
Fourth Quarter And Full Year Ended 31 December 2013 Financial Statements and Related Announcement

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1. Unaudited Financial Statements

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

	4th Quarter ended 31.12.2013 RM'000	4th Quarter ended 31.12.2012 RM'000	Change %	Full year ended 31.12.2013 RM'000	Full year ended 31.12.2012 RM'000	Change %
Revenue	406,147	379,156	7%	1,257,446	876,572	43%
Cost of sales	(326,501)	(305,196)	7%	(992,998)	(687,866)	44%
Gross profit	79,646	73,960	8%	264,448	188,706	40%
Other income	5,044	962	>100%	8,625	5,138	68%
Selling and administrative expenses	(26,875)	(26,802)	0%	(65,544)	(50,146)	31%
Operating profit	57,815	48,120	20%	207,529	143,698	44%
Finance costs	(2,982)	(4,021)	-26%	(11,200)	(7,804)	44%
Share of profit of jointly controlled entity	2,987	2,698	11%	2,898	2,698	7%
Profit before tax	57,820	46,797	24%	199,227	138,592	44%
Income tax (expense) / credit	12,356	2,534	>100%	6,968	(2,006)	>100%
Profit for the financial period / year	70,176	49,331	42%	206,195	136,586	51%
Profit attributable to :						
Owners of the parent	70,457	49,331	43%	205,645	136,586	51%
Non-controlling interest	(281)	-	n.m.	550	-	n.m.
Profit for the financial period / year	70,176	49,331		206,195	136,586	

1. Unaudited Financial Statements

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

	4th Quarter ended 31.12.2013 RM'000	4th Quarter ended 31.12.2012 RM'000	Change %	Full year ended 31.12.2013 RM'000	Full year ended 31.12.2012 RM'000	Change %
Other comprehensive income :						
<i>Item that will or may be reclassified to Profit or Loss:</i>						
Exchange differences arising on translating foreign operations	(11,049)	4,881	>100%	46,522	(9,048)	>100%
Net change in fair value of cash flow hedges	8,846	-	n.m.	-	-	n.m.
Other comprehensive income for the financial period / year, net of tax amounting to Nil	<u>(2,203)</u>	<u>4,881</u>	>100%	<u>46,522</u>	<u>(9,048)</u>	>100%
Total comprehensive income for the financial period / year	<u>67,973</u>	<u>54,212</u>	25%	<u>252,717</u>	<u>127,538</u>	>100%
Total comprehensive income attributable to:						
Owners of the parent	68,254	54,212	26%	252,167	127,538	>100%
Non-controlling interest	(281)	-	n.m.	550	-	n.m.
Total comprehensive income for the financial period / year	<u>67,973</u>	<u>54,212</u>	25%	<u>252,717</u>	<u>127,538</u>	>100%

1. Unaudited Financial Statements (Contd.)

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

	4th Quarter ended 31.12.2013 RM'000	4th Quarter ended 31.12.2012 RM'000	Change %	Full year ended 31.12.2013 RM'000	Full year ended 31.12.2012 RM'000	Change %
Other income						
Interest income	131	30	>100%	789	175	>100%
Miscellaneous	16	932	-98%	809	1,352	-40%
Net fair value gain on derivatives	681	-	n.m.	-	2,914	n.m.
Reversal of share option expenses	1,366	-	n.m.	1,366	-	n.m.
Write back of allowance on trade and other receivable no longer required	2,552	-	n.m.	2,552	-	n.m.
Gain on disposal of property, plant and equipment	269	-	n.m.	3,066	508	>100%
Rental income	29	-	n.m.	43	189	-77%
	<u>5,044</u>	<u>962</u>	>100%	<u>8,625</u>	<u>5,138</u>	68%
Finance costs						
Interest expense on borrowings	7,549	6,653	>100%	33,569	16,544	>100%
Less: Interest capitalised in cost of construction contracts	(4,567)	(2,632)	>100%	(22,369)	(8,740)	>100%
	<u>2,982</u>	<u>4,021</u>	-26%	<u>11,200</u>	<u>7,804</u>	44%

