**NAM CHEONG LIMITED**
**(Incorporated in Bermuda)**
**(Company Registration Number 25458)**

# Unaudited Condensed Interim Financial Statements
# For the Six Months Ended 30 June 2022


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## Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | Note | The Group Half Year ended 30.06.2022 RM'000 | Half Year ended 30.06.2021 RM'000 | Change % |
|---|---|---|---|---|
| **Revenue** | 4 | 165,036 | 143,284 | 15% |
| Cost of sales | | (118,228) | (101,511) | 16% |
| **Gross profit** | | 46,808 | 41,773 | 12% |
| Other income | 5 | 20,182 | 3,948 | >100% |
| Selling and administrative expenses | | (16,166) | (14,910) | 8% |
| Impairment loss on property, plant and equipment | | - | (2,997) | (100%) |
| Other operating expenses | | (4,175) | (23,452) | (82%) |
| **Operating profit** | | 46,649 | 4,362 | >100% |
| Finance costs | | (12,520) | (18,371) | (32%) |
| Share of results of equity accounted joint ventures, net of tax | | 811 | (1,927) | <(100%) |
| Share of results of equity accounted associates, net of tax | | 1,364 | - | n.m. |
| **Profit/(Loss) before tax** | 6 | 36,304 | (15,936) | <(100%) |
| Income tax expense | 7 | (4,731) | (1,182) | >100% |
| **Profit/(Loss) for the financial period** | | 31,573 | (17,118) | <(100%) |
| **Other comprehensive (loss)/income** | | | | |
| Exchange differences on translating foreign operations | | (7,365) | 9,685 | <(100%) |
| **Other comprehensive (loss)/income for the financial period, net of tax** | | (7,365) | 9,685 | <(100%) |
| **Total comprehensive income/(loss) for the financial period** | | 24,208 | (7,433) | <(100%) |
| **Profit/(Loss) attributable to:** | | | | |
| Owners of the parent | | 31,425 | (17,769) | <(100%) |
| Non-controlling interest | | 148 | 651 | (77%) |
| **Profit/(Loss) for the financial period** | | 31,573 | (17,118) | <(100%) |
| **Total comprehensive income/(loss) attributable to:** | | | | |
| Owners of the parent | | 24,060 | (8,084) | <(100%) |
| Non-controlling interest | | 148 | 651 | (77%) |
| **Total comprehensive income/(loss) for the financial period** | | 24,208 | (7,433) | <(100%) |
| **Earnings per share for profit/(loss) for the period attributable to the owners of the Company** | | | | |
| Weighted average number of shares in issue (basic) | | 7,897,822,074 | 7,714,670,861 | |
| Weighted average number of shares in issue (diluted) | | 8,038,180,890 | 7,714,670,861 | |
| Basic loss per share (Malaysia sen) | | 0.40 | (0.23) | |
| Diluted loss per share (Malaysia sen) | | 0.39 | (0.23) | |

For the 6 months ended 30 June 2021, the basic and diluted loss per share are the same as the outstanding contingently issuable shares were anti-dilutive.

n.m. : Not meaningful

## Condensed Interim Statements of Financial Position

| | Note | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | 363,811 | 390,324 | - | - |
| Subsidiaries | | - | - | - | - |
| Joint ventures | | 2,796 | 1,996 | - | - |
| Associates | | 2,083 | 680 | - | - |
| Other investment | | - | - | - | - |
| | | 368,690 | 393,000 | - | - |
| **Current assets** | | | | | |
| Inventories | | 30,987 | 23,968 | - | - |
| Trade and other receivables | 11 | 209,445 | 156,751 | 183 | 152 |
| Prepayments | | 5,595 | 5,143 | 75 | 78 |
| Current tax recoverable | | 1,028 | 706 | - | - |
| Fixed deposits | | 1,384 | 1,233 | - | - |
| Cash and bank balances | | 43,900 | 25,472 | 36 | 77 |
| | | 292,339 | 213,273 | 294 | 307 |
| **TOTAL ASSETS** | | 661,029 | 606,273 | 294 | 307 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 12 | 3,904 | 3,836 | 3,904 | 3,836 |
| Share premium | 12 | 310,850 | 309,357 | 310,850 | 309,357 |
| Treasury shares | | (4,097) | (4,097) | (4,097) | (4,097) |
| Other reserves | | 307,785 | 315,150 | 781,384 | 781,384 |
| Accumulated losses | | (1,269,581) | (1,301,006) | (1,934,172) | (1,898,378) |
| | | (651,139) | (676,760) | (842,131) | (807,898) |
| **Non-controlling interest** | | 1,071 | 923 | - | - |
| **Total equity** | | (650,068) | (675,837) | (842,131) | (807,898) |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | | 5,921 | 2,839 | - | - |
| Lease liabilities | | 6,392 | 9,873 | - | - |
| | | 12,313 | 12,712 | - | - |

