
**First Quarter Ended 31 March 2015 Financial Statements
and Related Announcement**

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1. Unaudited Financial Statements

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

	1st Quarter ended 31.3.2015 RM'000	1st Quarter ended 31.3.2014 RM'000	Change %
Revenue	326,251	407,252	(20%)
Cost of sales	(257,928)	(320,969)	(20%)
Gross profit	<u>68,323</u>	<u>86,283</u>	(21%)
Other income	2,861	7,155	(60%)
Selling and administrative expenses	(24,736)	(19,003)	30%
Operating profit	<u>46,448</u>	<u>74,435</u>	(38%)
Finance costs	(6,953)	(3,575)	94%
Share of post-tax (loss) / profit of equity accounted associate and jointly controlled entities	(175)	715	(124%)
Profit before tax	<u>39,320</u>	<u>71,575</u>	(45%)
Income tax expense	4	(245)	(102%)
Profit for the financial period attributable to owners of the parent	<u>39,324</u>	<u>71,330</u>	(45%)
Other comprehensive income			
Exchange differences on translating foreign operations	92,658	(3,167)	>100%
Net loss on cash flow hedges	(31,966)	-	n.m.
Other comprehensive income for the financial period, net of tax	<u>60,692</u>	<u>(3,167)</u>	>100%
Total comprehensive income for the financial period attributable to owners of the parent	<u>100,016</u>	<u>68,163</u>	47%
Profit attributable to :			
Owners of the parent	39,296	71,093	(45%)
Non-controlling interest	28	237	(88%)
Profit for the financial period	<u>39,324</u>	<u>71,330</u>	(45%)
Total comprehensive income attributable to:			
Owners of the parent	99,988	67,926	47%
Non-controlling interest	28	237	(88%)
Total comprehensive income for the financial period	<u>100,016</u>	<u>68,163</u>	47%

1. Unaudited Financial Statements (Contd.)

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

	1st Quarter ended 31.3.2015 RM'000	1st Quarter ended 31.3.2014 RM'000	Change %
Other income			
Interest income	1,507	183	>100%
Miscellaneous	769	489	57%
Net fair value gain on derivatives	-	5,804	n.m.
Rental income	585	679	(14%)
	<u>2,861</u>	<u>7,155</u>	(60%)
Finance costs			
Interest expense on borrowings	17,835	10,250	74%
Less: Interest capitalised in cost of construction contracts	(10,882)	(6,675)	63%
	<u>6,953</u>	<u>3,575</u>	94%
Profit before tax			
The following amounts have been included in arriving at profit before tax:			
Amortisation of prepaid land lease payments	27	27	-
Depreciation of property, plant and equipment	4,373	3,958	10%
Depreciation of investment properties	280	272	3%
Foreign exchange loss	2,498	663	>100%
Net fair value loss on derivatives	3,777	-	n.m.
Share grant plan expenses	606	3,473	(83%)
Income tax expense			
Current income tax	(4)	245	(102%)

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(b)(i) Statement of Financial Position