1. Unaudited Financial Statements (Contd.)

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

	4th Quarter ended 31.12.2013 RM'000	4th Quarter ended 31.12.2012 RM'000	Change %	Full year ended 31.12.2013 RM'000	Full year ended 31.12.2012 RM'000	Change %
Profit before tax						
The following amounts have been included in arriving at profit before tax:						
Amortisation of prepaid land lease payments	71	22	>100%	138	90	53%
Bad debt written off	-	58	n.m.	-	1,392	n.m.
Depreciation of property, plant and equipment	3,912	854	>100%	13,039	6,699	>100%
Foreign exchange loss, net	961	298	>100%	2,741	3,588	-24%
Impairment on trade and other receivables	-	2,520	n.m.	-	1,128	n.m.
Property, plant and equipment written off	25	-	n.m.	25	-	n.m.
Net fair value loss / (gain) on derivatives	-	3,292	>100%	289	(2,914)	>100%
Income tax expense						
Current income tax:						
- Based on profit for the year	275	(2,111)	>100%	902	426	>100%
- Underprovision in previous years	-	-	n.m.	360	1,501	-76%
	<u>275</u>	<u>(2,111)</u>	>100%	<u>1,262</u>	<u>1,927</u>	-35%
Deferred tax	(12,631)	(423)	>100%	(8,230)	79	>100%
	<u>(12,356)</u>	<u>(2,534)</u>	>100%	<u>(6,968)</u>	<u>2,006</u>	>100%

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(b)(i) Statement of Financial Position

	Group		Company	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	290,128	152,719	-	-
Prepaid land lease payments	8,214	8,514	-	-
Investment properties	80,760	-	-	-
Investment in subsidiaries	-	-	1,141,744	1,140,777
Investment in jointly controlled entity	1,147	89	-	-
	<u>380,249</u>	<u>161,322</u>	<u>1,141,744</u>	<u>1,140,777</u>
Current assets				
Inventories	751,080	453,882	-	-
Trade and other receivables	175,149	100,363	15	-
Amount due from subsidiaries	-	-	520,821	130,982
Due from customers on contracts	459,736	351,918	-	-
Prepayments	45,191	19,863	160	133
Tax recoverable	1,247	2,123	-	-
Derivatives	4,539	77	-	-
Fixed deposits with licensed banks	40,173	773	-	-
Cash and bank balances	321,870	215,482	117,469	135,437
	<u>1,798,985</u>	<u>1,144,481</u>	<u>638,465</u>	<u>266,552</u>
TOTAL ASSETS	<u>2,179,234</u>	<u>1,305,803</u>	<u>1,780,209</u>	<u>1,407,329</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the parents				
Share capital	405,962	369,007	405,962	369,007
Share premium	82,347	703	82,346	703
Other reserves	38,518	(8,953)	780,923	779,974
Retained earnings / (Accumulated losses)	411,164	231,439	(8,864)	(15,001)
	<u>937,991</u>	<u>592,196</u>	<u>1,260,367</u>	<u>1,134,683</u>
Non-controlling interest	<u>643</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>938,634</u>	<u>592,196</u>	<u>1,260,367</u>	<u>1,134,683</u>
Non-current liabilities				
Loans and borrowings	609,116	287,145	514,500	271,193
Non current payables	2,756	4,331	-	-
Deferred tax liabilities	898	9,125	-	-
	<u>612,770</u>	<u>300,601</u>	<u>514,500</u>	<u>271,193</u>

1. Unaudited Financial Statements (Contd.)

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

	Group		Company	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Current liabilities				
Due to customers on contracts	20,004	-	-	-
Derivatives	4,983	232	-	-
Loans and borrowings	242,067	155,400	3,707	-
Trade and other payables	360,576	257,174	1,635	1,453
Provisions	200	200	-	-
	<u>627,830</u>	<u>413,006</u>	<u>5,342</u>	<u>1,453</u>
Total liabilities	<u>1,240,600</u>	<u>713,607</u>	<u>519,842</u>	<u>272,646</u>
TOTAL EQUITY AND LIABILITIES	<u>2,179,234</u>	<u>1,305,803</u>	<u>1,780,209</u>	<u>1,407,329</u>