## Condensed Interim Statements of Financial Position (Cont'd)

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| **EQUITY AND LIABILITIES (Contd.)** | | | | | |
| **Current liabilities** | | | | | |
| Lease liabilities | | 8,590 | 7,543 | - | - |
| Borrowings | 13 | 967,170 | 947,662 | 693,820 | 681,138 |
| Trade and other payables | | 277,976 | 268,769 | 104,569 | 83,031 |
| Current tax payable | | 1,012 | 1,388 | - | - |
| Provisions | | 44,036 | 44,036 | 44,036 | 44,036 |
| | | 1,298,784 | 1,269,398 | 842,425 | 808,205 |
| **Total liabilities** | | 1,311,097 | 1,282,110 | 842,425 | 808,205 |
| **TOTAL EQUITY AND LIABILITIES** | | 661,029 | 606,273 | 294 | 307 |

## Condensed Interim 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | | | | |
| **At 1 January 2022** | 3,836 | 309,357 | (4,097) | 316,775 | (4,401) | 2,776 | (1,301,006) | (676,760) | 923 | (675,837) |
| Profit for the period | - | - | - | - | - | - | 31,425 | 31,425 | 148 | 31,573 |
| Other comprehensive income | - | - | - | (7,365) | - | - | - | (7,365) | - | (7,365) |
| Issuance of term loan shares | 68 | 1,493 | - | - | - | - | - | 1,561 | - | 1,561 |
| **At 30 June 2022** | 3,904 | 310,850 | (4,097) | 309,410 | (4,401) | 2,776 | (1,269,581) | (651,139) | 1,071 | (650,068) |
| | | | | | | | | | | |
| **At 1 January 2021** | 3,552 | 303,028 | (4,097) | 312,171 | (4,401) | 2,591 | (1,387,767) | (774,923) | 3,494 | (771,429) |
| Loss for the period | - | - | - | - | - | - | (17,769) | (17,769) | 651 | (17,118) |
| Other comprehensive income | - | - | - | 9,685 | - | - | - | 9,685 | - | 9,685 |
| Issuance of non-sustainable debt shares | 218 | 4,848 | - | - | - | - | - | 5,066 | - | 5,066 |
| Issuance of term loan shares | 66 | 1,481 | - | - | - | - | - | 1,547 | - | 1,547 |
| Share grant plan expenses | - | - | - | - | - | 185 | - | 185 | - | 185 |
| **At 30 June 2021** | 3,836 | 309,357 | (4,097) | 321,856 | (4,401) | 2,776 | (1,405,536) | (776,209) | 4,145 | (772,064) |

## Condensed Interim Statements of Changes in Equity (Cont'd)

| | Share capital RM'000 | Share premium RM'000 | Treasury shares RM'000 | Share grant reserve RM'000 | Contributed surplus RM'000 | Accumulated losses RM'000 | Equity attributable to owners of the parent RM'000 |
|---|---|---|---|---|---|---|---|
| **The Company** | | | | | | | |
| **At 1 January 2022** | 3,836 | 309,357 | (4,097) | 2,776 | 778,608 | (1,898,378) | (807,898) |
| Loss for the period | - | - | - | - | - | (35,794) | (35,794) |
| Issuance of term loan shares | 68 | 1,493 | - | - | - | - | 1,561 |
| **At 30 June 2022** | 3,904 | 310,850 | (4,097) | 2,776 | 778,608 | (1,934,172) | (842,131) |
| | | | | | | | |
| **At 1 January 2021** | 3,552 | 303,028 | (4,097) | 2,591 | 778,608 | (1,860,274) | (776,592) |
| Loss for the period | - | - | - | - | - | (16,916) | (16,916) |
| Issuance of non-sustainable debt shares | 218 | 4,848 | - | - | - | - | 5,066 |
| Issuance of term loan shares | 66 | 1,481 | - | - | - | - | 1,547 |
| Share grant plan expenses | - | - | - | 185 | - | - | 185 |
| **At 30 June 2021** | 3,836 | 309,357 | (4,097) | 2,776 | 778,608 | (1,877,190) | (786,710) |

