience in the shipbuilding industry. He oversees the Group's strategic direction and shipbuilding operations in the Company's shipyard located at Miri and the People's Republic of China contractors' shipyards. Along with his extensive experience and involvement in the shipbuilding industry, he has built a wide network of Malaysian and foreign business contacts over the years. He has played a significant role in steering the Group from being primarily involved in the construction of barges and fishing vessels in Malaysia to building of offshore support vessels ("OSVs"), transforming the Group into one of the leading providers of OSVs in Malaysia.

Tan Sri Datuk Tiong is also the founder of CCK Consolidated Holdings Berhad ("CCK"), a company listed on the Main Market of Bursa Securities Malaysia Bhd. Under his stewardship, CCK and its subsidiaries ("CCK Group") has progressed from a small family-run business to one of Sarawak's largest integrated poultry producers in Malaysia. In addition, he sits on various school boards and boards of other private limited companies.

Tan Sri Datuk Tiong was awarded the Pingat Bintang Sarawak by the head of the Sarawak state in 1987 and Johan Setia Mahkota by Seri Paduka Baginda Yang di-Pertuan Agong in 2000 for his noteworthy contributions to the community.

In 1999, Tan Sri Datuk Tiong was appointed as a Member of MAPEN II (Majlis Perundangan Ekonomi Negara Kedua). Tan Sri Datuk Tiong is also the Honorary Life President of the World Federation of Foochow Association, Permanent Honorary Chairman and Inaugurator of The World Zhang Clan Association, Honorary Life President of the Federation of Foochow Association of Malaysia and Honorary President of the Associated Chinese Chambers of Commerce and Industry of Sarawak.

Tan Sri Datuk Tiong was conferred the Panglima Jasa Negara (P.J.N.) which carries the title "Datuk" by Seri Paduka Baginda Yang di-Pertuan Agong on the occasion of His Excellency's 75th Birthday 2 June 2001.

Tan Sri Datuk Tiong was subsequently conferred the Panglima Setia Mahkota (P.S.M.) which carries the title "Tan Sri" by Seri Paduka Baginda Yang di-Pertuan Agong XIV, Almu'tasimu Billahi Muhibbuddin Tuanku Alhaj Abdul Halim Mu'adzam Shah Ibni Almarhum Sultan Badlishah on the occasion of His Excellency's 88th Birthday on 4 June 2016.



MR TIONG CHIONG HIIUNG

Executive Vice Chairman

Finance Director

Member of Nominating Committee

Date of Appointment: 1 July 2014

Mr Tiong Chiong Hiiung joined the Group's Board of Directors in 1993.

Mr Tiong holds a degree in Bachelor of Economics from Monash University, Australia in 1989. In 1997, he became the Managing Director of CCK Group of Companies ("CCK Group") where he oversees the overall management and operations of the CCK Group. He has played a pivotal role in transforming the CCK Group's operations into one of the pioneer poultry producer in Malaysia today.

Mr Tiong oversees the Group's general corporate and financial affairs. He involves in crafting the human resource policies and had initiated the implementation of the employee salary structure for the Group. He had also initiated the development of the corporate management system where policies, procedures and detailed processes of different functions are documented and monitored for the betterment of the Group.

In 2014, Mr Tiong was appointed as the Executive Vice Chairman of the Group where he serves to strengthen the Group's financial health in light of the increasing demands of an evolving and dynamic business. He also assists the Executive Chairman in reviewing various Board matters and in supporting the implementation of growth and business strategy.

In 2017, Mr Tiong was appointed as the Financial Director of the Group. He guides the Finance team in financial strategies and control towards a healthier financial performance for the Group. His vast experience in corporate strategies planning and financial management provides an assurance to the Group's commitment in business continuity and growth.

Mr Tiong is a licensed company secretary by the Companies Commission of Malaysia. He also sits on the boards of various private limited companies.



MR LEONG SENG KEAT

Chief Executive Officer

Date of Appointment: 21 May 2013

Mr Leong Seng Keat joined the Group in 2005.

Mr Leong graduated from the Chrisholm Institute of Technology, Australia in 1990 with a Bachelor of Engineering degree, majoring in Electrical and Computing. Before joining the Group, Mr Leong has accumulated more than 15 years of experiences in the management of information technology. He is very well versed with the different phases of development and changes in the life of a corporation.

Mr Leong joined Group as an Executive Director in the early days and brought with him his vast experience in sales and management. He has successfully marketed and pioneered the sale of the Group's vessels to the international market.

In 2013, Mr Leong was appointed as the Chief Executive Officer for the Group. He spearheads the Group in working towards the visions of the Group. Under his leadership, the Group progresses steadily in its expansion of global market sales and innovation in price performance vessels with fuel efficient features. He also determines the Group's corporate and strategic directions, working closely with the management team intrinsically for significant expansion of market share and operations. He predominantly guides the Group towards maintaining a steady performance in the dynamic industry. In 2016, Mr Leong has established a ship management arm for Group, SKOM Sdn Bhd, creating yet another significant milestone for the Company. Under his assiduous supervision, the Company and its subsidiaries has grown to be a proven vessels operator with over 30 vessels in active operation.

Mr Leong is a frequent and well sought-after speaker and panellist at various domestic and international offshore and marine conferences due to his invaluable sales and management experience and in-depth knowledge about offshore and marine industry.

Mr Leong has been a member of American Bureau of Shipping (ABS) Southeast Asia Regional Committee since 2008. He is member of the Singapore Institute of Directors since 2011.



MR AJAIB HARI DASS

Lead Independent Director

Chairman of Nominating Committee

Chairman of Remuneration Committee

Member of Audit Committee

Date of Appointment: 28 April 2011

Mr Ajaib Hari Dass joined the Board of Directors in 2011.

Mr Hari Dass graduated from the University of London in 1974 with a Bachelor of Law (Honours) degree and was called to the English Bar at the Middle Temple in 1975. Mr Hari Dass was admitted as an Advocate & Solicitor of the Supreme Court of Singapore in 1976. Mr Hari Dass has set up Haridass Ho & Partners in 1985. As the founding partner and consultant for the firm, Mr Hari Dass is internationally accredited by Chambers & Partners as a "Senior Statesman" in the niche practice of shipping law in Singapore.

Mr Hari Dass has more than 40 years of legal experience and specialises in shipping and admiralty matters, both litigious and non-litigious in nature as well as matters relating to ship sale and purchase and financing aspects of such transaction. On the admiralty/shipping front, he handles marine insurance claims, collision claims, salvage and cargo claims, oil pollution and bunker supply disputes, charterparty disputes, bills of lading, towage and shipbuilding/construction disputes. He also has an active practice in international sale of goods, commercial and banking litigation.

Mr Hari Dass is an independent director of Sembcorp Industries Ltd and Manhattan Resources Limited, both companies listed on the Mainboard of the SGX-ST. He is a panel member of Singapore International Arbitration Centre (SIAC) and a panel member of the Singapore Chamber of Maritime Arbitration (SCMA). He is a principal mediator of the Singapore Mediation Centre. He is also a Commissioner for Oaths, a Notary Public and had served as a Justice of the Peace.

BOARD OF DIRECTORS



MR YEE KIT HONG

Independent Director
Chairman of Audit Committee
Member of Nominating Committee
Member of Remuneration Committee
 Date of Appointment: 28 April 2011

Mr Yee Kit Hong joined the Board of Directors in 2011.

Mr Yee had graduated from the University of Singapore with a Bachelor of Accountancy. As a qualified professional accountant, he has over 30 years of extensive experience in the field of audit, management consultancy, accountancy and taxation. Mr Yee is a fellow of the Institute of Chartered Accountant, England and Wales, the Institute of Singapore Chartered Accountants and a full member of the Institute of Directors. Prior to establishing the practice, he was a Tax Manager with Ernst & Young. He is presently a partner of the practice, Kit Yee & Co. Chartered Accountants Singapore.

In 2003, Mr Yee was conferred the award of Public Service Medal (PBM) by the Singapore government as recognition for his noteworthy public services.

Mr Yee sits on the board of three other listed companies in Singapore.



MR KAN YUT KEONG, BENJAMIN

Independent Director
Member of the Audit Committee
Member of the Remuneration Committee
 Date of Appointment: 1 October 2014

Mr Kan Yut Keong, Benjamin joined the Group in 2014. He graduated from the University of Hull in the United Kingdom with B.Sc. Economics (Hons). He then articulated with Grant Thornton in London and was admitted as Member of the Institute of Chartered Accountants in England & Wales in 1983. He is also a member of the Institute of Certified Public Accountants of Singapore and the Malaysian Institute of Accountants.

Mr Kan was with PricewaterhouseCoopers, Singapore for more than 30 years. At that time, he covered insolvency services, management consulting and in the last 12 years, he built a new business unit focussing on corporate finance related activities. Following significant growth in the first 4 years, the partnership decided to form a separate licensed business entity, PricewaterhouseCoopers Corporate Finance Pte Ltd and in 2002 obtained a Capital Market Services licence from the Monetary Authority of Singapore and Mr Kan had remained as its Managing Director until he retired from the partnership in June 2014.

Mr Kan has over 35 years of extensive advisory experience working in the Asian region and the United Kingdom. His clients include the public sector, multinational corporation, government linked companies as well as many emerging local companies.

Mr Kan was appointed a member of Competition and Consumer Commission of Singapore in August 2016 for a 3-year term and he has been re-appointed for another 3-year term. In January 2018, Mr Kan was also appointed a member of the Securities Industry Council and has also been reappointed for another 2-year term from 1 January 2020. In June 2018, Mr Kan joined the board of the Mainboard listed PropNex Limited.

KEY EXECUTIVES



MR TIONG CHIONG SOON (JOSEPH)
Executive Director (Operations)

Mr Joseph Tiong joined the Group as the Group General Manager in 2009. He supervises the Group's shipbuilding operation, vessels' repair works, procurement and sourcing of equipment required for the shipbuilding and chartering operation. Since the set-up the ship management arm of the Group, SKOM Sdn Bhd, Mr Joseph Tiong has been instrumental in supervising the Group's chartering business strategies and affairs.

Mr Joseph Tiong graduated from the University of Oklahoma, USA in 1994, of which he holds a Bachelor of Business. He started his career with CCK Consolidated Holdings Berhad, where he is principally responsible for all the purchasing function and retail division of the CCK Group of Companies ("CCK Group"). In 1997, he was appointed the Executive Director of CCK Group. He has an excellent rapport with suppliers thus ensuring timely delivery of products of the highest quality for the CCK Group.

Mr Joseph Tiong also sits on the boards of various private limited companies.



MR LEONG JUIN ZER JONATHAN
Executive Director (Commercial)

Mr Leong Juin Zer Jonathan joined the Group in 2013. He graduated from the University of Bristol, United Kingdom in 2013 with a degree in Law.

Mr Jonathan Leong joined the Group as a Management Trainee, serving in and rotating into a few different departments of the Group before being permanently placed into the Group's Business Development team. He first joined the Legal team in 2013, where he assisted in the drafting and negotiation of shipbuilding contracts for newbuild projects of the Group. He was also involved in the Group's corporate communications and investor relations.

In 2015 Mr Jonathan Leong was permanently placed into the Group's Business Development team, where he was tasked with not only contributing to the major business transactions of the Group at the time, but also to develop an alternative stream of revenue for the Group within the oil and gas segment, as well as studying several new potential asset classes for the Group's built-to-stock business strategy.

In 2018 Mr Jonathan Leong was promoted to Manager of the Chartering team, and was principally responsible in securing the cashflow needed by the Group through successful expansion of the chartering business. In 2020, he was appointed as the Executive Director of the Commercial division, where he leads the Commercial team to further expand the business unit through the provision of offshore support vessels chartering and other related services.

KEY EXECUTIVES



MR GREGORY FLINT

General Manager (Marine Operations)

Mr Gregory Flint joined the Group in February 2016 as the Head of Marine Operations. Having over 40 years of experience in the marine industry with the last 18 years in the oil and gas industry, Mr Flint was tasked to establish SKOM Sdn Bhd ("SKOM") as the ship management arm of the Group. Today, SKOM has steadily grown to be a proven vessels operator with over 30 active vessels under his current management. Originally from an engineering background, Mr Flint also holds qualifications as a Ships Master and a Marine Warranty Surveyor. He brings to the Group extensive knowledge of vessel management and operations.

Mr Flint commenced his seagoing career as a Marine Engineer in Australia before obtaining deck qualifications. After coming ashore, he took on managerial roles in general cargo operations, marine construction and ship repair companies before venturing into the oil and gas industry. He was initially the Country Manager in Papua New Guinea for Tidewater Marine, and then subsequently acted in a similar capacity for Tidewater Marine in Malaysia and Thailand. Mr Flint next joined GAC, a Swedish logistics company and stayed for 8 years, firstly as General Manager based in Turkmenistan, where he managed the operation of up to 20 vessels, a shipping agency and initiated Turkmenistan's first dedicated supply base. He also took the lead in developing the GAC marine operations in Kazakhstan. He then served as GAC Regional Marine Manager for Africa, Mediterranean, Central Asia and Russia, where he was based in Cairo, Egypt, primarily overseeing the commercial operations of up to 30 vessels in the various locations. Mr Flint then joined Topaz Marine as their Marine Operations Manager based in Nigeria, where he supervised all West African vessel operations, from Angola to Ivory Coast, before joining the Group.



MR JAMALLUDIN OBENG

Executive Director

(SK Hull Sdn Bhd, An Associate Company of Nam Cheong Limited)

Mr Jamalludin Obeng joined the Group in January 2020. He is responsible for the strategy and development of business opportunities and growth of offshore related projects including the offshore facilities maintenance, hook up and commissioning works.

Prior to joining the Group, Mr Jamal was the Chief Commercial Officer of Icon Offshore Berhad from 2017 to 2019. He has more than 30 years of working experiences, with 27 years in the oil and gas industry, of which included a 10 years stint in Petroliam Nasional Berhad ("PETRONAS") and a 9 years stint in the Kencana Petroleum Group, which subsequently became part of SapuraKencana Petroleum Berhad in 2012. During his tenure of service in PETRONAS which begun in 1990, he was primarily involved in project economics, business and project planning mainly in the upstream sector. In 2000, he had joined Cahya Mata Sarawak Berhad ("CMS") for a period of three years firstly as the Business Development Manager, and later on as the CMS Group's Procurement Manager.

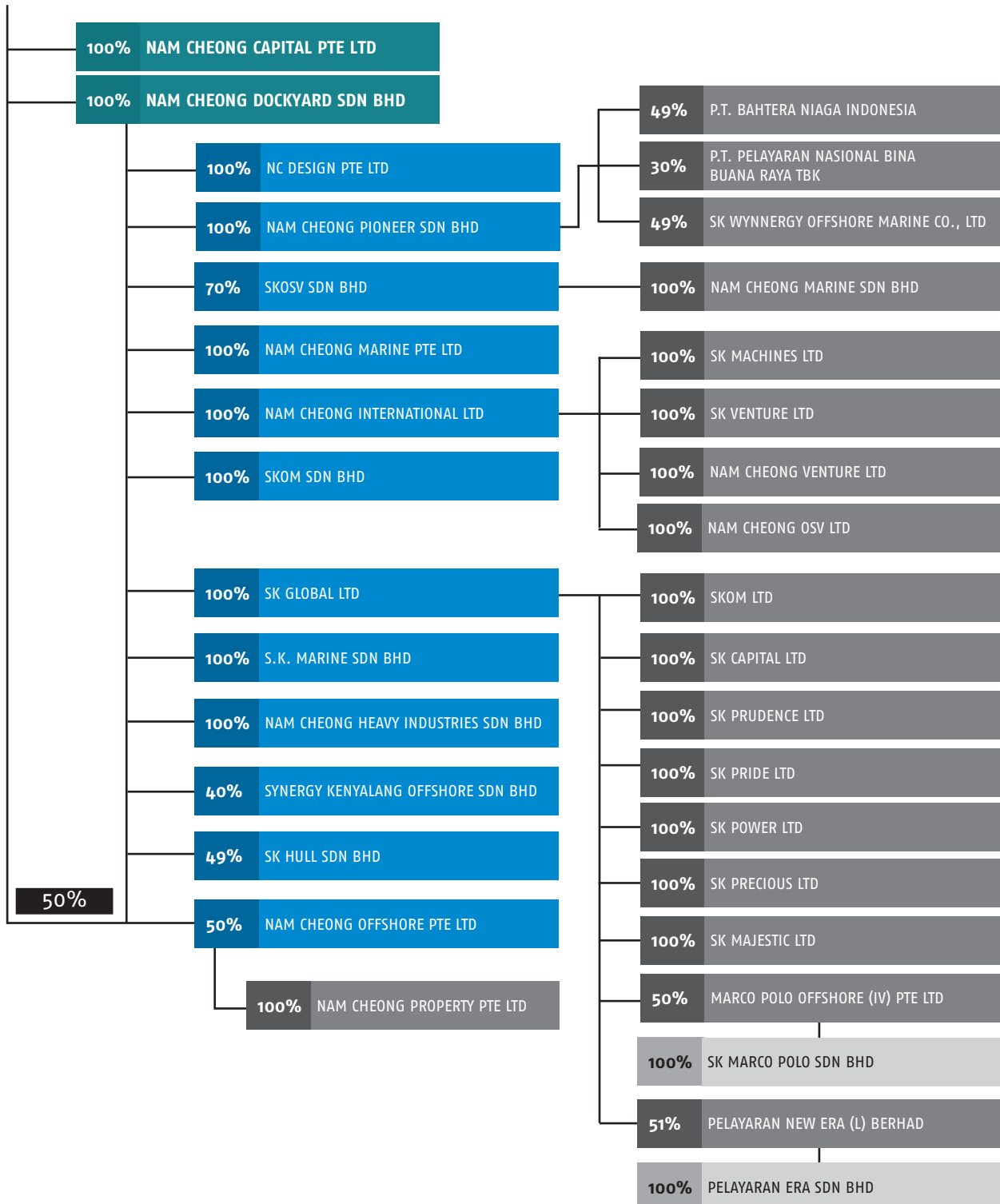
Under the SapuraKencana Group, Mr Jamal was the Vice President (Fabrication), with concurrent responsibilities as the Managing Director for its main construction and fabrication subsidiary, Kencana HL Sdn. Bhd., a position which he held from 2008 to 2012. He later joined MMHE Berhad, a subsidiary of MISC Berhad where he was the General Manager of Business Development and Commercial unit.

Mr Jamal graduated with a Master of Arts Degree in Educational Computing from University of San Francisco in 1988 and a Bachelor of Arts Degree in Economics from California State University, Fresno, USA in 1986.

CORPORATE STRUCTURE



NAM CHEONG LIMITED



CORPORATE MILESTONES

1968

Nam Cheong Dockyard Sdn. Bhd. established

1987

Delivered first SSV

1989

Delivered first AHTS vessel

2001

Relocation to larger premises at Miri Yard

2005

Doubling of production capacity of our Miri yard

2006

Tripling of production capacity: Commence outsourcing of shipbuilding to Chinese yards

2007

- Commenced chartering business
- Management headquarters shifted to Kuala Lumpur
- Received ISO 9001 : 2000 (later revised to ISO9001 : 2008) certification
- Delivered first Malaysian-made DP2 OSV

2008

Expand market to India, Dubai, Hong Kong, Singapore and the Netherlands

2009

- Expand market to China and Vietnam
- Received the Industry Excellence Award (Transportation Sector)

2010

Expand market to Tunisia, Indonesia and USA

2011

Successfully listed on the Singapore Exchange on May 27

2012

- Delivered first PSV
- Expanded into west African market

2013

- Expanded into Latin America market
- Raised US\$38m on SGX
- Received the Most Transparent Company Award

2014

- Launched first proprietary design DE series vessels
- Received Bronze for the Best Managed Board Award
- Received Most Transparent Company Award–Runner Up

2016

Received Silver for Best IR Award

2017

Fleet size expanded to 20 vessels; chartering revenue up 152%

2018

Fleet size expanded to 28 vessels; chartering revenue up 106%

2019

- Fleet size expanded to 36 vessels; chartering revenue up 112%
- Awarded the 'Fastest Growing Offshore Support Vessel Company' by UK based International Finance Magazine

2020

Fleet size expanded to 37 vessels; chartering revenue up 5%

SHAREHOLDERS' INFORMATION

Statistics of Shareholdings as at 18 March 2021

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1,907	16.38	81,616	0.00
100 – 1,000	4,194	36.01	1,252,589	0.02
1,001 – 10,000	1,566	13.45	9,193,922	0.12
10,001 – 1,000,000	3,648	31.33	454,533,064	5.81
1,000,001 AND ABOVE	330	2.83	7,351,847,955	94.05
TOTAL	11,645	100.00	7,816,909,146	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	S.K. TIONG ENTERPRISE SDN. BHD.	1,148,685,680	14.69
2	DBS NOMINEES (PRIVATE) LIMITED	1,145,527,786	14.65
3	RHB BANK NOMINEES PTE. LTD.	894,954,789	11.45
4	HUNG YUNG ENTERPRISE SDN. BHD.	639,909,690	8.19
5	CITIBANK NOMINEES SINGAPORE PTE. LTD.	398,233,271	5.09
6	PHILLIP SECURITIES PTE. LTD.	383,535,544	4.91
7	TIONG SU KOUK	343,968,263	4.40
8	RAFFLES NOMINEES (PTE.) LIMITED	197,337,794	2.52
9	UOB KAY HIAN PRIVATE LIMITED	182,284,460	2.33
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	180,653,992	2.31
11	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	174,756,972	2.24
12	OCBC SECURITIES PRIVATE LIMITED	144,395,999	1.85
13	KGI SECURITIES (SINGAPORE) PTE. LTD.	130,374,684	1.67
14	LAU LIONG KII	88,185,884	1.13
15	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	70,250,642	0.90
16	HSBC (SINGAPORE) NOMINEES PTE. LTD.	67,974,230	0.87
17	BANK OF CHINA NOMINEES PTE. LTD.	65,459,275	0.84
18	UOBM NOMINEES (TEMPATAN) SDN. BHD.	57,654,847	0.74
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	43,192,169	0.55
20	TIONG ENG MING	36,462,680	0.47
	TOTAL	6,393,798,651	81.80

SHAREHOLDERS' INFORMATION

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2021

Number of equity securities	:	7,272,640,629 (excluding treasury shares)
Class of equity securities	:	Ordinary share of HK0.001 each
Voting rights	:	One vote per share
Number of treasury shares held	:	6,678,597

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Tan Sri Datuk Tiong Su Kouk ⁽¹⁾	376,168,263	4.884	1,879,486,230	24.401
S.K. Tiong Enterprise Sdn. Bhd. ⁽²⁾	1,148,685,680	14.913	1,106,968,813	14.371
Hung Yung Enterprise Sdn. Bhd. ⁽³⁾	639,909,690	8.308	1,615,744,803	20.977
Puan Sri Datin Wong Bak Hee ⁽⁴⁾	30,840,860	0.4	2,224,813,633	28.884
RHB Bank Berhad ⁽⁵⁾	–	–	894,954,789	11.45

Notes:

- (1) Tan Sri Datuk Tiong Su Kouk is deemed to have an interest in the shares held by Hung Yung Enterprise Sdn. Bhd., S.K. Tiong Enterprise Sdn. Bhd., his wife, Puan Sri Datin Wong Bak Hee, 50,000 shares held by Philip Securities Pte. Ltd. (as nominee) and 60,000,000 shares held by United Overseas Bank Nominees (Private) Limited (as nominee), by virtue of Sections 4 and 133 of the Securities and Futures Act (Cap. 289).
- (2) S.K. Tiong Enterprise Sdn. Bhd. is deemed to have an interest in the shares held by Hung Yung Enterprise Sdn. Bhd., Tan Sri Datuk Tiong Su Kouk, Puan Sri Datin Wong Bak Hee, United Overseas Bank Nominees (Private) Limited (as nominee) and Philip Securities Pte. Ltd. (as nominee) by virtue of Section 4 of the Securities and Futures Act (Cap. 289).
- (3) Hung Yung Enterprise Sdn. Bhd. is deemed to have an interest in the shares held by S.K. Tiong Enterprise Sdn. Bhd., Tan Sri Datuk Tiong Su Kouk, Puan Sri Datin Wong Bak Hee, United Overseas Bank Nominees (Private) Limited (as nominee) and Philip Securities Pte. Ltd. (as nominee) by virtue of Section 4 of the Securities and Futures Act (Cap. 289).
- (4) Puan Sri Datin Wong Bak Hee is deemed to have an interest in the shares held by S.K. Tiong Enterprise Sdn. Bhd., Hung Yung Enterprise Sdn. Bhd. and her husband, Tan Sri Datuk Tiong Su Kouk, 50,000 shares held by Philip Securities Pte. Ltd. (as nominee) and 60,000,000 shares held by United Overseas Bank Nominees (Private) Limited (as nominee), by virtue of Section 4 of the Securities and Futures Act (Cap. 289).
- (5) Shares are held with RHB Bank Nominees Pte. Ltd. on behalf of RHB Bank Berhad.

