

Fourth Quarter and Full Year Ended 31 December 2020 Financial Statements and Related Announcement

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1. Unaudited Financial Statements

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

	4th Quarter ended 31.12.2020 RM'000	4th Quarter ended 31.12.2019 RM'000	Change %	Full year ended 31.12.2020 RM'000	Full year ended 31.12.2019 RM'000	Change %
Revenue	104,172	89,013	17%	372,296	285,362	30%
Cost of sales	(65,212)	(59,105)	10%	(269,088)	(194,006)	39%
Gross profit	38,960	29,908	30%	103,208	91,356	13%
Other income	3,758	3,669	2%	11,796	75,804	(84%)
Selling and administrative expenses	(11,832)	(11,783)	0%	(42,355)	(39,354)	8%
Impairment of property, plant and equipment	1,761	-	n.m.	(283,473)	(33)	>100%
Impairment on investment in an associate	-	-	n.m.	(17,288)	-	n.m.
Impairment on investment in a joint venture	-	-	n.m.	(1,430)	-	n.m.
Impairment of trade and other receivables (made)/reversed	(8,764)	444	<(100%)	(16,120)	887	<(100%)
Inventories written down	(395)	-	n.m.	(33,533)	-	n.m.
Other operating expenses	(48,275)	(12,033)	>100%	(75,384)	(16,787)	>100%
Operating (loss)/profit	(24,787)	10,205	<(100%)	(354,579)	111,873	<(100%)
Finance costs	(8,807)	(9,933)	(11%)	(38,201)	(41,099)	(7%)
Share of results of equity accounted joint ventures, net of tax	(1,523)	656	<(100%)	(2,873)	1,942	<(100%)
Share of results of equity accounted associate, net of tax	(184)	(3)	>100%	(1,703)	(4,387)	(61%)
(Loss)/Profit before tax	(35,301)	925	<(100%)	(397,356)	68,329	<(100%)
Income tax expense	(515)	(118)	>100%	(6,968)	(3,111)	>100%
(Loss)/Profit for the financial period/year	(35,816)	807	<(100%)	(404,324)	65,218	<(100%)

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

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

	4th Quarter ended 31.12.2020 RM'000	4th Quarter ended 31.12.2019 RM'000	Change %	Full year ended 31.12.2020 RM'000	Full year ended 31.12.2019 RM'000	Change %
Other comprehensive (loss)/ income						
Exchange differences on translating foreign operations	(9,847)	3,525	<(100%)	(4,404)	25,579	<(100%)
Other comprehensive (loss)/ income for the financial period, net of tax	(9,847)	3,525	<(100%)	(4,404)	25,579	<(100%)
Total comprehensive (loss)/ income for the financial period/year	(45,663)	4,332	<(100%)	(408,728)	90,797	<(100%)
(Loss)/Profit attributable to:						
Owners of the parent	(35,202)	777	<(100%)	(404,156)	64,353	<(100%)
Non-controlling interest	(614)	30	<(100%)	(168)	865	<(100%)
(Loss)/Profit for the financial period/year	(35,816)	807	<(100%)	(404,324)	65,218	<(100%)
Total comprehensive (loss)/ income attributable to:						
Owners of the parent	(45,049)	4,302	<(100%)	(408,560)	89,932	<(100%)
Non-controlling interest	(614)	30	<(100%)	(168)	865	<(100%)
Total comprehensive (loss)/ income for the financial period/year	(45,663)	4,332	<(100%)	(408,728)	90,797	<(100%)

1. Unaudited Financial Statements (Contd.)

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

	4th Quarter ended 31.12.2020 RM'000	4th Quarter ended 31.12.2019 RM'000	Change %	Full year ended 31.12.2020 RM'000	Full year ended 31.12.2019 RM'000	Change %
Other income						
Gain on disposal of property, plant and equipment	2,393	-	n.m.	3,433	-	n.m.
Interest income	568	1,355	(58%)	2,304	3,112	(26%)
Inventories written back	-	(492)	n.m.	-	11,921	n.m.
Miscellaneous	797	2,323	(66%)	2,726	3,769	(28%)
Rental income	-	(5)	n.m.	-	-	n.m.
Waiver of debts	-	488	n.m.	805	57,002	(99%)
Waiver of prepaid land lease payments	-	-	n.m.	2,528	-	n.m.
	<u>3,758</u>	<u>3,669</u>	2%	<u>11,796</u>	<u>75,804</u>	(84%)
(Loss)/ Profit before tax						
The following amounts have been included in arriving at profit before tax:						
Cost of sales						
Depreciation of property, plant and equipment	<u>5,301</u>	<u>8,558</u>	(38%)	<u>28,032</u>	<u>27,992</u>	0%
Administrative expenses						
Depreciation of property, plant and equipment	<u>674</u>	<u>681</u>	(1%)	<u>2,047</u>	<u>2,115</u>	(3%)

