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## Third Quarter and Nine Months Ended 30 September 2020 Financial Statements and Related Announcement

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## 1. Unaudited Financial Statements

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

	3rd Quarter ended 30.09.2020 RM'000	3rd Quarter ended 30.09.2019 RM'000	Change %	9 months ended 30.09.2020 RM'000	9 months ended 30.09.2019 RM'000	Change %
<b>Revenue</b>	78,558	91,742	(14%)	268,124	196,349	37%
Cost of sales	(55,002)	(62,709)	(12%)	(203,876)	(134,901)	51%
<b>Gross profit</b>	23,556	29,033	(19%)	64,248	61,448	5%
Other income	2,186	60,346	(96%)	8,038	72,135	(89%)
Selling and administrative expenses	(8,194)	(11,393)	(28%)	(30,523)	(27,571)	11%
Impairment on property, plant and equipment	(29,878)	(33)	>100%	(285,234)	(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 on trade and other receivables reversed/(made)	839	64	>100%	(7,356)	443	<(100%)
Inventories written down	(19,633)	-	n.m.	(33,138)	-	n.m.
Other operating expenses	(15,645)	(1,378)	>100%	(27,109)	(4,754)	>100%
<b>Operating (loss)/profit</b>	(46,769)	76,639	<(100%)	(329,792)	101,668	<(100%)
Finance costs	(8,027)	(12,620)	(36%)	(29,394)	(31,166)	(6%)
Share of results of equity accounted joint ventures, net of tax	(843)	1,452	<(100%)	(1,350)	1,286	<(100%)
Share of results of equity accounted associates, net of tax	(306)	(770)	(60%)	(1,519)	(4,384)	(65%)
<b>(Loss)/Profit before tax</b>	(55,945)	64,701	<(100%)	(362,055)	67,404	<(100%)
Income tax expense	(4,986)	(2,775)	80%	(6,453)	(2,993)	>100%
<b>(Loss)/Profit for the financial period</b>	(60,931)	61,926	<(100%)	(368,508)	64,411	<(100%)

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

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

	3rd Quarter ended 30.09.2020 RM'000	3rd Quarter ended 30.09.2019 RM'000	Change %	9 months ended 30.09.2020 RM'000	9 months ended 30.09.2019 RM'000	Change %
<b>Other comprehensive income</b>						
Exchange differences on translating foreign operations	5,661	25,460	(78%)	5,443	22,054	(75%)
<b>Other comprehensive income for the financial period, net of tax</b>	5,661	25,460	(78%)	5,443	22,054	(75%)
<b>Total comprehensive (loss)/profit for the financial period</b>	(55,270)	87,386	<(100%)	(363,065)	86,465	<(100%)
<b>(Loss)/Profit attributable to:</b>						
Owners of the parent	(60,827)	60,286	<(100%)	(368,954)	63,576	<(100%)
Non-controlling interest	(104)	1,640	<(100%)	446	835	(47%)
<b>(Loss)/Profit for the financial period</b>	(60,931)	61,926	<(100%)	(368,508)	64,411	<(100%)
<b>Total comprehensive (loss)/profit attributable to:</b>						
Owners of the parent	(55,166)	85,746	<(100%)	(363,511)	85,630	<(100%)
Non-controlling interest	(104)	1,640	<(100%)	446	835	(47%)
<b>Total comprehensive (loss)/profit for the financial period</b>	(55,270)	87,386	<(100%)	(363,065)	86,465	<(100%)

1. Unaudited Financial Statements (Contd.)

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

	3rd Quarter ended 30.09.2020 RM'000	3rd Quarter ended 30.09.2019 RM'000	Change %	9 months ended 30.09.2020 RM'000	9 months ended 30.09.2019 RM'000	Change %
<b>Other income</b>						
Foreign exchange gain	-	2,825	n.m.	-	-	n.m.
Gain on disposal of property, plant and equipment	869	-	n.m.	1,040	-	n.m.
Interest income	608	406	50%	1,736	1,757	(1%)
Inventories written back	-	169	n.m.	-	12,413	n.m.
Miscellaneous	709	427	66%	1,929	1,446	33%
Rental income	-	5	n.m.	-	5	n.m.
Waiver of debts	-	56,514	n.m.	805	56,514	(99%)
Waiver of prepaid land lease payments	-	-	n.m.	2,528	-	n.m.
	<u>2,186</u>	<u>60,346</u>	(96%)	<u>8,038</u>	<u>72,135</u>	(89%)
<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>5,942</u>	<u>7,295</u>	(19%)	<u>22,731</u>	<u>19,434</u>	17%