Percentage of Shareholding in Public hands

Based on the information available to the Company as at 18 March 2021, approximately 69.09% of the issued ordinary shares of the Company is held by the public hand, therefore, Rule 723 of the Listing Manual issued by the SGX-ST is complied with.

CORPORATE GOVERNANCE

The Board and the Management team of Nam Cheong Limited (the "Company", together with its subsidiaries, the "Group") firmly believe that full commitment to the highest standards of corporate governance is instrumental to the sustainability of the Group's business integrity and professionalism. The Company has established self-regulating and monitoring mechanisms to ensure that effective corporate governance is practised as a fundamental part of executing its responsibilities to protect and enhance long-term shareholder value and financial performance of the Group.

The Group adheres to the general principles and guidelines set out in the Code of Corporate Governance 2012 (the "Code"). Where there have been deviations from the Code, the Company has sought to provide an appropriate explanation for each deviation in this report.

The following illustrates the Group's corporate governance processes and structures that are in place during the financial year ended 31 December 2020 ("FY 2020"), with specific reference to the principles and guidelines of the Code, which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Manual.

THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Board's Leadership and Control

The Board is responsible in providing overall strategy and direction to the Management and the Group. Directors act in the best interests of the Company and through the Board's leadership. All Directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving issues of conflict.

To ensure the Group's effective and efficient performances, the Company's Board comprises of Directors with extensive and invaluable experiences, skills and qualities in the fields of shipbuilding and vessel chartering, business development, business management, financial, legal and accounting. The diversity of skills, experiences and qualities warrants the Board to be well equipped when dealing with various issues.

Notwithstanding of not having a formal code of conduct and ethics, the Board, together with the Company have established self-regulating and monitoring mechanisms to instil tenets of good corporate governance, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company.

The Company adopts a set of well-defined internal controls in the form of the Delegation and Authorisation Limit Policy ("Delegation Policy") for the Management to effectively operate the Group's businesses. Apart from matters that specifically require the Board's approval, such as investments, borrowings, issue of shares, dividend distributions, returns to shareholders, guarantees and indemnities, the Delegation Policy establishes defined limits of authority in relation to all operational matters for the Management, key management personnel and the Board. Transactions exceeding the defined limits in the Delegation Policy are to be approved by the Board.

The principal functions of the Board are as follows:

- (a) To decide on matters in relation to the Group's operations which are of a significant nature, including decisions on strategic directions and guidelines and the approval of periodic plans and major investments and divestments;
- (b) To oversee the business and affairs of the Company, establish, with Management, the strategies and financial objectives to be implemented by Management, and monitor the performance of Management;

CORPORATE GOVERNANCE

- (c) To oversee processes for evaluating the adequacy and effectiveness of internal controls and risk management systems;
- (d) To set the Company's values and standards (including ethical standards); and
- (e) To consider sustainability issues such as environmental and social factors as part of its strategic formulation.

In addition to its statutory duties, the Board reserves the following key matters for its decision:

- (a) Major funding proposals, investments, acquisitions and divestments including the Group's commitment in terms of capital and other resources;
- (b) The annual budgets and financial plans of the Group;
- (c) Annual and quarterly financial reports;
- (d) Internal controls and risk management strategies and execution; and
- (e) Appointment of directors and key management staff, including review of their performance and remuneration packages.

The schedule of all the Board and Board Committee meetings as well as the Annual General Meeting ("AGM") for the next calendar year is planned well in advance. The Board meets every quarterly and on special warranted meetings by particular circumstances. To enhance effective participation and communication, Directors who are unable to attend the meeting in person, will participate via tele-conference, electronic or other communication facilities which permits all parties to communicate with each other simultaneously.

The Board has set up and is supported by four Board Committees, which is the Audit Committee ("AC"), the Remuneration Committee ("RC"), the Nominating Committee ("NC") and the Risk Management Committee ("RMC") to assist in the execution of its responsibilities and to strengthen the Board's effectiveness. In line with the Code, each committee has its own defined terms of reference and operating procedures to undertake its responsibilities more efficiently. The responsibilities of each committee are elaborated under principle 4 for the NC, principle 6 for the RC, principle 9 for the RMC and principle 10 for the AC respectively.

The number of meetings held by the Board and Board Committees and the attendance for during the FY 2020 are as follows:

	Board Meeting	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held	4	4	1	1
	No. of meetings attended			
Tan Sri Datuk Tiong Su Kouk	4	N.A.	N.A.	N.A.
Mr Leong Seng Keat	4	N.A.	N.A.	N.A.
Mr Tiong Chiong Hiiung	4	N.A.	N.A.	1
Mr Ajaib Hari Dass	4	4	1	1
Mr Yee Kit Hong	4	4	1	1
Mr Kan Yut Keong, Benjamin	4	4	1	N.A.

CORPORATE GOVERNANCE

Where a new director is appointed to the Board, a formal letter setting out his/her duties, obligations and responsibilities is issued to the newly-appointed Director. The Board ensures that all incoming directors will receive extensive, comprehensive and tailored induction upon joining the Board. These include, but are not limited to, a briefing of his/her duties, obligations and responsibilities and how to effectively and objectively discharge these duties in good faith, as well as a comprehensive orientation program to ensure familiarity with the Group's businesses, financial related matters and governance practices. The Company also works closely with professionals as and when appropriate to provide its Directors with updates in changes to relevant laws, regulations and accounting standards. For FY 2020, there is no new Director appointed for the Board.

Directors are encouraged to attend relevant courses/training conducted by Singapore Institute of Directors, Singapore Exchange Securities Trading Limited, businesses and consultants, as may be relevant to the objectives and effective discharge of their responsibilities, particularly on relevant new laws, regulations and changing commercial risks, at the expense of the Group.

In addition to the Board meetings or special warranted meetings by particular circumstances, whereby Directors are updated on the Group businesses, operational activities and possible changes of business risks, the Group's information policy is to make available to Directors, upon their request, at any time, further and additional explanation, briefing or informal discussion on any aspect of the Group's operations or business issues from the Management. The Directors are issued with a copy of the Company's Code of Dealings as they are privy to price sensitive information.

Directors may, at any time, request for further explanation, briefings or informal discussions on any aspect of the Group's operations or business issues from Management.

As a general rule, board papers are sent to Directors approximately one week in advance in order for Directors to be adequately prepared for the meeting. Senior Management attends Board meetings to answer any query from Directors. Directors also have unrestricted access to the Company Secretary and Management at all times. Directors are entitled to request from Management and provided with such additional information as needed to make informed and timely decisions.

The Company Secretaries works closely with the Chairman in setting the agenda for Board meetings. They or, when unavailable, an authorized designate, attends all Board meetings and ensures that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flow within the Board and its Board Committees, and between Management and non-executive Directors. Where required, the Company Secretaries also organise orientation and training for new Directors, as well as provides updates and advises Directors on all governance matters. The Company's Constitution provides that the appointment and removal of the Company Secretaries is subject to the approval of the Board.

Should Directors, whether as a group or individually, need independent professional advice relating to the Company's affairs, the Company Secretary will appoint a professional advisor to render the relevant advice. The cost of such professional advice will be borne by the Company.

CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE

Principle 2: Independent and Diverse Board

As at the date of this report, the Board comprises six members of whom three are Independent Directors:

Executive Directors

Tan Sri Datuk Tiong Su Kouk (Executive Chairman)

Mr Tiong Chiong Hiiung (Executive Vice Chairman cum Finance Director)

Mr Leong Seng Keat (Chief Executive Officer ("CEO"))

Independent Directors

Mr Ajaib Hari Dass

Mr Yee Kit Hong

Mr Kan Yut Keong, Benjamin

The Board comprises Directors who are all of high calibre members with wealth of experiences in the Company's business segment. They bring a wide range of invaluable experiences, skills, knowledge, extensive business network and expertise in specialised fields, including but not limited to admiralty matters, shipbuilding and vessel chartering, strategic planning, audit management, taxation, mergers and acquisitions, corporate finance and restructuring, accounting, financing, marketing and business development and legal. The size, composition, range of experience and the varied expertise of current Board members allow discussions on policy, strategy and performance to be critical, informed and effective.

The NC will, in reviewing and assessing the composition of the Board and when recommending the appointment of new Directors to the Board, consider candidates on merit against the objective criteria set and with due regards for the benefits of diversity on the Board.

The Board and NC are of the view that the current composition of the Board encompasses an appropriate balance and diversity of skills, experience, knowledge and competencies such as accounting, finance, legal, information, business or management experience, industry knowledge and strategic planning experience; aspects of which are adequate to avoid groupthink and foster constructive debate. While the Company has not adopted a formal board diversity policy, the Board and NC are of the view that its current composition of the Board has the appropriate level of independence and diversity of skills, experience, knowledge and competencies to enable it to make decisions in the best interests of the Company, consistent with the intent of Principle 2.4 of the Code.

The Board exercises objective and independent judgment on the Group's corporate affairs. No individual or group of individuals dominates the Board's decision-making. In addition, the roles of the Executive Chairman, the Executive Vice Chairman cum Finance Director and the CEO are assumed by different persons.

The Board has a healthy proportion of independent directors, where independent directors comprising half the Board. It ensures that there is effective representation to its shareholders and issues of strategy, performance and resources are fully disclosed and examined to take into account the long-term interests of the shareholders, employees, customers, suppliers and the industries in which the Group conducts its business. To facilitate a more effective check on the Management, the Independent Directors also meet on a need-be basis without the presence of the Management.

The Independent Directors contribute to the Board processes by constructively challenging, developing, monitoring and reviewing the Management's performance against pre-determined goals, strategies and objectives. Their views and opinions provide alternative perspectives to the Group's business and operations. The Independent Directors exercise independent judgment and discretion on the Group's business activities and transactions, particularly in situations involving conflicts of interest and other complexities.

CORPORATE GOVERNANCE

The Board noted that under Principle 2.3 of the Code, non-executive directors are to make up a majority of the Board. In concurrence with the NC, the Board is of the view that the current size of the Board is appropriate for the nature of the Group's business and the scope of its operations.

The NC reviews annually whether a Director or potential candidate for the Board is considered an independent director bearing in mind the Code's definition of an "independent director" and guidance as to the relationships, the existence of which would deem a Director not to be independent (Principle 2). Under the Code, an independent director is one who is independent in conduct, character and judgment, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers, that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company. Under the SGX-ST Listing Manual a Director will not be deemed independent if he is employed by the Company or its related corporations for the current or any of the past three financial years, or if he has an immediate family member who is employed or has been employed by the Company or its related corporations for the past three financial years, and whose remuneration is determined by the RC.

The Directors complete an annual declaration of independence, whereby they are required to assess their independence taking into account the above requirements, which is then put to the NC for review. The Directors are mindful, however, that the relationships identified in the annual confirmation of independence are only indicators of possible situations where independent judgment may be impaired, but are not in themselves conclusive, and they are also required to disclose any relationship with the Company, its related corporations or its officers which may interfere with, the exercise of their independent business judgment in the best interests of the Company, or would otherwise deem them to be not independent.

Under Principle 2.2 of the Code, independent directors are to make up a majority of the Board. In concurrence with the NC, the Board agrees that there is a strong independence element in the Board. The Board and the NC have ascertained that for the period under review, three out of its six Directors are independent.

The Company, adhering to the Code's definition, determines annually on the Independent Directors' independence. The NC has assessed the independence of each Independent Director and considers that Mr Ajaib Hari Dass, Mr Yee Kit Hong and Mr Kan Yut Keong, Benjamin are, and continue to be, independent. Each member of the NC has abstained from deliberations in respect of the assessment on his own independence.

The NC together with the Board noted that as at 31 December 2020, Mr Ajaib Hari Dass and Mr Yee Kit Hong who has served for a period of nine years from the date of their first appointment are subject to rigorous review on their independence. With effect from January 1, 2022, a director will not be independent if he has served for an aggregate of more than 9 years and his continued appointment as an independent director has to be sought and approved in separate resolutions by (a) all shareholders and (b) shareholders, excluding the directors and chief executive officer of the issuer, and associates of such directors and chief executive officer (the "Two-Tier Voting"). Such resolutions approved by a Two-Tier Voting may remain in force for three years from the conclusion of the annual general meeting following the passing of the resolutions or the retirement or resignation of the director, whichever the earlier.

The Board has recommended that the approval of the shareholders be sought through a Two-Tier Voting process at the forthcoming AGM for the continuation of office of Mr Ajaib Hari Dass and Mr Yee Kit Hong, who have each served as Independent Non-Executive Directors of the Company for an aggregate term of more than nine years, as Independent Non-Executive Directors of the Company.

Guideline 2.4 of the Code of Corporate Governance 2012 continues to apply prior to Rule 210(5)(d)(iii) of the Listing Manual of SGX-ST which comes into effect on January 1, 2022.

CORPORATE GOVERNANCE

The NC had reviewed the independence of long tenured non-executive directors and, having considered the provisions set out in the Code, the Practice Guidance and certain other salient factors is of the view that although Mr Ajaib Hari Dass and Mr Yee Kit Hong has served beyond nine years as Independent Director since 2011, they continue to express their individual viewpoints, debate issues and objectively and constructively challenge Management's proposals and decisions on business activities and transactions that may involve conflicts of interests and other complexities. Their vast experience enables them to provide the Board and the various Board Committees on which they serve, with pertinent experience and competence to facilitate sound decision-making and that their length of service does not in any way interfere with their exercise of independent judgment nor hinder their ability to act in the best interest of the Company. Both directors have not affected his independence and ability to bring independent and considered judgment to bear in their discharge of duties as a member of the Board and Board Committees. The Board concurred with the NC's view and was satisfied that they continued to be considered independent even though each had served the Board for more than nine years. Both had also abstained from voting on resolutions, making recommendations and/or participating in matters in which they are interested. They were also not involved in the deliberation in respect of their own independence. The Board is of the view that the NC was effective at discharging its duties.

The NC takes the view that a director's independence cannot be determined solely and arbitrarily on the basis on the length of time. A director's contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgment in engaging and challenging Management in the best interest of the Group as he performs his duties in good faith, are more critical measures in ascertaining his independence than the number of years served on the Board. Hence, the Board does not impose a limit on the length of service of the independent directors.

Notwithstanding the foregoing, the Board and NC will continue to exercise due and careful review, taking into consideration other factors, in assessing the independence of a director. These factors include, inter alia, whether the directors have any interest, business, relationship and/or any other material contractual relationships with the Group which could reasonably be perceived to compromise their independence and interfere with the exercise of their independent business judgment with a view to the best interest of the Group.

The Board considers continuity and stability of the Board important, especially in these volatile oil market period which impacts the Company's business direction, and that it is not in the interests of the Company to require directors who have served more than nine years or longer to be ineligible for re-election (as independent directors). Both long tenured independent directors have many years of business, financial, legal and industry experience and are able to serve the present needs of the Company with their vast experience and knowledge as well as comprehensive understanding of the Group's business and the markets, notwithstanding their long tenure. The Board nevertheless will on a continual basis, review the need for progressive refreshing of its Board, taking into account the need to maintain or enhance its balance and diversity in line with the Code.

Whilst the NC and the Board recognise that there could be benefits of bringing in new directors to the Board who can bring in fresh perspectives, the continued services of the long-tenured directors are crucial and critical as their valuable experience and expertise contribute to the Group's decision-making process. Moreover, given that the dynamic business nature of the Company which constantly render uncertain situations and new external challenges, it is ever more important to harness the relevant expertise of these directors to tide through this period as opposed to reappointing new directors at this juncture.

Reconstituting the Board early to comply with the Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the Board.

Key information regarding the Directors, including directorship and chairmanship both present and those held over the preceding five years in other listed companies, and other principal commitments, are set out in the Board of Directors' section and on pages 14 to 16 which provide further information on them.

CORPORATE GOVERNANCE

CHAIRMAN, VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *Clear division of responsibilities between the leadership of the Board and Management*

The Executive Chairman and CEO of the Company are separate persons. Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director and Mr Leong Seng Keat, the CEO, are the pillars in propelling the growth of the Group. They provide strong leadership and strategic vision for the Company by undertaking the formulation and execution of overall business strategies and policies and charter the corporate direction of the Group.

The role of Executive Chairman includes:

- (a) leading the Board to ensure its effectiveness on all aspects of its role;
- (b) setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) promoting a culture of transparency at the Board;
- (d) ensuring that the Directors receive complete, adequate and timely information;
- (e) ensuring effective communication with shareholders;
- (f) encouraging constructive relations within the Board and between the Board and the Management;
- (g) facilitating the effective contribution of Non-Executive Directors in particular; and
- (h) promoting high standards of corporate governance.

The Executive Vice Chairman cum Finance Director is responsible predominantly in corporate strategies planning and financial management, as an assurance to the Group's commitment in business continuity and growth.

The CEO is responsible primarily in the management and operation of the Group in accordance with Group's pre-determined goals, strategies and objectives.

All strategic and major decisions made by the Executive Chairman, Executive Vice Chairman cum Finance Director and CEO are reviewed and approved by the Board. The roles of the Chairman and the CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Company discloses that the CEO, Mr Leong Seng Keat is the son-in-law of Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, the brother-in-law of Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director, and the brother-in-law of Mr Tiong Chiong Soon (Joseph), the Executive Director of Operations. The Company further discloses that the Executive Vice Chairman cum Finance Director, Mr Tiong Chiong Hiiung is the son of Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, the brother-in-law of Mr Leong Seng Keat, the CEO and the brother of Mr Tiong Chiong Soon (Joseph), the Executive Director of Operations. Notwithstanding the family relationship, each of Executive Chairman, Executive Vice Chairman cum Finance Director and the CEO has clearly defined roles and responsibilities in the Company and no one individual has unfettered powers of decision-making.

CORPORATE GOVERNANCE

Mr Ajaib Hari Dass, the Lead Independent Director of the Company is responsible for co-ordinating and leading the Independent Directors, providing non-executive perspectives and contributing well balanced viewpoints, to enable the Board to exercise independent decision making and to further ensure that an appropriate balance of power and authority in the spirit of good corporate governance are executed.

Mr Ajaib Hari Dass is also available to the shareholders should they require alternative advices apart from contacts with the Executive Chairman, Executive Vice Chairman cum Finance Director or the CEO.

The Independent Directors, led by the Lead Independent Director also meets amongst themselves without the presence of the other Directors where necessary and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings, where appropriate. This includes a continual review of the performance and effectiveness of Management in meeting agreed goals and objectives, and succession planning and leadership development.

BOARD MEMBERSHIP

Principle 4: *There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board*

The NC is regulated by a set of written terms of reference endorsed by the Board. The NC comprises three members, a majority of whom are independent, including the Chairman of the NC who is not associated in any way with the substantial shareholders of the Company. The Lead Independent Director is the Chairman of the NC.

The members of the NC as at the date of this Report are:

Mr Ajaib Hari Dass (Chairman)
Mr Yee Kit Hong
Mr Tiong Chiong Hiiung

The functions of the NC include the following:

- (a) To identify candidates for nomination and make recommendations to the Board on all board appointments;
- (b) To re-nominate directors, having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director.
- (c) To determine annually whether a director is independent;
- (d) To review the balance and diversity of skills, experience, gender, knowledge and competencies of the Board, and its size and composition;
- (e) To develop and recommend to the Board a process for evaluation of the performance of the Board, Board Committees and directors;
- (f) To assess the effectiveness of the Board, the Board Committees and the contribution by each individual director to the effectiveness of the Board;

CORPORATE GOVERNANCE

- (g) To review and recommend to the Board the succession plans for directors, in particular, the Chairman and the Chief Executive Officer;
- (h) To review and recommend the training and professional development programmes for the Board; and
- (i) To review the succession plans and the development programmes for key executive/editorial positions.

The NC shortlists candidates with the appropriate profile for nomination or re-nomination and recommends them to the Board for approval. It looks out for suitable candidates to ensure continuity of Board talent. Some of the selection criteria used are integrity, independent-mindedness, diversity, ability to commit time and effort to the Board, track record of good decision-making, experience in high-performing companies and financial literacy. The Committee may seek advice from external search consultants where necessary.

The NC has adopted internal guidelines addressing competing time commitments that arise when Directors serve on multiple boards and have other principal commitments. As a guide, a Director should not have more than six listed company board representations and other principal commitments.

The NC monitors and assesses annually whether Directors who have multiple board representations and other principal commitments, are able to give sufficient time and attention to the affairs of the Company and diligently discharge his duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual Director, his actual conduct on the Board and Board Committees, and his attendance record at meetings, in making this determination.

The NC is satisfied that in FY 2020, despite their other listed company board representations and other principal commitments, each of the Directors was able to give sufficient time and attention to the affairs of the Company, and was able to adequately carry out his duties as a Director of the Company.

All Directors are required to submit themselves for re-nomination and re-election at regular intervals, and at least once every three years. Article 116 of the Company's Bye-Laws requires one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third, to retire by rotation at every annual general meeting ("AGM"). These Directors may offer themselves for re-election, if eligible. The NC has reviewed and recommended the re-election of Tan Sri Datuk Tiong Su Kouk, Mr Ajaib Hari Dass and Mr Yee Kit Hong who are retiring under the Company's Bye-Law 86(1) at the forthcoming AGM. The Board has accepted the recommendation and the retiring Directors will be offering themselves for re-election. The additional information of the re-election Directors, Tan Sri Datuk Tiong Su Kouk, Mr Ajaib Hari Dass and Mr Yee Kit Hong are set out on pages 124 to 131 of this Annual Report.

The NC regards succession planning as an important part of corporate governance and has an internal process of succession planning for the Chairman, Directors, the CEO and senior Management, to ensure the progressive and orderly renewal of the Board and key executives.

CORPORATE GOVERNANCE

BOARD PERFORMANCE

Principle 5: Formal annual assessment of the effectiveness of the Board, Board Committees and each Director

The NC reviews the performance of the Board on an annual basis, based on performance criteria as agreed by the Board, and decides how this may be evaluated. The Board has a process for assessing the effectiveness of the Board as a whole.

The Board evaluation process involves having Directors complete a Questionnaire seeking their views on various aspects of the performance of the Board and Board Committees, such as Board composition, information, process and accountability. The Company Secretaries compile Directors' responses to the Questionnaire into a consolidated report. The report is discussed at the NC meeting and also shared with the Board. The NC assessed the performance of the Board as a whole, based on performance criteria (determined by the NC and approved by the Board), such as the Board's composition and size, the Board's access to information, Board processes, Board accountability, standard of conduct and performance of the Board's principal functions and fiduciary duties, and guidance to and communication with Management and stakeholders. The performance criteria do not change from year to year, unless the NC is of the view that it is necessary to change the performance criteria, for example, in order to align with any changes to the Code.