## Condensed Interim Consolidated Statements of Cash Flows

| | The Group | |
|---|---|---|
| | **Half Year ended 30.06.2022 RM'000** | **Half Year ended 30.06.2021 RM'000** |
| **Operating activities** | | |
| Profit/(Loss) before tax | 36,304 | (15,936) |
| Adjustments for: | | |
| Accretion of non-current trade payables | - | 5,857 |
| Depreciation of property, plant and equipment | 14,532 | 12,964 |
| (Gain)/Loss on disposal of property, plant and equipment | (3,121) | 564 |
| Impairment loss on property, plant and equipment | - | 2,997 |
| Gain on waiver of debts | (15,787) | - |
| Interest expense | 12,520 | 18,371 |
| Interest income | (540) | (1,090) |
| Share grant expense | - | 185 |
| Share of results of equity accounted joint ventures, net of tax | (811) | 1,927 |
| Share of results of equity accounted associate, net of tax | (1,364) | - |
| Total adjustments | 5,429 | 41,775 |
| **Operating cash before working capital changes** | 41,733 | 25,839 |
| Changes in working capital: | | |
| Changes in inventories | (7,019) | (2,781) |
| Changes in receivables | (9,926) | (1,934) |
| Changes in prepayments | (403) | (2,811) |
| Changes in payables | 9,267 | (8,035) |
| Total changes in working capital | (8,081) | (15,561) |
| **Cash from operations** | 33,652 | 10,278 |
| Interest paid | (3,949) | (6,375) |
| Taxes paid, net of refund | (2,356) | (1,246) |
| **Net cash from operating activities** | 27,347 | 2,657 |

## Condensed Interim Consolidated Statements of Cash Flows (Cont'd)

| | The Group | |
|---|---|---|
| | **Half Year ended 30.06.2022 RM'000** | **Half Year ended 30.06.2021 RM'000** |
| **Investing activities** | | |
| Acquisition of property, plant and equipment | (7,187) | (13,115) |
| Interest received | 540 | 1,090 |
| Subscription of shares in a joint venture | - | (2,383) |
| Proceeds from disposal of property, plant and equipment | 3,869 | - |
| **Net cash used in investing activities** | (2,778) | (14,408) |
| **Financing activities** | | |
| Repayments of bank borrowings | (3,859) | - |
| Payments of lease liabilities | (3,983) | (3,013) |
| **Net cash used in financing activities** | (7,842) | (3,013) |
| **Net changes in cash and cash equivalents** | 16,727 | (14,764) |
| **Effects of exchange fluctuations on cash and cash equivalents** | (358) | (1,138) |
| **Cash and cash equivalents at 1 January** | 26,416 | 96,066 |
| **Cash and cash equivalents at 30 June** | 42,785 | 80,164 |

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

| | | |
|---|---|---|
| Fixed deposits with licensed banks | 1,384 | 1,029 |
| Cash and bank balances | 43,900 | 79,424 |
| | 45,284 | 80,453 |
| Less: Restricted cash with licensed banks | (2,210) | - |
| Less: Restricted fixed deposits with licensed banks | (289) | (289) |
| Total cash and cash equivalents | 42,785 | 80,164 |

**Notes to the Condensed Interim Consolidated Financial Statements**

## 1. Corporate information

Nam Cheong Limited (the "Company") is incorporated as a limited liability company and domiciled in Bermuda. The Company's shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (collectively, the "Group").

The principal activities of the Company are those relating to investment holding. The principal activities of the Group are those of shipbuilding and vessel chartering.

## 2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting of International Financial Reporting Standards ("IFRS"). The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with IFRS, except for the adoption of new and amended standards as set out in Note 2.1.