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

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

	4th Quarter ended 31.12.2020 RM'000	4th Quarter ended 31.12.2019 RM'000	Change %	Full year ended 31.12.2020 RM'000	Full year ended 31.12.2019 RM'000	Change %
(Loss)/Profit before tax (Contd.)						
The following amounts have been included in arriving at profit before tax:						
<i>Other operating expenses</i>						
Contract termination expenses relating to prepayments for inventories	(1)	878	<(100%)	47	878	(95%)
Property, plant and equipment written off	-	-	n.m.	793	12	>100%
Change in fair value of financial liabilities	1,616	4,414	(63%)	15,298	4,414	>100%
Foreign exchange loss, net	2,154	7,492	(71%)	13,621	10,243	33%
Provision for financial guarantee	44,036	-	n.m.	44,036	-	n.m.
Restructuring expenses	470	(751)	<(100%)	1,589	1,240	28%
Income tax expense						
Current income tax	515	118	>100%	6,968	3,111	>100%

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(b)(i) Statements of Financial Position

	Group		Company	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	485,627	809,978	-	-
Investment in joint ventures	665	4,970	-	-
Investment in an associate	-	18,501	-	-
	486,292	833,449	-	-
Current assets				
Inventories	17,922	123,541	-	-
Trade and other receivables	125,424	143,493	213	-
Prepayments	2,367	5,382	23	23
Current income tax recoverable	1,114	2,840	-	-
Fixed deposits	1,005	988	-	-
Cash and cash equivalents	95,350	46,490	158	95
	243,182	322,734	394	118
TOTAL ASSETS	729,474	1,156,183	394	118
EQUITY AND LIABILITIES				
Equity				
Share capital	3,552	3,484	3,552	3,484
Share premium	303,028	300,417	303,028	300,417
Treasury shares	(4,097)	(4,097)	(4,097)	(4,097)
Other reserves	310,361	313,525	781,199	779,959
Accumulated losses	(1,387,767)	(983,611)	(1,860,274)	(1,805,737)
	(774,923)	(370,282)	(776,592)	(725,974)
Non-controlling interest	3,494	6,062	-	-
Total equity	(771,429)	(364,220)	(776,592)	(725,974)
Non-current liabilities				
Deferred tax liabilities	3,126	592	-	-
Lease liabilities	990	1,067	-	-
Trade and other payables	132,551	187,996	-	-
Loans and borrowings	-	904,005	-	671,465
	136,667	1,093,660	-	671,465

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

	Group		Company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES (Contd.)				
Current liabilities				
Lease liabilities	714	172	-	-
Loans and borrowings	997,175	96,036	670,869	-
Trade and other payables	322,311	330,535	62,081	54,627
Provisions	44,036	-	44,036	-
	<u>1,364,236</u>	<u>426,743</u>	<u>776,986</u>	<u>54,627</u>
Total liabilities	<u>1,500,903</u>	<u>1,520,403</u>	<u>776,986</u>	<u>726,092</u>
TOTAL EQUITY AND LIABILITIES	<u>729,474</u>	<u>1,156,183</u>	<u>394</u>	<u>118</u>

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

	As at 31.12.2020		As at 31.12.2019	
	Secured	Unsecured	Secured	Unsecured
	RM'000	RM'000	RM'000	RM'000
Amount repayable in one year or less, or on demand	<u>94,607</u>	<u>902,568</u>	<u>96,036</u>	<u>-</u>
Amount repayable after one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>904,005</u>

Details of any collaterals

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

1. Unaudited Financial Statements (Contd.)

1(c) Statements of Cash Flows (Group)