During FY 2020, the NC had conducted a performance evaluation of the Board on areas including board composition, board information, board process, internal control and risk management, board accountability, CEO and top management's performances and standard of conduct. The NC confirms that all Directors have effectively contributed to the performance evaluation of the Board. No external facilitator had been engaged by the Board for this purpose.

REMUNERATION MATTERS

Principle 6: Formal and transparent procedure for director and executive remuneration

The RC is regulated by a set of written terms of reference endorsed by the Board. The RC comprises the three members and all three are independent including the Chairman.

The members of the RC as at the date of this report are:

Mr Ajaib Hari Dass (Chairman)
Mr Yee Kit Hong
Mr Kan Yut Keong, Benjamin

The functions of the RC include the following:

- (a) To review and recommend to the Board of Directors a framework of remuneration for the Board, Chief Executive Officer ("CEO") and key executives;
- (b) To review and recommend to the Board the specific remuneration packages for each director, the CEO and key executives;

CORPORATE GOVERNANCE

- (c) To review all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, share-based incentives and awards, benefits in kind and termination payments;
- (d) To review and administer the share and other incentive scheme(s) adopted by the Group and to decide on the allocations to eligible participants under the said scheme(s); and
- (e) To review the Company's obligations arising in the event of termination of the executive directors' and key executives' contracts of service, so as to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The recommendations of the RC would be submitted for review and approval by the entire Board. To ensure the RC's ability to exercise unbiased judgment in its deliberations and act in the best interests of the Group as well as the shareholders, each member of the RC shall abstain from voting on any resolutions in respect of his or his associates' remuneration package. No individual Director shall be involved in deciding his own remuneration.

The RC also reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC may seek expert advice inside and/or outside of the Company on remuneration of Directors and staff. During FY 2020, the RC did not require the service of an external remuneration consultant.

LEVEL AND MIX OF REMUNERATION

Principle 7: *Level and structure of remuneration of the Board and key management personnel*

The RC and the Board in determining the level and structure of remuneration of the Board and senior management will ensure that they are appropriate and proportionate to the sustained performance and value creation of the Group, taking into account its strategic objectives, its long term interests and risk policies. In designing the remuneration packages, the RC ensure that the level and mix remuneration is competitive, relevant and appropriate to strike a balance in remunerating the Board, the Company and the key management personnel. The RC takes into consideration the salary payment and employment experiences within the same industry, in comparable companies, the performance of the Group and the performance of the relevant individual. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes, and the time horizon of risks.

The remuneration framework for Directors, CEO and key management personnel is aligned with the interest of shareholders and relevant stakeholders and appropriate to attract, retain and motivate them for the long term success of the Group.

Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director and Mr Leong Seng Keat, the CEO are paid based on their respective service agreements with the Group. The service agreements are for an initial period of three years each, with an automatic renewal for a further three years on the same terms and conditions, unless terminated prior to the renewal by either party giving six months' written notice.

The remuneration package of the Executive Directors includes a variable or performance related bonus which is based on the performance of the Company and the relevant individual, and have been designed to align their interests with those of shareholders and to promote the long-term success of the Group. Directors' fees are tabled annually for shareholders' approval at the AGM.

CORPORATE GOVERNANCE

The Non-Executive and Independent Directors do not have any service agreements with the Company. They are paid with Directors' fees, which are determined by the Board, appropriate to the level of their contribution, taking into consideration factors such as the responsibilities, effort and time spent for serving the Board and Board Committees. Non-Executive Directors' fees comprise of a basic fee, fees in respect of service on Board Committees and attendance fees, and are subject to the approval of shareholders at the AGM. Other than the Directors' fees, the Non-Executive Directors and Independent Directors do not receive any other remuneration from the Company.

The Group adopts a remuneration policy for the CEO, Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable allowance, bonus and benefits-in-kind that is linked to the Group and based on each individual's performance.

Having reviewed and considered the variable component of the Executive Directors and the key management personnel, the RC is of the view that there is no requirement to institute contractual provisions to allow the Group to reclaim incentive components of their remuneration paid in prior years in exception circumstance of misstatement of financial results, or of misconduct resulting in financial loss. In addition, the Executive Directors owe a fiduciary duty to the Company. The Group should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Shareholders approved Nam Cheong Management Incentive Plan (the "Plan") during the special general meeting held on 20 August 2018. The objectives of the Plan are to attract, retain, incentivise and motivate the Company's employees' performance and contribution, to attract skilled employees to contribute to the Group and create value for shareholders.

Shareholders also approved the termination of the Nam Cheong Group 2013 Share Grant Plan.

DISCLOSURE OF REMUNERATION

Principle 8: Clear disclosure on remuneration policy, level and mix

Consistent with Principle 8 of the Code, the Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

For the period under review, the Executive Directors' and the CEO's remuneration package includes the salary and a variable bonus element and performance share grant, which are based on the Company's and individual performance and have been designed to align their interests with those of shareholders. The Executive Directors and CEO do not receive Directors' fees.

Non-executive Independent Directors are paid Directors' fees, subject to the approval of shareholders at the AGM. Directors' fees comprise a basic retainer fee, fees in respect of service on Board Committees, attendance fees, and, where appropriate, fees for participation in special projects, adhoc committees and subsidiary boards. The Directors' fees are appropriate to the level of contribution, taking into account factors such as effort and time spent, and the responsibilities of the Directors, such that the independence of the non-executive Directors is not compromised by their compensation.

CORPORATE GOVERNANCE

A breakdown showing the level and mix of each individual Director's and the CEO's remuneration payable for FY 2020 is as follows:

Remuneration	Salary SGD	Director's Fees & Meeting Allowances SGD	Variable or Performance Related Income/ Bonus and Benefits-In-Kind SGD	Total Compensation SGD
Directors				
Tan Sri Datuk Tiong Su Kouk	616,168	5,000	268,655	889,823
Mr Tiong Chiong Hiiung	492,000	6,000	–	498,000
Mr Leong Seng Keat	471,500	5,000	674,067	1,150,567
Mr Ajaib Hari Dass	–	99,540	–	99,540
Mr Yee Kit Hong	–	98,780	–	98,780
Mr Kan Yut Keong, Benjamin	–	84,860	–	84,860

The RC has recommended to the Board an amount of S\$299,180 per year as Directors' Fees for FY 2020. These recommendations have been endorsed by the Board and would be tabled at the forthcoming AGM for shareholders' approval. The Board concurred with the RC that the proposed Director's Fees for FY 2020 are appropriate and not excessive, taking into consideration the level of contributions by the Directors and factors such as the responsibilities, effort and time spent for serving the Board and Board Committees. No Director was involved in deciding his own remuneration.

The key management personnel's (who are not directors or the CEO) remuneration package includes the salary and a variable bonus element which are based on the Company's and individual performance.

For FY 2020, the remuneration of the top 5 key management personnel (who are not also directors or the CEO of the Company) of the Group in bands no wider than S\$250,000 is disclosed as follows:

Key Management Personnel	Salary %	Variable or Performance Related Income/ Bonus and Benefits-In-Kind %	Total Compensation %
S\$250,001 and above			
Tiong Chiong Soon (Joseph)	92.76	7.24	100
S\$250,000 and below			
Gregory John Flint	75.94	24.06	100
Jamaluddin Bin Obeng	93.76	6.24	100
Lee Boon Chye	82.47	17.53	100
Leong Juin Zer Jonathan	86.05	13.95	100

CORPORATE GOVERNANCE

The Company has not disclosed the upper limits for the higher remuneration bands, given the confidentiality and commercial sensitivity attached to remuneration matters, and the competition for talent in the job market in relation to the skillsets of these personnel in the industry.

For FY 2020, the aggregate total remuneration for the key management personnel (who are not also Directors or the CEO) amounted to S\$1,190,084.93.

The RC ensures the remuneration paid to the CEO, Directors, and key management personnel are clearly linked to the achievement of their individual performance targets. The performance targets, as determined by the RC, are meant to motivate a high degree of business performance, while the remuneration remains at a practical level. The individual performance target is aligned to the overall strategic, financial, and operational goals of the Group, ensuring that the Group and its people grow together. The performance target, while differs individually, is based on the same criteria. Actual performance is measured against pre-agreed performance targets, which includes financial and non-financial performance indicators and all other actions and performances that support the Group's long-term financial soundness, risk management framework, internal controls to safeguard the shareholders' interests and the Group's assets.

Save for Mr Tiong Chiong Soon (Joseph) and Mr Leong Juin Zer, Jonathan, there is no other employees who are substantial shareholders of the Company or who are the immediate family of any Director or the CEO of the Company, whose remuneration exceed S\$100,000 for FY 2020. Mr Tiong Chiong Soon (Joseph) is the son of Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, the brother of Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director, and the brother-in-law of Mr Leong Seng Keat, the CEO. Mr Leong Juin Zer, Jonathan is the grandson of Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, the nephew of Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director, and the son of Mr Leong Seng Keat, the CEO.

The above remuneration bands include performance shares granted to staff under the Nam Cheong Management Incentive Plan (the "Plan"). The Plan is administered by the RC.

Staff who participate in the Plan are a selected group of employees of such rank and service period as the RC may determine or as selected by the RC. Further details on the Plan and the incentives issued, can be found in the Directors' Statement and Notes to the Financial Statements.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: Sound system of risk governance and internal controls

The Risk Management Committee ("RMC") oversees the risk governance in the Group to ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets.

The RMC monitors and assists the Board in determining the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

The RMC is led by the CEO, Mr Leong Seng Keat, and together with Mr Tiong Chiong Hiiung (Executive Vice Chairman cum Finance Director), Mr Tiong Chiong Soon (Joseph) (Executive Director (Operations)), Mr Chong Chung Fen (Chief Financial Officer), are members of the RMC. The RMC reviews regularly the Group's policies and procedures, business and operational activities, to identify areas of significant risks as well as to determine appropriate measures to control and mitigate these risks and subsequently report these findings to the Board and the AC.

CORPORATE GOVERNANCE

The risk management and internal audit exercises are conducted by internal auditors which are appointed from an independent advisory firm, Tricor Axcelasia Sdn Bhd ("Tricor Axcelasia") (formerly Axcelasia Columbus Sdn Bhd) to monitor and manage the risks across the Group via an Enterprise Risk Management ("ERM") framework. Tricor Group had in April 2020 acquired Axcelasia Sdn Bhd, a wholly owned subsidiary of Axcelasia Inc., a company incorporated in Malaysia and listed on the Singapore Exchange.

The internal auditors recommend a risk reporting structure, together with reporting frequency and roles and responsibilities for implementation by the Group. Key risks were assessed and risk action plans were developed for the top risks of the Group. This ERM framework and risk management activities is reviewed, updated and improved regularly to enhance the Group's capability in risks identification, assessment and management in the light of challenging business environment.

The Board acknowledged the recommendations and is committed to continuously implementing a suitable ERM framework for the Group. During the year, follow-up was performed internally on the risk action plans implementation status. Results of the follow-up were reported to the AC. Risk ratings were also re-assessed during the financial year to communicate and reflect the Management's views on the challenges expected ahead based on available information.

Separately, in performing the audit of the financial statements of the Group, the external auditors perform test over the operating effectiveness of certain controls that they intend to rely on, that are relevant to the preparation of its financial statements. The external auditors will also highlight any material internal control weaknesses which have come to their attention in carrying out their normal audit, which is designed primarily to enable them to express their opinions on the financial statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the AC. The AC has reviewed the adequacy and effectiveness of the action taken by Management on the opinions and recommendations made by the external auditors in this respect.

The CEO and Chief Financial Officer, as well as relevant key management personnel, at the financial year-end, have provided assurances that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the Company's internal controls and risk management systems were adequate and effective as at the end of the financial year.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and regular reviews performed by Management, the AC, the RMC and the Board is of the concurrence that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2020 to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

The Board will, on a continuing basis, endeavour to further enhance and improve the Group's system of internal controls and risk management policies. Notwithstanding the foregoing, the Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen and mitigated against as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

CORPORATE GOVERNANCE

The Board is accountable to all shareholders for the management of the Group and to provide a balanced and understandable assessment of the Group's performance, position and prospects which extends to interim and other price sensitive public reports. The Board updates shareholders on the operations and financial position of the Group through quarterly and full year results announcements in addition to the timely announcements of other matters as prescribed by the relevant rules and regulations.

The Board has also undertaken adequate steps to ensure compliance with regulatory requirements, including requirements under the SGX-ST Listing Manual, by establishing written policies where appropriate.

To ensure the Board fulfils its responsibilities, the Company is accountable to the Board by providing the Board with the necessary updates in relation to the performance of the Group. The Board emphasize on transparency in the conduct of the Company's affairs, whilst preserving the Company's commercial interests.

The Management team provides the Board with information including management accounts, which the Board may require from time to time, in the discharge of its duties, to make a balanced and informed assessment of the Company's performance, position and prospects.

AUDIT COMMITTEE

Principle 10: Establishment of Audit Committee

The AC is regulated by a set of written terms of reference, which sets out their authority, duties and responsibilities. The AC comprises three Non-Executive Directors, all of whom are Independent Directors.

The members of the AC as at the date of this Annual Report are:

Mr Yee Kit Hong (Chairman)
Mr Ajaib Hari Dass
Mr Kan Yut Keong, Benjamin

The members of the AC bring with them invaluable experience and professional expertise in the financial, legal, consultancy and administration fields. The Board is of the view that the Chairman and members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the AC Chairman, have relevant accounting or related financial management expertise or experience, as determined by the Board in its business judgment.

The AC performs the functions as set out in the Code including the following:

- (a) To review the annual audit plans and audit reports of external and internal auditors;
- (b) To review the balance sheet and profit and loss accounts of the Company and the consolidated balance sheet and profit and loss accounts of the Group before they are submitted to the Board for approval;
- (c) To review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (d) To review the auditors' evaluation of the system of internal accounting controls;
- (e) To review the adequacy and effectiveness of the Company's internal controls;

CORPORATE GOVERNANCE

- (f) To review the scope, results and effectiveness of the internal audit function;
- (g) To review the scope, results and effectiveness of the external audit, and the independence and objectivity of the external auditors annually, and the nature and extent of non-audit services supplied by the external auditors so as to maintain objectivity;
- (h) To make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (i) To review the Company's whistle-blowing policy, and to ensure that arrangements are in place for concerns about possible improprieties in matters of financial reporting or other matters to be raised and independently investigated, and for appropriate follow-up action to be taken;
- (j) To oversee any internal investigation into cases of fraud and irregularities;
- (k) To review any interested person transaction;
- (l) To approve the hiring, removal, evaluation and compensation of the head of the internal audit function; and
- (m) To ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

Apart from the above functions, the AC shall commission and review the findings of internal assessments, review and discuss on matters with the internal and external auditors where there is any suspected fraud or irregularity, failure of internal controls, or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on the operating results or the financial position of the Company. The AC will also ensure that the appropriate follow-up and necessary actions are taken. In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

The AC has the explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management, and full discretion to invite any Director or executive officer to attend its meetings and reasonable resources to enable it to discharge its function properly. It has also set in place arrangements to ensure independent investigation of matters such as improprieties in financial reporting.

Where necessary, the AC meets with the internal auditors and the external auditors without the presence of the Management, at least once a year. The audit partner of the external auditors is rotated every five years, in accordance with the requirements of the SGX-ST Listing Manual.

Quarterly financial statements and the accompanying announcements are reviewed by the AC before presentation to the Board for approval, to ensure the integrity of information to be released.

During the financial year, the AC reviewed the quarterly financial statements prior to approving or recommending their release to the Board, as applicable; the auditors' evaluation of the system of internal accounting controls; the adequacy and effectiveness of the Company's internal controls; the annual audit plan of the internal and external auditors and the results of the audits performed by them; and potential interested person transactions. It also reviewed the scope, results and effectiveness of the internal audit and external audit functions; the independence and objectivity of the external auditors and the non-audit services rendered by them; and the re-appointment of the external auditors and their remuneration. Management's assessment of fraud risks, adequacy of the whistle-blowing arrangements and whistle-blowing complaints are reviewed by the AC.

CORPORATE GOVERNANCE

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with training conducted by professionals or external consultants.

Under Rules 712, a company must appoint a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the listed group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit.

The AC has conducted an annual review of the performance of the external auditors, Foo Kon Tan LLP by taking into consideration the Audit Quality Indicators Disclosure Framework recommended by ACRA as reference. The external auditors audit the Company's accounts, its Singapore-incorporated subsidiaries and its affiliated firm, HLB Ler Lum audits its significant foreign-incorporated subsidiaries and associated companies. The Board, concurs with the AC that the appointment of the collaborated firm shall not in any way compromises the standard and effectiveness of the audit of the Company. The AC has also reviewed the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, before confirming their re-nomination. Details of the aggregate amount of fees paid to the external auditors for FY 2020, and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found on page 107.

The Company confirms that the appointment of the external auditors is in accordance with Rules 712, 715 and 716 of the SGX-ST Listing Manual.

None of the AC members is a former partner of, nor have any financial interest in the Group's existing auditing firm.

The internal auditors conduct a full review of the Group's internal controls and risk management system. The audit work carried out by the internal auditors is guided by the International Standards for the Professional Practice of Internal Auditors laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.

The internal auditors are from integrated professional services group which have experiences in providing tax advisory, business consulting, enterprise management system applications and business process which outsource services to public listed companies, private companies, multinational corporations and government linked entities. The internal auditors of the Group are led by professionals with diverse professional experience in internal audits, risk management and corporate governance advisory. None of the internal auditors have any relationships or conflict of interest with the Group, which could impair their objectivity and independence.

The hiring, removal, evaluation and compensation of the internal auditors are recommended by the Company and approved by the AC.

The Board recognises that it is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the internal auditors is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas.

The internal auditors provide an annual audit plan, which focuses on material internal control systems including financial, operational, IT and compliance controls, and the risk management processes. They also provide advices on security and control in new systems development, recommends improvements to effectiveness and economy of operations, and contributes to risk management and corporate governance processes. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the AC.

CORPORATE GOVERNANCE

During the period of audit, the internal auditors have full and unfettered access to all of the Group's documents, records, properties and personnel, including access to the AC and carries out its function in accordance with the standards set by international recognised professional bodies.

The internal auditors carry out their functions under the direction of the AC and reports their findings and makes recommendations to the AC and administratively to the Management and the Board. The internal audit reports are submitted to the AC for deliberation and their findings and recommendations are discussed at the AC meetings. To ensure timely and adequate closure of audit findings, the status of the implementation of the actions agreed by management of the Company is tracked and discussed with the AC. Annually, the AC will review the adequacy and effectiveness of the internal auditors to ensure that it is sufficiently resourced and able to perform its functions effectively and objectively.

Based on the audit reports and management controls in place, the AC is satisfied that the Group's internal audit function is adequately resourced to perform its function effectively, and in addition, is staffed by suitably qualified and experienced professionals with the relevant experience and has appropriate standing within the Group. The Board, with the AC's concurrence is satisfied that the internal control systems (including financial, operational, compliance and information technology controls) provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained and financial statements are reliable.

The Group has put in place a whistle-blowing policy, endorsed by the AC, where employees of the Group and any other persons may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. The whistle-blowing policy is clearly cascaded to each employee upon joining the Group and the policy is makes an integral part of the employees' handbook of the Group.

The Company has adopted an internal policy, which is in line with Rule 1207(19) of the SGX-ST Listing Manual, with respect to dealings in securities of the Company.

The Company and its officers are prohibited from dealing in the securities of the Company at least two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and one month before the announcement of the Company's full year financial results, and ending on the date of the announcement of the relevant results or when they are in possession of any unpublished price sensitive information of the Group. In compliance with Rule 1207(19) of the SGX-ST Listing Manual, quarterly reminders of the restrictions in dealing in the securities of the Company are issued to all Directors and officers of the Company.

In addition, Directors and officers are reminded not to deal with the Company's securities for a short-term considerations and are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading period.

The Directors and the officers are required to notify their dealings in the Company's shares within two business days of the transaction.

The Company has complied with Rule 1207(19) of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder rights and conduct of general meetings

The Group encourages shareholder participation, and ensures that shareholders have the opportunity to participate effectively at general meetings.

The general meeting procedures allow shareholders to raise questions relation to each resolution tabled for approval, and to participate, engage and openly communicate their views on matters relating to the Group.

The Bye-Laws of the Company currently does not allow a shareholder to vote in absentia at general meetings, except through the appointment of a proxy, attorney or in the case of a corporation, a corporate representative, to cast their vote in their stead.

At general meetings, each distinct issue is proposed as a separate resolution. All resolutions are put to the vote by electronic poll voting. Independent scrutineers are appointed to conduct the voting process and verify votes after each resolution. The results of the electronic poll voting are announced instantaneously at the meeting. The outcome of the general meeting is promptly announced on SGXNET after the general meeting.

The Company prepares minutes of general meetings which incorporate substantial and relevant comments or queries from shareholders, and responses from Board and Management, and publishes these on its corporate website.

All Directors, including the chairmen of the AC, NC, RC and RMC, and senior Management, are in attendance at the AGMs and Special General Meetings (if any) to allow shareholders the opportunity to air their views and ask Directors or Management questions regarding the Company. The external auditors also attend the AGMs to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditors' report. The AGM is held four months after the close of the financial year.

All shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights.

The Company does not have a formal dividend policy. The Board considers the Company's capital structure, cash requirements and future plans in deciding whether to declare dividends or not. The Company did not declare and pay any dividends for FY 2020.

The Company practises fair and equitable treatment to all shareholders and stakeholders and to facilitate the exercise of ownership rights, the Company provides all material information which would materially affect the price or value of the Company's shares in an accurate and timely manner via SGXNET, so as to enable shareholders to make informed decisions.

CORPORATE GOVERNANCE

COMMUNICATION WITH SHAREHOLDERS

Principle 12: Engagement with shareholders

The Company did not have an investor relations policy at the moment.

The Company is fully committed in maintaining and improving its level of corporate transparency of financial results and other pertinent information. Other than the routine announcements made via SGXNET in accordance with the requirements of the SGX-ST Listing Manual, the Group has issued additional announcements and press releases to update shareholders on the activities of the Company so as to ensure that all shareholders have access to material information at the same time. In addition, shareholders can access to the Company's website at www.namcheong.com.my for more information of the Group, including the corporate profile and financial information of the Company, research house reports, stock information, announcements, press releases, and other salient information about the Company. The Group provides descriptive and detailed disclosure whenever possible and avoids boilerplate disclosure.

The Group does not practise selective disclosure. Price-sensitive information is first publicly released before the Group meets with any group of investors or analysts. Results and annual reports are announced or issued within the mandatory period (and where this is not possible, relevant extensions of time are sought in accordance with applicable laws, regulations and rules). Subsequent to the release of the results, investor relations personnel are available by e-mail or telephone to answer questions from shareholders and the media as long as the information requested does not conflict with SGX-ST's rules of fair disclosure. In the event where there is inadvertent disclosure made to a select group, the Company endeavours to made the same disclosure publicly to all others as promptly as possible.

The Group seeks to deliver steady value growth in its business and has determined that sustainability is a long-term voyage to build an enduring and high performing business. The Company will issue a standalone Sustainability Report on or about 31 May 2021 of which shall benchmark against SGX's Sustainability Reporting guidelines and where applicable, provide the needful disclosure of Corporate Social Responsibility policies and practices. The Company's Sustainability Report will primarily focus on the Group's stakeholder engagement, material environmental, social and governance factors, safety management system, environmental protection, compliance, human resources and public services.