1. Unaudited Financial Statements (Contd.)

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

	31.12.2013		31.12.2012	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount repayable in one year or less, or on demand	242,067	-	155,400	-
Amount repayable after one year	94,616	514,500	15,952	271,193

Details of any collaterals

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

1. Unaudited Financial Statements (Contd.)

1(c) Statement of Cash Flows (Group)

	4th Quarter ended 31.12.2013 RM'000	4th Quarter ended 31.12.2012 RM'000	Full year ended 31.12.2013 RM'000	Full year ended 31.12.2012 RM'000
Operating activities				
Profit before tax	57,820	46,797	199,227	138,592
Adjustments for:				
Amortisation of prepaid land lease payments	71	22	138	90
Bad debt written off	-	58	-	1,392
Depreciation of property, plant and equipment	3,912	854	13,039	6,699
Property, plant and equipment written off	25	-	25	-
Impairment on trade and other receivables	-	2,520	-	1,128
Interest expense	2,982	4,021	11,200	7,804
Interest income	(131)	(30)	(789)	(175)
(Gain) / loss on disposal of property, plant and equipment	(269)	-	(3,066)	(508)
Net fair value (gain) / loss on derivatives	(681)	3,292	289	(2,914)
Unrealised loss / (gain) on foreign exchange	5,194	(910)	8,805	7,738
Reversal of share option expenses	(1,366)	-	(1,366)	-
Write back of allowance on trade and other receivable no longer required	(2,552)	-	(2,552)	-
Share of profit of jointly controlled entity	(2,987)	-	(2,898)	(2,698)
Total adjustments	4,198	9,827	22,825	18,556
Operating cash flows before working capital changes	62,018	56,624	222,052	157,148
Changes in working capital:				
Increase in inventories	(63,158)	(29,518)	(401,702)	(299,386)
(Increase) / Decrease in receivables	(107,157)	36,309	32,161	(32,976)
Decrease / (Increase) in prepayments	5,520	37,397	(25,298)	33,575
(Increase) / Decrease in amount due from customers on contracts	(135,967)	(148,895)	(82,198)	120,985
Increase / (Decrease) in payables	(51,874)	41,926	38,395	147,144
Increase / (Decrease) in amount due to customers on contracts	(8,564)	739	20,004	(32,608)
Total changes in working capital	(361,200)	(62,042)	(418,638)	(63,266)
Cash flows (used in) / from operations	(299,182)	(5,418)	(196,586)	93,882
Interest paid	(7,549)	(6,653)	(33,569)	(13,413)
Taxes paid, net of refund	916	(448)	(386)	(4,663)
Net cash flows (used in) / from operating activities	(305,815)	(12,519)	(230,541)	75,806

1. Unaudited Financial Statements (Contd.)

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

	4th Quarter ended 31.12.2013 RM'000	4th Quarter ended 31.12.2012 RM'000	Full year ended 31.12.2013 RM'000	Full year ended 31.12.2012 RM'000
Investing activities				
Acquisition of property, plant and equipment	-	(3,721)	(43,755)	(18,232)
Acquisition of investment properties	(79,433)	-	(79,433)	-
Addition of prepaid land lease	-	(8,033)	-	-
Interest received	131	30	789	175
Investment in jointly controlled entity	-	(89)	(2,464)	(3,960)
Acquisition of investment	-	-	93	-
Proceeds from disposal of plant and equipment	270	-	7,274	11,938
Net cash flows used in investing activities	(79,032)	(11,813)	(117,496)	(10,079)
Financing activities				
Dividends paid	-	-	(25,920)	(9,397)
Proceeds from bank borrowings	127,310	34,079	338,271	223,389
Proceeds from issuance of medium term notes	7,819	278,078	255,831	267,787
Proceeds from issuance of shares	-	-	118,599	-
Repayments of bank borrowings	(24,234)	(124,595)	(193,376)	(356,063)
Repayments of hire purchase	-	(826)	(717)	(3,229)
(Placement) / Upliftment of fixed deposits	-	-	-	191
Net cash flows from financing activities	110,895	186,736	492,688	122,678
Net (decrease) / increase in cash and cash equivalents	(273,952)	162,404	144,651	188,405
Effects of foreign exchange rate changes	412	6,022	5,445	(47)
Cash and cash equivalents at 1 October / 1 January	634,520	42,458	210,884	22,526
Cash and cash equivalents at 31 December	360,980	210,884	360,980	210,884
Cash and cash equivalents comprise the following as at the statements of financial position date:				
Fixed deposits with licensed banks	40,173	773	40,173	773
Cash and bank balances	321,870	215,482	321,870	215,482
Bank overdrafts	(890)	(5,198)	(890)	(5,198)
	361,153	211,057	361,153	211,057
Less: Restricted fixed deposits with licensed banks	(173)	(173)	(173)	(173)
Total cash and cash equivalents	360,980	210,884	360,980	210,884