	4th Quarter ended 31.12.2020 RM'000	4th Quarter ended 31.12.2019 RM'000	Full year ended 31.12.2020 RM'000	Full year ended 31.12.2019 RM'000
Operating activities				
(Loss)/Profit before tax	(35,301)	925	(397,356)	68,329
Adjustments for:				
Depreciation of property, plant and equipment	5,975	9,239	30,079	30,107
Contract termination expenses relating to prepayments for inventories	(1)	878	47	878
Impairment on property, plant and equipment	(1,761)	-	283,473	33
Impairment on investment in an associate	-	-	17,288	-
Impairment on investment in a joint venture	-	-	1,430	-
Impairment of trade and other receivables made/(reversed)	8,764	(444)	16,120	(887)
Change in fair value of financial liabilities	1,616	4,414	15,298	4,414
Inventories written down/(back)	395	492	33,533	(11,921)
Interest expense	8,807	9,933	38,201	41,099
Interest income	(568)	(1,355)	(2,304)	(3,112)
Gain on disposal of Property, plant and equipment	(2,393)	-	(3,433)	-
Property, plant and equipment written off	-	-	793	12
Share grant expense	139	109	1,240	759
Share of results of equity accounted joint ventures, net of tax	1,523	(656)	2,873	(1,942)
Share of results of equity accounted associate, net of tax	184	3	1,703	4,387
Waiver of debts	-	(488)	(805)	(57,002)
Waiver of prepaid land lease payments	-	-	(2,528)	-
Provision for financial guarantee	44,036	-	44,036	-
Total adjustments	66,716	22,125	477,044	6,825
Operating cash before working capital changes	31,415	23,050	79,688	75,154
Changes in working capital:				
Changes in inventories	(3,404)	(2,798)	34,833	1,207
Changes in receivables	23,766	41,076	56,463	(11,127)
Changes in prepayments	1,576	3,104	3,003	5,735
Changes in payables	(1,131)	(11,942)	(98,480)	(38,580)
Total changes in working capital	20,807	29,440	(4,181)	(42,765)
Cash from/(used in) operations	52,222	52,490	75,507	32,389
Interest paid	9,035	(12,518)	(3,143)	(34,931)
Taxes paid, net of refund	(12,849)	(1,762)	(14,516)	(2,276)
Net cash from/(used in) operating activities	48,408	38,210	57,848	(4,818)

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

	4th Quarter ended 31.12.2020 RM'000	4th Quarter ended 31.12.2019 RM'000	Full year ended 31.12.2020 RM'000	Full year ended 31.12.2019 RM'000
Investing activities				
Acquisition of property, plant and equipment	(10,076)	(32,274)	(11,126)	(58,853)
Interest received	568	1,355	2,304	3,112
Acquisition of shares in an associate	-	-	(490)	-
Investment in jointly controlled entity	-	-	-	(2)
Proceeds from disposal of property, plant and equipment	-	38	1,043	39
Net cash used in investing activities	(9,508)	(30,881)	(8,269)	(55,704)
Financing activities				
Repayments of bank borrowings	-	(979)	(2,309)	(3,629)
Dividend paid to non-controlling interest of a subsidiary	-	-	(2,400)	-
(Increase)/decrease in fixed deposits pledged	-	-	(18)	2,700
Net cash used in financing activities	-	(979)	(4,727)	(929)
Net changes in cash and cash equivalents	38,900	6,350	44,852	(61,451)
Effects of foreign exchange rate changes	1,468	(1,469)	4,007	1,949
Cash and cash equivalents at 1 October/ 1 January	55,698	42,326	47,207	106,709
Cash and cash equivalents at 31 December	96,066	47,207	96,066	47,207
Cash and cash equivalents comprise the following as at the statements of financial position date:				
Fixed deposits with licensed banks	1,005	988	1,005	988
Cash and bank balances	95,350	46,490	95,350	46,490
	96,355	47,478	96,355	47,478
Less: Restricted fixed deposits with licensed banks	(289)	(271)	(289)	(271)
Total cash and cash equivalents	96,066	47,207	96,066	47,207