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

## 2.1. New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

## 2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2021.

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

**Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)**

## 3. Seasonal operations

Other than the vessels utilisation of the chartering business which is affected by monsoon, the Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

## 4. Segment and revenue information

The Group is organised into the following main business segments:
(i) Shipbuilding
(ii) Vessel chartering
(iii) Others - investment holding and trading of vessel machineries

| | Shipbuilding RM'000 | Chartering RM'000 | Others RM'000 | Eliminations RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Half year ended 30 June 2022** | | | | | |
| **Revenue** | | | | | |
| External revenue | - | 165,036 | - | - | 165,036 |
| | | | | | |
| **Results** | | | | | |
| Interest income | 10 | 530 | 5,734 | (5,734) | 540 |
| Depreciation of property, plant and equipment | (668) | (13,877) | (2) | 15 | (14,532) |
| Gain on disposal of property, plant and equipment | - | 3,121 | - | - | 3,121 |
| Gain on waiver of debts | - | 15,787 | - | - | 15,787 |
| Restructuring expenses | - | - | (174) | - | (174) |
| Finance costs | - | (10,593) | (7,506) | 5,579 | (12,520) |
| Share of results of joint ventures | - | - | 811 | - | 811 |
| Share of results of associates | - | - | 1,364 | - | 1,364 |
| Profit/(Loss) before tax | (3,296) | 35,550 | 4,050 | - | 36,304 |

**Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)**

## 4. Segment and revenue information (Cont'd)

| | Shipbuilding RM'000 | Chartering RM'000 | Others RM'000 | Eliminations RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **As at 30 June 2022** | | | | | |
| Additions to non-current assets | 79 | 8,760 | - | - | 8,839 |
| Investment in joint ventures | - | - | 2,796 | - | 2,796 |
| Investment in associate | - | - | 2,083 | - | 2,083 |
| Segment assets | 250,045 | 1,534,907 | 12,850 | (1,136,773) | 661,029 |
| Segment liabilities | 1,461,174 | 2,116,176 | 1,199,487 | (3,465,740) | 1,311,097 |
| **Half year ended 30 June 2021** | | | | | |
| **Revenue** | | | | | |
| External revenue | - | 143,284 | - | - | 143,284 |
| **Results** | | | | | |
| Interest income | 510 | 580 | 5,554 | (5,554) | 1,090 |
| Depreciation of property, plant and equipment | (637) | (12,325) | (2) | - | (12,964) |
| Loss on disposal of property, plant and equipment | - | (564) | - | - | (564) |
| Impairment loss on property, plant and equipment | - | (2,997) | - | - | (2,997) |
| Restructuring expenses | - | - | (880) | - | (880) |
| Finance costs | (9,849) | (6,732) | (7,310) | 5,520 | (18,371) |
| Share of results of joint ventures | - | - | (1,927) | - | (1,927) |
| (Loss)/Profit before tax | (10,932) | 23,386 | (28,390) | - | (15,936) |

**Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)**

## 4. Segment and revenue information (Cont'd)

| | Shipbuilding RM'000 | Chartering RM'000 | Others RM'000 | Eliminations RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **As at 31 December 2021** | | | | | |
| Additions to non-current assets | 322 | 44,849 | - | - | 45,171 |
| Investment in associate | - | - | 1,996 | - | 1,996 |
| Investment in joint ventures | - | - | 680 | - | 680 |
| Segment assets | 262,491 | 1,012,058 | 6,977 | (675,253) | 606,273 |
| Segment liabilities | 1,458,187 | 1,614,121 | 1,144,950 | (2,935,148) | 1,282,110 |

| | 30.06.2022 RM'000 | 31.12.2021 RM'000 |
|---|---|---|
| **Non-current assets** | | |
| Malaysia | 368,685 | 392,993 |
| Singapore | 5 | 7 |
| | 368,690 | 393,000 |

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

| | 30.06.2022 RM'000 | 31.12.2021 RM'000 |
|---|---|---|
| Property, plant and equipment | 363,811 | 390,324 |
| Investment in associates | 2,083 | 680 |
| Investment in joint ventures | 2,796 | 1,996 |
| | 368,690 | 393,000 |

**Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)**

## 5. Other income

| | The Group | |
|---|---|---|
| | **Half Year ended 30.06.2022 RM'000** | **Half Year ended 30.06.2021 RM'000** |
| Gain on disposal of property, plant and equipment | 3,121 | - |
| Interest income | 540 | 1,090 |
| Miscellaneous | 734 | 1,463 |
| Insurance claim proceeds | - | 1,395 |
| Gain on waiver of debts | 15,787 | - |
| | 20,182 | 3,948 |

## 6. Profit/(Loss) before tax

| | The Group | |
|---|---|---|
| | **Half Year ended 30.06.2022 RM'000** | **Half Year ended 30.06.2021 RM'000** |
| The following amounts have been included in arriving at profit/(loss) before tax: | | |
| ***Cost of sales*** | | |
| Depreciation of property, plant and equipment | 13,648 | 12,129 |
| ***Administrative expenses*** | | |
| Depreciation of property, plant and equipment | 884 | 835 |
| ***Other operating expenses*** | | |
| Accretion of non-current trade payables | - | 5,857 |
| Impairment loss on property, plant and equipment | - | 2,997 |
| Foreign exchange loss, net | 4,001 | 16,151 |
| Loss on disposal of property, plant and equipment | - | 564 |
| Restructuring expenses | 174 | 880 |

**Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)**

## 7. Income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

| | The Group | |
|---|---|---|
| | **Half Year ended 30.06.2022 RM'000** | **Half Year ended 30.06.2021 RM'000** |
| Current income tax expense: | | |
| - Current year | 2,061 | 1,300 |
| - Overprovision in prior year | (412) | (118) |
| Deferred tax expense: | | |
| - Underprovision in prior year | 3,082 | - |
| | 4,731 | 1,182 |

## 8. Related party transactions

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

| | The Group | |
|---|---|---|
| | **Half Year ended 30.06.2022 RM'000** | **Half Year ended 30.06.2021 RM'000** |
| Joint ventures | | |
| - interest income | 490 | 469 |
| Other related parties in which directors and key management have interest | | |
| - purchases | 194 | 103 |
| - rental expense | 413 | 387 |

**Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)**

## 9. Net asset value

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 |
| Net asset value per ordinary share (Malaysia sen) | (8.2) | (8.6) | (10.6) | (10.3) |
| Ordinary shares in issue | 7,944,259,058 | 7,816,909,146 | 7,944,259,058 | 7,816,909,146 |

## 10. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired assets amounting to RM8,839,000 (30 June 2021: RM35,111,000) and disposed of assets amounting to RM37,719,000 (30 June 2021: RM24,874,000).

Including in the additions to property, plant and equipment is right-of-use assets of RM1,652,000 (30 June 2021: RM23,397,000).

## 11. Trade and other receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.06.2022 RM'000 | 31.12.2021 RM'000 | 30.06.2022 RM'000 | 31.12.2021 RM'000 |
| **Non-current** | | | | |
| Trade receivables from a third party | 9,473 | 11,060 | - | - |
| Less: Allowance for impairment losses | (9,473) | (11,060) | - | - |
| | - | - | - | - |
| **Current** | | | | |
| Trade receivables | 166,570 | 121,653 | - | - |
| Less: Allowance for impairment losses | (21,181) | (20,516) | - | - |
| | 145,389 | 101,157 | - | - |
| Amount due from subsidiaries (non-trade) | - | - | 88,540 | 103,696 |
| Amounts due from associates and joint ventures (non-trade) | 61,153 | 56,393 | 62 | 63 |
| Deposits and other receivables | 32,751 | 26,416 | 183 | 152 |
| Less: Allowance for impairment losses | | | | |
| - amount due from subsidiaries (non-trade) | - | - | (88,540) | (103,696) |
| - amounts due from associate and joint ventures (non-trade) | (27,640) | (25,000) | (62) | (63) |
| - other receivables | (2,208) | (2,205) | - | - |
| | 64,056 | 55,604 | 183 | 152 |
| Total trade and other receivables | 209,445 | 156,751 | 183 | 152 |

**Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)**

## 11. Trade and other receivables (Cont'd)

As at even date, RM48.2 million (or 33.2%) of the net trade receivables of RM143.2 million in1H2022 has been collected from the customers subsequent to 1H2022. The Group continue to monitor the aging and collection of receivables on an on-going basis. For those receivables which are past due and doubtful of collection, reminders have been sent to the relevant customers before issuance of demand letters and the recovery of debts via legal proceedings where necessary.