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

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

	3rd Quarter ended 30.09.2020 RM'000	3rd Quarter ended 30.09.2019 RM'000	Change %	9 months ended 30.09.2020 RM'000	9 months ended 30.09.2019 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	442	339	30%	1,373	1,434	(4%)
<i>Other operating expenses</i>						
Contract termination expenses relating to prepayments for inventories	48	-	n.m.	48	-	n.m.
Property, plant and equipment written off	1	11	(91%)	793	12	>100%
Legal and professional expenses	-	-	n.m.	-	751	n.m.
Change in fair value of financial liabilities	6,315	-	n.m.	13,682	-	n.m.
Foreign exchange loss, net	8,162	127	>100%	11,467	2,751	>100%
Restructuring expenses	1,119	1,240	n.m.	1,119	1,240	n.m.
<b>Income tax expense</b>						
Current income tax	4,986	2,775	80%	6,453	2,993	>100%

n.m. : Not meaningful

**1. Unaudited Financial Statements (Contd.)**

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

	Group		Company	
	30.09.2020 RM'000	31.12.2019 RM'000	30.09.2020 RM'000	31.12.2019 RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	534,171	809,978	-	-
Investment in joint ventures	2,188	4,970	-	-
Investment in associates	184	18,501	-	-
	536,543	833,449	-	-
<b>Current assets</b>				
Inventories	40,109	123,541	-	-
Trade and other receivables	91,138	143,493	-	-
Prepayments	3,961	5,382	23	23
Current income tax recoverable	588	2,840	-	-
Fixed deposits	1,002	988	-	-
Cash and bank balances	54,985	46,490	128	95
	191,783	322,734	151	118
<b>TOTAL ASSETS</b>	728,326	1,156,183	151	118
<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	320,069	313,525	781,060	779,959
Accumulated losses	(1,352,565)	(983,611)	(1,811,637)	(1,805,737)
	(730,013)	(370,282)	(728,094)	(725,974)
<b>Non-controlling interest</b>	4,108	6,062	-	-
<b>Total equity</b>	(725,905)	(364,220)	(728,094)	(725,974)
<b>Non-current liabilities</b>				
Deferred tax liabilities	3,125	592	-	-
Lease liability	976	1,067	-	-
Trade and other payables	190,151	187,996	-	-
Loans and borrowings	856,230	904,005	668,411	671,465
	1,050,482	1,093,660	668,411	671,465

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

	Group		Company	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
<b>EQUITY AND LIABILITIES (Contd.)</b>				
<b>Current liabilities</b>				
Lease liability	197	172	-	-
Loans and borrowings	141,861	96,036	-	-
Trade and other payables	261,691	330,535	59,834	54,627
	<u>403,749</u>	<u>426,743</u>	<u>59,834</u>	<u>54,627</u>
<b>Total liabilities</b>	<u>1,454,231</u>	<u>1,520,403</u>	<u>728,245</u>	<u>726,092</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>728,326</u>	<u>1,156,183</u>	<u>151</u>	<u>118</u>

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

	As at 30.09.2020		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>96,796</u>	<u>45,065</u>	<u>96,036</u>	<u>-</u>
Amount repayable after one year	<u>-</u>	<u>856,230</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)**