1. Unaudited Financial Statements (Contd.)

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

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Available-for-sale reserve RM'000	Share grant reserve RM'000	Accumulated losses RM'000	Equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
Group										
At 1 January 2019	3,417	297,796	(4,097)	290,996	(4,401)	592	(1,047,964)	(463,661)	5,197	(458,464)
Profit for the period	-	-	-	-	-	-	63,576	63,576	835	64,411
Other comprehensive income	-	-	-	22,054	-	-	-	22,054	-	22,054
Allotment and Issuance of										
Term Loan Shares	67	2,621	-	-	-	-	-	2,688	-	2,688
Share grant plan expenses	-	-	-	-	-	650	-	650	-	650
At 30 September 2019	3,484	300,417	(4,097)	313,050	(4,401)	1,242	(984,388)	(374,693)	6,032	(368,661)
Profit for the period	-	-	-	-	-	-	777	777	30	807
Other comprehensive income	-	-	-	3,525	-	-	-	3,525	-	3,525
Share grant plan expenses	-	-	-	-	-	109	-	109	-	109
At 31 December 2019	3,484	300,417	(4,097)	316,575	(4,401)	1,351	(983,611)	(370,282)	6,062	(364,220)

1. Unaudited Financial Statements (Contd.)

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

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Available-for-sale reserve RM'000	Share grant reserve RM'000	Accumulated losses RM'000	Equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
Group										
At 1 January 2020	3,484	300,417	(4,097)	316,575	(4,401)	1,351	(983,611)	(370,282)	6,062	(364,220)
Loss for the period	-	-	-	-	-	-	(368,954)	(368,954)	446	(368,508)
Other comprehensive income	-	-	-	5,443	-	-	-	5,443	-	5,443
Dividend paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(2,400)	(2,400)
Allotment and issuance of the Term Loan Shares	68	2,611	-	-	-	-	-	2,679	-	2,679
Share grant plan expenses	-	-	-	-	-	1,101	-	1,101	-	1,101
At 30 September 2020	3,552	303,028	(4,097)	322,018	(4,401)	2,452	(1,352,565)	(730,013)	4,108	(725,905)
Loss for the period	-	-	-	-	-	-	(35,202)	(35,202)	(614)	(35,816)
Other comprehensive loss	-	-	-	(9,847)	-	-	-	(9,847)	-	(9,847)
Share grant plan expenses	-	-	-	-	-	139	-	139	-	139
At 31 December 2020	3,552	303,028	(4,097)	312,171	(4,401)	2,591	(1,387,767)	(774,923)	3,494	(771,429)

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

Company	Share capital RM'000	Share premium RM'000	Share grant reserve RM'000	Treasury shares RM'000	Contributed surplus RM'000	Accumulated losses RM'000	Equity attributable to owners of the parent RM'000
At 1 January 2019	3,417	297,796	592	(4,097)	858,988	(1,779,656)	(622,960)
Loss for the period	-	-	-	-	-	(2,754)	(2,754)
Allotment and Issuance of Term Loan Shares	67	2,621	-	-	-	-	2,688
Share grant plan expenses	-	-	650	-	-	-	650
At 30 September 2019	3,484	300,417	1,242	(4,097)	858,988	(1,782,410)	(622,376)
Loss for the period	-	-	-	-	(80,380)	(23,327)	(103,707)
Share grant plan expenses	-	-	109	-	-	-	109
At 31 December 2019	3,484	300,417	1,351	(4,097)	778,608	(1,805,737)	(725,974)
At 1 January 2020	3,484	300,417	1,351	(4,097)	778,608	(1,805,737)	(725,974)
Loss for the period	-	-	-	-	-	(5,900)	(5,900)
Allotment and issuance of the Term Loan Shares	68	2,611	-	-	-	-	2,679
Share grant plan expenses	-	-	1,101	-	-	-	1,101
At 30 September 2020	3,552	303,028	2,452	(4,097)	778,608	(1,811,637)	(728,094)
Loss for the period	-	-	-	-	-	(48,637)	(48,637)
Share grant plan expenses	-	-	139	-	-	-	139
At 31 December 2020	3,552	303,028	2,591	(4,097)	778,608	(1,860,274)	(776,592)

Note:

On 4 March 2019 and 9 March 2020, share awards amounted to 70,179,408 shares was granted in respective financial years, pursuant to the Nam Cheong Management Incentive Plan ("NCMI Plan").