## 12. Share capital and share premium

| | The Group and the Company | | | |
|---|---|---|---|---|
| | **30.06.2022** | **31.12.2021** | **30.06.2022** | **31.12.2021** |
| | **'000** | **'000** | **RM'000** | **RM'000** |
| | Number of ordinary shares | | | |
| Share capital | | | | |
| Issued and fully paid | | | | |
| At 1 January | 7,816,909 | 7,272,641 | 3,836 | 3,552 |
| Issuance of non-sustainable debt shares | - | 416,918 | - | 218 |
| Issuance of term loan shares | 127,350 | 127,350 | 68 | 66 |
| | 7,944,259 | 7,816,909 | 3,904 | 3,836 |

Share premium

| | The Group | | The Company | |
|---|---|---|---|---|
| | **30.06.2022** | **31.12.2021** | **30.06.2022** | **31.12.2021** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At 1 January | 309,357 | 303,028 | 309,357 | 303,028 |
| Issuance of non-sustainable debt shares | - | 4,848 | - | 4,848 |
| Issuance of term loan shares | 1,493 | 1,481 | 1,493 | 1,481 |
| | 310,850 | 309,357 | 310,850 | 309,357 |

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

## 13. Borrowings

| | The Group | | The Company | |
|---|---|---|---|---|
| | **30.06.2022** | **31.12.2021** | **30.06.2022** | **31.12.2021** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Bilateral facilities debt (secured) | 102,036 | 102,626 | - | - |
| Term loan - sustainable debts (unsecured) | 865,134 | 845,036 | 693,820 | 681,138 |
| | 967,170 | 947,662 | 693,820 | 681,138 |
| Represented by: | | | | |
| Current | 967,170 | 947,662 | 693,820 | 681,138 |

**Notes to the Condensed Interim Consolidated Financial Statements (Cont'd)**

## 13. Borrowings (Cont'd)

Bilateral Facilities Debt

The maturity date of the Bilateral Facilities Debt was 31 December 2020.

Term Loan - Sustainable Debts

The tenor of the Term Loan is from 1 January 2018 to 31 December 2024. Interest is charged at 4% per annum. The principal shall be repaid in eight half-yearly instalments from 2021 to 2024 in the percentage of 10%, 20%, 30% and 40%, respectively.

The repayment of the borrowings have been suspended since the financial year ended 31 December 2020. Consequently, the non-current borrowings became repayable on demand and were classified as current liabilities. The Group is currently in discussions with the lenders to review its options of restructuring its debts. Please refer to Paragraph 6 of Other Information Required by Listing Rule Appendix 7.2 for further information.

Borrowings are secured by the underlying assets, comprising leasehold land and vessels with carrying amount of RM5,732,000 (31.12.2021 – RM5,813,000) and RM40,959,000 (31.12.2021 – RM42,734,000), respectively.

## 14. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and of the Company as at 30 June 2022 and 31 December 2021:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Financial assets at amortised cost** | | | | |
| Trade and other receivables | 209,445 | 156,751 | 183 | 152 |
| Cash and bank balances | 43,900 | 25,472 | 36 | 77 |
| Fixed deposits | 1,384 | 1,233 | - | - |
| | 254,729 | 183,456 | 219 | 229 |
| **Financial liabilities at amortised cost** | | | | |
| Bilateral facilities debt | 102,036 | 102,626 | - | - |
| Term loan | 865,134 | 845,036 | 693,820 | 681,138 |
| Lease liabilities | 14,982 | 17,416 | - | - |
| Trade and other payables | 277,702 | 268,142 | 104,423 | 82,885 |
| | 1,259,854 | 1,233,220 | 798,243 | 764,023 |

**Other Information Required by Listing Rule Appendix 7.2**

1. 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 the first half of 2022. As at 30 June 2022, 6,678,597 shares were held as treasury shares by the Company.

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

   The condensed consolidated statement of financial position of Nam Cheong Limited and its subsidiaries as at 30 June 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and certain explanatory notes have not been audited or reviewed.