	<b>3rd Quarter ended 30.09.2020 RM'000</b>	<b>3rd Quarter ended 30.09.2019 RM'000</b>	<b>9 months ended 30.09.2020 RM'000</b>	<b>9 months ended 30.09.2019 RM'000</b>
<b>Operating activities</b>				
(Loss)/Profit before tax	(55,945)	64,701	(362,055)	67,404
Adjustments for:				
Depreciation of property, plant and equipment	6,384	7,634	24,104	20,868
Contract termination expenses relating to prepayments for inventories	48	-	48	-
Impairment on property, plant and equipment	29,878	33	285,234	33
Impairment on investment in an associate	-	-	17,288	-
Impairment on investment in a joint venture	-	-	1,430	-
Impairment of trade and other receivables (reversed)/made	(839)	(64)	7,356	(443)
Change in fair value of financial liabilities	6,315	-	13,682	-
Inventories written down/(back)	19,633	(169)	33,138	(12,413)
Interest expense	8,027	12,620	29,394	31,166
Interest income	(608)	(406)	(1,736)	(1,757)
Gain on disposal of Property, plant and equipment	(869)	-	(1,040)	-
Property, plant and equipment written off	1	11	793	12
Share grant expense	128	302	1,101	650
Share of results of equity accounted joint ventures, net of tax	843	(1,452)	1,350	(1,286)
Share of results of equity accounted associate, net of tax	306	770	1,519	4,384
Waiver of debts	-	(56,514)	(805)	(56,514)
Waiver of prepaid land lease payments	-	-	(2,528)	-
Total adjustments	69,247	(37,235)	410,328	(15,300)
<b>Operating cash before working capital changes</b>	13,302	27,466	48,273	52,104
Changes in working capital:				
Changes in inventories	(3,161)	(607)	38,237	4,005
Changes in receivables	(5,659)	(38,728)	32,697	(52,203)
Changes in prepayments	(231)	4,815	1,427	2,631
Changes in payables	(20,274)	15,248	(97,349)	(26,638)
Total changes in working capital	(29,325)	(19,272)	(24,988)	(72,205)
<b>Cash (used in)/from operations</b>	(16,023)	8,194	23,285	(20,101)
Interest paid	(3,984)	(16,381)	(12,178)	(22,413)
Taxes paid, net of refund	(278)	(732)	(1,667)	(514)
<b>Net cash (used in)/from operating activities</b>	(20,285)	(8,919)	9,440	(43,028)



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

	<b>3rd Quarter ended 30.09.2020 RM'000</b>	<b>3rd Quarter ended 30.09.2019 RM'000</b>	<b>9 months ended 30.09.2020 RM'000</b>	<b>9 months ended 30.09.2019 RM'000</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(19)	(6,309)	(1,050)	(26,579)
Interest received	608	406	1,736	1,757
Acquisition of shares in an associate	-	-	(490)	-
Investment in jointly controlled entity	-	(2)	-	(2)
Proceeds from disposal of property, plant and equipment	869	1	1,043	1
<b>Net cash from/(used in) investing activities</b>	<b>1,458</b>	<b>(5,904)</b>	<b>1,239</b>	<b>(24,823)</b>
<b>Financing activities</b>				
Repayments of bank borrowings	-	(610)	(2,309)	(2,650)
Dividend paid to non-controlling interest of a subsidiary	(2,400)	-	(2,400)	-
Increase in fixed deposits pledged	-	-	(18)	2,700
<b>Net cash (used in)/from financing activities</b>	<b>(2,400)</b>	<b>(610)</b>	<b>(4,727)</b>	<b>50</b>
<b>Net changes in cash and cash equivalents</b>	<b>(21,227)</b>	<b>(15,433)</b>	<b>5,952</b>	<b>(67,801)</b>
<b>Effects of foreign exchange rate changes</b>	<b>2,147</b>	<b>(161)</b>	<b>2,539</b>	<b>3,418</b>
<b>Cash and cash equivalents at 1 July / 1 January</b>	<b>74,778</b>	<b>57,920</b>	<b>47,207</b>	<b>106,709</b>
<b>Cash and cash equivalents at 30 September</b>	<b>55,698</b>	<b>42,326</b>	<b>55,698</b>	<b>42,326</b>