1. Unaudited Financial Statements (Contd.)

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

Group	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Foreign exchange reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2012	369,007	703	1,366	(1,271)	-	104,250	474,055	-	474,055
Profit for the period	-	-	-	-	-	87,255	87,255	-	87,255
Other comprehensive income	-	-	-	(13,929)	-	-	(13,929)	-	(13,929)
<i>Contributions by and distributions to owners:</i>									
Dividends paid	-	-	-	-	-	(9,397)	(9,397)	-	(9,397)
At 30 September 2012	369,007	703	1,366	(15,200)	-	182,108	537,984	-	537,984
Profit for the period	-	-	-	-	-	49,331	49,331	-	49,331
Other comprehensive income	-	-	-	4,881	-	-	4,881	-	4,881
At 31 December 2012	369,007	703	1,366	(10,319)	-	231,439	592,196	-	592,196

1. Unaudited Financial Statements (Contd.)

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

Group	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Share grant reserve RM'000	Foreign exchange reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2013	369,007	703	1,366	-	(10,319)	-	231,439	592,196	-	592,196
Acquisition of investment	-	-	-	-	-	-	-	-	93	93
Profit for the period	-	-	-	-	-	-	135,188	135,188	831	136,019
Other comprehensive income	-	-	-	-	57,571	(8,846)	-	48,725	-	48,725
<i>Contributions by and distributions to owners:</i>										
Issuance of shares	36,955	84,325	-	-	-	-	-	121,280	-	121,280
Shares issuance expenses	-	(2,681)	-	-	-	-	-	(2,681)	-	(2,681)
Dividends paid	-	-	-	-	-	-	(25,920)	(25,920)	-	(25,920)
At 30 September 2013	405,962	82,347	1,366	-	47,252	(8,846)	340,707	868,788	924	869,712
Profit for the period	-	-	-	-	-	-	70,457	70,457	(281)	70,176
Other comprehensive income	-	-	-	-	(11,049)	8,846	-	(2,203)	-	(2,203)
<i>Contributions by and distributions to owners:</i>										
Reversal of share option expenses	-	-	(1,366)	-	-	-	-	(1,366)	-	(1,366)
Share grant expenses	-	-	-	2,315	-	-	-	2,315	-	2,315
At 31 December 2013	405,962	82,347	-	2,315	36,203	-	411,164	937,991	643	938,634

1. Unaudited Financial Statements (Contd.)

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

	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Share grant reserve RM'000	Contributed surplus RM'000	Accumulated losses RM'000	Equity attributable to owners of the parent RM'000
Company							
At 1 January 2012	369,007	703	1,366	-	778,608	(13,194)	1,136,490
Profit for the period	-	-	-	-	-	9,492	9,492
Dividends paid	-	-	-	-	-	(9,397)	(9,397)
At 30 September 2012	369,007	703	1,366	-	778,608	(13,099)	1,136,585
Loss for the period	-	-	-	-	-	(1,902)	(1,902)
At 31 December 2012	369,007	703	1,366	-	778,608	(15,001)	1,134,683
At 1 January 2013	369,007	703	1,366	-	778,608	(15,001)	1,134,683
Profit for the period	-	-	-	-	-	31,984	31,984
<i>Contributions by and distributions to owners:</i>							
Issuance of shares	36,955	84,325	-	-	-	-	121,280
Shares issuance expenses	-	(2,682)	-	-	-	-	(2,682)
Dividends paid	-	-	-	-	-	(25,920)	(25,920)
At 30 September 2013	405,962	82,346	1,366	-	778,608	(8,937)	1,259,345
Profit for the period	-	-	-	-	-	73	73
Other comprehensive income	-	-	(1,366)	2,315	-	-	949
At 31 December 2013	405,962	82,346	-	2,315	778,608	(8,864)	1,260,367

Notes:
(a) There was share granted in 4Q of FY2013 under the Nam Cheong Group 2013 Share Grant Plan.

