

## **Second Quarter and Six Months Ended 30 June 2020 Financial Statements and Related Announcement**

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## 1. Unaudited Financial Statements

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

	2nd Quarter ended 30.06.2020 RM'000	2nd Quarter ended 30.06.2019 RM'000	Change %	Half year ended 30.06.2020 RM'000	Half year ended 30.06.2019 RM'000	Change %
<b>Revenue</b>	128,418	74,669	72%	189,566	104,607	81%
Cost of sales	(104,505)	(49,680)	>100%	(148,874)	(72,192)	>100%
<b>Gross profit</b>	23,913	24,989	(4%)	40,692	32,415	26%
Other income	3,467	1,439	>100%	5,852	14,993	(61%)
Selling and administrative expenses	(13,152)	(8,161)	61%	(22,329)	(16,178)	38%
Impairment on property, plant and equipment	(158,925)	-	n.m.	(255,356)	-	n.m.
Impairment on investment in an associate	(17,288)	-	n.m.	(17,288)	-	n.m.
Impairment on investment in a joint venture	(1,430)	-	n.m.	(1,430)	-	n.m.
Impairment on trade and other receivables	(8,195)	-	n.m.	(8,195)	-	n.m.
Inventories written down	-	-	n.m.	(13,505)	-	n.m.
Other operating expenses	(10,281)	(3,798)	>100%	(11,464)	(6,201)	85%
<b>Operating (loss)/profit</b>	(181,891)	14,469	<(100%)	(283,023)	25,029	<(100%)
Finance costs	(10,346)	(10,980)	(6%)	(21,367)	(18,546)	15%
Share of results of equity accounted joint ventures, net of tax	(625)	706	<(100%)	(507)	(166)	>100%
Share of results of equity accounted associates, net of tax	16	(1,952)	<(100%)	(1,213)	(3,614)	(66%)
<b>(Loss)/Profit before tax</b>	(192,846)	2,243	<(100%)	(306,110)	2,703	<(100%)
Income tax expense	(859)	(163)	>100%	(1,467)	(218)	>100%
<b>(Loss)/Profit for the financial period</b>	(193,705)	2,080	<(100%)	(307,577)	2,485	<(100%)

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.06.2020 RM'000	2nd Quarter ended 30.06.2019 RM'000	Change %	Half year ended 30.06.2020 RM'000	Half year ended 30.06.2019 RM'000	Change %
<b>Other comprehensive income/(loss)</b>						
Exchange differences on translating foreign operations	182	(10,823)	>100%	(218)	(3,406)	(94%)
<b>Other comprehensive income/(loss) for the financial period, net of tax</b>	182	(10,823)	>100%	(218)	(3,406)	(94%)
<b>Total comprehensive loss for the financial period</b>	(193,523)	(8,743)	>100%	(307,795)	(921)	>100%
<b>Profit/(Loss) attributable to:</b>						
Owners of the parent	(193,751)	2,870	<(100%)	(308,127)	3,290	<(100%)
Non-controlling interest	46	(790)	<(100%)	550	(805)	<(100%)
<b>(Loss)/Profit for the financial period</b>	(193,705)	2,080	<(100%)	(307,577)	2,485	<(100%)
<b>Total comprehensive loss attributable to:</b>						
Owners of the parent	(193,569)	(7,953)	>100%	(308,345)	(116)	>100%
Non-controlling interest	46	(790)	<(100%)	550	(805)	<(100%)
<b>Total comprehensive loss for the financial period</b>	(193,523)	(8,743)	>100%	(307,795)	(921)	>100%