	Group		Company	
	31.3.2015 RM'000	31.12.2014 RM'000	31.3.2015 RM'000	31.12.2014 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	330,771	282,157	-	-
Prepaid land lease payments	7,876	7,943	-	-
Investment properties	82,552	81,444	-	-
Investment in subsidiaries	-	-	1,709,799	1,790,099
Investment in joint ventures	6,793	5,686	-	-
Investment in an associate	102,058	110,400	-	-
Held-to-maturity financial assets	121,289	115,669	-	-
	<u>651,339</u>	<u>603,299</u>	<u>1,709,799</u>	<u>1,790,099</u>
Current assets				
Inventories	1,210,108	1,040,666	-	-
Trade and other receivables	171,910	230,195	304,821	196,551
Prepayments	131,602	159,969	250	246
Tax recoverable	6,187	4,908	-	-
Due from customers on contracts	283,063	413,250	-	-
Derivatives	75	22	-	-
Fixed deposit	66,983	12,249	-	-
Cash and bank balances	795,603	787,849	337,110	354,026
	<u>2,665,531</u>	<u>2,649,108</u>	<u>642,181</u>	<u>550,823</u>
TOTAL ASSETS	<u>3,316,870</u>	<u>3,252,407</u>	<u>2,351,980</u>	<u>2,340,922</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	405,962	405,962	405,962	405,962
Share premium	82,347	82,347	82,347	82,347
Treasury shares	(7,090)	(7,090)	(7,090)	(7,090)
Other reserves	141,858	80,560	782,039	781,433
Retained earnings	696,281	656,985	5,836	8,523
	<u>1,319,358</u>	<u>1,218,764</u>	<u>1,269,094</u>	<u>1,271,175</u>
Non-controlling interest	<u>596</u>	<u>568</u>	<u>-</u>	<u>-</u>
Total equity	<u>1,319,954</u>	<u>1,219,332</u>	<u>1,269,094</u>	<u>1,271,175</u>
Non-current liabilities				
Loans and borrowings	763,175	753,136	777,016	763,553
Deferred tax liabilities	1,346	1,344	-	-
Trade and other payables	2,756	2,756	-	-
	<u>767,277</u>	<u>757,236</u>	<u>777,016</u>	<u>763,553</u>

1. Unaudited Financial Statements (Contd.)

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

	Group		Company	
	31.3.2015 RM'000	31.12.2014 RM'000	31.3.2015 RM'000	31.12.2014 RM'000
Current liabilities				
Due to customers on contracts	25,932	35,092	-	-
Derivatives	83,542	47,747	-	-
Loans and borrowings	695,906	556,200	303,723	303,484
Trade and other payables	424,059	636,600	2,147	2,710
Provisions	200	200	-	-
	<u>1,229,639</u>	<u>1,275,839</u>	<u>305,870</u>	<u>306,194</u>
Total liabilities	<u>1,996,916</u>	<u>2,033,075</u>	<u>1,082,886</u>	<u>1,069,747</u>
TOTAL EQUITY AND LIABILITIES	<u>3,316,870</u>	<u>3,252,407</u>	<u>2,351,980</u>	<u>2,340,922</u>

1. Unaudited Financial Statements (Contd.)

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

	As at 31.3.2015		As at 31.12.2014	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount repayable in one year or less, or on demand	392,183	303,723	263,966	292,234
Amount repayable after one year	26,712	736,463	29,290	723,846

Details of any collaterals

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

1. Unaudited Financial Statements (Contd.)

1(c) Statement of Cash Flows (Group)

	1st Quarter ended 31.3.2015 RM'000	1st Quarter ended 31.3.2014 RM'000
Operating activities		
Profit before tax	39,320	71,575
Adjustments for:		
Amortisation of prepaid land lease payments	27	27
Amortisation of transaction cost for medium term notes	-	82
Depreciation of property, plant and equipment	4,373	3,958
Depreciation of investment properties	280	272
Interest expense	6,953	3,493
Interest income	(1,507)	(183)
Net fair value loss / (gain) on derivatives	3,777	(5,804)
Share grant plan expenses	606	3,473
Share of post-tax loss / (profit) of equity accounted associate and jointly controlled entities	175	(715)
Unrealised loss / (gain) loss on foreign exchange	7,088	(59)
Total adjustments	21,772	4,544
Operating cash flows before working capital changes	61,092	76,119
Changes in working capital:		
(Increase) / Decrease in inventories	(212,300)	17,482
Decrease in receivables	279,387	28,687
Decrease / (Increase) in prepayments	33,115	(4,008)
Decrease in amount due from customers on contracts	141,109	87,990
Decrease in payables	(353,140)	(65,469)
(Decrease) / Increase in amount due to customers on contracts	(9,160)	12,739
Total changes in working capital	(120,989)	77,421
Cash flows (used in) / from operations	(59,897)	153,540
Interest paid	(17,835)	(10,250)
Taxes paid, net of refund	(1,275)	(1,057)
Net cash flows (used in) / from operating activities	(79,007)	142,233