1. Unaudited Financial Statements (Contd.)

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

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

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

As at 31 December 2020 and 31 December 2019, the total number of issued shares excluding treasury shares was 7,272,640,629 and 7,144,298,867 respectively.

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

There were no movement in the treasury shares during fourth quarter of 2020. As at 31 December 2020, 6,678,597 shares were held as treasury shares by the Company.

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

There were no movement in the subsidiary holdings during fourth quarter of 2020. As at 31 December 2020, 114,356,460 shares were held as subsidiary holdings.

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

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

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

Not applicable.

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

The accounting policies and methods of computation for the current reporting period adopted are consistent with those stated in the Annual Report for the financial year ended 31 December 2019.

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

The accounting policies and methods of computation for the current reporting period adopted are consistent with those stated in the Annual Report for the financial year ended 31 December 2019.

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

	Group		Group	
	4th Quarter ended	4th Quarter ended	Full year ended	Full year ended
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Earnings per ordinary shares of the Group for the financial period based on net profit attributable to shareholders:				
(i) Based on weighted average number of ordinary shares in issue (Sen)	(0.48)	0.01	(5.57)	0.90
Weighted average number of shares	7,272,640,629	7,144,298,867	7,257,562,225	7,136,336,576
(ii) On a fully diluted basis (Sen)	(0.47)	0.01	(5.47)	0.89
Adjusted weighted average number of shares	7,412,999,445	7,214,478,275	7,384,690,497	7,194,595,098

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

	Group		Company	
	As at	As at	As at	As at
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Net asset value per ordinary share (Sen)	(10.6)	(5.1)	(10.7)	(10.2)
Ordinary shares in issue	7,272,640,629	7,144,298,867	7,272,640,629	7,144,298,867

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

Review of Group Performance

(a) Statements of Comprehensive Income (Group)

FY2020 vs FY2019

	FY2020				FY2019				Variance			
	Revenue		Gross Profit Margin		Revenue		Gross Profit Margin		Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	RM'000	RM'000	%	RM'000	%
Shipbuilding	72,212	19%	6,500	9%	-	-	-	-	72,212	n.m.	6,500	n.m.
Vessel Chartering	300,084	81%	96,708	32%	285,362	100%	91,356	32%	14,722	5%	5,352	6%
Total	372,296	100%	103,208	28%	285,362	100%	91,356	32%	86,934	30%	11,852	13%

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%.

8. (Contd.)

Review of Group Performance (Contd.)

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

FY2020 vs FY2019

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.

Selling and 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.

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 fair value adjustment on long-term 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 period.

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 recorded in FY2019 mainly due to lower vessel utilisation as a result of drydocking. Share of results of equity accounted associate 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 period.

Mainly as a result of the above, arising from events that have taken place during the period, including Covid-19 and the volatility in oil prices, the Group recorded 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.

4Q2020 vs 4Q2019

	4Q2020				4Q2019				Variance			
	Revenue		Gross Profit	Gross Profit Margin	Revenue		Gross Profit	Gross Profit Margin	Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	20,326	20%	4,972	24%	-	-	-	-	20,326	n.m.	4,972	n.m.
Vessel Chartering	83,846	80%	33,988	41%	89,013	100%	29,908	34%	(5,167)	(6%)	4,080	14%
Total	104,172	100%	38,960	37%	89,013	100%	29,908	34%	15,159	17%	9,052	30%

8. (Contd.)

Review of Group Performance (Contd.)

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

4Q2020 vs 4Q2019 (Contd.)

For the three months ended 31 December 2020 ("4Q2020"), the Group's revenue from vessel chartering decreased by 6% from RM89.0 million in the previous corresponding fourth quarter ended 31 December 2019 ("4Q2019") to RM83.8 million in 4Q2020. This was mainly due to the lower vessel utilisation rate during 4Q2020.

The shipbuilding division recorded a revenue of RM20.3 million during 4Q2020 due to the completion of sale and delivery of an AHTS to a customer based in South East Asia during the period. There was no vessel delivery in 4Q2019.

Mainly as a result of the above, gross profit increased 30% year-on-year to RM39.0 million for 4Q2020 from RM29.9 million for 4Q2019. Whilst the gross profit margins were hovering within the range of 34% to 37%.