## 1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.06.2020 RM'000	2nd Quarter ended 30.06.2019 RM'000	Change %	Half year ended 30.06.2020 RM'000	Half year ended 30.06.2019 RM'000	Change %
<b>Other income</b>						
Gain on disposal of property, plant and equipment	171	-	n.m.	171	-	n.m.
Impairment of trade receivables written back	-	191	n.m.	-	379	n.m.
Interest income	575	649	(11%)	1,128	1,351	(17%)
Inventories written back	2,089	-	n.m.	-	12,244	n.m.
Miscellaneous	632	599	6%	1,220	1,019	20%
Waiver of debts	-	-	n.m.	805	-	n.m.
Waiver of prepaid land lease payments	-	-	n.m.	2,528	-	n.m.
	<u>3,467</u>	<u>1,439</u>	>100%	<u>5,852</u>	<u>14,993</u>	(61%)
<b>(Loss)/Profit before tax</b>						
The following amounts have been included in arriving at (loss)/profit before tax:						
<b>Cost of sales</b>						
Depreciation of property, plant and equipment	<u>7,252</u>	<u>6,808</u>	7%	<u>16,076</u>	<u>12,139</u>	32%

n.m. : Not meaningful

## 1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.06.2020 RM'000	2nd Quarter ended 30.06.2019 RM'000	Change %	Half year ended 30.06.2020 RM'000	Half year ended 30.06.2019 RM'000	Change %
<b>(Loss)/Profit before tax</b>						
The following amounts have been included in arriving at (loss)/profit before tax:						
<i>Administrative expenses</i>						
Depreciation of property, plant and equipment	462	461	0%	931	1,095	(15%)
<i>Other operating expenses</i>						
Impairment of property, plant and equipment	158,925	-	n.m.	255,356	-	n.m.
Impairment of investment in an associate	17,288	-	n.m.	17,288	-	n.m.
Impairment of investment in a joint venture	1,430	-	n.m.	1,430	-	n.m.
Impairment of trade and other receivables	8,195	-	n.m.	8,195	-	n.m.
Inventories written down	-	-	n.m.	13,505	-	n.m.
Property, plant and equipment written off	792	1	>100%	792	1	>100%
Legal and professional expenses	-	7	n.m.	-	751	n.m.
Change in fair value of financial liabilities	7,367	-	n.m.	7,367	-	n.m.
Foreign exchange loss, net	2,122	3,790	(44%)	3,305	5,449	(39%)
<b>Income tax expense</b>						
Current income tax	859	163	>100%	1,467	218	>100%

n.m. : Not meaningful

# 1. Unaudited Financial Statements (Contd.)

## 1(b)(i) Statements of Financial Position

	Group		Company	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	586,164	809,978	-	-
Investment in joint ventures	3,033	4,970	-	-
Investment in an associate	490	18,501	-	-
	<u>589,687</u>	<u>833,449</u>	<u>-</u>	<u>-</u>
<b>Current assets</b>				
Inventories	56,672	123,541	-	-
Trade and other receivables	84,405	143,493	-	-
Prepayments	3,757	5,382	23	23
Current income tax recoverable	959	2,840	-	-
Fixed deposits	998	988	-	-
Cash and bank balances	74,069	46,490	62	95
	<u>220,860</u>	<u>322,734</u>	<u>85</u>	<u>118</u>
<b>TOTAL ASSETS</b>	<u>810,547</u>	<u>1,156,183</u>	<u>85</u>	<u>118</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
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	314,280	313,525	780,932	779,959
Accumulated losses	(1,291,738)	(983,611)	(1,809,980)	(1,805,737)
	<u>(674,975)</u>	<u>(370,282)</u>	<u>(726,565)</u>	<u>(725,974)</u>
<b>Non-controlling interest</b>	<u>6,612</u>	<u>6,062</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>	<u>(668,363)</u>	<u>(364,220)</u>	<u>(726,565)</u>	<u>(725,974)</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	568	592	-	-
Lease liability	790	1,067	-	-
Trade and other payables	197,240	187,996	-	-
Loans and borrowings	861,008	904,005	668,411	671,465
	<u>1,059,606</u>	<u>1,093,660</u>	<u>668,411</u>	<u>671,465</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>EQUITY AND LIABILITIES (Contd.)</b>				
<b>Current liabilities</b>				
Lease liability	368	172	-	-
Loans and borrowings	143,656	96,036	-	-
Trade and other payables	275,280	330,535	58,239	54,627
	<u>419,304</u>	<u>426,743</u>	<u>58,239</u>	<u>54,627</u>
<b>Total liabilities</b>	<u>1,478,910</u>	<u>1,520,403</u>	<u>726,650</u>	<u>726,092</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>810,547</u>	<u>1,156,183</u>	<u>85</u>	<u>118</u>