1. Unaudited Financial Statements (Contd.)

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

	1st Quarter ended 31.3.2015 RM'000	1st Quarter ended 31.3.2014 RM'000
Investing activities		
Acquisition of property, plant and equipment	(682)	(3,048)
Interest received	1,507	183
Net cash flows from / (used in) investing activities	825	(2,865)
Financing activities		
Proceeds from bank borrowings	139,017	3,587
Repayments of bank borrowings	(14,269)	(52,082)
Net cash flows from / (used in) financing activities	124,748	(48,495)
Net increase in cash and cash equivalents	46,566	90,873
Effects of foreign exchange rate changes	15,896	(1,552)
Cash and cash equivalents at 1 January	799,900	358,778
Cash and cash equivalents at 31 March	862,362	448,099

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

Fixed deposits with licensed banks	66,983	198
Cash and bank balances	795,603	448,099
Bank overdrafts	(26)	-
	862,560	448,297
Less: Restricted fixed deposits with licensed banks	(198)	(198)
Total cash and cash equivalents	862,362	448,099

1. Unaudited Financial Statements (Contd.)

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

Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Cash flow hedge reserve RM'000	Share grant reserve RM'000	Retained earnings RM'000	Equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2014	405,962	82,347	-	36,203	-	2,315	411,164	937,991	643	938,634
Profit for the period	-	-	-	-	-	-	71,093	71,093	237	71,330
Other comprehensive income	-	-	-	(3,167)	-	-	-	(3,167)	-	(3,167)
Contributions by and distributions to owners:										
Share grant plan expenses	-	-	-	-	-	3,473	-	3,473	-	3,473
At 31 March 2014	405,962	82,347	-	33,036	-	5,788	482,257	1,009,390	880	1,010,270
At 1 January 2015	405,962	82,347	(7,090)	115,780	(38,045)	2,825	656,985	1,218,764	568	1,219,332
Profit for the period	-	-	-	-	-	-	39,296	39,296	28	39,324
Other comprehensive income	-	-	-	92,658	(31,966)	-	-	60,692	-	60,692
Contributions by and distributions to owners:										
Share grant plan expenses	-	-	-	-	-	606	-	606	-	606
At 31 March 2015	405,962	82,347	(7,090)	208,438	(70,011)	3,431	696,281	1,319,358	596	1,319,954

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	Share grant reserve RM'000	Contributed surplus RM'000	(Accumulated losses) / Retained profit RM'000	Equity attributable to owners of the parent RM'000
Company							
At 1 January 2014	405,962	82,347	-	2,315	778,608	(8,864)	1,260,368
Loss for the period	-	-	-	-	-	(4,650)	(4,650)
<i>Contributions by and distributions to owners:</i>							
Share grant plan expenses	-	-	-	3,473	-	-	3,473
At 31 March 2014	405,962	82,347	-	5,788	778,608	(13,514)	1,259,191
At 1 January 2015	405,962	82,347	(7,090)	2,825	778,608	8,523	1,271,175
Loss for the period	-	-	-	-	-	(2,687)	(2,687)
<i>Contributions by and distributions to owners:</i>							
Share grant plan expenses	-	-	-	606	-	-	606
At 31 March 2015	405,962	82,347	(7,090)	3,431	778,608	5,836	1,269,094

Notes:

(a) There were no share granted in 1Q of FY2015 under the Nam Cheong Group 2013 Share Grant Plan ("2013 Share Grant Plan"). During 1Q 2015, there were neither share grant being released (1Q 2014: Nil) nor lapsed (1Q 2014: Nil) under the 2013 Share Grant Plan.