1. Unaudited Financial Statements (Contd.)

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

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

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

As at 31 December 2013 and 31 December 2012, the total number of issued shares was 2,103,144,482 and 1,913,144,482 respectively. The Company does not have any treasury shares.

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.

Not applicable.

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

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

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

Not applicable.

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

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the most recently audited annual financial statements for the year ended 31 December 2012 except for the adoption of the new and revised International Financial Reporting Standards ("IFRS") which came into effect this financial year from 1 January 2013. The adoption of these new revised IFRS has no material effect on the financial statements.

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

Not applicable.

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

	Group		Group	
	4th Quarter ended 31.12.2013	4th Quarter ended 31.12.2012	Full year ended 31.12.2013	Full year ended 31.12.2012
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)	3.35	2.58	9.83	7.14
Weighted average number of shares	2,103,144,482	1,913,144,482	2,091,171,879	1,913,144,482
(ii) On a fully diluted basis (Sen)	3.35	2.58	9.83	7.14
Adjusted weighted average number of shares	2,114,857,525	1,913,144,482	1,659,018,904	1,913,144,482

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

	Group		Company	
	As at 31.12.2013	As at 31.12.2012	As at 31.12.2013	As at 31.12.2012
Net asset value per ordinary share (Sen)	44.6	31.0	59.9	59.3
Ordinary shares in issue	2,103,144,482	1,913,144,482	2,103,144,482	1,913,144,482

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)

FY 2013 vs FY 2012

	FY 2013				FY 2012				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	1,192,367	95%	236,926	20%	839,015	96%	163,582	19%	353,352	42%	73,344	45%
Vessel Chartering	65,079	5%	27,522	42%	37,557	4%	25,124	67%	27,522	73%	2,398	10%
Total	1,257,446	100%	264,448	21%	876,572	100%	188,706	22%	380,874	43%	75,742	40%

Revenue for the full year ended 31 December 2013 ("FY 2013") of RM1.3 billion was RM380.9 million, or 43%, higher as compared to RM876.6 million achieved during the previous corresponding full year ended 31 December 2012 ("FY 2012"). The shipbuilding segment recorded revenue of RM1.2 billion in FY 2013, representing an increase of 42% or RM353.4 million as compared to RM839.0 million recorded for FY 2012. The increase in shipbuilding revenue was attributed to an increase in the number of vessels delivered to the customers in FY 2013. A total of 20 vessels were delivered to the customers in FY 2013 while 13 vessels were delivered in FY 2012. The vessel chartering segment registered an increase in revenue of RM27.5 million, or 73%, from RM37.6 million for FY 2012 to RM65.1 million for FY 2013. The improvement in charter revenue was attributed to the expansion of the chartering fleet in FY 2013.

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 (Contd.)

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

FY 2013 vs FY 2012

Gross profit increased by 40%, from RM188.7 million for FY 2012 to RM264.4 million recorded for FY 2013, which is in tandem with higher revenue recorded. The gross profit margin for FY 2012 and FY 2013 are maintained within the range of 21% to 22%. The vessel chartering segment commands a gross profit margin of 42%, while the shipbuilding segment recorded a gross profit margin of 20% for FY 2013. The decrease in vessel chartering margin was mainly due to the higher cost of operation arising from the chartering-in of a vessel to fulfil a newly secured time charter contract due to unavailability of a committed similar vessel owned by the Group.

Other income was higher for FY 2013 as compared to FY 2012 mainly due to the reversal of share option reserve, write back of allowance on trade and other receivables and the gain on disposal of property, plant and equipment, which amount to RM1.4 million, RM2.6 million and RM3.1 million respectively.