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

Fixed deposits with licensed banks	1,002	982	1,002	982
Cash and bank balances	54,985	41,615	54,985	41,615
	<u>55,987</u>	<u>42,597</u>	<u>55,987</u>	<u>42,597</u>
Less: Restricted fixed deposits with licensed banks	(289)	(271)	(289)	(271)
<b>Total cash and cash equivalents</b>	<b>55,698</b>	<b>42,326</b>	<b>55,698</b>	<b>42,326</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	-	-	-	-	-	-	3,290	3,290	(805)	2,485
Other comprehensive income	-	-	-	(3,406)	-	-	-	(3,406)	-	(3,406)
Allotment and Issuance of Term Loan Shares	67	2,621	-	-	-	-	-	2,688	-	2,688
Share grant plan expenses	-	-	-	-	-	348	-	348	-	348
<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)
Profit for the period	-	-	-	-	-	-	60,286	60,286	1,640	61,926
Other comprehensive loss	-	-	-	25,460	-	-	-	25,460	-	25,460
Share grant plan expenses	-	-	-	-	-	302	-	302	-	302
<b>At 30 September 2019</b>	3,484	300,417	(4,097)	313,050	(4,401)	1,242	(984,388)	(374,693)	6,032	(368,661)

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	-	-	-	-	-	-	(308,127)	(308,127)	550	(307,577)
Other comprehensive loss	-	-	-	(218)	-	-	-	(218)	-	(218)
Allotment and issuance of the Term Loan Shares	68	2,611	-	-	-	-	-	2,679	-	2,679
Share grant plan expenses	-	-	-	-	-	973	-	973	-	973
<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)
Loss for the period	-	-	-	-	-	-	(60,827)	(60,827)	(104)	(60,931)
Other comprehensive income	-	-	-	5,661	-	-	-	5,661	-	5,661
Dividend paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(2,400)	(2,400)
Share grant plan expenses	-	-	-	-	-	128	-	128	-	128
<b>At 30 September 2020</b>	3,552	303,028	(4,097)	322,018	(4,401)	2,452	(1,352,565)	(730,013)	4,108	(725,905)

**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
<b>At 1 January 2019</b>	3,417	297,796	592	(4,097)	858,988	(1,779,656)	(622,960)
Loss for the period	-	-	-	-	-	(7,271)	(7,271)
Allotment and Issuance of Term Loan shares	67	2,621	-	-	-	-	2,688
Share grant plan expenses	-	-	348	-	-	-	348
<b>At 30 June 2019</b>	3,484	300,417	940	(4,097)	858,988	(1,786,927)	(627,195)
Profit for the period	-	-	-	-	-	4,517	4,517
Share grant plan expenses	-	-	302	-	-	-	302
<b>At 30 September 2019</b>	3,484	300,417	1,242	(4,097)	858,988	(1,782,410)	(622,376)
<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	-	-	-	-	-	(4,243)	(4,243)
Allotment and issuance of the Term Loan Shares	68	2,611	-	-	-	-	2,679
Share grant plan expenses	-	-	973	-	-	-	973
<b>At 30 June 2020</b>	3,552	303,028	2,324	(4,097)	778,608	(1,809,980)	(726,565)
Loss for the period	-	-	-	-	-	(1,657)	(1,657)
Share grant plan expenses	-	-	128	-	-	-	128
<b>At 30 September 2020</b>	3,552	303,028	2,452	(4,097)	778,608	(1,811,637)	(728,094)

**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").

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## 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 September 2020 and 30 September 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 third quarter of 2020. As at 30 September 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 third quarter of 2020. As at 30 September 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	
	3rd Quarter ended 30.09.2020	3rd Quarter ended 30.09.2019	9 months ended 30.09.2020	9 months ended 30.09.2019
(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)	(0.84)	0.84	(5.09)	0.89
Weighted average number of shares	7,272,640,629	7,144,298,867	7,252,499,404	7,133,653,313
(ii) On a fully diluted basis (Sen)	(0.82)	0.84	(5.00)	0.88
Adjusted weighted average number of shares	7,412,999,445	7,214,478,275	7,375,185,303	7,187,894,540

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 30.09.2020	As at 31.12.2019	As at 30.09.2020	As at 31.12.2019
Net asset value per ordinary share (Sen)	(10.0)	(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)