ENGAGEMENT WITH SHAREHOLDERS

Principle 13: Balancing needs and interests of material stakeholders

The Board adopts a balanced approach towards the needs and interests of key stakeholders, taking into account the best interests of the Company.

To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET. Shareholders are also informed of rules, including voting procedures that govern the general meeting. The Company maintains a current corporate website to communicate and engage with stakeholders.

CORPORATE GOVERNANCE

OTHER CORPORATE GOVERNANCE MATTERS

Interested Person Transactions

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of any interested person transactions.

All interested person transactions are subject to review by the AC to ensure that such transactions are carried out on normal commercial terms or entered into on an arm's length basis and are not prejudicial to the interests of the Group and its minority shareholders.

For FY 2020, the Group has carried out interested person transactions with the following company/persons:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920
S.K. Tiong Properties Sdn Bhd ⁽¹⁾	S\$250,883	Not applicable

Notes on nature of relationship:

- (1) Tan Sri Datuk Tiong Su Kouk, the Executive Chairman of the Company and the father of Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director, holds shares representing more than 30% of the issued capital in S.K. Tiong Properties Sdn Bhd ("SKTP"). During the period under review, Nam Cheong Dockyard Sdn Bhd, a wholly-owned subsidiary of the Company, and SKOM Sdn Bhd, an indirect wholly-owned subsidiary of the Company, had rented office space from SKTP in the amount of S\$250,883.00

The Group does not have a general mandate for recurrent interested person transactions.

Material Contracts

Save as disclosed in the Report of the Directors and Financial Statements, the service agreements between the Executive Directors and the Company, and above, there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the CEO, any directors or controlling shareholders which are either still subsisting as at the end of FY 2020 or if not then subsisting, entered into since the end of the previous financial year.

DIRECTORS' REPORT

For the financial year ended 31 December 2020

The directors submit this annual report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2020 and statement of financial position of the Company as at 31 December 2020.

In the opinion of the directors:

- (a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with International Financial Reporting Standards; and
- (b) at the date of this report, after considering the matters as described in Note 2(e) to the financial statements with respect to the Group's and the Company's ability to continue as going concern, and premised on the positive outcome of the assumptions described in Note 2(e), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this report, authorised these financial statements for issue.

Names of directors

The directors in office at the date of this report are:

Tan Sri Datuk Tiong Su Kouk	Executive Chairman
Tiong Chiong Hiiung	Executive Vice Chairman cum Finance Director
Leong Seng Keat	Chief Executive Officer
Ajaib Hari Dass	Lead Independent Director
Yee Kit Hong	Independent Director
Kan Yut Keong, Benjamin	Independent Director

In accordance with Bye-Law 86(1) of the Company's Bye-Laws, Tan Sri Datuk Tiong Su Kouk, Ajaib Hari Dass and Yee Kit Hong retire and being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares or debentures

Except as disclosed under this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

For the financial year ended 31 December 2020

Directors' interests in shares or debentures

None of the directors who held office at the end of the financial year was interested in shares or debentures of the Company and its related corporations, except as follows:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2020	As at 31.12.2020#	As at 1.1.2020	As at 31.12.2020#
The Company - Nam Cheong Limited	Number of ordinary shares			
Tan Sri Datuk Tiong Su Kouk	376,168,263	376,168,263	1,879,486,230	1,879,486,230
Tiong Chiong Hiiung	14,259,240	14,259,240	9,629,881	9,629,881
Leong Seng Keat	2,915,790	2,915,790	94,117,527	94,117,527

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2021.

Share plan

Pursuant to a resolution passed in the special general meeting on 20 August 2018, the Nam Cheong Group 2013 Share Grant Plan ("2013 Plan") was terminated and replaced with Nam Cheong Management Incentive Plan ("NCMI Plan"). There will be no further awards shall be granted under the 2013 Plan upon its termination.

The NCMI Plan is administered by the Remuneration Committee. The committee members are duly authorised and appointed by the Board of directors. The members of the Remuneration Committee as at the date of the report are Mr Ajaib Hari Dass, Mr Yee Kit Hong and Mr Kan Yut Keong, Benjamin.

The salient features of the NCMI Plan is as follows:

- The NCMI Plan is a share incentive plan.
- The NCMI Plan is proposed on the basis that it is important to attract, retain and incentivise Participants whose contributions are essential to the successful implementation of the Scheme, the long-term growth, well-being and prosperity of the Group.
- The NCMI Plan will give Participants an opportunity to have a personal equity interest in the Group and will help to achieve better and long-term performance.

The purpose of adopting the NCMI Plan is to align the interests of directors, employee, especially key executives, with the interests of shareholders.

(i) Eligibility

Employees (including executive directors) of Group Companies and Associated Companies, as the case may be, whose employment have been confirmed and who have attained the age of 21 years, provided that such persons are not undischarged bankrupts and have not entered into compositions with their respective creditors at the relevant time, may be eligible to participate in the Plan at the absolute discretion of the Committee.

Controlling Shareholders and their Associates are also eligible to participate in the Plan provided that they meet the aforesaid eligibility criteria and that all conditions for their participation in the Plan as may be required by the Listing Rules from time to time, including but not limited to obtaining the necessary approvals of independent Shareholders for such participation, are satisfied.

DIRECTORS' REPORT

For the financial year ended 31 December 2020

Share plan (Cont'd)

(i) Eligibility (Cont'd)

Directors and employees of an Associated Company may also be eligible to participate in the Plan at the discretion of the Committee, where the Committee considers that such persons have the ability to contribute significantly to the overall performance and prosperity of the Group. The Company believes that extending the Plan to include such persons is an appropriate and efficient means of further aligning their interests with those of the Shareholders and would serve to incentivise their further and continued contribution to the Group.

There shall be no restriction on the eligibility of any Participant to participate in any other share option schemes or share schemes implemented or to be implemented by the Company or any other Group Company.

(ii) Grant of awards

Awards may be granted at any time during the period when the NCMI Plan is in force. The selection of a Participant and the quantum of the Award shall be determined at the absolute discretion of the Committee. Awards shall be time-based and/or performance-based and released in tranches over such number of years as may be determined by the Committee in its absolute discretion.

Awards are personal to the selected Participant and shall not be transferred, assigned, charged, pledged or otherwise disposed of, in whole or in part, unless with the approval of the Committee.

Awards are granted to the Participants in consideration for their performance and contribution to the Company.

(iii) Size and duration

The NCMI Plan shall continue in force at the discretion of the Committee, subject to a maximum period of ten years commencing on the date on which the NCMI Plan is adopted by the Company in general meeting, provided always that the NCMI Plan may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The NCMI Plan may be terminated at any time by the Committee or by resolution of the Company in general meeting, subject to all relevant approvals which may be required, and if the NCMI Plan is terminated, no further grants of Shares shall be made by the Company.

Notwithstanding the expiry or termination of the NCMI Plan, any Awards which have been granted in accordance with the NCMI Plan will continue to remain valid.

The total number of Shares (and cash equivalents) to be issued and/or transferred under the NCMI Plan and any other share-based incentive schemes of the Company will be subject to a maximum limit of 15 per cent (15%) of the Company's total issued Shares (excluding treasury shares) from time to time.

DIRECTORS' REPORT

For the financial year ended 31 December 2020

Share plan (Cont'd)

(iv) Events prior to vesting

An Award, to the extent not yet released, shall forthwith become void and cease to have effect on the occurrence of any of the following events:

- (a) a Participant, ceasing for any reason whatsoever (including but not limited to retirement, redundancy, ill health, injury, disability or death), to be in the employment of the Group or in the event the Company by which the Participant is employed ceases to be a company in the Group;
- (b) upon the bankruptcy of the Participant or the happening of any other event which results in him being deprived of the legal or beneficial ownership of or interest in such Award;
- (c) a Participant commits any breach of any of the terms of his Award;
- (d) misconduct on the part of a Participant as determined by the Committee in its discretion; and/or
- (e) a take-over, winding-up or reconstruction of the Company.

The conditional shares awarded under the NCMi Plan to the selected management staff are described below:

Plan description:	Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a one-year performance period.
Date of grant:	4 March 2019 and 9 March 2020
Performance period:	1 January 2018 to 31 December 2018 and 1 January 2019 to 31 December 2019
Vesting condition:	Based on meeting stated performance conditions over a one-year performance period, 50% of award will vest. Balance will vest over the subsequent one year with fulfilment of service requirements.
Payout:	0% - 100% depending on the achievement of pre-set performance targets over the performance period.

The details of shares awarded during the financial year pursuant to the NCMi Plan are as follows:

Grant date NCMI Plan	At grant date	At the beginning of the financial Year	Shares released during the financial year	Shares lapsed during the financial year	At the end of the financial year
4 March 2019					
For management of the Group	up to 21,053,820	-	-	-	-
For executive director	up to 42,107,648	-	-	-	-
For controlling shareholders of the Company (and their associates)	7,017,940	-	-	-	-
9 March 2020					
For management of the Group	up to 21,053,820	-	-	-	-
For executive director	up to 42,107,648	-	-	-	-
For controlling shareholders of the Company (and their associates)	7,017,940	-	-	-	-

DIRECTORS' REPORT

For the financial year ended 31 December 2020

Audit Committee

The Audit Committee comprises the following members:

Yee Kit Hong (Chairman)
Ajaib Hari Dass
Kan Yut Keong, Benjamin

The Audit Committee has met three times since the last Annual General Meeting and has carried out its functions in accordance with the Singapore Exchange Securities Trading Limited Listing Manual and the Code of Corporate Governance, including reviewing the following, where relevant, with the executive directors and external and internal auditors of the Company:

- (a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Company's and the Group's financial and operating results and accounting policies;
- (c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditors' report on those financial statements before their submission to the directors of the Company;
- (d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) the cooperation and assistance given by the management to the Company's internal and external auditors;
- (f) the re-appointment of the external auditors of the Company;
- (g) the adequacy and effectiveness of the Group's risk management process and internal controls, including financial, operational, compliance and information technology controls, via reviews carried out by the internal auditors;
- (h) interested person transactions; and
- (i) the whistle blowing policy.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

DIRECTORS' REPORT

For the financial year ended 31 December 2020

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

.....
TAN SRI DATUK TIONG SU KOUK

.....
LEONG SENG KEAT

Dated: 9 April 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NAM CHEONG LIMITED

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Nam Cheong Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Liabilities and going concern

As discussed in Note 2(e) to the financial statements, the Group recorded a net loss of RM404,324,000 (2019 – net profit of RM65,218,000) for the financial year ended 31 December 2020. In addition, as at 31 December 2020, the Group had net current liabilities and net liabilities of RM1,125,932,000 (2019 – RM104,009,000) and RM771,429,000 (2019 – RM364,220,000) respectively. The Company also had net current liabilities and net liabilities of RM776,592,000 (2019 – RM54,509,000 and RM725,974,000 respectively), as at 31 December 2020.

The financial statements have been prepared by management on a going concern basis, the validity of which is premised on a cash flows forecast of the Group prepared for at least the next 12 months from the end of the reporting period. Key assumptions made in the cash flows forecast are the Group was not exposed to any additional liabilities in respect of its suspension of the remaining ten shipbuilding contracts (the "Contracts") awarded to the Non-Fujian Group Shipyards; and the completion of restructuring exercise in the financial year ending 31 December 2021.

As at 31 December 2020, the aggregate contract sum of the Contracts was US\$121.1 million, of which payments of US\$16.3 million had been made. Based on the contract sums and payments made by the Group, the outstanding exposure to the Non-Fujian Group Shipyards under the Contracts is approximately US\$104.8 million. An amount of US\$24.7 million had been recorded in liabilities based on contractual milestones. Management had represented that the Group had reached an understanding without a written agreement with the Non-Fujian Group Shipyards to suspend construction or delivery of the vessels, with a view to extend the delivery period or terminate the Contracts to minimise any financial exposure.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NAM CHEONG LIMITED

Basis for Disclaimer of Opinion (Cont'd)

Liabilities and going concern (Cont'd)

No independently verifiable supporting evidence was available to corroborate management's representation that the balance sum of the Contracts had not been incurred and all liabilities related to the Contracts had been accounted for as at 31 December 2020. We were unable to assess the financial impact of any provision for onerous contracts and/or contingent liabilities that may arise from the default on contractual obligations.

There were no alternative audit procedures that we could perform to satisfy ourselves by alternative means concerning the Group's liabilities in respect of the work performed on the Contracts as at 31 December 2020 and potential contingent liabilities that may arise from the default on contractual obligations.

Any adjustment that would be required may have a consequential significant effect on the cash flows forecast, net liabilities of the Group as at 31 December 2020 and the profit or loss attributable to the owners for the year then ended and the related disclosures thereof in the financial statements.

On 1 October 2020, Corporate Debt Restructuring Committee of Malaysia (the "CDRC"), a committee under the purview of Bank Negara Malaysia has accepted an application by the Company's wholly owned subsidiary, Nam Cheong Dockyard Sdn Bhd ("NCD"), for the CDRC's assistance to mediate between NCD and its financial creditors. In November 2020, management has submitted the restructuring proposal to CDRC. The Group is currently in discussions with the lenders to review its options of restructuring its debts.

Given these circumstances, which are more fully described in Note 2(e), there were no practicable audit procedures that we could perform to form an opinion on whether management has considered all relevant events and conditions when making assessment on the Group's and the Company's ability to continue as going concern.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NAM CHEONG LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

The engagement partner on the audit resulting in this independent auditor's report is Chin Sin Beng.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,

9 April 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	The Group		The Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	485,627	809,978	-	-
Prepaid land lease payments	4	-	-	-	-
Subsidiaries	5	-	-	-	-
Associates	6	-	18,501	-	-
Joint ventures	7	667	4,970	-	-
		486,294	833,449	-	-
Current Assets					
Inventories	8	17,922	123,541	-	-
Trade and other receivables	9	126,536	146,333	213	-
Prepayments	10	2,367	5,382	23	23
Cash and bank balances	11	95,350	46,490	158	95
Fixed deposits	11	1,005	988	-	-
		243,180	322,734	394	118
Total assets		729,474	1,156,183	394	118
EQUITY					
Capital and Reserves					
Share capital	12	3,552	3,484	3,552	3,484
Share premium	12	303,028	300,417	303,028	300,417
Treasury shares	13	(4,097)	(4,097)	(4,097)	(4,097)
Reserves	14	307,770	312,174	778,608	778,608
Accumulated losses		(1,385,176)	(982,260)	(1,857,683)	(1,804,386)
Equity attributable to owners of the Company		(774,923)	(370,282)	(776,592)	(725,974)
Non-controlling interests		3,494	6,062	-	-
Total equity		(771,429)	(364,220)	(776,592)	(725,974)
Non-Current Liabilities					
Deferred tax liabilities	15	3,126	592	-	-
Borrowings	16	990	905,072	-	671,465
Trade and other payables	17	127,675	187,996	-	-
		131,791	1,093,660	-	671,465
Current Liabilities					
Borrowings	16	997,889	96,208	670,869	-
Trade and other payables	17	325,424	328,325	62,081	54,625
Provision for financial guarantee	18	44,036	-	44,036	-
Current tax payable		1,763	2,210	-	2
		1,369,112	426,743	776,986	54,627
Total liabilities		1,500,903	1,520,403	776,986	726,092
Total equity and liabilities		729,474	1,156,183	394	118

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Revenue	19	372,296	285,362
Cost of sales		(269,088)	(194,006)
Gross profit		103,208	91,356
Other income	20	11,796	75,804
Administrative expenses		(42,355)	(39,354)
Impairment losses on trade and other receivables (made)/reversed		(16,120)	887
Other operating expenses		(41,108)	(16,820)
Finance costs	21	(38,201)	(41,099)
Share of results of associates, net of tax		(1,703)	(4,387)
Share of results of joint ventures, net of tax		(2,873)	1,942
(Loss)/Profit before taxation	22	(397,356)	68,329
Taxation	23	(6,968)	(3,111)
(Loss)/Profit for the year		(404,324)	65,218
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation (loss)/gain on consolidation		(4,404)	25,579
Other comprehensive (loss)/income for the year, net of tax of nil		(4,404)	25,579
Total comprehensive (loss)/income for the year		(408,728)	90,797
(Loss)/Profit attributable to:			
Owners of the Company		(404,156)	64,353
Non-controlling interests		(168)	865
		(404,324)	65,218
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(408,560)	89,932
Non-controlling interests		(168)	865
		(408,728)	90,797
(Loss)/Earnings per share			
- Basic (Malaysia sen)	24	(5.57)	0.90
- Diluted (Malaysia sen)	24	(5.57)	0.89

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 1 January 2020	3,484	300,417	(4,097)	316,575	(4,401)	(982,260)	(370,282)	6,062	(364,220)
Loss for the year	-	-	-	-	-	(404,156)	(404,156)	(168)	(404,324)
Other comprehensive loss for the year	-	-	-	(4,404)	-	-	(4,404)	-	(4,404)
- Foreign currency translation differences	-	-	-	(4,404)	-	-	(4,404)	-	(4,404)
Total other comprehensive loss for the year	-	-	-	(4,404)	-	-	(4,404)	-	(4,404)
Total comprehensive loss for the year	-	-	-	(4,404)	-	(404,156)	(408,560)	(168)	(408,728)
Contributions by and distributions to owners									
- Issuance of term loan shares (Note 12)	68	2,611	-	-	-	-	2,679	-	2,679
- Share grant expense	-	-	-	-	-	1,240	1,240	-	1,240
- Dividend paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	(2,400)	(2,400)
Transactions with owners in their capacity as owners	68	2,611	-	-	-	1,240	3,919	(2,400)	1,519
Balance at 31 December 2020	3,552	303,028	(4,097)	312,171	(4,401)	(1,385,176)	(774,923)	3,494	(771,429)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 1 January 2019	3,417	297,796	(4,097)	290,996	(4,401)	(1,047,372)	(463,661)	5,197	(458,464)
Profit for the year	-	-	-	-	-	64,353	64,353	865	65,218
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
- Foreign currency translation differences	-	-	-	25,579	-	-	25,579	-	25,579
Total other comprehensive income for the year	-	-	-	25,579	-	-	25,579	-	25,579
Total comprehensive income for the year	-	-	-	25,579	-	64,353	89,932	865	90,797
Contributions by and distributions to owners	-	-	-	-	-	-	-	-	-
- Issuance of term loan shares (Note 12)	67	2,621	-	-	-	-	2,688	-	2,688
- Share grant expense	-	-	-	-	-	759	759	-	759
Transactions with owners in their capacity as owners	67	2,621	-	-	-	759	3,447	-	3,447
Balance at 31 December 2019	3,484	300,417	(4,097)	316,575	(4,401)	(982,260)	(370,282)	6,062	(364,220)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Cash Flows from Operating Activities			
(Loss)/Profit before taxation		(397,356)	68,329
Adjustments for:			
Depreciation of property, plant and equipment	3	30,079	30,107
Gain on waiver of debts	20	(805)	(57,002)
Accretion of non-current trade payables	22	15,298	4,414
Impairment loss on investment in an associate	6	17,288	-
Impairment loss on investment in a joint venture	7	1,430	-
Impairment losses on property, plant and equipment	3	283,473	-
Impairment losses on trade and other receivables made/(reversed)	22	16,120	(887)
Interest expense	21	38,201	41,099
Interest income	20	(3,292)	(3,112)
Gain on disposal of property, plant and equipment	20	(3,433)	-
Property, plant and equipment written off	3	793	12
Prepayments written off	22	47	878
Share grant expense	22	1,240	759
Share of post-tax results of equity-accounted joint ventures	7	2,873	(1,942)
Share of post-tax results of equity-accounted associates	6	1,703	4,387
Waiver of prepaid land lease payments	20	(2,528)	-
Provision for financial guarantee	18	44,036	-
Write-down on inventories made/(reversed)	22	33,533	(11,921)
Operating profit before working capital changes		78,700	75,121
Changes in inventories		34,880	1,207
Changes in trade and other receivables		13,693	(11,127)
Changes in prepayments		2,956	5,735
Changes in trade and other payables		(109,406)	(38,547)
Cash generated from operations		20,823	32,389
Interest paid		(14,613)	(34,931)
Income taxes paid		(3,143)	(2,276)
Net cash generated from/(used in) operating activities		3,067	(4,818)
Cash Flows from Investing Activities			
Interest received		3,292	3,112
Investment in a joint venture		-	(2)
Investment in an associate		(490)	-
Proceeds from disposal of property, plant and equipment	3	61,784	39
Purchase of property, plant and equipment	3	(11,126)	(58,853)
Net cash generated from/(used in) investing activities		53,460	(55,704)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Cash Flows from Financing Activities			
Fixed deposits pledged		(18)	2,700
Payment of lease liabilities		(533)	(53)
Dividend paid to non-controlling interest of a subsidiary		(2,400)	-
Repayment of bilateral facilities debt		(2,309)	(3,576)
Net cash used in financing activities		(5,260)	(929)
Net increase/(decrease) in cash and cash equivalents		51,267	(61,451)
Cash and cash equivalents at beginning of year		47,207	106,709
Effect of exchange fluctuations on cash and cash equivalents		(2,408)	1,949
Cash and cash equivalents at end of year	11	96,066	47,207

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Note	At 1 January 2020 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31 December 2020 RM'000
Bilateral facilities debt	16	96,036	(2,309)	6,841	100,568
Term loan	16	904,005	-	(7,398)	896,607
Lease liabilities	16	1,239	(533)	998	1,704

	Note	At 1 January 2019 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31 December 2019 RM'000
Bilateral facilities debt	16	100,870	(3,576)	(1,258)	96,036
Term loan	16	908,646	-	(4,641)	904,005
Lease liabilities	16	-	(53)	1,292	1,239

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

1 General information

The financial statements of Nam Cheong Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Report.

The Company is incorporated as a limited liability company and domiciled in Bermuda. The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 80, Robinson Road #02-00 Singapore 068898.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

2(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including related Interpretations promulgated by the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Malaysia ringgit ("RM") which is the Company's functional currency. All financial information is presented in RM and rounded to the nearest thousand, unless otherwise stated.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (Cont'd)

Impact of COVID-19

The ongoing and evolving COVID-19 pandemic has a significant impact on the global economy and the economies of the countries in which the Group operates in. There is significant uncertainty as to the duration of the pandemic and its impact on those economies. In regard to the Group, the impact and consideration of COVID-19 have been in the following areas:

- Impairment of non-financial assets
- Net realisable value of inventories

Significant judgements in applying accounting policies

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

Income taxes

The Group has exposure to income taxes in various jurisdictions. Significant judgement and estimates are involved in determining group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's deferred taxation at the end of the reporting period and the Group's income taxes for the year are disclosed in Note 15 and Note 23 to the financial statements, respectively.

Significant accounting estimates and assumptions used in applying accounting policies

Depreciation of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over the estimated economic useful lives of the assets. The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to profit or loss. Management estimates the useful lives of property, plant and equipment to be within 5 to 60 years. In particular, management estimates the useful life of vessels to be 25 years. The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 3 to the financial statements. The estimation of useful lives is based on assumptions about wear and tear, ageing, changes in demand and the Group's historical experience with similar assets. The Group performs annual reviews on whether the assumptions made on useful lives continue to be valid. As changes in the expected level of usage, maintenance programmes and technological developments could affect the economic useful lives and the residual values of these assets, future depreciation charges could be revised. If depreciation on the Group's property, plant and equipment increases/decreases by 10% from management's estimates, the Group's results for the year will decrease/increase by RM3,008,000 (2019 – RM3,011,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and assumptions used in applying accounting policies (Cont'd)

Impairment of property, plant and equipment

In view of the recurring losses in difficult industry conditions and the negative impact arising from Coronavirus Disease 2019 ("COVID-19") on the Group's operations, management performed an impairment assessment of its property, plant and equipment. The estimated recoverable amounts are based on valuation reports obtained from independent professional valuers, having appropriate recognised professional qualifications and experience in the assets being valued. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the market value. The carrying amount of the Group's property, plant and equipment at the end of the reporting period and the basis used to determine the recoverable amount are disclosed in Note 3 to the financial statements.