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

	<b>As at 30.06.2020</b>		<b>As at 31.12.2019</b>	
	<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount repayable in one year or less, or on demand	<u>98,339</u>	<u>45,317</u>	<u>96,036</u>	<u>-</u>
Amount repayable after one year	<u>-</u>	<u>861,008</u>	<u>-</u>	<u>904,005</u>

**Details of any collaterals**

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

# 1. Unaudited Financial Statements (Contd.)

## 1(c) Statements of Cash Flows (Group)

	2nd Quarter ended 30.06.2020 RM'000	2nd Quarter ended 30.06.2019 RM'000	Half year ended 30.06.2020 RM'000	Half year ended 30.06.2019 RM'000
<b>Operating activities</b>				
(Loss)/Profit before tax	(192,846)	2,243	(306,110)	2,703
Adjustments for:				
Depreciation of property, plant and equipment	7,714	7,269	17,007	13,234
Impairment on property, plant and equipment	158,925	-	255,356	-
Impairment on investment in an associate	17,288	-	17,288	-
Impairment on investment in a joint venture	1,430	-	1,430	-
Impairment of trade and other receivables made/(reversed)	8,195	(191)	8,195	(379)
Change in fair value of financial liabilities	7,367	-	7,367	-
Inventories written (back)/down	(2,089)	-	13,505	(12,244)
Interest expense	10,346	10,980	21,367	18,546
Interest income	(575)	(649)	(1,128)	(1,351)
Gain on disposal of Property, plant and equipment	(171)	-	(171)	-
Property, plant and equipment written off	792	1	792	1
Share grant expense	503	-	973	348
Share of results of equity accounted joint ventures, net of tax	625	(706)	507	166
Share of results of equity accounted associate, net of tax	(16)	1,952	1,213	3,614
Waiver of debts	-	-	(805)	-
Waiver of prepaid land lease payments	-	-	(2,528)	-
Total adjustments	210,334	18,656	340,368	21,935
<b>Operating cash before working capital changes</b>	17,488	20,899	34,258	24,638
Changes in working capital:				
Changes in inventories	44,164	5,793	41,398	4,612
Changes in receivables	10,710	(55,929)	39,069	(13,475)
Changes in prepayments	152	3,732	1,658	(2,184)
Changes in payables	(62,009)	(8,653)	(77,075)	(41,886)
Total changes in working capital	(6,983)	(55,057)	5,050	(52,933)
<b>Cash from/(used in) operations</b>	10,505	(34,158)	39,308	(28,295)
Interest paid	(1,878)	(4,577)	(8,194)	(6,032)
Taxes paid, net of refund	(213)	218	(1,389)	218
<b>Net cash from/(used in) operating activities</b>	8,414	(38,517)	29,725	(34,109)



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

	<b>2nd Quarter ended 30.06.2020 RM'000</b>	<b>2nd Quarter ended 30.06.2019 RM'000</b>	<b>Half year ended 30.06.2020 RM'000</b>	<b>Half year ended 30.06.2019 RM'000</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(23)	(14,082)	(1,031)	(20,270)
Interest received	575	649	1,128	1,351
Acquisition of shares in an associate	-	-	(490)	-
Proceeds from disposal of property, plant and equipment	174	-	174	-
<b>Net cash from/(used in) investing activities</b>	<b>726</b>	<b>(13,433)</b>	<b>(219)</b>	<b>(18,919)</b>
<b>Financing activities</b>				
Repayments of bank borrowings	-	(88)	(2,309)	(2,040)
Increase in fixed deposits pledged	-	2,700	(18)	2,700
<b>Net cash from/(used in) financing activities</b>	<b>-</b>	<b>2,612</b>	<b>(2,327)</b>	<b>660</b>
<b>Net changes in cash and cash equivalents</b>	<b>9,140</b>	<b>(49,338)</b>	<b>27,179</b>	<b>(52,368)</b>
<b>Effects of foreign exchange rate changes</b>	<b>(638)</b>	<b>7,478</b>	<b>392</b>	<b>3,579</b>
<b>Cash and cash equivalents at 1 April / 1 January</b>	<b>66,276</b>	<b>99,780</b>	<b>47,207</b>	<b>106,709</b>
<b>Cash and cash equivalents at 30 June</b>	<b>74,778</b>	<b>57,920</b>	<b>74,778</b>	<b>57,920</b>
Cash and cash equivalents comprise the following as at the statements of financial position date:				
Fixed deposits with licensed banks	998	976	998	976
Cash and bank balances	74,069	57,215	74,069	57,215
	75,067	58,191	75,067	58,191
Less: Restricted fixed deposits with licensed banks	(289)	(271)	(289)	(271)
<b>Total cash and cash equivalents</b>	<b>74,778</b>	<b>57,920</b>	<b>74,778</b>	<b>57,920</b>