1. Unaudited Financial Statements (Contd.)

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

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

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

As at 31 March 2015 and 31 March 2014, the total number of issued shares excluding treasury shares was 2,096,255,325 and 2,103,144,482 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.

During 1Q 2015, there were no treasury shares was acquired and re-issued pursuant to the 2013 Share Grant Plan.

As at 31 March 2015, 6,889,157 treasury shares were held that may be issued upon the vesting of shares grant under 2013 Share Grant Plan.

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

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

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

Not applicable.

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

The 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 2014.

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 2014.

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	
	1st Quarter ended 31.3.2015	1st Quarter ended 31.3.2014

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)	1.87	3.38
Weighted average number of shares	2,096,255,325	2,103,144,482
(ii) On a fully diluted basis (Sen)	1.87	3.36
Adjusted weighted average number of shares	2,101,266,168	2,113,166,168

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

	Group		Company	
	As at 31.3.2015	As at 31.12.2014	As at 31.3.2015	As at 31.12.2014
Net asset value per ordinary share (Sen)	63.0	58.2	60.5	60.6
Ordinary shares in issue	2,096,255,325	2,096,255,325	2,096,255,325	2,096,255,325

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)

1Q 2015 vs 1Q 2014

	1Q 2015				1Q 2014				Variance			
	Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	RM'000	RM'000	%	RM'000	%
Shipbuilding	310,657	95%	62,155	20%	383,202	94%	77,209	20%	(72,545)	(19%)	(15,054)	(19%)
Vessel Chartering	15,594	5%	6,168	40%	24,050	6%	9,074	38%	(8,456)	(35%)	(2,906)	(32%)
Total	326,251	100%	68,323	21%	407,252	100%	86,283	21%	(81,001)	(20%)	(17,960)	(21%)

Revenue for first quarter ended 31 March 2015 ("1Q 2015") of RM326.3 million was RM81.0 million, or 20%, lower as compared to RM407.3 million achieved during the previous year corresponding first quarter ended 31 March 2014 ("1Q 2014"). The lower revenue came from shipbuilding segment which recorded revenue of RM310.7 million for 1Q 2015, representing a decrease of 19% as compared to RM383.2 million recorded for 1Q 2014. This was mainly due to lesser number of vessels delivered in 1Q 2015 as compared to 1Q 2014 (1Q 2015: 6 units; 1Q 2014: 7 units).

The vessel chartering segment's revenue in 1Q 2015 of RM15.6 million was lower compared to RM24.1 million achieved in 1Q 2014. The decrease was mainly due to lower vessel utilisation rate in 1Q 2015.

8. (contd.)

Review of Group Performance (contd.)

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

1Q 2015 vs 1Q 2014 (contd.)

In tandem with the lower revenue, gross profit in 1Q 2015 of RM68.3 million decreased by 20% from RM86.3 million recorded in 1Q 2014. However, the gross profit margin for the shipbuilding segment was consistent with 1Q 2014 which was maintained at 20%, whilst gross profit margin for the vessel chartering segment was maintained within the range of 38% to 40%. As a result, the overall gross profit margin was maintained at 21%.

In 1Q 2015, due to the absence of a net fair value gain on derivatives of RM5.8 million recorded in 1Q 2014, other income reached RM2.9 million in 1Q 2015 compared to RM7.2 million in 1Q 2014.

Selling and administrative expenses increased by RM5.7 million in 1Q 2015 mainly due to the net foreign exchange loss of RM2.5 million and net fair value loss on derivatives of RM3.8 million.

Finance cost increased by RM3.4 million in 1Q 2015 as compared to 1Q 2014, pursuant to the issuance of additional Medium Term Notes ("MTNs") in 3Q 2014.

Share of profit in jointly controlled entities recorded a gain of RM2.6 million in 1Q 2015 as more assets are deployed by the jointly controlled entities. However, the gain was offset by the share of loss in associate of RM2.7 million in 1Q 2015 due to the lower vessel utilisation rate.