Impairment of investments in subsidiaries, associate and joint ventures

The Group and the Company assess at the end of each reporting period whether there is any indication that the investments in subsidiaries, associate and joint ventures may be impaired. If any indication exists, the investment in subsidiary, associate or joint venture is tested for impairment. The determination of the recoverable amount requires an estimation of the fair value less costs of disposal of the underlying assets or the value in use of the cash-generating units. Estimating the fair value less costs of disposal requires the Group and the Company to make an estimate of the expected selling prices of the underlying assets and the estimated cash outflows to settle the obligations in respect of the underlying liabilities. Estimating the value in use requires the Group and the Company to make an estimate of the expected future cash flows from the cash-generating units, a suitable growth rate to extrapolate the future cash flows, and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of the Group's and the Company's investments in subsidiaries, associates and joint ventures at the end of the reporting period are disclosed in Note 5, Note 6 and Note 7 to the financial statements, respectively.

Net realisable value of inventories

The Group reviews the net realisable value of inventories at the end of each reporting period, and applies judgement and makes allowance for inventories, in particular, vessels for which selling prices may have declined due to business environment and market conditions. Management estimates the net realisable value of the vessels based on assessment of projected timing of sales, prevailing customer demand, committed sales prices, estimated future pricing, recent sales activities and market positioning of the vessels. The net realisable value of the vessels is based on the valuations performed by independent professional valuers. The estimated selling price may differ from the price at which the Group's assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 8 to the financial statements. If the net realisable values of the inventories decrease/increase by 10% below cost from management's estimates, the Group's results for the year will decrease/increase by RM1,792,000 (2019 - RM12,354,000).

Allowance for expected credit losses of trade and other receivables

The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At the end of each reporting period, historical default rates are updated and changes in the forward-looking estimates are analysed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and assumptions used in applying accounting policies (Cont'd)

Allowance for expected credit losses of trade and other receivables (Cont'd)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information relating to ECLs on the Group's trade receivables is disclosed in Note 29.1.

The Group applies the 3-stage general approach to determine ECL for other receivables. ECL is measured as an allowance equal to 12-month ECL for stage-1 assets, or lifetime ECL for stage-2 or stage-3 assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group considers qualitative and quantitative reasonable and supportable forward looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within twelve months after the reporting date.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements, except as explained in Note 2(b), which addresses changes in accounting policies.

2(b) Adoption of new and revised IFRS effective for the current financial year

On 1 January 2020, the Group adopted the following IFRS that are mandatory for application from that date and relevant to the Group. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS.

Reference	Description	Effective date (Annual periods beginning on or after)
Revised Conceptual Framework for Financial Reporting		1 January 2020
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020

Revised Conceptual Framework for Financial Reporting

The purpose of the Conceptual Framework is to assist in developing financial reporting standards. The Conceptual Framework is not a standard itself and none of the concepts contained therein override the requirements in any standard. The main changes to the Conceptual Framework's principles have implications for how and when assets and liabilities are recognised and derecognised in the financial statements. These revisions affect those entities which had developed their accounting policies based on the Conceptual Framework in the absence of specific IFRS requirements. In such cases, the entities shall review those policies and apply the new guidance retrospective for annual periods beginning on or after 1 January 2020.

Some IFRS, their accompanying documents and IFRS practice statements contain references to, or quotations from the Conceptual Framework. The Amendments to References to the Conceptual Framework in IFRS, issued together with the revised Conceptual Framework, sets out updates to IFRS, their accompanying documents and IFRS practice statements to reflect the issue of the revised Conceptual Framework. These amendments are effective for annual periods beginning on or after 1 January 2020.

There is no material impact to the Group's consolidated financial statements upon adoption.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(b) Adoption of new and revised IFRS effective for the current financial year (Cont'd)

Amendments to IAS 1 and IAS 8 Definition of Material

Amendments to IAS 1 and IAS 8 The amendments include clarifications to the definition of 'material' and the related guidance:

- the threshold of 'could influence' has been replaced with 'could reasonably be expected to influence';
- the term of 'obscuring information' has been included in the definition of 'material' to incorporate the existing concept in IAS 1 and examples have been provided of circumstances that may result in information being obscured; and
- the scope of 'users' has been clarified to mean the primary users of general purpose financial statements and their characteristics have been defined.

The amendments are to be applied prospectively and are effective for annual periods beginning on or after 1 January 2020.

There is no material impact to the Group's consolidated financial statements upon adoption.

2(c) Standards issued but not yet effective

The following are the new or amended IFRS and IFRIC issued that are not yet effective and relevant to the Group:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Conceptual Framework. According to the amendments, for obligations within the scope of IAS 37, the acquirer shall apply IAS 37 to determine whether a present obligation exists at the acquisition date as a result of past events, and for a levy within the scope of IFRIC 21 Levies, the acquirer shall apply IFRIC 21 to determine whether the obligating event giving rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer shall not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if the entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

There is no material impact expected to the Group's and the Company's financial statements on initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(c) Standards issued but not yet effective (Cont'd)

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. An entity shall recognise such sales proceeds and related costs in profit or loss and measure the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly' and specify this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

There is no material impact expected to the Group's and the Company's financial statements on initial application.

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (e.g. direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

There is no material impact expected to the Group's and the Company's financial statements on initial application.

Amendments to IAS 1 Classification of Liabilities as Current or Non-Current

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on the rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise the right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets or services to the counterparty.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(c) Standards issued but not yet effective (Cont'd)

Amendments to IAS 1 Classification of Liabilities as Current or Non-Current (Cont'd)

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

There is no material impact expected to the Group's and the Company's financial statements on initial application.

2(d) Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interests even if that results in a deficit balance.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group controls an investee if and only if the Group has all of the following:

- (i) power over the investee;
- (ii) exposure, or rights or variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under IFRS 9, or where applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Leasehold land	60 years
Buildings	50 years
Launching ways, plant and machinery	10 years
Furniture, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years
Vessels	25 years
Renovations	10 years

No depreciation is provided for construction-in-progress.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits in excess of the standard of performance of the asset before the expenditure was made will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is recognised in profit or loss from the month that the property, plant and equipment are installed and are available for use, and to the month of disposal, respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period as a change in estimates.

Prepaid land lease payments

Prepaid land lease payments which form part of the Group's right-of-use assets from 1 January 2019, are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation. The prepaid land lease payments are amortised on a straight-line basis over their lease terms as follows:

Lot 1 and 2	11.5 to 14.5 years
Lot 3 and 4	54 to 60 years

Subsidiaries

In the Company's separate statement of financial position, subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Associate

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group accounts for its investment in associate using the equity method from the date on which they become an associate.

Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. The profit or loss reflects the share of results of operations of the associate. Distributions received from associate reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and loss resulting from transaction between the Group and the associate are eliminated to the extent of the interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise additional impairment losses on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any indication that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount, and recognises the amount in profit or loss.

Joint ventures

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group's interest in joint ventures are accounted for using the equity method. Under the equity method, the investment in joint ventures are carried in the statements of financial position at cost plus post-acquisition changes in the Group's share in net assets of the joint ventures. The share of results of the joint ventures are recognised in profit or loss. Where there have been a change recognised directly to equity of the joint ventures, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint ventures.

The Group's share of results and reserves of joint ventures acquired or disposed of are included in the financial statements from the date of acquisition up to the date of disposal or cessation of joint control over the relevant activities of the arrangements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Financial assets

Initial recognition and measurement

Financial assets are recognised when, only when the entity becomes party to the contractual provisions of the instruments. Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets, at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Group does not hold any financial assets at FVTPL/FVOCI.

Financial assets at amortised cost (debt instruments)

Subsequent measurement of debt instruments depends on the Group's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal and interest on the principal amount outstanding the asset.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

The Group's financial assets at amortised cost comprise trade and other receivables, cash and bank balances and fixed deposits.

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Subsequent measurement (Cont'd)

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECLs") associated with its debt instrument assets carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs).

For trade receivables, the Group measures the loss allowance at an amount equal to lifetime ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group applies the 3-stage general approach to determine ECL for other receivables. ECL is measured as an allowance equal to 12-month ECL for stage-1 assets, or lifetime ECL for stage-2 or stage-3 assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group considers qualitative and quantitative reasonable and supportable forward looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within twelve months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

At the end of each reporting period, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

The Group's financial liabilities comprise borrowings and trade and other payables.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss, such as interest-bearing borrowings, are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Classification

Borrowings which are due to be settled more than 12 months after the end of the reporting period are included in current borrowings in the statement of financial position if the loan facility agreements include an overriding repayment on demand clause which gives the lender the right to demand repayment at any time at its sole discretion and irrespective of whether a default event has occurred, or when the Group has defaulted or breached a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the borrowings become payable on demand, even if the lender agreed after the reporting period and before the authorisation of the financial statements for issue not to demand payment as a consequence of the breach. These borrowings are classified as current because, at the end of the reporting period, the Group does not have an unconditional right to defer its settlement for at least twelve months after that date.

However, those borrowings with breaches or defaults of loan agreement terms are classified as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the Group can rectify the breach and/or during which the lender cannot demand immediate repayment. Other borrowings due to be settled more than 12 months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: Purchase cost on weighted-average basis; and
- Work in progress: Costs that are directly attributable to the construction of built-to-stock vessels, which comprise, costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance.

Net realisable value is the estimated selling price at which inventories can be realised in the ordinary course of business, less estimated costs of completion and costs incurred in marketing and distribution. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying value of those inventories to the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and fixed deposits with maturity of less than three months.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of fixed deposits pledged and bank overdrafts which are repayable on demand and which form an integral part of cash management.

Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of new ordinary shares that have been issued. Share premium is the amount subscribed for ordinary shares in the capital of the Company in excess of the nominal value. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share premium.

Treasury shares

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently sold, the cost of treasury shares is reversed from the treasury shares account, and the realised gain or loss on sale, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because of the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The Group reviews the provisions annually and where in its opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

Leases

- (i) The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

- (a) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantee;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

(i) The Group as lessee (Cont'd)

(a) Lease liability (Cont'd)

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that trigger those lease payments.

For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component.

The lease liabilities are presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

(i) The Group as lessee (Cont'd)

(b) Right-of-use asset

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Leasehold land	11.5 – 60 years
Buildings	2 – 5 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

(ii) The Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

(ii) The Group as lessor (Cont'd)

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received from vessels under operating leases as income on a straight-line basis over the lease term as part of revenue.

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity.

Employee benefits

Pension obligations

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. Pension contributions are provided at rates stipulated by the regulations and are contributed to pension funds managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. The subsidiaries in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund, while the Singapore incorporated subsidiaries make contributions to the Central Provident Fund, a defined contribution pension scheme regulated and managed by the Government of Singapore.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Employee benefits (Cont'd)

Pension obligations (Cont'd)

A defined contribution national pension scheme is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to national pension schemes are charged to profit or loss in the period to which the contributions relate.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Share-based payment

The Group's Share Grant Plan is accounted for as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant. The share-based payment expense is amortised and recognised in profit or loss on a straight-line basis over the vesting period. At the end of each reporting period, the Group revises its estimates of the number of shares that the participating employees and directors are expected to receive based on non-market vesting conditions. The difference is charged or credited to profit or loss, with a corresponding adjustment to equity over the remaining vesting period.

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or the Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management executives are considered key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal and value in use, based on an internal discounted cash flow evaluation. Impairment loss recognised for a cash-generating unit is charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is recognised as income in profit or loss.

Revenue recognition

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Revenue recognition (Cont'd)

Sale of vessels

Revenue from sale of vessels is recognised at a point in time when the vessel is delivered to the customer, all criteria for acceptance have been satisfied, and the customer obtains control of the vessel, including the legal title to the vessel and the significant risks and rewards of ownership of the vessel.

Chartering income

Revenue from vessels under time charter is recognised over time as services are rendered. Income from bareboat charter, which comprise short-term operating leases, is recognised on a straight-line basis over the period of the charter.

Other income

Rental income is recognised on a straight-line basis over the term of the relevant lease.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Malaysia ringgit, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either other income or other expenses depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

Group entities

The results and financial positions of all the entities (none of which has the currency of a hyperinflationary economy) within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the end of each reporting period;
- (ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and
- (iii) All resulting currency translation differences are recognised as other comprehensive income in the consolidated statement of profit or loss and other comprehensive income, and accumulated in the currency translation reserve in the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(d) Summary of significant accounting policies (Cont'd)

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's executive directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 28 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the executive directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share awards granted to employees.

2(e) Going concern

During the financial year ended 31 December 2020, the Group breached the payment for Bilateral Facilities Debt and Term Loan Cash Interest of Sustainable Debt. Consequently, all the non-current borrowings became repayable on demand and were classified as current liabilities.

Schemes of Arrangement

During the financial year ended 31 December 2018, the Group concluded the debt restructuring exercise via Schemes of Arrangement. The Group and the Company obtained creditors' approval for the Schemes on 22 January 2018 and 24 January 2018, respectively, upon which the Group and the Company applied to The High Court of the Republic of Singapore and The High Court of Malaya for the sanction of the Schemes. Nam Cheong Dockyard Sdn. Bhd. ("NCD") Scheme and Nam Cheong International Ltd. ("NCL") Scheme were sanctioned by the Malaysia Court on 12 July 2018, subsequent to which the Nam Cheong Limited ("NCL") Scheme was sanctioned by the Singapore Court on 3 August 2018. On 20 August 2018, the NCL Scheme was approved by the Company's shareholders at a Special General Meeting for *inter alia* the issuance of new shares pursuant to the restructuring.

Following the issuance and allotment of the Rights Shares and Non-sustainable Debt Shares by the Company on 26 September 2018, and together with the payment by the Company under the Cash Out Option to eligible creditors pursuant to the Schemes on 28 September 2018, the Group and the Company have fulfilled the necessary steps to implement the Schemes.

Non-sustainable Debt

Each Non-sustainable Debt Share is allotted and issued at a conversion price of S\$0.045. Pursuant to the Schemes, an aggregate of 3,348,250,793 Non-Sustainable Debt Shares were allotted and issued.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(e) Going concern (Cont'd)

Bilateral Facilities Debt

The Bilateral Facilities Debt is excluded from the Schemes. The maturity date of the Bilateral Facilities Debt is 31 December 2020. The Group breached the payment for Bilateral Facilities Debt amounted to RM100,568,000 which was due on 31 December 2020. The Group is currently under restructuring exercise, with the mediation from Corporate Debt Restructuring Committee of Malaysia (the "CDRC").

Sustainable Debt

US\$221,619,000 of the Sustainable Debt was restructured as the Term Loan. The tenure of the Term Loan is from 1 January 2018 to 31 December 2024. Interest is charged at 4% per annum. There will be no repayment of the principal from 2018 to 2020. The principal shall be repaid in eight half-yearly instalments from 2021 to 2024 in the percentage of 10%, 20%, 30% and 40%, respectively. During the financial year, the Group breached the payment for Term Loan Cash Interest for the interest period from 1 January 2020 to 30 June 2020 which was due on 30 June 2020, and interest period from 1 July 2020 to 31 December 2020 which was due on 31 December 2020. The Group is currently under restructuring exercise, with the mediation from CDRC.

Non-Fujian Group Shipyards

As at 31 December 2020 and 31 December 2019, seven shipbuilding contracts had been mutually terminated, while the shipbuilding contracts for another five vessels had been fully settled. The Group has reached an understanding without a written agreement with the Non-Fujian Group Shipyards in relation to the remaining ten shipbuilding contracts to delay construction or delivery of the vessels, with a view to extend the contract period or terminate the shipbuilding contracts to minimise any financial exposure. Based on the contract sums and payments made by the Group, the outstanding exposure to the Non-Fujian Group Shipyards under the remaining ten shipbuilding contracts is approximately US\$104.8 million.

Admission into the Corporate Debt Restructuring Committee of Malaysia (the "CDRC")

On 1 October 2020, the CDRC, a committee under the purview of Bank Negara Malaysia has accepted an application by the Company's wholly owned subsidiary, NCD, for the CDRC's assistance to mediate between NCD and its financial creditors. In November 2020, management has submitted the restructuring proposal to CDRC. The Group is currently in discussions with the lenders to review its options of restructuring its debts.

Assessment of the Group's and the Company's ability to continue as going concern

For the financial year ended 31 December 2020, the Group recorded a net loss of RM404,324,000 (2019 - net profit of RM65,218,000) for the financial year ended 31 December 2020. In addition, as at 31 December 2020, the Group had net current liabilities and net liabilities of RM1,125,932,000 (2019 - RM104,009,000) and RM771,429,000 (2019 - RM364,220,000) respectively. The Company also had net current liabilities and net liabilities of RM776,592,000 (2019 - RM54,509,000 and RM725,974,000 respectively), as at 31 December 2020.

In assessing whether the Group and the Company can meet their debt obligations for at least 12 months from the end of the reporting period, management has prepared cash flows forecast for the financial year ending 31 December 2021. The key assumptions include (i) sufficient cash inflows are generated by the Group's chartering segment, based on reasonable expectations of daily charter rates, vessel utilisation and low default rates by its customers, to generate sufficient operating cash inflows; (ii) no material claims from creditors, particularly those subcontracted shipyards, which the Group has yet to terminate the contracts or restructure the debts owing to such subcontracted shipyards, that are reasonably likely to have a material effect on the Group's financial conditions and operations are brought against the Group; (iii) the recovery of offshore activities in Malaysia from the disruptions caused by the COVID-19 pandemic; and (iv) completion of restructuring exercise in the financial year ending 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2(e) Going concern (Cont'd)

Assessment of the Group's and the Company's ability to continue as going concern (Cont'd)

Based on the cash flows forecast, premised on the completion of restructuring exercise and barring any further unforeseen adverse, macroeconomic and industry-wide circumstances, the directors believe that the Group and the Company will have sufficient working capital and financial resources to meet their obligations as and when they fall due for at least the next twelve months from the end of the reporting period, and are of the view that the going concern assumption is appropriate for the preparation of these financial statements. As at the date of the financial statements, the Group is not able to ascertain the full extent of the probable impact to the offshore and marine industry arising from COVID-19 pandemic and the volatility in oil prices but will continually assess as the situation develops.

If the Group and the Company were unable to continue their operational existence or their capabilities to do so were significantly impaired, for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3 Property, plant and equipment

The Group	Leasehold Land RM'000	Buildings RM'000	Launching ways, plant and machinery RM'000	Furniture, fixtures and office equipment RM'000	Motor vehicles RM'000	Vessels RM'000	Renovations RM'000	Construction in progress RM'000	Total RM'000
Cost									
At 1 January 2019	8,088	29,478	35,818	6,344	7,093	983,738	1,746	2,548	1,074,853
Recognition of right-of-use assets on initial application of IFRS 16 (Note 4)	10,352	-	-	-	-	-	-	-	10,352
Adjusted balance at 1 January 2019	18,440	29,478	35,818	6,344	7,093	983,738	1,746	2,548	1,085,205
Transfers from inventories	-	-	-	-	-	144,384	-	-	144,384
Additions*	-	1,292	21	581	-	79,647	445	-	81,986
Disposals	-	-	-	(17)	-	-	(49)	-	(66)
Write-offs	-	-	-	(63)	-	-	-	-	(63)
Exchange differences	-	-	-	-	7	(10,201)	-	-	(10,194)
At 31 December 2019	18,440	30,770	35,839	6,845	7,100	1,197,568	2,142	2,548	1,301,252
Transfers from inventories	-	-	-	-	-	42,630	-	-	42,630
Additions*	-	998	1	132	85	10,972	-	-	12,188
Disposals	-	-	-	-	(4,152)	(75,561)	-	-	(79,713)
Write-offs	-	-	(21,134)	(5,275)	-	-	-	-	(26,409)
Exchange differences	-	-	-	5	15	(13,335)	-	-	(13,315)
At 31 December 2020	18,440	31,768	14,706	1,707	3,048	1,162,274	2,142	2,548	1,236,633

* Comprises property plant and equipment of RM11,190,000 (2019 – RM80,694,000) and right-of-use assets of RM998,000 (2019 – RM1,292,000) (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3 Property, plant and equipment (cont'd)

The Group	Leasehold Land RM'000	Buildings RM'000	Launching ways, plant and machinery RM'000	Furniture, fixtures and office equipment RM'000	Motor vehicles RM'000	Vessels RM'000	Renovations RM'000	Construction in progress RM'000	Total RM'000
Accumulated depreciation and impairment losses									
At 1 January 2019	841	5,887	34,416	4,808	6,898	4,06,060	655	2,039	461,604
Recognition of right-of-use assets on initial application of IFRS 16 (Note 4)	3,489	-	-	-	-	-	-	-	3,489
Adjusted balance at									
1 January 2019	4,330	5,887	34,416	4,808	6,898	4,06,060	655	2,039	4,65,093
Depreciation	405	682	434	413	203	27,840	130	-	30,107
Disposals	-	-	-	(17)	-	-	(10)	-	(27)
Write-offs	-	-	-	(51)	-	-	-	-	(51)
Exchange differences	-	-	-	-	(1)	(3,847)	-	-	(3,848)
At 31 December 2019	4,735	6,569	34,850	5,153	7,100	4,30,053	775	2,039	4,91,274
Depreciation	405	1,055	334	241	17	27,873	154	-	30,079
Disposals	-	-	-	-	(4,152)	(10,057)	-	-	(14,209)
Write-offs	-	-	(21,132)	(4,484)	-	-	-	-	(25,616)
Impairment	-	20,863	-	-	-	262,610	-	-	283,473
Exchange differences	-	-	-	3	15	(14,013)	-	-	(13,995)
At 31 December 2020	5,140	28,487	14,052	913	2,980	6,96,466	929	2,039	751,006
Carrying amount									
At 31 December 2020	13,300	3,281	654	794	68	4,65,808	1,213	509	4,85,627
At 31 December 2019	13,705	24,201	989	1,692	-	767,515	1,367	509	809,978

Property, plant and equipment include right-of-use assets with carrying amount of RM6,322,000 and RM1,616,000 (2019 – RM6,593,000 and RM1,217,000) as at 31 December 2020 related to leasehold land and buildings, respectively.

Property, plant and equipment pledged as security for borrowings at the end of the reporting period comprise leasehold land, buildings and vessels with carrying amount of RM5,975,000 (2019 – RM6,140,000), RM1,663,000 (2019 – RM22,977,000) and RM43,464,000 (2019 – RM82,229,000), respectively (Note 16).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3 Property, plant and equipment (Cont'd)

For the financial year ended 31 December 2020, additions to property, plant and equipment (excluding right-of-use assets) amount to RM11,190,000 (2019 – RM80,694,000), of which RM11,126,000 (2019 – RM58,853,000) has been paid and RM64,000 (2019 – RM21,841,000) outstanding is recorded under trade and other payables.

The Group has disposed of plant and equipment with a total carrying amount of RM65,504,000 (2019 – RM39,000) for a sales consideration of RM68,937,000 (2019 – RM39,000), of which RM61,784,000 (2019 – RM39,000) has been received and RM7,153 (2019 – RMNil) outstanding is recorded under trade and other receivables. The gain on disposal of RM3,433,000 (2019 – RMNil) was recognised as “other income” in profit or loss (Note 20)

Conditions and restrictions on the Group’s leasehold land are as follows:

- (i) the land shall be used only for industrial purposes;
- (ii) the industrial activity to be carried out as prescribed under the Natural Resource Environment Order 1994;
- (iii) the development or redevelopment and use of the land shall be in accordance with plans, sections and elevations approved by the Government;
- (iv) no residential accommodation other than accommodation for a watchman;
- (v) no transfer affecting the land may be effected without the consent; and
- (vi) no sublease affecting the land may be effected without the consent.