# 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
<b>Group</b>										
<b>At 1 January 2019</b>	3,417	297,796	(4,097)	290,996	(4,401)	592	(1,047,964)	(463,661)	5,197	(458,464)
Profit for the period	-	-	-	-	-	-	420	420	(15)	405
Other comprehensive income	-	-	-	7,417	-	-	-	7,417	-	7,417
Allotment and Issuance of Term Loan Shares	67	2,621	-	-	-	-	-	2,688	-	2,688
Share grant plan expenses	-	-	-	-	-	348	-	348	-	348
<b>At 31 March 2019</b>	3,484	300,417	(4,097)	298,413	(4,401)	940	(1,047,544)	(452,788)	5,182	(447,606)
Profit for the period	-	-	-	-	-	-	2,870	2,870	(790)	2,080
Other comprehensive loss	-	-	-	(10,823)	-	-	-	(10,823)	-	(10,823)
<b>At 30 June 2019</b>	3,484	300,417	(4,097)	287,590	(4,401)	940	(1,044,674)	(460,741)	4,392	(456,349)

**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
<b>Group</b>										
<b>At 1 January 2020</b>	3,484	300,417	(4,097)	316,575	(4,401)	1,351	(983,611)	(370,282)	6,062	(364,220)
Loss for the period	-	-	-	-	-	-	(114,376)	(114,376)	504	(113,872)
Other comprehensive loss	-	-	-	(400)	-	-	-	(400)	-	(400)
Allotment and issuance of the Term Loan Shares	68	2,611	-	-	-	-	-	2,679	-	2,679
Share grant plan expenses	-	-	-	-	-	470	-	470	-	470
<b>At 31 March 2020</b>	3,552	303,028	(4,097)	316,175	(4,401)	1,821	(1,097,987)	(481,909)	6,566	(475,343)
Loss for the period	-	-	-	-	-	-	(193,751)	(193,751)	46	(193,705)
Other comprehensive income	-	-	-	182	-	-	-	182	-	182
Share grant plan expenses	-	-	-	-	-	503	-	503	-	503
<b>At 30 June 2020</b>	3,552	303,028	(4,097)	316,357	(4,401)	2,324	(1,291,738)	(674,975)	6,612	(668,363)

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

<b>Company</b>	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Share grant reserve RM'000</b>	<b>Treasury shares RM'000</b>	<b>Contributed surplus RM'000</b>	<b>Accumulated losses RM'000</b>	<b>Equity attributable to owners of the parent RM'000</b>
<b>At 1 January 2019</b>	3,417	297,796	592	(4,097)	858,988	(1,779,656)	(622,960)
Profit for the period	-	-	-	-	-	919	919
Allotment and Issuance of Term Loan shares	67	2,621	-	-	-	-	2,688
Share grant plan expenses	-	-	348	-	-	-	348
<b>At 31 March 2019</b>	3,484	300,417	940	(4,097)	858,988	(1,778,737)	(619,005)
Loss for the period	-	-	-	-	-	(8,190)	(8,190)
<b>At 30 June 2019</b>	3,484	300,417	940	(4,097)	858,988	(1,786,927)	(627,195)
<b>At 1 January 2020</b>	3,484	300,417	1,351	(4,097)	778,608	(1,805,737)	(725,974)
Loss for the period	-	-	-	-	-	(185)	(185)
Allotment and issuance of the Term Loan Shares	68	2,611	-	-	-	-	2,679
Share grant plan expenses	-	-	470	-	-	-	470
<b>At 31 March 2020</b>	3,552	303,028	1,821	(4,097)	778,608	(1,805,922)	(723,010)
Loss for the period	-	-	-	-	-	(4,058)	(4,058)
Share grant plan expenses	-	-	503	-	-	-	503
<b>At 30 June 2020</b>	3,552	303,028	2,324	(4,097)	778,608	(1,809,980)	(726,565)