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 2021.

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 2021.

**Other Information Required by Listing Rule Appendix 7.2 (Cont'd)**

6. 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) Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income**

**1H2022 vs 1H2021**

| | 1H2022 | | | | 1H2021 | | | | 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 | - | - | - | n.m. | - | - | - | n.m. | - | n.m. | - | n.m. |
| Vessel Chartering | 165,036 | 100% | 46,808 | 28% | 143,284 | 100% | 41,773 | 29% | 21,752 | 15% | 5,035 | 12% |
| Total | 165,036 | 100% | 46,808 | 28% | 143,284 | 100% | 41,773 | 29% | 21,752 | 15% | 5,035 | 12% |

For the six months ended 30 June 2022 ("1H2022"), the Group's revenue from vessel chartering division increased by 15% from RM143.3 million in the previous corresponding six months ended 30 June 2021 ("1H2021") to RM165.0 million in 1H2022 due to higher vessel utilisation in 1H2022.

The shipbuilding segment did not register any revenue for both 1H2022 and 1H2021 as there was no vessel scheduled for delivery during the period.

In line with the increase in chartering revenue, gross profit increased by 12% to RM46.8 million in 1H2022 at the back of the consistent vessel chartering margins ranging between 28% and 29%.

Other income was higher at RM20.2 million in 1H2022 as compared to RM3.9 million recorded in 1H2021 mainly due to the gain on waiver of debts by trade creditors amounting to RM15.8 million in 1H2022 as a result of successful negotiation and settlement with the trade creditors.

**Other Information Required by Listing Rule Appendix 7.2 (Cont'd)**

6. (Contd.)

**Review of Group Performance (Contd.)**
**(a) Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income**

**1H2022 vs 1H2021**

Selling and administrative expenses increased from RM14.9 million to RM16.2 million in 1H2022, mainly due to the increase in staff cost and increase in other cost related to the mitigation of COVID-19.

Other operating expenses of RM4.2 million in 1H2022 was significantly lower than RM26.4 million recorded in 1H2021 mainly due to the decrease in foreign exchange loss by RM12.2 million, as well as the absence of accretion of non-current trade payables of RM5.9 million recorded in 1H2021.

Finance costs decreased to RM12.5 million in 1H2022 from RM18.4 million recorded in 1H2021, 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 improved to profit of RM0.8 million and profit of RM1.4 million in 1H2022 as compared to loss of RM1.9 million and RMNil in 1H2021 respectively mainly due to higher vessel utilisation.

Consequently, the Group registered a net profit after tax of RM31.6 million in 1H2022 as compared to a net loss after tax of RM17.1 million in 1H2021.

**(b) Condensed Interim Statements of Financial Position (Group)**

**Total Assets**
Total assets of the Group increased by 9.0% or RM54.7 million from RM606.3 million as at 31 December 2021 ("FY2021") to RM661.0 million as at 30 June 2022 ("1H2022") mainly due to:

(i) Inventories increased by RM7.0 million or 29.3% from RM24.0 million to RM31.0 million mainly due to additional vessel construction work in progress during the period;
(ii) Trade and other receivables increased by RM52.7 million or 33.6% from RM156.8 million as at FY2021 to RM209.5 million as at 1H2022 mainly due to the disposal of one unit of vessel on a deferred payment basis as well as additional billing of vessel chartering and related services provided to the customers during the period; and
(iii) Cash and bank balances increased by RM18.4 million or 72.3% from RM25.5 million to RM43.9 million mainly due to the collection from customers during the period.

The increase in total assets was partially offset by the following:
(i) Property, plant and equipment decreased by RM26.5 million or 6.8% from RM390.3 million to RM363.8 million as at 1H2022 mainly due to disposal of 5 units of vessels amounting to RM25.8 million and a unit of vessel being returned to the trade creditor as part of the settlement of the trade payable during the period.

**Other Information Required by Listing Rule Appendix 7.2 (Cont'd)**

6. (Contd.)

**Review of Group Performance (Contd.)**
**(b) Condensed Interim Statements of Financial Position (Group) (Cont'd)**

**Total Liabilities**
Total liabilities of the Group increased by 2.3% or RM29.0 million from RM1.28 billion as at FY2021 to RM1.31 billion as at 1H2022 mainly due to the increase in borrowings by RM19.5 million in 1H2022 as a result of fluctuation of foreign currency exchange rates.