Other income was slightly higher at RM3.8 million in 4Q2020 as compared to RM3.7 million recorded in 4Q2019 mainly due to gain from disposal of property, plant and equipment.

Selling and administrative expenses were relatively consistent at RM11.8 million in both 4Q2020 and 4Q2019.

Other operating expenses of RM55.7 million in 4Q2020 was higher than RM11.6 million recorded in 4Q2019 mainly due to provision for financial guarantee of RM44.0 million in relation to the liabilities of joint venture and impairment on receivables of RM8.8 million.

Finance costs of RM8.8 million in 4Q2020 was lower than RM9.9 million recorded in 4Q2019, mainly due to the decrease in finance cost related to vessel financing during the period.

Share of results of equity accounted joint ventures and associates continue to record losses of RM1.5 million and RM0.2 million in 4Q2020 as compared to RM0.7 million profit and RM3 thousand loss in 4Q2019 respectively mainly due to lower vessel utilisation rate during the period.

Mainly as a result of the above, the Group recorded a net loss after tax of RM35.8 million in 4Q2020 as compared to a net profit after tax of RM0.8 million in 4Q2019.

8. (Contd.)

Review of Group Performance (Contd.)

(b) Statements of financial position (Group)

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 RM283.1 million arising from market value assessment of vessels and shipyard during the period, as well as the sale of a Platform Supply Vessel in 4Q2020;
- (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 in 4Q2020; and
- (iii) Trade and other receivables decreased by RM18.1 million or 12.6% from RM143.5 million as at FY2019 to RM125.1 million as at FY2020 mainly due to asset impairment as well as collections from customers during the period.

The decrease in total assets was partially offset by the increase in cash and cash equivalents by RM48.9 million mainly due to collection from customers during the period.

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.

Negative working capital

The Group records a higher negative net working capital of RM1.12 billion as at FY2020 as compared to RM104.0 million in FY2019 mainly due to the reclassification of the loan and borrowings from the non-current liabilities to the current liabilities.

The Group is in the course of reviewing its options to restructure 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.

(c) Statements of Cash Flows (Group)

FY2020 vs FY2019

Net cash from operating activities of RM57.8 million in FY2020 was mainly due to collections from customers during the year.

Net cash used in investing activities of RM8.3 million in FY2020 was mainly in relation to acquisition of property, plant and equipment of RM11.1 million during the year.

Net cash used in financing activities of RM4.7 million in FY2020 was mainly due to repayment of bank borrowings and dividend paid to non-controlling interests of a subsidiary.

4Q2020 vs 4Q2019

Net cash from operating activities of RM48.4 million in 4Q2020 was mainly due to collections from customers during the period.

Net cash used in investing activities of RM9.5 million in 4Q2020 was mainly in relation to acquisition of property, plant and equipment.

There was no movement in financing activities in 4Q2020.

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

There is no material change from the previous prospect statement.

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

The double blow of the coronavirus and oil price shock in 2020 has hit the oil and gas (“O&G”) market in Malaysia particularly hard. With weak demand for all major offshore vessel types and lower vessel utilisation rates, many O&G players are now struggling in a vicious cycle of lack of funding options and projects.

With Malaysia’s reintroduction of stringent movement restriction orders in January 2021 and the recent extension of the orders until March 4, much remains uncertain on the nation’s economic recovery from the pandemic.

Oil price on the other hand is rising and might offer a glimmer of hope for the oil and gas industry.

The Group is working very hard to weather through these headwinds and is actively reviewing its options extensively to restructure its businesses, operations, and balance sheet to best preserve value for the stakeholders of the Company.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision

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

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

Not applicable.