Impairment testing

The COVID-19 pandemic has caused and may continue to cause significant disruptions to global economies and business operations of many companies. Accordingly, management assessed that there were indications of impairment of the Group’s property, plant and equipment, and they were tested for impairment. The Group engaged an independent valuation firm to determine the market values of the chartering vessels. The valuation of the vessels was based on “as is, where is” sales at their current locations, between a willing buyer and a willing seller. The review led to the recognition of an impairment loss of RM262,610,000 in the Group’s profit or loss for the financial year ended 31 December 2020. No impairment losses were made or reversed for the financial year ended 31 December 2019 as there were no material differences between the recoverable amounts and carrying amounts of the vessels.

As at 31 December 2019 and 2020, the valuation of the vessels was based on the direct comparison method which involves the analysis of comparable sales of similar vessels and adjusting the sale prices to that reflective of the subject vessels. The estimates of fair value of vessels involves consideration of items such as actual recent sales of similar vessels, the vessel’s age, market conditions, among others, which are unobservable inputs. The fair value measurement is categorised as Level 3 under the fair value hierarchy.

The Group also carried out an assessment of the recoverable amount of the other property, plant and equipment as at 31 December 2019 and 2020. The recoverable amount of the leasehold land and building was based on the fair value less costs of disposal (Level 3 valuation). The fair value was based on the market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller. The valuation of leasehold land was based on the direct comparison method which involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the subject properties. The valuation of buildings was determined using the cost approach. The cost approach is based on the cost to reproduce or replace under new condition with current market prices for similar assets, with allowance for accrued depreciation arising from the conditions, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history. The review led to the recognition of an impairment loss of RM20,863,000 in the Group’s profit or loss for the financial year ended 31 December 2020. No impairment losses were recognised for the financial years ended 31 December 2019 as the recoverable amounts were higher than the carrying amounts of the leasehold land and buildings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

4 Prepaid land lease payments

The Group	Leasehold land RM'000
<u>Cost</u>	
At 1 January 2019	10,352
Transfer to right-of-use assets on initial application of IFRS16 (Note 3)	(10,352)
At 31 December 2019 and 31 December 2020	-
<u>Accumulated amortisation</u>	
At 1 January 2019	3,489
Transfer to right-of-use assets on initial application of IFRS16 (Note 3)	(3,489)
At 31 December 2019 and 31 December 2020	-
<u>Carrying amount</u>	
At 31 December 2019 and 31 December 2020	-

5 Subsidiaries

The Company	2020 RM'000	2019 RM'000
Unquoted equity investments, at cost	1,143,476	1,143,476
Employee share grants, at cost	1,249	754
Less: Allowance for impairment losses	(1,144,725)	(1,144,230)
	-	-
Amount due from subsidiaries (non-trade)	1,416,577	1,385,198
Allowance for impairment loss	(1,416,577)	(1,385,198)
	-	-
Carrying amount	-	-

The non-trade amount due from subsidiaries is unsecured and bears interest at 4% (2019 - 4%) per annum. The settlement is neither planned nor likely to occur in the foreseeable future. As the amount is, in substance, a part of the Company's net investment in the subsidiaries, it is stated at cost less impairment loss.

Incorporation of a subsidiary in the Group

On 7 January 2020, the Company's direct wholly-owned subsidiary, Nam Cheong Dockyard Sdn. Bhd., incorporated a wholly-owned subsidiary, Nam Cheong Heavy Industries Sdn. Bhd., in Malaysia, with a cash consideration of RM1.

Striking off of a subsidiary in the Group

On 5 April 2020, the Company's indirect wholly-owned subsidiary, SK Patriot Ltd. has been struck off the Register of Companies, Federal Territory of Labuan pursuant to the notice issued by the Labuan Financial Services Authority by virtue of section 151(4) of the Labuan Companies Act 1990.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

5 Subsidiaries (Cont'd)

Acquisition of a subsidiary in the Group

On 11 December 2019, the Company's indirect subsidiary, SKOSV Sdn Bhd., has acquired a 100% equity interest in Nam Cheong Marine Sdn Bhd. ("NCMSB") by the purchase of all shares issued in NCMSB at a cash consideration of RM2.

Impairment testing

Movement in the allowance for impairment of subsidiaries is as follows:

The Company	2020 RM'000	2019 RM'000
At 1 January	2,529,428	2,527,958
Impairment losses recognised	31,874	1,470
At 31 December	2,561,302	2,529,428

At the end of the reporting period, the Company carried out a review of the recoverable amount of its investments in subsidiaries, primarily Nam Cheong International Ltd. and Nam Cheong Dockyard Sdn. Bhd., due to the significant cash outflows from operations incurred by the Group. The review led to the recognition of an impairment loss of RM31,874,000 (2019 – RM1,470,000) in the Company's profit or loss.

The recoverable amount was determined based on fair value less costs of disposal, which was based on the revalued net assets of the subsidiaries. In deriving the revalued net assets of the subsidiaries, the fair values of the underlying assets are estimated based on their expected selling prices, and the fair values of the underlying liabilities are based on the estimated cash outflows to settle the obligations. The fair value measurement is categorised as Level 3 under the fair value hierarchy. In view that the subsidiaries had significant net liabilities, management has determined that the recoverable amount which is based on fair value less costs of disposal to be RMNil.

Details of the subsidiaries are as follows:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of effective equity held	
			2020 %	2019 %
Held by the Company				
Nam Cheong Dockyard Sdn. Bhd. ⁽²⁾	Shipbuilding	Malaysia	100	100
Nam Cheong Offshore Pte. Ltd. ⁽¹⁾	Shipbuilding	Singapore	100	100
Nam Cheong Capital Pte. Ltd. ⁽³⁾	Dormant	Singapore	100	100
Held by Subsidiaries				
Nam Cheong International Ltd. ⁽²⁾	Shipbuilding	Federal Territory of Labuan, Malaysia	100	100
S.K. Marine Sdn. Bhd. ⁽²⁾	Vessel chartering	Malaysia	100	100
Nam Cheong Heavy Industries Sdn. Bhd. ⁽²⁾	Dormant	Malaysia	100	-
Nam Cheong Marine Pte. Ltd. ⁽¹⁾	Vessel chartering	Singapore	100	100
Nam Cheong Marine Sdn. Bhd. ⁽⁴⁾	Vessel chartering	Malaysia	70	70
NC Design Pte. Ltd. ⁽¹⁾	Design services	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

5 Subsidiaries (Cont'd)

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of effective equity held	
			2020 %	2019 %
Held by Subsidiaries (Cont'd)				
Nam Cheong Pioneer Sdn. Bhd. ⁽²⁾	Investment holding	Malaysia	100	100
SKOSV Sdn. Bhd. ⁽²⁾	Vessel chartering	Malaysia	70	70
Nam Cheong OSV Ltd. ⁽²⁾	Vessel chartering	Federal Territory of Labuan, Malaysia	100	100
Nam Cheong Venture Ltd. ⁽²⁾	Vessel chartering	Federal Territory of Labuan, Malaysia	100	100
SK Venture Ltd. ⁽²⁾	Vessel chartering	Federal Territory of Labuan, Malaysia	100	100
SK Machines Ltd. ⁽²⁾	Trading	Federal Territory of Labuan, Malaysia	100	100
Nam Cheong Property Pte. Ltd. ⁽³⁾	Dormant	Singapore	100	100
SK Global Ltd. ⁽²⁾	Vessel chartering	Federal Territory of Labuan, Malaysia	100	100
SK Pride Ltd. ⁽²⁾	Vessel chartering	Federal Territory of Labuan, Malaysia	100	100
SK Patriot Ltd.	Vessel chartering	Federal Territory of Labuan, Malaysia	-	100
SK Power Ltd. ⁽²⁾	Vessel chartering	Federal Territory of Labuan, Malaysia	100	100
SK Precious Ltd. ⁽²⁾	Vessel chartering	Federal Territory of Labuan, Malaysia	100	100
SK Prudence Ltd. ⁽²⁾	Vessel chartering	Federal Territory of Labuan, Malaysia	100	100
SKOM Sdn. Bhd. ⁽²⁾	Vessel chartering	Malaysia	100	100
SK Capital Ltd. ⁽²⁾	Vessel chartering	Federal Territory of Labuan, Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

5 Subsidiaries (Cont'd)

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of effective equity held	
			2020 %	2019 %
Held by Subsidiaries (Cont'd)				
SKOM Ltd. ⁽²⁾	Vessel chartering	Federal Territory of Labuan, Malaysia	100	100
SK Majestic Ltd. ⁽²⁾	Vessel chartering	Federal Territory of Labuan, Malaysia	100	100

(1) Audited by Foo Kon Tan LLP, Singapore.

(2) Audited by HLB Ler Lum PLT, Malaysia.

(3) Not required to be audited.

(4) Audited by Crowe Malaysia PLT, Malaysia.

Summarised financial information of subsidiaries with material non-controlling interests

Summarised financial information in respect of the subsidiary, SKOSV Sdn. Bhd., which has material non-controlling interests, is set out below. The summarised financial information below represents amounts before intra-group eliminations, and for profit or loss, the amounts included in the Group's results after acquisition.

Summarised statement of financial position

	2020 RM'000	2019 RM'000
Current assets	366,569	139,352
Non-current assets	26	30
Current liabilities	324,114	88,320
Non-current liabilities	35	60
Equity attributable to owners of the Company	38,952	44,940
Non-controlling interests	3,494	6,062

Summarised statement of profit or loss and other comprehensive income

	2020 RM'000	2019 RM'000
Revenue	295,006	275,824
Profit for the year	556	2,884
Other comprehensive income for the year	-	-
Total comprehensive income for the year	556	2,884
Attributable to:		
- owners of the Company	724	2,019
- non-controlling interests	(168)	865
	556	2,884
Dividend paid to NCI	2,400	-

Other summarised financial information

	2020 RM'000	2019 RM'000
Net cash outflow from operating activities	(8,181)	(32,669)
Net cash inflow from investing activities	905	656
Net cash outflow from financing activities	(8,000)	-
Net cash outflow for the year	(15,276)	(32,013)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6 Associates

The Group	2020 RM'000	2019 RM'000
Equity investment, at cost	110,890	110,400
Share of post-acquisition results	(93,602)	(91,899)
Allowance for impairment loss	(17,288)	-
Balance at end of financial year	-	18,501

Movement in the allowance for impairment of associate is as follows:

The Group	2020 RM'000	2019 RM'000
At 1 January	-	-
Impairment loss provided	17,288	-
At 31 December	17,288	-

On 10 March 2020, the Company announced that Nam Cheong Dockyard Sdn. Bhd., a direct subsidiary of the Company, acquired a 49% equity interest comprising 49,000 ordinary shares in SK Hull Sdn. Bhd. ("SKHull") from an individual who is a related party and interested person, for a total cash consideration of RM49,000. The objective of the acquisition is to enable the Group to explore and diversify into the provision of services related to Engineering Procurement Construction Installation and Commissioning within the Offshore and Marine sector. Subsequent to the acquisition, SKHull increased its registered capital to RM1,000,000 by way of rights issue, in which NCD subscribed for additional 441,000 shares for a total consideration of RM441,000 to maintain its equity interest in SKHull.

The Group carried out a review of the recoverable amount of the investment in the associate, P.T. Pelayaran Nasional Bina Buana Raya Tbk due to persistent operating losses and cash outflows incurred by the associate. The recoverable amount was based on fair value less costs of disposal, which was determined to be the adjusted net assets of the associate. In deriving the adjusted net assets of the associate, the fair values of the underlying assets are estimated based on their expected selling prices, and the fair values of the underlying liabilities are based on the estimated cash outflows to settle the obligations. The fair value measurement is categorised as Level 3 under the fair value hierarchy. In view that the associate had significant net liabilities, management has determined that the recoverable amount which is based on fair value less costs of disposal to be RMNil. The review led to a provision of impairment loss of RM17,288,000 in the Group's profit or loss for the financial year ended 31 December 2020.

Details of the associate are as follows:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of effective equity held	
			2020 %	2019 %
P.T. Pelayaran Nasional Bina Buana Raya Tbk ⁽¹⁾	Vessel chartering	Indonesia	30	30
SK Hull Sdn Bhd ⁽²⁾	Offshore facilities	Malaysia	49	-

(1) Audited by Hertanto, Grace & Karunawan, Indonesia.

(2) Audited by HLB Ler Lum PLT, Malaysia.

The principal activities of the associate are in line with the Group's strategy to expand the vessel chartering business.

The financial information of the associates are summarised below. There have been no dividends received from the associates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6 Associates (Cont'd)

Statement of financial position

	P.T. Pelayaran Nasional Bina Buana Raya Tbk		SK Hull Sdn. Bhd.		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets and liabilities						
Current assets	31,544	41,448	11,127	-	42,671	41,448
Non-current assets	116,995	287,713	65	-	117,060	287,713
Total assets	148,539	329,161	11,192	-	159,731	329,161
Current liabilities	(87,054)	(235,941)	(19,617)	-	(106,671)	(235,941)
Non-current liabilities	(30,219)	(1,213)	-	-	(30,219)	(1,213)
Total liabilities	(117,273)	(237,154)	(19,617)	-	(136,890)	(237,154)
Net assets/(liabilities)	31,266	92,007	(8,425)	-	22,841	92,007
Proportion of the Group's ownership	30%	30%	49%	-	5,252	27,602
Share of net assets	9,380	27,602	(4,128)	-	21,137	-
Associate's losses in excess of equity	17,009	-	4,128	-	26,389	-
	26,389	27,602	-	-	26,389	27,602

Statement of profit or loss and other comprehensive income

	P.T. Pelayaran Nasional Bina Buana Raya Tbk		SK Hull Sdn. Bhd.		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income and expenses						
Revenue	51,268	67,887	4,731	-	55,999	67,887
Operating expenses	(66,421)	(44,115)	(14,152)	-	(80,573)	(44,115)
Depreciation and amortisation	(27,050)	(28,529)	(10)	-	(27,060)	(28,529)
Interest income	909	354	-	-	909	354
Interest expense	(6,672)	(9,588)	-	-	(6,672)	(9,588)
Loss before taxation	(47,966)	(13,991)	(9,431)	-	(57,397)	(13,991)
Taxation	(618)	(634)	-	-	(618)	(634)
Loss for the year	(48,584)	(14,625)	(9,431)	-	(58,015)	(14,625)
Proportion of the Group's ownership	30%	30%	49%	-	(19,196)	(4,387)
Share of post-tax losses	(14,575)	(4,387)	(4,621)	-	17,493	-
Associate's losses in excess of equity	13,362	-	4,131	-	(1,703)	(4,387)
	(1,213)	(4,387)	(4,90)	-	(1,703)	(4,387)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6 Associates (Cont'd)

Reconciliation of summarised financial information presented to the carrying amount of the Group's investment in the associates are as follows:

	P.T. Pelayaran Nasional Bina Buana Raya Tbk		SK Hull Sdn. Bhd.		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Share of net assets						
At 1 January	27,602	31,989	-	-	27,602	31,989
Investment in an associate	-	-	490	-	490	-
Loss for the year	(1,213)	(4,387)	(490)	-	(1,703)	(4,387)
At 31 December	26,389	27,602	-	-	26,389	27,602
Effect of realisation of profits	1,093	1,093	-	-	1,093	1,093
Effect of unrealised profits	(10,194)	(10,194)	-	-	(10,194)	(10,194)
Impairment during the year	(17,288)	-	-	-	(17,288)	-
Carrying amount of the Group's investment in associate	-	18,501	-	-	-	18,501

The investment in associate had no contingent liabilities and capital commitments at 31 December 2020 and 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

7 Joint ventures

The Group	2020 RM'000	2019 RM'000
Unquoted equity investments, at cost	13,466	13,466
Share of post-acquisition results	(11,369)	(8,496)
Allowance for impairment loss	(1,430)	-
	667	4,970

Movement in the allowance for impairment of joint venture is as follows:

The Group	2020 RM'000	2019 RM'000
At 1 January	-	-
Impairment loss provided	1,430	-
At 31 December	1,430	-

The Group has interest in joint ventures through separate structure vehicles incorporated and operating in Malaysia and Indonesia. The contractual arrangements provide the Group with only the rights to the net assets of the joint arrangements. Under IFRS 11 *Joint Arrangements*, these joint arrangements are classified as joint ventures and have been accounted for in the consolidated financial statements using the equity method.

On 17 January 2019, the Group's wholly-owned subsidiary, SK Global Ltd., incorporated a 51% owned joint venture, Pelayaran New Era (L) Berhad ("PNE"), in the Federal Territory of Labuan, Malaysia. PNE has an issued and paid-up capital of US\$1,000. The principal activity of PNE is chartering of vessel.

On 3 April 2019, PNE incorporated a new wholly-owned subsidiary, Pelayaran Era Sdn Bhd ("PESB") which has an issued and paid-up capital of RM1,000. The principal activity of PESB is chartering of vessel.

The Group carried out a review of the recoverable amount of the investment in the joint venture, Pelayaran New Era (L) Bhd. due to persistent operating losses and cash outflows incurred by the joint venture. The recoverable amount was based on fair value less costs of disposal, which was determined to be the net assets of the joint venture. In deriving the adjusted net assets of the joint venture, the fair values of the underlying assets are estimated based on their expected selling prices, and the fair values of the underlying liabilities are based on the estimated cash outflows to settle the obligations. The fair value measurement is categorised as Level 3 under the fair value hierarchy. In view that the joint venture had significant net liabilities, management has determined that the recoverable amount which is based on fair value less costs of disposal to be RMNil. The review led to a provision of impairment loss of RM1,430,000 in the Group's profit or loss for the financial year ended 31 December 2020.

Details of the joint ventures are as follows:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of effective equity held	
			2020 %	2019 %
Synergy Kenyalang Offshore Sdn. Bhd. ("SKO") ⁽¹⁾	Vessel chartering	Malaysia	40	40
P.T. Bahtera Niaga Indonesia ("BNI") ⁽²⁾	Vessel chartering	Indonesia	49	49
Marco Polo Offshore (IV) Pte Ltd ("MPO") ⁽²⁾	Vessel chartering	Federal Territory of Labuan, Malaysia	50	50
SK Marco Polo Sdn. Bhd. ("SKMP") ⁽¹⁾	Vessel chartering	Malaysia	50	50
Pelayaran New Era (L) Bhd. ("PNE") ⁽¹⁾	Vessel chartering	Federal Territory of Labuan, Malaysia	51	51
Pelayaran Era Sdn. Bhd. ("PESB") ⁽¹⁾	Vessel chartering	Malaysia	51	51

(1) Audited by HLB Ler Lum PLT, Malaysia.

(2) Reviewed by HLB Ler Lum PLT, Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

7 Joint ventures (Cont'd)

The principal activities of the joint ventures are in line with the Group's strategy to expand the vessel chartering business.

The financial information of the material joint ventures is summarised below.

Statement of financial position

	MPO		SKO		PNEI		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets and liabilities								
Cash and cash equivalents	237	255	2,626	5,420	86	32	2,949	5,707
Trade receivables	12,667	11,083	2,394	11,221	159	9,064	15,220	31,368
Current assets	12,904	11,338	5,020	16,641	245	9,096	18,169	37,075
Non-current assets	20,926	22,696	46,709	51,252	46,733	45,445	114,368	119,393
Total assets	33,830	34,034	51,729	67,893	46,978	54,541	132,537	156,468
Current liabilities*	(41,160)	(36,589)	(17,932)	(28,670)	(11,481)	(11,095)	(70,573)	(76,354)
Non-current liabilities**	(58,487)	(62,009)	(10,922)	(9,977)	(36,600)	(37,578)	(106,009)	(109,564)
Total liabilities	(99,647)	(98,598)	(28,854)	(38,647)	(48,081)	(48,673)	(176,582)	(185,918)
Net (liabilities)/assets	(65,817)	(64,564)	22,875	29,246	(1,103)	5,868	(44,045)	(29,450)
Proportion of the Group's ownership	50%	50%	40%	40%	51%	51%	(24,322)	(17,591)
Share of net (liabilities)/assets	(32,909)	(32,282)	9,150	11,698	(563)	2,993	(24,322)	(17,591)
Joint venture's losses in excess of equity interest	32,909	32,282	-	-	563	-	33,472	32,282
	-	-	9,150	11,698	-	2,993	9,150	14,691

* Includes current financial liabilities (excluding trade and other payables and provisions)

** Includes non-current financial liabilities (excluding trade and other payables and provisions)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

7 Joint ventures (Cont'd)

The joint ventures had no contingent liabilities and capital commitments as at 31 December 2020 and 31 December 2019.

The Group has not recognised losses relating to MP0 and BNI where its share of losses exceeds the Group's carrying amount of its investment in the joint venture. The Group's cumulative share of unrecognised losses were RM11,930,000 (2019 - RM2,405,000). The Group has no obligation with respect to these losses.

8 Inventories

The Group	2020 RM'000	2019 RM'000
Raw materials	-	5,314
Work in progress	17,922	118,227
	17,922	123,541
Inventories recognised as an expense in cost of sales	49,900	892

Work in progress represents costs incurred for unsold vessels under construction.

Movement in allowance for write-down on inventories

The Group	2020 RM'000	2019 RM'000
Balance at 1 January	(43,787)	(43,541)
Amount recognised	(70,937)	(500)
Amount reversed	37,404	-
Allowance utilised	22,192	-
Exchange differences	(620)	254
Balance at 31 December	(55,748)	(43,787)

The net realisable values of the vessels under construction are determined with reference to the valuation report prepared by a firm of independent professional valuers. The fair values are based on "as is, where is" sales at their current locations, between a willing buyer and a willing seller. The valuation is based on direct comparison method which involves the analysis of comparable sales of similar vessels and adjusting the sale prices to that reflective of the subject vessels. The estimates of fair value of vessels involves consideration of items such as actual recent sales of similar vessels, the vessel's age, market conditions, among others, which are unobservable inputs. The fair value measurement is categorised as Level 3 under the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

9 Trade and other receivables

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current				
Trade receivables from a third party (a)	15,482	16,904	-	-
Less: Allowance for impairment losses	(15,482)	(16,904)	-	-
	-	-	-	-
Current				
Trade receivables from third parties	93,508	102,710	-	-
Trade receivables from joint ventures	664	12,224	-	-
Trade receivables from associate	12,779	-	-	-
Less: Allowance for impairment losses	(17,362)	(5,669)	-	-
	89,589	109,265	-	-
Amounts due from subsidiaries (non-trade) (b)	-	-	86,764	123,293
Amounts due from joint ventures (non-trade) (c)	27,285	33,425	-	-
Amount due from an associate (non-trade) (d)	7,049	-	-	-
Deposits	8,789	10,452	152	-
Other receivables	16,264	7,764	61	-
Less: Allowance for impairment losses				
- amounts due from subsidiaries (non-trade)	-	-	(86,764)	(123,293)
- amounts due from joint ventures (non-trade)	(21,327)	(15,616)	-	-
- amounts due from associate (non-trade)	(22)	-	-	-
- other receivables	(2,204)	(1,797)	-	-
	35,834	34,228	213	-
Total current	125,423	143,493	213	-
Financial assets at amortised cost	125,423	143,493	213	-
Tax recoverable	1,113	2,840	-	-
Total trade and other receivables	126,536	146,333	213	-

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia ringgit	110,071	140,940	-	-
Singapore dollar	550	92	152	-
United States dollar	13,226	5,301	61	-
Others	2,689	-	-	-
	126,536	146,333	213	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

9 Trade and other receivables (Cont'd)

The Group's trading terms with its customer are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Current trade receivables with credit period ranges from one to two months (2019 – one to two months) are non-interest bearing.