As a result of the rise in overall revenue, net profit after taxation for FY 2013 increased by RM69.6 million or 51% to RM206.2 million from RM136.6 million in FY 2012. The net profit margin was maintained at 16% for both FY 2012 and FY 2013.

4Q 2013 vs 4Q 2012

	4Q 2013				4Q 2012				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	385,143	95%	79,512	21%	370,678	98%	69,622	19%	14,465	4%	9,890	14%
Vessel Chartering	21,004	5%	134	1%	8,478	2%	4,338	51%	12,526	148%	(4,204)	(97%)
Total	406,147	100%	79,646	20%	379,156	100%	73,960	20%	26,991	7%	5,686	8%

8. (contd.)

Review of Group Performance (contd.)

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

4Q 2013 vs 4Q 2012 (contd.)

Revenue for the three months ended 31 December 2013 ("4Q 2013") of RM406.1 million was RM27.0 million, or 7%, higher as compared to RM379.2 million recorded during the previous year corresponding three months ended 31 December 2012 ("4Q 2012"). Revenue from the shipbuilding segment increased by 4% to RM385.1 million for 4Q 2013 from RM370.7 million recorded for 4Q 2012, mainly attributed to the increased number of vessels delivered during the period.

The vessel chartering revenue recorded an increase of 148% from RM8.5 million for 4Q 2012 to RM21.0 million for 4Q 2013. The higher charter revenue was due to the expansion of the chartering fleet and the lower charter revenue base in 4Q 2012.

Gross profit increased by 7% from RM74.0 million in 4Q 2012 to RM79.6 million in 4Q 2013, in tandem with the higher revenue recorded. The gross profit margin was maintained at 20%. The gross profit margin for the shipbuilding improved from 19% in 4Q 2012 to 21% in 4Q 2013. Gross profit margin for the vessel chartering segment came in lower at 1% however, as a result of the higher cost of operation arising from the chartering-in of a vessel to fulfil a newly secured time charter contract due to unavailability of a committed similar vessel owned by the Group.

Other income was higher for 4Q 2013 as compared to 4Q 2012 mainly due to the reversal of share option reserve, write back of allowance on trade and other receivables which amount to RM1.4 million and RM2.6 million respectively.

As a result of the higher overall revenue, net profit after taxation for 4Q 2013 increased by RM20.9 million or 42% to RM70.2 million from RM49.3 million in 4Q 2012.

(b) Statements of financial position (Group)

Total Assets

Total assets of the Group increased by RM873.4 million from RM1.3 billion as at 31 December 2012 ("FY 2012") to RM2.2 billion as at 31 December 2013 ("FY 2013") mainly due to :

- (i) the increase in property, plant and equipment and investment of properties of RM218.2 million which was in turn mainly due to the addition of two vessels to the existing fleet and the acquisition of three units in Suntec office lots;
- (ii) the increase in inventories by RM297.2 million from RM453.9 million in FY 2012 to RM751.1 million in FY 2013 as a result of progresses of works for its built-to-stock vessels under the shipbuilding programme;
- (iii) the increase in the aggregate of amount due from customers on contracts and trade and other receivables of RM182.6 million from RM452.3 million in FY 2012 to RM634.9 million in FY 2013, which was in line with the growing shipbuilding and chartering revenue, and the timing difference between revenue recognition and billing to customers; and

8. (contd.)

Review of Group Performance (contd.)

(b) Statements of financial position (Group) (contd.)

Total Assets (contd.)

- (iv) the increase in cash and bank balances of RM106.4 million to RM321.9 million from RM215.5 million, which was mainly attributed to the proceeds received from the medium term notes issued and receipts of sales proceeds from delivered vessels during the year.

Total Liabilities

Total liabilities of the Group increased by RM527.0 million from RM713.6 million in FY 2012 to RM1.2 billion in FY 2013 mainly due to the increase in trade and other payables of RM101.8 million and the increase in loans and borrowings of RM408.6 million as a result of issuance of additional medium term notes.

As a result of the utilisation of proceeds from the issuance of the medium term notes of SGD90 million in FY 2013, the Group's net gearing ratio increase from 0.38 times in FY 2012 to 0.52 times in FY 2013.