**Negative working capital**
The increase in net working capital of RM49.7 million, or 4.7%, from negative RM1.06 billion as at FY2021 to negative RM1.01 billion as at 1H2022 was mainly due to the increase in trade and other receivables by RM52.7 million and the increase in cash and bank balance of RM18.4 million. The impact was partially offset by the increase in borrowing of RM19.5 million.

The following steps, which has been announced previously, have been taken by the Group as part of on-going measures to position the Group to ride out this incredibly challenging market environment and also to address its debt obligations:

(i) The Group has been holding discussions with its principal lenders and has appointed advisors to help address significant debt maturities, which may include, inter alia, extension of the maturities and/or restructuring of existing loans.

As a positive development, the Group's wholly owned subsidiary, Nam Cheong Dockyard ("NCD") applied and was formally admitted into the Corporate Debt Restructuring Committee of Malaysia ("CDRC"), a committee under the purview of Bank Negara Malaysia (the Central Bank of Malaysia) in October 2020, for the CDRC's assistance to mediate between NCD and its financial creditors. These secured and unsecured financial institution creditors ("FI Creditors") are expected to observe an informal standstill, and withhold from any proceedings against, inter alia, NCD and its subsidiaries. Since November 2020, NCD has been engaging actively with both financial creditors and trade creditors.

(ii) The Group has been reviewing it's cash flow projections, in the face of the great business uncertainties, operational disruptions and costs containment measures. It has been entering into discussions with various parties regarding possible actions to contain operating costs and to preserve working capital to fund the Group's operations.

(iii) The Group has explored various strategies to bolster its financial position whilst continuing its cost rationalisation measures to improve overall competitiveness.

Following many rounds of feedback and negotiations with the secured and unsecured FI creditors, NCD, together with its advisors, evolved a revised debt restructuring proposal which was presented to the secured and unsecured FI creditors earlier this year. The Company is pleased to announce that after further rounds of negotiations, the Group had agreed an in-principle agreement with all its secured and unsecured FI creditors for the proposed restructuring (the "Restructuring"). The Restructuring has proceeded with documentation and subject to conditions that will be set out in definitive agreements to be entered into between all relevant parties. The Group is working closely with all to ensure the process can be completed in an expedient manner. Please refer to the Company's announcement on SGXNET for more information.

**Other Information Required by Listing Rule Appendix 7.2 (Cont'd)**

6. (Contd.)

**Review of Group Performance (Contd.)**
**(c) Condensed Interim Consolidated Statements of Cash Flows (Cont'd)**

**1H2022**

Net cash from operating activities of RM27.3 million in 1H2022 was mainly due to collection from customers during the period.

Net cash used in investing activities of RM2.8 million in 1H2022 was mainly due to acquisition of property, plant and equipment ("PPE") of RM7.2 million. The effect is partially offset by the proceeds received from disposal of PPE amounting to RM3.9 million.

Net cash used in financing activities of RM7.8 million in 1H2022 was mainly due to repayment of bank borrowings and lease liabilities.

7. 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.

8. 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

Despite Malaysia's policy to reopen the border on 01 April 2022, the heightened supply chain disruptions and rising fears of recession continue to slow down the pace of economic recovery. The outlook for the offshore & marine industry continues to remain uncertain. To add to the mix, companies also have to contend with rising inflationary costs. The Group will continue to work closely with its partners and various stakeholders to ensure a smooth navigation through this unprecedented and challenging business environment.

The Group successfully reached an in-principle agreement with its secured and unsecured financial institution creditors in May 2022 for the proposed restructuring. The Group is working closely with all parties to ensure an expedient and efficient follow-up process. In the meanwhile, the Group will work towards the restructuring of the remaining liabilities and in due course call a meeting with relevant parties to update on the next steps.

9. 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.

**Other Information Required by Listing Rule Appendix 7.2 (Cont'd)**

9. Dividend (Cont'd)

(c) Date payable
Not applicable.

(d) Books closure date
Not applicable.

10. 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.

11. General mandate relating to interested person transactions

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

12. 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.

13. 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 2022 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

12 August 2022