(a) Non-current trade receivables from a third party, which relate to the remaining balances of the selling prices of two vessels to a customer under a credit arrangement, are secured by a personal guarantee of the chairman of the customer, bear interest at a rate of 6% per annum and are to be settled by 30 September 2022. Interest income of RM988,000 (2019 – RM1,031,000) was recognised for the year ended 31 December 2020. The non-current trade receivables are credit-impaired as at 31 December 2020 and 31 December 2019.

(b) The non-trade amounts due from subsidiaries, comprising advances to and payments on behalf of the subsidiaries, are unsecured, interest-free and repayable on demand.

(c) The non-trade amounts due from joint ventures, comprising mainly advances to Marco Polo Offshore (IV) Pte Ltd of RM 17,277,724 (2019 – RM16,284,280), are unsecured, bear interest at 7.25% (2019 – 7.25%) per annum, and are repayable on demand.

(d) The non-trade amount due from an associate, comprising advances to and payments on behalf of the associate, are unsecured, interest-free and repayable on demand.

Trade and other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that have difficulty in settling their debts. Trade and other receivables that are impaired are not secured by any collateral or credit enhancements.

The ageing analysis of trade receivables are as follows:

The Group	2020 RM'000	2019 RM'000
Not impaired:		
Not past due	30,934	31,447
Past due 1 to 3 months	58,050	61,252
Past due 3 to 6 months	514	13,022
Past due more than 6 months	91	3,544
	89,589	109,265
Past due and impaired	32,844	22,573
	122,433	131,838

Comprises trade receivables from a third party (non-current) of RM15,482,000 (FY2019 – RM16,904,000), trade receivables from third parties (current) of RM93,508,000 (2019 – RM102,710,000), trade receivables from joint ventures of RM664,000 (2019 – RM12,224,000) and trade receivables from associate of RM12,779,000 (2019 – RMNil).

Movement in the allowance for impairment of trade receivables is as follows:

The Group	2020 RM'000	2019 RM'000
At 1 January	22,573	24,437
Impairment losses recognised	30,936	2,501
Impairment losses reversed	(20,990)	(4,172)
Allowance utilised	(42)	-
Exchange differences	367	(193)
At 31 December	32,844	22,573

Comprises allowance for impairment of non-current trade receivables of RM15,482,000 (2019 – RM16,904,000) and current trade receivables of RM17,362,000 (2019 – RM5,669,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

9 Trade and other receivables (Cont'd)

Movement in allowance for impairment of other receivables is as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	17,413	16,627	123,293	94,342
Impairment losses recognised	6,174	789	-	28,951
Impairment losses reversed	-	(5)	(36,529)	-
Exchange differences	(34)	2	-	-
At 31 December	23,553	17,413	86,764	123,293

Comprises allowance for impairment of amount due from joint ventures of RM21,327,000 (2019 – RM15,616,000), allowance for impairment of amount due from associate of RM22,000 (2019 – RMNil) and allowance of impairment of other receivables of RM2,204,000 (2019 – RM1,797,000).

10 Prepayments

The prepayments mainly relate to prepaid amounts to suppliers to secure the purchase of inventories and for operating expenses.

During the financial year ended 31 December 2020, prepayments of RM47,000 (2019 – RM878,000) were written off due to non-fulfilment of intended purchase of raw materials.

11 Cash and bank balances and fixed deposits

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash in banks	95,283	46,406	158	95
Cash on hand	67	84	-	-
Cash and bank balances	95,350	46,490	158	95
Fixed deposits	1,005	988	-	-
	96,355	47,478	158	95

The Group's fixed deposits mature on varying dates between 1 day and 4 months (2019 – 1 day and 1 month) from the end of the reporting period. The interest rates on the fixed deposits range from 0.18% to 1.55% (2019 – 0.2% to 3.1%) per annum.

As at 31 December 2020, the Group's fixed deposits of RM289,000 (2019 – RM271,000) were pledged as security for bankers' guarantees granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

11 Cash and bank balances and fixed deposits (Cont'd)

Cash and bank balances and fixed deposits are denominated in the following currencies:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances				
Malaysia ringgit	32,555	35,088	-	-
Singapore dollar	4,108	2,016	158	95
United States dollar	58,513	9,298	-	-
Euro	39	52	-	-
Japanese yen	2	22	-	-
Indonesian Rupiah	133	3	-	-
Others	-	11	-	-
	95,350	46,490	158	95
Fixed deposits				
Malaysia ringgit	1,005	988	-	-
	96,355	47,478	158	95

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

The Group	2020 RM'000	2019 RM'000
Cash and bank balances	95,350	46,490
Fixed deposits	1,005	988
	96,355	47,478
Less: Fixed deposits pledged	(289)	(271)
	96,066	47,207

12 Share capital and share premium

Share capital

The Group and The Company	2020 '000	2019 '000	2020 RM'000	2019 RM'000
Number of ordinary shares				
Authorised share capital				
Ordinary shares	12,000,000	12,000,000	163,145	163,145
Issued and fully paid				
At 1 January	7,150,977	7,024,619	3,484	3,417
Issuance of term loan shares	128,342	126,358	68	67
At 31 December	7,279,319	7,150,977	3,552	3,484

The ordinary shares of the Company have par value of HK\$0.001 each.

On 18 January 2019, pursuant to the terms of the Schemes of Arrangement, an aggregate of 126,358,100 Term Loan Shares were issued and allotted by the Company for Review Year 1 in relation to the Interest Periods from 1 January 2018 to 30 June 2018 and from 1 July 2018 to 31 December 2018.

On 12 February 2020, pursuant to the terms of the Schemes of Arrangement, an aggregate of 128,341,762 Term Loan Shares were issued and allotted by the Company for Review Year 2 in relation to the Interest Periods from 1 January 2019 to 30 June 2019 and from 1 July 2019 to 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

12 Share capital and share premium (Cont'd)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share without restriction at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Share premium

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	300,417	297,796	300,417	297,796
Issuance of term loan shares	2,611	2,621	2,611	2,621
At 31 December	303,028	300,417	303,028	300,417

Share premium is the amount subscribed for ordinary shares in the capital of the Company in excess of the nominal value.

13 Treasury shares

The Group and The Company	2020	2019	2020	2019
	'000	'000	RM'000	RM'000
	Number of ordinary shares			
At 1 January and 31 December	6,678	6,678	4,097	4,097

The Company acquired its own shares for subsequent issue pursuant to grant of share awards granted under the Nam Cheong Group 2013 Share Grant Plan (the "2013 Plan") which was terminated and replaced with Nam Cheong Management Incentive Plan (the "NCMI Plan") in August 2018. As at 31 December 2020 and 31 December 2019, the amount in Treasury Shares relates to the excess of the price paid to acquire treasury shares and the amount reversed from treasury shares upon grant of the share awards.

14 Reserves

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Foreign currency translation reserve	312,171	316,575	-	-
Fair value reserve	(4,401)	(4,401)	-	-
Capital surplus	-	-	778,608	778,608
	307,770	312,174	778,608	778,608

Foreign currency translation reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations.

Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income until the assets are derecognised or impaired.

Capital surplus

Capital surplus represents the difference arising from the reverse takeover exercise in 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

15 Deferred tax liabilities

The Group	2020 RM'000	2019 RM'000
At 1 January	592	220
Recognised in profit or loss (Note 23)	2,534	372
At 31 December	3,126	592

The deferred tax liabilities relate to temporary differences on property, plant and equipment.

As at 31 December 2020 and 31 December 2019, there were no undistributed earnings related to subsidiaries.

16 Borrowings

	Year of maturity	Currency	The Group		The Company	
			2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Bilateral facilities debt (secured)	2020	RM	44,732	46,306	-	-
		USD	55,836	49,730	-	-
			100,568	96,036	-	-
Term loan – sustainable debt (unsecured)	2021 to 2024	RM	149,054	123,530	-	-
		SGD	597,087	592,218	662,516	662,954
		USD	150,466	188,257	8,353	8,511
			896,607	904,005	670,869	671,465
Lease liabilities	2022 – 2025	RM	1,704	1,239	-	-
			998,879	1,001,280	670,869	671,465
Represented by:						
Non-current			990	905,072	-	671,465
Current			997,889	96,208	670,869	-
			998,879	1,001,280	670,869	671,465

Schemes of Arrangement

During the financial year ended 31 December 2018, the Group concluded the debt restructuring exercise via Schemes of Arrangement. The Group and the Company obtained creditors' approval for the Schemes on 22 January 2018 and 24 January 2018, respectively, upon which the Group and the Company applied to The High Court of the Republic of Singapore and The High Court of Malaya for the sanction of the Schemes. The NCD Scheme and NCI Scheme were sanctioned by the Malaysia Court on 12 July 2018, subsequent to which the NCL Scheme was sanctioned by the Singapore Court on 3 August 2018. On 20 August 2018, the NCL Scheme was approved by the Company's shareholders at a Special General Meeting for *inter alia* the issuance of new shares pursuant to the restructuring.

Following the issuance and allotment of the Rights Shares and Non-sustainable Debt Shares by the Company on 26 September 2018, and together with the payment by the Company under the Cash Out Option to eligible creditors pursuant to the Schemes on 28 September 2018, the Group and the Company have fulfilled the necessary steps to implement the Schemes.

Non-sustainable Debt

Each Non-sustainable Debt Share is allotted and issued at a conversion price of S\$0.045. Pursuant to the Schemes, an aggregate of 3,348,250,793 Non-Sustainable Debt Shares were allotted and issued.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

16 Borrowings (Cont'd)

Term Loan – Sustainable Debt

US\$221,619,000 of the Sustainable Debt was restructured as Term Loan. The tenor of the Term Loan is from 1 January 2018 to 31 December 2024. Interest is charged at 4% per annum. There will be no repayment of the principal from 2018 to 2020. The principal shall be repaid in eight half-yearly instalments from 2021 to 2024 in the percentage of 10%, 20%, 30% and 40%, respectively.

Bilateral Facilities Debt

The Bilateral Facilities Debt is excluded from the Schemes. The maturity date of the Bilateral Facilities Debt is 31 December 2020.

Lease Liabilities

As at 31 December 2020, the lease liabilities amounting to RM1,704,000 (2019 – RM1,239,000, of which RM714,000 (2019 – RM172,000) is payable within a year and RM990,000 (2019 – RM1,067,000) is payable after a year.

During the financial year, the Group breached the payment for Bilateral Facilities Debts which was due on 31 December 2020 and Term Loan Cash Interest of Sustainable Debt. Consequently, all the non-current borrowings became repayable on demand and were classified as current liabilities. As disclosed in Note 2(e) of the financial statements, the Group is currently in discussions with the lenders to review its options of restructuring its debts and has appointed advisors as well as engaged the Corporate Debt Restructuring Committee of Malaysia (the "CDRC") to mediate between Nam Cheong and its financial creditors.

Borrowings are secured by the underlying assets, comprising leasehold land, buildings and vessels with carrying amount of RM5,975,000 (2019 – RM6,140,000), RM1,663,000 (2019 – RM22,977,000) and RM43,464,000 (2019 – RM82,229,000), respectively.

Borrowings bear effective interest rates per annum ranging as follows:

	The Group		The Company	
	2020 %	2019 %	2020 %	2019 %
Bilateral facilities debt	3.21 to 5.90	4.36 to 6.45	-	-
Term loan	4.0	4.0	4.0	4.0
Lease liability	5.48	5.48	-	-

The maturities of the borrowings at the end of the reporting period are as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Due not later than one year	997,889	96,208	670,869	-
Due later than one year and not later than two years	366	90,610	-	67,147
Due later than two years and not later than five years	624	814,350	-	604,318
Due later than five years	-	112	-	-
	998,879	1,001,280	670,869	671,465

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

17 Trade and other payables

		The Group		The Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current					
Trade payables - third parties	(a)	127,675	185,525	-	-
Other payable	(f)	-	2,471	-	-
		127,675	187,996	-	-
Current					
Trade payables - third parties	(b)	258,501	261,482	-	-
Accrued expenses		8,898	4,778	2,395	821
Deposits received		10,683	16,384	-	-
Other payables	(c)	7,271	8,078	391	12
Amounts due to subsidiaries (non-trade)	(d)	-	-	44,653	49,374
Amounts due to joint ventures (trade)		16,098	31,195	-	-
Amounts due to joint ventures (non-trade)	(e)	79	38	-	-
Interest payable		23,273	6,224	14,496	4,272
		324,803	328,179	61,935	54,479
Financial liabilities at amortised cost		452,478	516,175	61,935	54,479
Dividend payable		146	146	146	146
Service tax payable		475	-	-	-
		453,099	516,321	62,081	54,625
Comprising:					
Non-current		127,675	187,996	-	-
Current		325,424	328,325	62,081	54,625
		453,099	516,321	62,081	54,625

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia ringgit	65,652	81,817	10,792	21,776
Singapore dollar	18,197	712	51,284	32,665
United States dollar	369,045	433,684	5	184
Euro	197	100	-	-
Others	8	8	-	-
	453,099	516,321	62,081	54,625

(a) Non-current trade payables bear interest at 6.5% per annum and are due for payment from 31 January 2022 to 24 September 2024.

(b) Current trade payables of RM98,216,000 (2019 - RM47,697,000) bear interest at 6.5% per annum. The remaining other trade payables are non-interest bearing and the trade credit terms granted to the Group range from 30 to 60 days (2019 - 30 to 60 days).

(c) Other payables are non-interest bearing and are settled on an average period of six months (2019 - six months).

(d) The non-trade amounts due to subsidiaries, comprising advances from and payments made on behalf by the subsidiaries, are unsecured, interest-free and repayable on demand.

(e) The non-trade amounts due to joint ventures, comprising advances from and payments made on behalf by the joint ventures, are unsecured, interest-free and repayable on demand.

(f) In the last financial year, the non-current other payable, which constitutes a government grant, is payable to the Government of Malaysia for the Group's leasehold land which may be waived subject to the satisfaction of certain conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

18 Provision for financial guarantee

The Company has provided financial guarantee to its joint venture, P.T. Bahtera Niaga Indonesia ("BNI") in respect of term loan granted to BNI.

During the financial year, BNI has defaulted the term loan repayment and letter of demand was issued to the Company. Consequently, the Group and the Company have recognised a provision of RM44,036,000 for the liabilities of the joint venture which it is obliged to settle with the banks due to the guarantee as mentioned above.

19 Revenue

	2020 RM'000	2019 RM'000
The Group		
Shipbuilding	72,212	-
Time chartering	298,053	282,975
Bareboat chartering	2,031	2,387
	372,296	285,362

20 Other income

	2020 RM'000	2019 RM'000
The Group		
Gain on disposal of property, plant and equipment	3,433	-
Gain on waiver of debts	805	57,002
Gain on waiver of prepaid land lease payments	2,528	-
Interest income	3,292	3,112
Miscellaneous income	1,738	3,769
Reversal of write-down on inventories	-	11,921
	11,796	75,804

21 Finance costs

	2020 RM'000	2019 RM'000
The Group		
Interest expenses		
- Bilateral facilities debt	5,341	2,094
- Term loans	17,941	25,908
- Trade payables	14,823	13,074
- Lease liabilities	96	23
	38,201	41,099

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

22 (Loss)/Profit before taxation

The Group	Note	2020 RM'000	2019 RM'000
(Loss)/Profit before taxation is arrived at after (crediting)/charging:			
Audit fees			
- auditor of the Company		280	280
- other auditors		157	155
Depreciation of property, plant and equipment	3	30,079	30,107
Employee benefits expense			
- salaries, wages and other benefits		19,963	17,120
- defined contribution plans		1,214	1,228
- share grant expense		1,240	759
Accretion of non-current trade payables		15,298	4,414
Impairment losses on investment in an associate	6	17,288	-
Impairment losses on investment in a joint venture	7	1,430	-
Impairment losses on property, plant and equipment	3	283,473	-
Impairment losses on trade and other receivables		16,120	(887)
Plant and equipment written off	3	793	12
Prepayments written off	10	47	878
Restructuring expenses		1,589	1,240
Write-down on inventories		33,533	(11,921)
Provision for financial guarantee	18	44,036	-

Employee benefits expense includes the remuneration of directors and other key management personnel as disclosed in Note 25 to the financial statements.

23 Taxation

The Group	2020 RM'000	2019 RM'000
Current taxation		
- Current year	2,994	2,336
- Changes in estimates in respect of prior years	1,440	403
	4,434	2,739
Deferred taxation (Note 15)		
- Current year	-	372
- Underprovision in prior year	2,534	-
	2,534	372
	6,968	3,111

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the applicable rate of income tax on profits as a result of the following:

The Group	2020 RM'000	2019 RM'000
(Loss)/Profit before taxation	(397,356)	68,329
Share of results of equity-accounted associate and joint ventures	4,576	2,445
	(392,780)	70,774
Tax at statutory rates applicable to different jurisdictions	(78,043)	672
Expenses not deductible for tax purposes	78,497	9,846
Income not subject to tax	(4,827)	(6,752)
Utilisation of previously unrecognised tax losses	(435)	(2,448)
Deferred tax assets not recognised	7,802	1,254
Changes in estimates of current taxation in respect of prior years	1,440	403
Underprovision of deferred tax in prior year	2,534	-
Others	-	136
	6,968	3,111

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

23 Taxation (Cont'd)

Non-taxable income mainly relates to reversal of impairment loss on trade and other receivables and waiver of debts. Non-deductible expenses mainly relate to impairment of property, plant and equipment, impairment of trade and other receivables and depreciation of non-qualifying property, plant and equipment.

Singapore

The corporate income tax rate applicable to the Company and Singapore-incorporated subsidiaries is 17% (2019 – 17%) for the financial year ended 31 December 2020.

Malaysia

The corporate income tax rate applicable to the subsidiaries incorporated in Malaysia is 24% (2019 – 24%) for the financial year ended 31 December 2020.

The corporate income tax rate applicable to the subsidiaries incorporated in the Federal Territory of Labuan, Malaysia is 3% (2019 – 3%) for the financial year ended 31 December 2020.

As at 31 December 2020, the Group has unused tax losses of approximately RM155,383,000 (2019 – RM146,861,000) and unabsorbed capital allowances of approximately RM84,583,000 (2019 – RM62,383,000). The unused tax losses and unabsorbed capital allowances are allowed to be carried forward and used to offset against future taxable profits of the subsidiaries in which the items arose, subject to agreement by the relevant tax authorities and compliance with the applicable tax regulations in the respective countries in which the Company and its subsidiaries operate. Deferred tax assets of RM57,287,000 (2019 – RM49,920,000) have not been recognised in respect of these items due to the uncertainty whether future taxable profits will be available against which the Company and its subsidiaries can utilise the benefits. The unused tax losses and unabsorbed capital allowances have no expiry date.

24 (Loss)/Earnings per share

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share was based on the loss attributable to ordinary shareholders of RM404,156,000 (2019 – profit of RM64,353,000), and a weighted average number of ordinary shares outstanding of 7,257,562,000 (2019 – 7,136,337,000), calculated as follows:

Weighted average number of ordinary shares

The Group	2020 '000	2019 '000
Issued ordinary shares at beginning of year (Note 12)	7,150,977	7,024,619
Effect of ordinary shares issued during the year	106,585	111,718
Weighted average number of ordinary shares	7,257,562	7,136,337

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

24 (Loss)/Earnings per share (Cont'd)

Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share was based on the loss attributable to ordinary shareholders of RM404,156,000 (2019 – profit of RM64,353,000), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 7,257,562,000 (2019 – 7,264,679,000), calculated as follows:

Weighted average number of ordinary shares

The Group	2020 '000	2019 '000
Weighted average number of ordinary shares (basic)	7,257,562	7,136,337
Effect of contingently issuable shares	–	128,342
Weighted average number of ordinary shares (diluted)	7,257,562	7,264,679

For the financial year ended 31 December 2020, the basic and diluted loss per share are the same as the outstanding contingently issuable shares were anti-dilutive.

Contingently issuable shares relate to term loan shares to be issued as interest pursuant to the terms of the Schemes of Arrangement.

25 Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following are transactions with related parties made at terms agreed between the parties:

The Group	2020 RM'000	2019 RM'000
Joint venture		
– interest income	970	1,130
Other related parties in which directors and key management have interest		
– purchases *	251	448
– rental expense	924	919

* Mr Tiong Chiong Soon, a key executive of the Company and the son of Tan Sri Datuk Tiong Su Kouk, has a direct interest of more than 30% in Top Line Works (2008) Sdn. Bhd. ("TLW"). During the financial year, Nam Cheong Dockyard Sdn. Bhd., a subsidiary of the Company, purchased shipbuilding materials from TLW. As at 31 December 2020 and 31 December 2019, there was no outstanding amount due to TLW.

The directors are of the opinion that all the transactions above have been entered in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

25 Significant related party transactions (Cont'd)

The remuneration of directors and other members of key management during the financial year are as follows:

The Group	2020 RM'000	2019 RM'000
Short-term employee benefits	11,190	8,592
Post-employment benefits	116	123
Share grant plan	768	531
	12,074	9,246

These include the following directors' remuneration:

The Group	2020 RM'000	2019 RM'000
Directors of the Company	8,957	6,541
Directors of subsidiaries	2,238	2,012
	11,195	8,553

26 Capital commitments

Capital expenditure contracted for at end of the reporting period but not recognised in the financial statements are as follows:

The Group	2020 RM'000	2019 RM'000
Vessel	25,816	150,325

27 Leases

Where the Group is the lessee,

The Group leases office, warehouse and factory facilities. The leases typically run for a period of one to three years, with an option to renew the lease after that date. Lease payments are renegotiated every few years to reflect market rentals. There are no externally imposed covenants on the lease arrangements.

The office, warehouse and factory leases were entered into as leases of buildings. The Group also leases four plots of land which have a remaining tenure of 2 to 44 years (2019 - 3 to 45 years).

The Group leases office equipment with contract terms of one to three years. These leases are short-term or are leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets relate to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 3).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

27 Leases (Cont'd)

Where the Group is the lessee (Cont'd),

The Group	Leasehold Land RM'000	Buildings RM'000
At 1 January 2019	6,863	-
Additions to right-of-use assets	-	1,292
Depreciation charge for the year	(270)	(75)
At 31 December 2019	6,593	1,217
Additions to right-of-use assets	-	998
Depreciation charge for the year	(271)	(599)
At 31 December 2020	6,322	1,616

Amounts recognised in profit or loss under IFRS 16 are as follows:

The Group	2020 RM'000	2019 RM'000
Interest on lease liabilities (Note 21)	96	23
Expenses relating to short-term leases	330	883
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	53	43

Where the Group is the lessor,

Operating lease

The Group leases out its vessels under bareboat charter. The Group has classified these leases as operating leases, because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the end of the reporting period.

The Group	RM'000
2020	
Less than one year	416
2019	
Less than one year	39

The other leases are primarily for a period of 10 to 30 days with daily extension, for which the lease payments have been fully received or included in trade receivables at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

28 Operating segments

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

- (i) Shipbuilding; and
- (ii) Vessel chartering.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss before tax. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Income taxes are managed by the management of respective entities within the Group.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense.