**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 30 June 2020 and 30 June 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 second quarter of 2020. As at 30 June 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 second quarter of 2020. As at 30 June 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

	<b>Group</b>		<b>Group</b>	
	<b>2nd Quarter ended</b>	<b>2nd Quarter ended</b>	<b>Half year ended</b>	<b>Half year ended</b>
	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
(Loss)/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)	(2.66)	0.04	(4.25)	0.05
Weighted average number of shares	7,272,640,629	7,144,298,867	7,242,318,125	7,128,242,313
(ii) On a fully diluted basis (Sen)	(2.61)	0.04	(4.19)	0.05
Adjusted weighted average number of shares	7,412,999,445	7,214,478,275	7,356,070,462	7,174,382,366

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

	<b>Group</b>		<b>Company</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
Net asset value per ordinary share (Sen)	(9.2)	(5.1)	(10.0)	(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)

#### 1H 2020 vs 1H 2019

	1H 2020				1H 2019				Variance			
	Revenue		Gross Profit	Profit Margin	Revenue		Gross Profit	Profit Margin	Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	52,168	28%	1,536	3%	-	-	-	-	52,168	n.m.	1,536	n.m.
Vessel Chartering	137,398	72%	39,156	28%	104,607	100%	32,415	31%	32,791	31%	6,741	21%
Total	189,566	100%	40,692	21%	104,607	100%	32,415	31%	84,959	81%	8,277	26%

For the six months ended 30 June 2020 ("1H 2020"), the Group's revenue from vessel chartering increased by 31% from RM104.6 million in the previous corresponding six months ended 30 June 2019 ("1H 2019") to RM137.4 million in 1H 2020. This was mainly attributable to the expanded fleet size to 37 vessels in 1H 2020 as compared to 34 vessels in 1H 2019.

The shipbuilding division recorded a revenue of RM52.2 million during 1H 2020 due to the completion of sale and delivery of an Emergency Response and Rescue Vessel ("ERRV") to a customer based in North Sea towards the end of 1H 2020. There was no vessel delivery in 1H 2019.

Gross profit increased by RM8.3 million from RM32.4 million in 1H 2019 to RM40.7 million in 1H 2020 mainly attributed to larger fleet size and completion of sale and delivery of the ERRV. The gross profit margin for chartering is consistent within the range of 28% to 31%.

8. (Contd.)

**Review of Group Performance (Contd.)**

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

**1H 2020 vs 1H 2019**

Other income was lower at RM5.9 million in 1H 2020 as compared to RM15.0 million recorded in 1H 2019 mainly due to the absence of inventories written back which amounted to RM12.2 million registered in 1H 2019. The decrease in other income was partially offset by the waiver of prepaid land lease payment of RM2.5 million in 1H 2020.

Selling and administrative expenses increased from RM16.2 million in 1H 2019 to RM22.3 million in 1H 2020, primarily due to increase in vessel chartering activities which was consistent with the increase in revenue, as well as the one off expenses incurred for group wide cost rationalisation exercise.

Other operating expenses of RM307.2 million in 1H 2020 was significantly higher than RM6.2 million recorded in 1H 2019 mainly due to impairment made on property, plant and equipment of RM255.4 million, impairment on investment in an associate of RM17.2 million, inventories written down of RM13.5 million, impairment on receivables of RM8.2 million and fair value adjustment on long-term payables of RM7.4 million in 1H 2020.