(c) Statements of cash flows (Group)

4Q 2013 vs 4Q 2012

Net cash flows used in operating activities increased from RM12.5 million in 4Q 2012 to RM315.8 million in 4Q 2013 mainly due to the increase in operating cash outflows from RM5.4 million in 4Q 2012 to RM299.2 million in 4Q 2013.

Net cash flows used in investing activities for 4Q 2013 of RM79.4 million was mainly due to the acquisition of office space at Suntec City.

Net cash flows from financing activities for 4Q 2013 of RM110.9 million was mainly attributed to the proceeds from the issuance of medium term notes and bank borrowings of RM135.1 million which was partly offset by the net repayment of bank borrowings of RM24.2 million.

FY 2013 vs FY 2012

Net cash flows used in operating activities for FY2013 was RM230.5 million mainly due to a change in operation cash flows from a cash inflows of RM93.9 million in FY 2012 to cash outflows of RM196.6 million in FY 2013.

Net cash flows used in investing activities for FY 2013 was RM117.5 million of which RM123.2 million was utilized for the acquisition of office space at Suntec City and additional of property, plant and equipment;

Net cash flows from financing activities for FY 2013 of RM492.7 million was mainly attributed to the proceeds from the issuance of medium term notes and bank borrowings of RM594.1 million which was partly offset by the repayment of bank borrowings of RM193.4 million.

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 increased activities by oil majors have benefited the Group so far, as evident by the record order wins of 24 vessels worth approximately US\$500 million in 2013, surpassing our 2012 record sale of 21 vessels. Our order book value, as at 26 February 2014, stood at approximately RM1.5 billion, comprising a mix of OSVs for shallow and deep water operations that are due for deliveries up to 2015.

The global macro conditions are expected to improve with the gradual economic recovery of developed nations and the world oil demand is projected to grow by 1.1 million barrels per day¹. Consequently, exploration and production (“E&P”) spending is expected to reach a new record of US\$732 billion in 2014. This reflects a 6.1% increase from the US\$682 million expected expenditure for 2013².

Within Asia-Pacific, Malaysia is expected to exhibit a robust performance in the medium term. As a key driver in Malaysia’s oil and gas industry, Petronas seeks to rejuvenate mature assets and develop marginal oilfields, having pledged US\$14 billion to enhanced oil recovery projects³. In addition, the Malaysian government has reduced its petroleum income tax, exhibiting its encouragement for more aggressive oil exploration by E&P operators⁴. With the expected upswing in E&P activities in Malaysia, OSV owners are looking to expand their fleet on the back of higher rates and improved utilisation⁵.

In addition, the global OSV fleet is ageing with over 30% of vessels being of traditional build and in operation for over 25 years⁶. In order to cope with the present-day operational demands, operators and charterers are looking to replace older vessels with modern variants that are better-equipped to do their jobs more efficiently.

Going forward, we believe that increased investments by these oil majors will benefit us, as we continue to see demand for AHTS vessels, and other offshore vessels, especially in the shallow water region. The demand for small size AHTS vessels remains strong as offshore service providers replace older vessels with new and higher specification vessels. As one of leading players in the construction of mid size PSVs, we are able to benefit from the growing demands in this sector of the industry as well. We continue to engage in businesses relating to top side maintenance, hook up and commissioning and exploitation of reserves from marginal fields.

Source:

1 OPEC, Monthly Oil Market Report, 12 Feb 2014

2 Barclay Global 2014 E&P Spending Outlook, 9 Dec 2013

3 Upstream News, 14 Jan 2014

4 Upstream News, 29 Nov 2013

5 Maybank Kim Eng Research, October 2013

6 “Ideal Investment Scenario for Offshore Support Vessels”, Synergy Offshore, March 6, 2013

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes.

Name of dividend	Proposed First and Final dividend	Proposed Special dividend
Dividend type	Cash	Cash
Dividend per share	S\$0.005	S\$0.005
Tax rate	Not applicable	Not applicable
Date of payment	To be announced at a later date	To be announced at a later date

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of dividend	Proposed Final dividend
Dividend type	Cash
Dividend per share	S\$0.005
Tax rate	Not applicable
Date of payment	29 May 2013

(c) Date payable

To be announced at a later date

(d) Books closure date

To be announced at a later date

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.