Inter segment sales and transfers are carried out on arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and exclude income tax recoverable and deferred tax assets. Segment liabilities comprise operating liabilities and exclude items such as income tax payable and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

28 Operating segments (Cont'd)

Segment additions to non-current assets is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

The Group	Shipbuilding		Chartering		Others		Eliminations		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000		
Revenue	72,212	-	300,084	285,362	-	-	-	-	372,296	285,362
Results										
Operating (loss)/profit	(112,921)	39,738	(175,429)	77,532	(66,229)	(5,397)	-	-	(354,579)	111,873
Finance costs	(23,118)	(31,037)	(14,910)	(15,319)	(12,471)	(17,659)	12,298	22,916	(38,201)	(41,099)
Share of results of associates	-	-	-	-	(1,703)	(4,387)	-	-	(1,703)	(4,387)
Share of results of joint ventures	-	-	-	-	(2,873)	1,942	-	-	(2,873)	1,942
(Loss)/Profit before tax	(136,039)	8,701	(190,339)	62,213	(83,276)	(25,501)	12,298	22,916	(397,356)	68,329
<i>Profit or loss</i>										
Depreciation of property, plant and equipment	(1,613)	(1,884)	(29,109)	(28,346)	(51)	(231)	694	354	(30,079)	(30,107)
Gain on waiver of debts	-	56,973	805	-	-	31,018	-	(30,989)	805	57,002
Gain on waiver of prepaid land lease payments	2,528	-	-	-	-	-	-	-	2,528	-
Impairment loss on investment in an associate	-	-	-	-	(17,288)	-	-	-	(17,288)	-
Impairment loss on investment in a joint venture	-	-	-	-	(1,430)	-	-	-	(1,430)	-
Impairment loss on property, plant and equipment	(20,863)	-	(276,636)	-	-	-	14,026	-	(283,473)	-
Impairment losses on trade and other receivables (made)/reversed	660	(423)	(16,784)	1,310	4	-	-	-	(16,120)	887
Interest income	1,099	1,279	1,893	1,830	12,041	20,552	(11,741)	(20,549)	3,292	3,112
Gain on disposal of property, plant and equipment	-	-	2,393	-	1,040	-	-	-	3,433	-
Plant and equipment written off	(7)	(12)	-	-	(786)	-	-	-	(793)	(12)
Prepayments written off	(47)	(878)	-	-	-	-	-	-	(47)	(878)
Provision for financial guarantee	-	-	-	-	(44,036)	-	-	-	(44,036)	-
Restructuring expenses	-	-	-	-	(1,589)	(1,240)	-	-	(1,589)	(1,240)
Write-down on inventories (made)/reversed	(33,032)	11,921	(501)	-	-	-	-	-	(33,533)	11,921

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

28 Operating segments (Cont'd)

The Group	Shipbuilding		Chartering		Others		Eliminations		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<i>Assets and liabilities</i>										
Additions to non-current assets	1,186	17	11,002	81,957	-	12	-	-	12,188	81,986
Investment in associate	-	-	-	-	-	18,501	-	-	-	18,501
Investments in joint ventures	-	-	-	-	667	4,970	-	-	667	4,970
Segment assets	78,469	60,790	1,420,235	1,538,348	25,299	15,718	(794,529)	(458,673)	729,474	1,156,183
Segment liabilities	1,565,615	2,396,151	1,624,154	1,584,427	1,034,466	903,373	(2,723,332)	(3,363,548)	1,500,903	1,520,403

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

28 Operating segments (Cont'd)

For management purposes, revenue and non-current assets are grouped into the country or region that exhibit similar economic environment. Revenue and non-current assets information based on the geographical location of customers and assets respectively is as follows:

The Group	2020 RM'000	2019 RM'000
Revenue		
Malaysia	300,084	285,362
United Kingdom	51,414	-
Vietnam	20,798	-
	372,296	285,362
Non-current assets		
Malaysia	486,284	832,582
Singapore	10	867
	486,294	833,449

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

The Group	2020 RM'000	2019 RM'000
Property, plant and equipment	485,627	809,978
Associates	-	18,501
Joint ventures	667	4,970
	486,294	833,449

Major customers

Details of customers which individually contributed 10 percent or more of the Group's total revenue are as follows:

During the financial year ended 31 December 2020, revenue from two customers in respect of the Group's shipbuilding segment amounted to RM72,212,000. There was no shipbuilding revenue for the financial year ended 31 December 2019.

During the financial year ended 31 December 2020, revenue from two customers (2019 - one customer) in respect of the Group's chartering segment amounted to RM136,646,000 (2019 - RM118,980,000).

29 Financial risk management

The Group's and the Company's risk management policies set out the overall business strategies and their risk management philosophy. The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

29 Financial risk management (Cont'd)

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risks. Market risk exposures are measured using sensitivity analysis for interest rate risk (Note 29.3) and foreign currency risk (Note 29.4).

The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

29.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group adopts the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made upfront by customers which do not meet the Group's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. Through on-going credit monitoring and existing collection procedures in place, credit risk is mitigated substantially.

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of their creditworthiness and in accordance with the Group's policy.

The Group's trade receivables comprise three major debtors (2019 - four major debtors) that represented 40% (2019 - 51%) of net trade receivables.

The Group and the Company have trade and other receivables and cash and bank balances and fixed deposits that are subject to the expected credit loss model. While cash and bank balances and fixed deposits are subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECLs") which uses a lifetime ECL allowance for all trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the trade receivables. The Group has identified the GDP and the unemployment rate of the countries in which it operates to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

29 Financial risk management (Cont'd)

29.1 Credit risk (Cont'd)

Trade receivables (Cont'd)

On that basis, below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

The Group	Current RM'000	Past due 1 to 90 days RM'000	Past due 91 to 180 days RM'000	Past due more than 180 days RM'000	Total RM'000
2020					
Gross carrying amount	31,661	62,708	1,780	26,284	122,433
Expected credit loss rate	2%	7%	71%	100%	
Loss allowance	727	4,658	1,266	26,193	32,844
2019					
Gross carrying amount	31,447	61,252	13,022	26,117	131,838
Expected credit loss rate	-	-	-	86%	
Loss allowance	-	-	-	22,573	22,573

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group.

Further details of credit risks on trade and other receivables are disclosed in Note 9.

Other receivables

Loss allowance for other receivables is measured at an amount equal to 12-month ECLs. The ECLs on other receivables are estimated by reference to track record of the counterparties, their business and financial conditions where information is available, and knowledge of any events or circumstances impeding recovery of the amounts. During the financial year ended 31 December 2020, loss allowance of RM6,174,000 (2019 – RM789,000) was made for other receivables.

Amounts due from subsidiaries (non-trade)

Non-trade amounts due from subsidiaries have been fully impaired taking into account the finances, business performance, and a forward-looking analysis of the financial performance of the business activities undertaken by the subsidiaries.

Bank balances and fixed deposits

Bank balances and fixed deposits are held with financial institutions of high credit rating for which no material credit losses are expected to be incurred.

Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

29.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

29 Financial risk management (Cont'd)

29.2 Liquidity risk (Cont'd)

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000
The Group					
2020					
Bilateral facilities debt (Note 16)	100,568	100,568	100,568	-	-
Term loan (Note 16)	896,607	931,575	931,575	-	-
Lease liabilities (Note 16)	1,704	1,861	788	1,073	-
Trade and other payables (Note 17)	452,478	452,478	324,803	127,675	-
	1,451,357	1,486,482	1,357,734	128,748	-
2019					
Bilateral facilities debt (Note 16)	96,036	101,104	101,104	-	-
Term loan (Note 16)	904,005	1,039,605	36,160	1,003,445	-
Lease liability (Note 16)	1,239	1,437	234	1,088	115
Trade and other payables (Note 17)	516,175	516,175	328,179	187,996	-
	1,517,455	1,658,321	465,677	1,192,529	115
The Company					
2020					
Term loan (Note 16)	670,869	697,033	697,033	-	-
Trade and other payables (Note 17)	61,935	61,935	61,935	-	-
	732,804	758,968	758,968	-	-
2019					
Term loan (Note 16)	671,465	772,186	26,859	745,327	-
Trade and other payables (Note 17)	54,479	54,479	54,479	-	-
	725,944	826,665	81,338	745,327	-

As disclosed in Note 2(e) to the financial statements, the directors are satisfied that the Group and the Company will have sufficient working capital and financial resources to meet their obligations as and when they fall due for the next twelve months from the end of the reporting period.

29.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from bilateral facilities debt and bank balances at floating rates. Term loan, lease liability, long-term trade payables and fixed deposits bear interest at fixed rates. All other financial assets and liabilities are interest-free.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

29 Financial risk management (Cont'd)

29.3 Interest rate risk (Cont'd)

At the end of the reporting period, the carrying amount of the interest-bearing financial instruments is as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments				
Financial assets				
- fixed deposits	1,005	988	-	-
Financial liabilities				
- non-current trade payables	(127,675)	(185,525)	-	-
- current trade payables	(98,216)	(47,697)	-	-
- term loan	(896,607)	(904,005)	(670,869)	(671,465)
- lease liabilities	(1,704)	(1,239)	-	-
	(1,124,202)	(1,138,466)	(670,869)	(671,465)
	(1,123,197)	(1,137,478)	(670,869)	(671,465)
Variable rate instruments				
Financial assets				
- bank balances	95,283	46,406	158	95
Financial liabilities				
- bilateral facilities debt	(100,568)	(96,036)	-	-
	(5,285)	(49,630)	158	95

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At the end of the reporting period, if interest rates on variable rate borrowings had been 50 (2019 - 50) basis points higher/lower with all other variables held constant, the Group's results net of tax and equity would have been RM26,000 (2019 - RM248,000) lower/higher, arising mainly as a result of higher/lower interest expenses on floating rate bilateral facilities debt, offset by higher/lower interest income from floating rate bank balances.

The magnitude represents management's assessment of the likely movement in interest rates under normal economic conditions. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

29.4 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies.

The Group and the Company have transactional currency exposures arising from transactions that are denominated in a currency other than the respective functional currencies of group entities, primarily Malaysia ringgit and United States dollar. The foreign currency in which these transactions are denominated is primarily Singapore dollar. Consequently, the Group is exposed to movements in foreign currency exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

29 Financial risk management (Cont'd)

29.4 Foreign currency risk (Cont'd)

The Group's and the Company's exposures in financial instruments to Singapore dollar (excluding those group entities which have Singapore dollar as functional currency) are mainly as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade and other receivables	549	3	152	-
Cash and bank balances	2,921	1,439	158	95
Borrowings	(597,088)	(592,218)	(662,516)	(662,954)
Trade and other payables	(15,914)	(304)	(51,284)	(32,665)
Net exposure	(609,532)	(591,080)	(713,490)	(695,524)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Singapore dollar ("SGD") exchange rate (against the respective functional currencies of group entities), with all other variables held constant, of the Group's results net of tax and equity.

The Group		2020 RM'000	2019 RM'000
SGD	- strengthened 5% (2019 - 5%)	(30,477)	(29,554)
	- weakened 5% (2019 - 5%)	30,477	29,554
The Company			
SGD	- strengthened 5% (2019 - 5%)	(35,675)	(34,776)
	- weakened 5% (2019 - 5%)	35,675	34,776

30 Capital management

The Group's and the Company's objectives when managing capital are:

- To safeguard the Group's and the Company's ability to continue as going concern;
- To support the Group's and the Company's stability and growth;
- To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
- To provide an adequate return to shareholders.

The Group and the Company review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company, and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Group and the Company are not subject to externally imposed capital requirements.

No gearing ratio has been presented as the Group and the Company had a deficit in shareholders' funds at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31 Financial instruments

Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

The Group	Amortised cost RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2020			
Financial assets			
Trade and other receivables (Note 9)	125,423	-	125,423
Cash and bank balances and fixed deposits (Note 11)	96,355	-	96,355
	221,778	-	221,778
Financial liabilities			
Bilateral facilities debt (Note 16)	-	100,568	100,568
Term loan (Note 16)	-	896,607	896,607
Lease liabilities (Note 16)	-	1,704	1,704
Trade and other payables (Note 17)	-	452,478	452,478
	-	1,451,357	1,451,357
2019			
Financial assets			
Trade and other receivables (Note 9)	143,493	-	143,493
Cash and bank balances and fixed deposits (Note 11)	47,478	-	47,478
	190,971	-	190,971
Financial liabilities			
Bilateral facilities debt (Note 16)	-	96,036	96,036
Term loan (Note 16)	-	904,005	904,005
Lease liability (Note 16)	-	1,239	1,239
Trade and other payables (Note 17)	-	516,175	516,175
	-	1,517,455	1,517,455
The Company			
	Amortised cost RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2020			
Financial assets			
Trade and other receivables (Note 9)	213	-	213
Cash and bank balances and fixed deposits (Note 11)	158	-	158
	371	-	371
Financial liabilities			
Term loan (Note 16)	-	670,869	670,869
Trade and other payables (Note 17)	-	61,935	61,935
	-	732,804	732,804
2019			
Financial assets			
Cash and bank balances and fixed deposits (Note 11)	95	-	95
Financial liabilities			
Term loan (Note 16)	-	671,465	671,465
Trade and other payables (Note 17)	-	54,479	54,479
	-	725,944	725,944

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31 Financial instruments (Cont'd)

Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

However, the Group and the Company do not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, comprising trade and other receivables, cash and bank balances and fixed deposits, bilateral facilities debt, term loan and trade and other payables, are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group and the Company for similar financial instruments.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Financial liabilities not measured at fair value but for which fair values are disclosed *

The Group	Carrying amount RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2020					
Bilateral facilities debt	100,568	100,568	-	-	100,568
Term loan	896,607	800,835	-	-	800,835
Trade payables	225,891	225,891	-	-	225,891
	1,223,066	1,127,294	-	-	1,127,294
2019					
Bilateral facilities debt	96,036	86,617	-	-	86,617
Term loan	904,005	606,001	-	-	606,001
Trade payables	233,222	233,222	-	-	233,222
	1,233,263	925,840	-	-	925,840
The Company					
2020					
Term loan	670,869	599,209	-	-	599,209
2019					
Term loan	671,465	450,118	-	-	450,118

* Exclude financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term or repayable on demand nature and where the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31 Financial instruments (Cont'd)

Fair value hierarchy (Cont'd)

Impairment testing of non-financial assets based on fair value less costs of disposal

The following table shows the valuation technique and significant unobservable inputs used in measuring the fair value less costs of disposal of leasehold land, buildings and vessels classified as property, plant and equipment and inventories (work in progress).

	Valuation technique	Inter-relationship between key unobservable inputs and fair value measurement	Significant unobservable inputs
Vessels	Direct comparison method	The estimated fair value would increase/(decrease) if prices of comparable vessels were higher/(lower).	Prices of comparable vessels
Leasehold land	Direct comparison method	The estimated fair value would increase/(decrease) if price per square metre of comparable land was higher/(lower).	Price per square metre of comparable land
Buildings	Cost approach	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> - price trend indexes were higher/(lower); or - obsolescence factor was lower/(higher) 	<ul style="list-style-type: none"> - Price trend indexes - Obsolescence factor

32 Events after the reporting period

Pursuant to the terms of the Schemes of Arrangement, an aggregate of 416,918,605 Non-Sustainable Debt Shares were issued and allotted by the Company on 3 February 2021. An aggregate of 127,349,912 Term Loan Shares were issued and allotted by the Company on 3 February 2021 for Review Year 3 in relation to the Interest Periods from 1 January 2020 to 30 June 2020 and from 1 July 2020 to 31 December 2020. Following the allotment and issuance of the Non-Sustainable Debt Shares and Term Loan Shares, the number of issued shares in the Company was increased from 7,272,640,629 to 7,816,909,146 shares (excluding 6,678,597 shares held in treasury).

On 10 February 2021, the Company announced that Nam Cheong Pioneer Sdn. Bhd., an indirect wholly-owned subsidiary of the Company, has incorporated a 49%-owned joint venture company, SK Wynergy Offshore Marine Company Limited ("SK Wynergy"). The remaining 51% of the paid-up capital of SK Wynergy is held by Wynergy Marine Limited, a company incorporated under the laws of Republic China, Taiwan. SK Wynergy is a private limited liability company incorporated Republic of China, Taiwan with an issued and paid-up capital of NT\$34,060,000 divided into 3,406,000 shares at the par value of NT\$10 each. The above investment was funded from the Company's internal resources. The principal activity for SK Wynergy is chartering of vessels.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Tan Sri Tiong Su Kouk, Mr Ajaib Hari Dass and Mr Yee Kit Hong are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 30 April 2021 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	TAN SRI DATUK TIONG SU KOUK	MR AJAIB HARI DASS	MR YEE KIT HONG
Date of Appointment	28 April 2011	28 April 2011	28 April 2011
Date of last re-appointment	20 August 2018	20 August 2018	25 June 2020
Age	79	72	72
Country of principal residence	Malaysia	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Tan Sri Datuk Tiong Su Kouk for re-appointment as an Executive Director of the Company. The Board have reviewed and concluded that Tan Sri Datuk Tiong Su Kouk possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Ajaib Hari Dass for re-appointment as an Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Ajaib Hari Dass possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Yee Kit Hong for re-appointment as an Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Yee Kit Hong possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Director	Lead Independent Non-Executive Director	Independent Non-Executive Director
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman	Chairman of Remuneration and Nominating Committee and a member of Audit Committee	Chairman of Audit Committee and a member of Remuneration Committee and Nominating Committee

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	TAN SRI DATUK TIONG SU KOUK	MR AJAIB HARI DASS	MR YEE KIT HONG
Professional qualifications	–	Bachelor of Law (Honours) – University of London Member of Middle Temple Advocate and Solicitors of the Supreme Court of Singapore	Bachelor of Accountancy – University of Singapore Fellow of Singapore Institute of Chartered Accountants and the Institute of Chartered Accountants England and Wales
Working experience and occupation(s) during the past 10 years	Tan Sri Datuk Tiong Su Kouk oversees the Company's strategic direction and shipbuilding operations. He plays a significant role in steering the Group from being primarily involved in the construction of barges and fishing vessels in Malaysia to building of offshore support vessels ("OSVs"), transforming the Group into one of the leading providers of OSVs in Malaysia. He is also the founder of CCK Consolidated Holdings Berhad ("CCK"), a company listed on the Main Market of Bursa Securities Malaysia Bhd. Under his stewardship, CCK and its subsidiaries ("CCK Group") has progressed from a small family-run business to one of Sarawak's largest integrated poultry producers in Malaysia.	Mr Hari Dass has set up Haridass Ho & Partners in 1985 and is the Consultant of the firm today. He is the independent director of Sembcorp Industries Ltd and Manhattan Resources Limited, a panel member of Singapore International Arbitration Centre (SIAC), a panel member of the Singapore Chamber of Maritime Arbitration (SCMA) and a principal mediator of the Singapore Mediation Centre. He is also a Commissioner for Oaths, a Notary Public and had served as a Justice of the Peace.	Mr Yee Kit Hong started Kit Yee & Co, a public accounting firm in Singapore in 1989 and is a Senior Partner of the firm today. He is also a Director of Chartwell Investment Pte Limited since 2016 and a Partner of JH Tan & Associates Partner since 2017.
Shareholding interest in the listed issuer and its subsidiaries	Tan Sri Datuk Tiong Su Kouk has a direct interest of 376,168,263 shares and deemed interest of 1,879,486,230 shares. The total shares held by Tan Sri Datuk Tiong Su Kouk are 2,255,654,493 shares.	NIL	NIL

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	TAN SRI DATUK TIONG SU KOUK	MR AJAIB HARI DASS	MR YEE KIT HONG
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Tan Sri Datuk Tiong Su Kouk is the father of Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director and Mr Tiong Chiong Soon, the Executive Director (Operations), the father-in-law of Mr Leong Seng Keat, the Chief Executive Officer and the grandfather of Mr Leong Juin Zer, Jonathan, the Executive Director (Commercial), all of whom are the directors and key executives of Nam Cheong Limited.	No	No
Conflict of Interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments* Including Directorships*			
Past (for the last 5 years)	<u>Past Directorship(s)</u> Please refer to Annexure A	<u>Past Directorship(s)</u> SembCorp Marine Ltd	<u>Past Directorship(s)</u> Yinda Infocomm Ltd
Present	<u>Present Directorship(s)</u> Please refer to Annexure A	<u>Present Directorship(s)</u> <ul style="list-style-type: none"> • Nam Cheong Limited • Sembcorp Industries Ltd • Manhattan Resources Ltd 	<u>Present Directorship(s)</u> <ul style="list-style-type: none"> • Nam Cheong Limited • Kit Yee & Co Partner • Chartwell Investment Pte Limited • JH Tan & Associates Partner • Global Palm Resources Holdings Limited • Acromec Limited • Koon Holdings Limited

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	TAN SRI DATUK TIONG SU KOUK	MR AJAIB HARI DASS	MR YEE KIT HONG
<p>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.</p>			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	TAN SRI DATUK TIONG SU KOUK	MR AJAIB HARI DASS	MR YEE KIT HONG
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	TAN SRI DATUK TIONG SU KOUK	MR AJAIB HARI DASS	MR YEE KIT HONG
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: <ul style="list-style-type: none"> i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or 	No	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	TAN SRI DATUK TIONG SU KOUK	MR AJAIB HARI DASS	MR YEE KIT HONG
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Disclosure applicable to the appointment of Director only			
<p>Any prior experience as a director of a listed company?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	<p>Tan Sri Datuk Tiong Su Kouk is the Executive Director of Nam Cheong Limited, a company listed in Singapore. He is also a Director of CCK Consolidated Holdings Berhad, a company listed in Malaysia.</p>	<p>Mr Ajaib Hari Dass is the Lead Independent Director of Nam Cheong Limited, Sembcorp Industries Ltd and Manhattan Resources Ltd. All three companies are listed in Singapore.</p>	<p>Mr Yee Kit Hong is the Lead Independent Director for two companies, Global Palm Resources Holdings Limited and Acromec Limited. He is also an Independent Director of Nam Cheong Limited and Koon Holdings Limited. All four companies are listed in Singapore.</p>

ANNEXURE A

Past Directorships (for the last 5 years):

1. Mighty Development Sdn Bhd
2. Achiever Development Sdn Bhd
3. Aqua Growth Marine Products Sdn Bhd
4. Champion Automobile Sdn Bhd
5. Grand Building Contractor Sdn Bhd
6. UGK Resources Sdn Bhd
7. Waja Setia Katering Sdn Bhd (formerly known as Waja Setia Realty Sdn Bhd)

Present Directorships:

1. Beafort City Mall Sdn Bhd
2. CCK Consolidated Holdings Bhd
3. CCK Fresh Mart (West Malaysia) Sdn Bhd
4. CCK-Pelita Telaga Air Sdn Bhd
5. Central Coldstorage Kuching Sdn Bhd
6. Central Coldstorage Sarawak Sdn Bhd
7. Econsmix Concrete Sdn Bhd
8. Fabulous Enterprise Sdn Bhd
9. Hung Yung Enterprise Sdn Bhd
10. Kerawang Sdn Bhd
11. Kim Guan Siang Sdn Bhd
12. Kin Eastern Enterprise Sdn Bhd
13. Kuching City Mall Development Sdn Bhd
14. Kuching City Mall Realty Sdn Bhd
15. Kuotai Development Sdn Bhd
16. Pan Far Eastern Sdn Bhd
17. S.K. Gold Land Sdn Bhd
18. S.K. Tiong Development Sdn Bhd
19. S.K. Tiong Enterprise Sdn Bhd
20. S.K. Tiong Land Sdn Bhd
21. S.K. Tiong Pioneer Sdn Bhd
22. S.K. Tiong Properties Sdn Bhd
23. S.K. Tiong Realty Sdn Bhd
24. Seven Star Enterprise Sdn Bhd
25. Sumbumi Sdn Bhd
26. Unit Corporation Sdn Bhd
27. Kuok Sui Sea Products Industries (S) Sdn Bhd
28. Kin Eastern Frozen Food Sdn Bhd
29. Dominant Palms Development Sdn Bhd
30. Hua Shang Economic Corporation (Sibu) Berhad
31. Hua Shang Development Sdn Bhd

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