##### 9M 2020 vs 9M 2019

	9M 2020				9M 2019				Variance			
	Revenue		Gross Profit	Margin	Revenue		Gross Profit	Margin	Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	51,886	19%	1,528	3%	-	-	-	-	51,886	n.m.	1,528	n.m.
Vessel Chartering	216,238	81%	62,720	29%	196,349	100%	61,448	31%	19,889	10%	1,272	2%
Total	268,124	100%	64,248	24%	196,349	100%	61,448	31%	71,775	37%	2,800	5%

For the nine months ended 30 September 2020 ("9M 2020"), the Group's revenue from vessel chartering increased by 10% from RM196.3 million in the previous corresponding nine months ended 30 September 2019 ("9M 2019") to RM216.2 million in 9M 2020. This was mainly attributable to the expanded fleet size to 37 vessels in 9M 2020 as compared to 34 vessels in 9M 2019.

The shipbuilding division recorded a revenue of RM51.9 million during 9M 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 June 2020. There was no vessel delivery in 9M 2019.

Consistent with the revenue growth, gross profit increased 5% year-on-year to RM64.2 million for 9M2020. Gross profit margins for chartering were relatively stable, hovering within the range from 29% to 31%.

8. (Contd.)

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

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

**9M 2020 vs 9M 2019**

Other income was lower at RM8.0 million in 9M 2020 as compared to RM72.6 million recorded in 9M 2019 mainly due to the absence of inventories written back of RM12.4 million and waiver of debts of RM56.5 million registered in 9M 2019. The decrease in other income was partially offset by the waiver of prepaid land lease payment of RM2.5 million in 9M 2020.

Selling and administrative expenses were higher at RM30.5 million for 9M2020 as compared to RM27.6 million in 9M2019, 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 RM371.6 million in 9M 2020 was significantly higher than RM4.8 million recorded in 9M 2019 mainly due to impairment made on property, plant and equipment of RM285.2 million, impairment on investment in an associate of RM17.3 million, inventories written down of RM33.1 million, impairment on receivables of RM7.4 million and fair value adjustment on long-term payables of RM13.7 million in 9M 2020.

Finance costs of RM29.4 million in 9M 2020 was lower than RM31.2 million recorded in 9M 2019, 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 RM1.4 million loss in 9M 2020 as compared to a profit of RM1.3 million recorded in 9M 2019 mainly due to lower vessel utilisation as a result of drydocking. Share of results of equity accounted associate continue to record losses of RM1.5 million and RM4.4 million in 9M 2020 and 9M 2019 respectively due to low vessel utilisation rate during the period.

Mainly as a result of the impairment on property, plant and equipment, impairment on investment in an associate and inventories written down in 9M 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 RM368.5 million in 9M 2020 as compared to a net profit after tax of RM64.4 million in 9M 2019.

**3Q 2020 vs 3Q 2019**

	3Q 2020				3Q 2019				Variance			
	Revenue		Gross Profit	Margin	Revenue		Gross Profit	Margin	Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	-	-	-	n.m.	-	-	-	n.m.	-	n.m.	-	n.m.
Vessel Chartering	78,558	100%	23,556	30%	91,742	100%	29,033	32%	(13,184)	(14%)	(5,477)	(19%)
Total	78,558	100%	23,556	30%	91,742	100%	29,033	32%	(13,184)	(14%)	(5,477)	(19%)



8. (Contd.)

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

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

**3Q 2020 vs 3Q 2019**

For the three months ended 30 September 2020 ("3Q 2020"), the Group's revenue from vessel chartering decreased by 14% from RM91.7 million in the previous corresponding third quarter ended 30 September 2019 ("3Q 2019") to RM78.6 million in 3Q 2020. This was mainly due to the lower vessel utilisation rate during 3Q 2020.

The shipbuilding segment did not register any revenue for both 3Q 2020 and 3Q 2019 as there was no vessel scheduled for delivery during the period.

Gross profit decreased 19% year-on-year to RM23.6 million for 3Q 2020 in tandem with the decrease in revenue. However, gross profit margins were relatively stable, hovering within the range from 30% to 32%.