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 :-

	FY2013 RM'000	FY2012 RM'000
Proposed final dividend *	27,230	26,323
Proposed final special dividend *	27,230	-
Total	54,460	26,323

* 2013 proposed final dividend and special dividend are estimated based on share capital of 2,103,144,482 ordinary shares at the end of the financial year.

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 2013					
Revenue					
External revenue	1,192,367	65,079	-	-	1,257,446
Inter revenue	4,271	-	-	(4,271)	-
Results					
Interest income	444	-	345	-	789
Depreciation of property, plant and equipment	(1,654)	(10,978)	(407)	-	(13,039)
Amortisation of prepaid land lease payments	-	(138)	-	-	(138)
Finance costs	14,133	(1,771)	(23,562)	-	(11,200)
Share of results of jointly controlled entity	-	-	2,898	-	2,898
Profit before Tax	189,924	22,336	(13,033)	-	199,227
As at 31 December 2013					
Assets					
Additions to non-current assets	1,708	40,425	81,055	-	123,188
Investment in jointly controlled entity	-	-	2,464	-	2,464
Segment assets	1,313,108	136,809	729,317	-	2,179,234
Segment liabilities	600,391	108,723	531,486	-	1,240,600

15. Segmental Reporting (Contd.)

	Shipbuilding RM'000	Chartering RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial year ended 31 December 2012					
Revenue					
External revenue	839,015	37,557	-	-	876,572
Inter segment	27,349	-	-	(27,349)	-
Results					
Interest income	155	-	20	-	175
Depreciation of property, plant and equipment	(2,901)	(3,798)	-	-	(6,699)
Amortisation of prepaid land lease payments	-	(90)	-	-	(90)
Finance costs	(3,482)	(1,190)	(3,132)	-	(7,804)
Share of results of jointly controlled entity	-	-	2,698	-	2,698
Profit before Tax	135,117	4,948	(1,473)	-	138,592
As at 31 December 2012					
Assets					
Additions to non-current assets	65,715	56	-	-	65,771
Segment assets	1,251,298	51,951	2,554	-	1,305,803
Segment liabilities	686,067	26,075	1,465	-	713,607

15. Segmental Reporting (Contd.)

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

	2013	2012
	RM'000	RM'000
Revenue		
Asia	962,614	564,418
Europe	916	76,867
Middle East	272,248	61,154
Africa	21,668	129,762
America	-	44,371
	<u>1,257,446</u>	<u>876,572</u>

	2013	2012
	RM'000	RM'000
Non-current assets	(860,351)	154,256
Malaysia	1,240,600	7,066
Singapore	<u>380,249</u>	<u>161,322</u>

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

	2013	2012
	RM'000	RM'000
Property, plant and equipment	290,128	152,719
Prepaid land lease payments	8,214	8,514
Investment properties	80,760	-
Investment in jointly controlled entity	1,147	89
	<u>380,249</u>	<u>161,322</u>

16. Review of segment performance

Please refer to paragraph 8

17. A breakdown of Sales

	GROUP		% of increase /(decrease)
	FY2013 RM'000	FY2012 RM'000	
a) Sales reported for first half year	510,072	355,476	43%
b) Operating profit after tax before deducting minority interests reported for first half year	76,855	55,700	38%
c) Sales reported for second half year	747,374	521,096	43%
d) Operating profit after tax before deducting minority interests reported for second half year	129,340	80,886	60%

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	Details of changes in duties and position held, if any during the year
Tiong Chiong Soon	44 years	<p>1. Son of Executive Chairman, and substantial shareholder, Datuk Tiong Su Kouk.</p> <p>2. Brother of Non-executive Director, 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 1 November 2009. Tiong Chiong Soon is responsible for the shipyard operation in Miri, Sarawak, Malaysia.	Not applicable	Not applicable

BY ORDER OF THE BOARD

Datuk Tiong Su Kouk
Executive Chairman
26 February 2014