Finance costs of RM21.4 million in 1H 2020 was higher than RM18.5 million recorded in 1H 2019, mainly due to the increase in finance cost related to vessel financing to support the expanded fleet size during FY2019, which was consistent with the increase in chartering revenue during the period.

Share of results of equity accounted joint ventures and associate continue to record losses of RM0.5 million and RM1.2 million in 1H 2020 as compared to RM0.2 million and RM3.6 million in 1H 2019 respectively mainly due to low vessel utilisation during the period.

Mainly as a result of the impairment on property, plant and equipment and impairment on investment in an associate in 1H 2020, arising from events that have taken place during the period, including Covid-19 and the plunge in oil prices, the Group recorded a net loss after tax of RM307.6 million in 1H 2020 as compared to a net profit after tax of RM2.5 million in 1H 2019.

**2Q 2020 vs 2Q 2019**

	2Q 2020				2Q 2019				Variance			
	Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	52,168	41%	1,536	3%	-	-	-	-	52,168	n.m.	1,536	n.m.
Vessel Chartering	76,250	59%	22,377	29%	74,669	100%	24,989	33%	1,581	2%	(2,612)	(10%)
Total	128,418	100%	23,913	19%	74,669	100%	24,989	33%	53,749	72%	(1,076)	(4%)



8. (Contd.)

**Review of Group Performance (Contd.)**

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

**2Q 2020 vs 2Q 2019**

For the three months ended 30 June 2020 ("2Q 2020"), the Group's revenue from vessel chartering increased marginally by 2% from RM74.7 million in the previous corresponding second quarter ended 30 June 2019 ("2Q 2019") to RM76.3 million in 2Q 2020. This was mainly attributable to the expanded fleet size to 37 vessels in 1H 2020 which was offset by lower vessel utilisation rate during 2Q 2020.

The shipbuilding division recorded a revenue of RM52.2 million during 2Q 2020 due to the completion of sale and delivery of an Emergency Response and Rescue Vessel ("ERRV") to a customer based in North Sea towards the end of 2Q 2020. There was no vessel delivery in 2Q 2019.

Gross profit decreased marginally by RM1.1 million from RM25.0 million in 2Q 2019 to RM23.9 million in 2Q 2020 mainly due to decrease in gross profit from the chartering segment which was offset by the gross profit derived from the completion of sale and delivery of the ERRV. The gross profit margin for chartering in 2Q 2020 of 29% was marginally lower than the gross profit margin of 33% achieved in 2Q 2019 as a result of lower vessel utilisation in 2Q 2020.

Other income was higher at RM3.5 million in 2Q 2020 as compared to RM1.4 million recorded in 2Q 2019 mainly due to inventories written back in 2Q 2020.

Selling and administrative expenses increased from RM8.2 million in 2Q 2019 to RM13.2 million in 2Q 2020, primarily due to one off expenses incurred for group wide cost rationalisation exercise during 2Q 2020.

Other operating expenses of RM196.1 million in 2Q 2020 was higher than RM3.8 million recorded in 2Q 2019 mainly due to impairment on property, plant and equipment of RM158.9 million, impairment on investment in an associate of RM17.3 million, impairment on receivables of RM8.2 million and fair value adjustment on long-term payables of RM7.4 million.

Finance costs of RM10.3 million in 2Q 2020 is consistent with the RM11.0 million recorded in 2Q 2019.

Share of results of equity accounted joint ventures register a RM0.6 million loss in 2Q 2020 as compared to a profit of RM0.7 million recorded in 2Q 2019 mainly due to lower vessel utilisation as a result of drydocking. Share of results of equity accounted associate continue to record minimal profit of RM16 thousand and RM2.0 million in 2Q 2020 and 2Q 2019 respectively due to low vessel utilisation rate.

Mainly as a result of the impairment on property, plant and equipment, investment in an associate and receivables in 2Q 2020, the Group recorded a net loss after tax of RM193.7 million in 2Q 2020 as compared to a net profit after tax of RM2.1 million in 2Q 2019.