Other income was lower at RM3.0 million in 3Q 2020 as compared to RM60.4 million recorded in 3Q 2019 mainly due to the absence of waiver of debts which amounted to RM56.5 million registered in 3Q 2019.

Selling and administrative expenses decreased from RM11.4 million in 3Q 2019 to RM8.2 million in 3Q 2020, primarily due to decrease in staff costs.

Other operating expenses of RM65.2 million in 3Q 2020 was higher than RM1.4 million recorded in 3Q 2019 mainly due to impairment on property, plant and equipment of RM29.9 million, inventories written down of RM19.6 million and fair value adjustment on long-term payables of RM6.3 million.

Finance costs of RM8.0 million in 3Q 2020 was lower than RM12.6 million recorded in 3Q 2019, 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 RM0.8 million and RM0.3 million in 3Q 2020 as compared to RM1.5 million profit and RM0.8 million loss in 3Q 2019 respectively mainly due to lower vessel utilisation rate during the period.

Mainly as a result of the impairment on property, plant and equipment and inventories written down in 3Q 2020, the Group recorded a net loss after tax of RM60.9 million in 3Q 2020 as compared to a net profit after tax of RM61.9 million in 3Q 2019.

8. (Contd.)

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

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

**Total Assets**

Total assets of the Group decreased by 37.0% or RM427.9 million from RM1.16 billion as at 31 December 2019 ("FY 2019") to RM728.3 million as at 30 September 2020 ("9M 2020") mainly due to:

- (i) Property, plant and equipment decreased by RM275.8 million or 34.1% from RM810.0 million as at FY 2019 to RM534.2 million as at 9M 2020 mainly due to the impairment on property, plant and equipment of RM285.2 million arising from market value assessment of vessels and shipyard during the period;
- (ii) Inventories decreased by RM83.4 million or 67.5% from RM123.5 million as at FY 2019 to RM40.1 million as at 9M 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 RM52.3 million or 36.5% from RM143.5 million as at FY 2019 to RM91.1 million as at 9M 2020 mainly due to collections from customers during the period.

**Total Liabilities**

Total liabilities of the Group decreased marginally by 4.4% or RM66.2 million from RM1.52 billion as at FY 2019 to RM1.45 billion as at 9M 2020 mainly due to the decrease in trade and other payables of RM66.7 million.

**Negative working capital**

The Group records a higher negative net working capital of RM212.0 million as at 9M 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 September 2021 from the non-current liabilities to the current liabilities. RM96.8 million of these current portion of the loan and borrowings will fall due on 31 December 2020 whilst another RM45.1 million will fall due on 30 June 2021.

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)**

**9M 2020 vs 9M 2019**

Net cash from operating activities of RM9.4 million in 9M 2020 was mainly due to collections from customers during the period.

Net cash from investing activities of RM1.2 million in 9M 2020 was mainly due to proceeds from disposal of property, plant and equipment of RM1.0 million during the period.

Net cash used in financing activities of RM4.7 million in 9M 2020 was mainly due to repayment of bank borrowings and dividend paid to non-controlling interests of a subsidiary.

8. (Contd.)

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

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

**3Q 2020 vs 3Q 2019**

Net cash used in operating activities of RM20.3 million in 3Q 2020 was mainly due to payment to vendors during the period.

Net cash from investing activities of RM1.5 million in 3Q 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 RM0.9 million.

Net cash used in financing activities of RM2.4 million in 3Q 2020 was mainly due to dividend paid to non-controlling interests of a subsidiary.

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 countries around the world hit by a second wave of the coronavirus, demand for oil continues to slow, complicating efforts by producers to balance the market. This unusual situation is unprecedented, and oil prices have continued to fall, posting its second consecutive monthly drop in October.

Spurred by volatile oil prices and uncertain geopolitics, the demand for all major offshore vessel types remained lacklustre, further dampening vessel utilisation rates, leading to a bearish oil and gas market.

Managing this difficult and developing situation, the Group 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 paid

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 nine months ended 30 September 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

13 November 2020