14. General mandate relating to interested person transactions

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

15. Segmental Reporting

	Shipbuilding RM'000	Chartering RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial year ended 31 December 2020					
Revenue					
External revenue	72,212	300,084	-	-	372,296
Results					
Interest income	1,099	1,893	11,053	(11,741)	2,304
Depreciation of property, plant and equipment	(1,613)	(29,109)	(51)	694	(30,079)
Gain on waiver of debt	-	805	-	-	805
Impairment on investment in an associate	-	-	(17,288)	-	(17,288)
Impairment on investment in a joint venture	-	-	(1,430)	-	(1,430)
Impairment on property, plant and equipment	(20,863)	(276,636)	-	14,026	(283,473)
Impairment losses on trade and other receivables reversed/(made)	661	(16,785)	4	-	(16,120)
Contract termination expense relating to prepayments for inventories	(47)	-	-	-	(47)
Inventories written down	(33,031)	(502)	-	-	(33,533)
Provision for financial guarantee	-	-	(44,036)	-	(44,036)
Finance costs	(23,118)	(14,910)	(12,471)	12,298	(38,201)
Share of results of jointly controlled entities	-	-	(2,873)	-	(2,873)
Share of loss on investment in associate	-	-	(1,703)	-	(1,703)
Loss before tax	(124,450)	(189,630)	(83,276)	-	(397,356)

15. Segmental Reporting (Contd.)

	Shipbuilding RM'000	Chartering RM'000	Others RM'000	Eliminations RM'000	Total RM'000
As at 31 December 2020					
Additions to non-current assets	1,122	11,002	-	-	12,124
Investment in jointly controlled entities	-	-	665	-	665
Investment in associate	-	-	-	-	-
Segment assets	342,654	1,156,540	24,809	(794,529)	729,474
Segment liabilities	1,565,615	1,624,154	1,034,465	(2,723,331)	1,500,903
Financial year ended 31 December 2019					
Revenue					
External revenue	-	285,362	-	-	285,362
Results					
Interest income	1,279	1,830	20,552	(20,549)	3,112
Depreciation of property, plant and equipment	(1,884)	(28,346)	(231)	354	(30,107)
Amortisation of prepaid land lease payments	(162)	(108)	-	-	(270)
Impairment losses on trade and other receivables (made)/reversed	(423)	1,310	-	-	887
Gain on waiver of debt	56,973	-	31,018	(30,989)	57,002
Inventories written back	11,921	-	-	-	11,921
Impairment on property, plant and equipment	-	(33)	-	-	(33)

15. Segmental Reporting (Contd.)

	Shipbuilding RM'000	Chartering RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial year ended 31 December 2019 (Contd.)					
Prepayments written off	(878)	-	-	-	(878)
Finance costs	(31,037)	(15,319)	(17,659)	22,916	(41,099)
Share of results of jointly controlled entities	-	-	1,942	-	1,942
Share of loss on investment in associate	-	-	(4,387)	-	(4,387)
Profit before income tax	8,701	62,213	(25,501)	22,916	68,329
As at 31 December 2019					
Additions to non-current assets	17	81,957	12	-	81,986
Investment in jointly controlled entities	-	-	4,970	-	4,970
Investment in associate	-	-	18,501	-	18,501
Segment assets	60,790	1,538,348	15,718	(458,673)	1,156,183
Segment liabilities	2,396,151	1,584,427	903,373	(3,363,548)	1,520,403

15. Segmental Reporting (Contd.)

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

	2020	2019
	RM'000	RM'000
Revenue		
Malaysia	300,084	285,362
United Kingdom	51,414	-
Vietnam	20,798	-
	<u>372,296</u>	<u>285,362</u>
	2020	2019
	RM'000	RM'000
Non-current assets		
Malaysia	486,282	832,582
Singapore	10	867
	<u>486,292</u>	<u>833,449</u>

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

	2020	2019
	RM'000	RM'000
Property, plant and equipment	485,627	809,978
Investment in jointly controlled entities	665	4,970
Investment in associates	-	18,501
	<u>486,292</u>	<u>833,449</u>

16. Review of segment performance

Please refer to paragraph 8

17. A breakdown of Sales

	GROUP		% of increase
	FY2020 RM'000	FY2019 RM'000	
a) Sales reported for first half year	189,566	104,607	81%
b) Operating (loss)/profit after tax before deducting non-controlling interests reported for first half year	(307,577)	2,485	<(100%)
c) Sales reported for second half year	182,730	180,755	1%
d) Operating profit after tax before deducting non-controlling interests reported for second half year	(96,747)	62,733	<(100%)

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

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

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

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

20. Confirmation from the Board

We, the undersigned, hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements of the Group and of the Company for the twelve months ended 31 December 2020 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Tan Sri Datuk Tiong Su Kouk
Executive Chairman

Leong Seng Keat
Chief Executive Officer

1 March 2021