8. (Contd.)

**Review of Group Performance (Contd.)**

**(b) Statements of financial position (Group)**

**Total Assets**

Total assets of the Group decreased by 29.8% or RM344.2 million from RM1.16 billion as at 31 December 2019 ("FY 2019") to RM811.0 million as at 30 June 2020 ("1H 2020") mainly due to:

- (i) Property, plant and equipment decreased by RM223.8 million or 27.6% from RM810.0 million as at FY 2019 to RM586.2 million as at 1H 2020 mainly due to the impairment on property, plant and equipment of RM255.4 million arising from market value assessment of vessels during the period;
- (ii) Inventories decreased by RM66.9 million or 54.1% from RM123.5 million as at FY 2019 to RM56.7 million as at 1H 2020 mainly due to the sale of the ERRV and the write down of inventories resulting from market value assessment; and
- (iii) Trade and other receivables decreased by RM59.1 million or 41.2% from RM143.5 million as at FY 2019 to RM84.4 million as at 1H 2020 mainly due to collections from customers during the period.

The decrease in total assets was partially offset by the increase in cash and cash equivalents by RM27.6 million mainly due to collection from customers during the period.

**Total Liabilities**

Total liabilities of the Group decreased marginally by 2.7% or RM41.5 million from RM1.52 billion as at FY 2019 to RM1.48 billion as at 1H 2020 mainly due to the decrease in trade and other payables of RM46.0 million.

**Negative working capital**

The Group records a higher negative net working capital of RM198.4 million as at 1H 2020 as compared to RM104.0 million in FY 2019 mainly due to the reclassification of the loan and borrowings which will be due for repayment by 30 June 2021 from the non-current liabilities to the current liabilities. RM98.3 million of these current portion of the loan and borrowings will fall due on 31 December 2020 whilst another RM45.3 million will fall due on 30 June 2021.

**(c) Statements of Cash Flows (Group)**

**1H 2020 vs 1H 2019**

Net cash from operating activities of RM29.7 million in 1H 2020 was mainly due to collections from customers during the period.

Net cash used in investing activities of RM0.2 million in 1H 2020 was mainly due to acquisition of property, plant and equipment of RM1.0 million during the period.

Net cash used in financing activities of RM2.3 million in 1H 2020 was mainly due to repayment of bank borrowings.

8. (Contd.)

**Review of Group Performance (Contd.)**

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

**2Q 2020 vs 2Q 2019**

Net cash from operating activities of RM8.4 million in 2Q 2020 was mainly due to collections from customers during the period.

Net cash from investing activities of RM0.7 million in 2Q 2020 was mainly due to interest received from placement of fixed deposits amounting to RM0.6 million and proceeds from disposal of motor vehicle amounting to RM0.2 million.

There were no movement on cash flows from financing activities in 2Q 2020.

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

With unusual market conditions arising from the combination of the coronavirus-induced demand destruction and the global oil glut, Petronas is looking to cut its capital expenditure budget, after the weak first quarter performance. The persistent pandemic and continuing oil volatility, in addition to the reduced capital expenditure, have depressed demand across all major offshore vessel types, further dampening vessel utilisation rates.

Meanwhile, the International Energy Agency raised its oil demand forecast following progress made in the global oil market, but continued to warn of the uncertain Covid-19 impact amid the escalating pandemic.

The COVID-19 induced near-term disruptions, coupled with the ongoing geopolitical uncertainties and trade tensions offer no respite and the outlook on the oil and gas market remains bearish. Managing this difficult and developing situation, the Group is actively reviewing its options to restructure its businesses, operations and balance sheet to preserve value for the stakeholders of the Company.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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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. **General mandate relating to interested person transactions**  
The Group has not obtained a general mandate from shareholders for interested person transactions.
14. **Confirmation pursuant to Appendix 7.7 under Rule 720(1) of the Listing Manual**

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

15. **Confirmation from the Board**

We, the undersigned, hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements of the Group and of the Company for the six months ended 30 June 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

14 August 2020