Overall, net profit after taxation for 1Q 2015 was RM39.3 million, a decrease of 45% from RM71.3 million in 1Q 2014.

(b) Statements of financial position (Group)

Total Assets

Total assets of the Group increased by RM64.4 million from RM3.25 billion as at 31 December 2014 ("FY2014") to RM3.32 billion as at 31 March 2015 ("PE2015") mainly due to:

- (i) the increase in property, plant and equipment of RM48.6 million which was mainly due to the addition of one vessel to the existing fleet during the period;
- (ii) the increase in inventories by RM169.4 million from RM1.0 billion in FY2014 to RM1.2 billion in PE2015 as a result of progresses of works for its built-to-stock vessels under the shipbuilding programme;
- (iii) the increase in the aggregate amount of fixed deposit and cash and bank balances by RM62.5 million, derived mainly from the proceeds received from customers; and
- (iv) which was partly offset by the decrease in aggregate amount of trade and other receivables, and amount due from customer on contracts by RM188.4 million from RM643.4 million in FY2014 to RM455.0 million in PE2015 as a result of the payment of sales proceeds received from customers.

8. (contd.)

Review of Group Performance (contd.)

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

Total Liabilities

Total liabilities of the Group reduced by RM36.2 million from RM2.03 billion in FY2014 to RM2.00 billion in PE2015, mainly due to the decrease in trade and other payables of RM212.5 million which was partly offset by the increase in loans and borrowings by RM149.7 million.

As a result of the increase in loan and borrowings, Group's net gearing ratio increased marginally from 0.42 times in FY2014 to 0.45 times in PE2015.

(c) Statement of Cash Flows (Group)

1Q 2015 vs 1Q 2014

Net cash flows used in operating activities of RM79.0 million in 1Q 2015 was mainly due to the increase in inventories of RM212.3 million which was partly offset by the decrease in amount due from customer on contracts of RM141.1 million.

Net cash flows from investing activities of RM0.8 million in 1Q 2015 was mainly attributed to the interest received of RM1.5 million, which was partly offset by the acquisition of property, plant and equipment of RM0.7 million.

Net cash flows from financing activities of RM124.7 million in 1Q 2015 was mainly attributed to the proceed from bank borrowings of RM139.0 million.

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

There is no material change from the previous prospect statement.

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

The International Energy Agency forecasts a pick-up in global oil demand for 2015 to increase by 1.1 million barrels per day to reach a total demand of 93.6 million barrels per day as compared to a growth in demand of 0.7 million barrels per day in 2014¹. In the long-run, global demand for oil per day is anticipated to expand by an average of 1.2% a year till 2020, with consumption over the period to outstrip production capacity by approximately 1.5 million barrels a day².

Over the next few years, the Group expects an increase in cumulative planned offshore infrastructure development in the shallow water segment as a result of more fields coming on stream than those being decommissioned³. In addition, the Group also anticipates the planned global delivery of more than 100 modern jackup rigs between 2015-2017⁴, and when deployed, is likely to drive demand for modern OSVs. Nam Cheong continues to see demand for AHTS vessels and other offshore vessels, especially in the shallow water region.

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 (contd.)

The Group has an order book of approximately RM1.6 billion as at March 31, 2015, comprising a mix of OSVs due for deliveries up till 2016.

Source:

¹ *Oil Market Report, April 2015 - International Energy Agency, April 15, 2015*

² *IEA Sees U.S. Adding Most Oil to Global Supply Through 2020 – Bloomberg, February 10, 2015*

³ *IHS Petrodata, April 2015*

⁴ *Rigzone, April 2015*

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared in the period under review.

13. General mandate relating to interested person transactions

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

14. 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 three months ended 31 March 2015 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Datuk Tiong Su Kouk
Executive Chairman

Leong Seng Keat
Chief Executive Officer

Singapore
14 May 2015