
Second Quarter And Half Year Ended 30 June 2014 Financial Statements and Related Announcement

Content	Page
1. Unaudited Financial Statements	1
1(a)(i) Statements of Comprehensive Income (Group)	1
1(a)(ii) Notes to the Statements of Comprehensive Income	3
1(b)(i) Statements of Financial Position	5
1(b)(ii) Aggregate amount of Group's Borrowings and Debt Securities	7
1(c) Statements of Cash Flows (Group)	8
1(d)(i) Statements of Changes in Equity	10
1(d)(ii) Share Capital	16
1(d)(iii) Number of Issued Shares excluding Treasury Shares	16
1(d)(iv) Sales, Transfers, Disposals, Cancellations and/or use of Treasury Shares	16
2. Audit	16
3. Auditors' Report	16
4. Accounting Policies	16
5. Changes in Accounting Policies	17
6. Earnings Per Ordinary Share	17
7. Net Asset Value Per Ordinary Share	17
8. Review of Group Performance	18
9. Variance From Forecast Statement	21
10. Prospects	22
11. Dividend	22
12. Dividend Declared	23
13. General mandate relating to interested person transactions	23

1. Unaudited Financial Statements

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

	2nd Quarter ended 30.6.2014 RM'000	2nd Quarter ended 30.6.2013 RM'000	Change %	Half year ended 30.6.2014 RM'000	Half year ended 30.6.2013 RM'000	Change %
Revenue	378,812	275,346	38%	786,064	510,072	54%
Cost of sales	(311,858)	(221,552)	41%	(632,827)	(412,572)	53%
Gross profit	<u>66,954</u>	<u>53,794</u>	24%	<u>153,237</u>	<u>97,500</u>	57%
Other income	7,623	3,157	>100%	14,115	9,439	50%
Selling and administrative expenses	(8,897)	(13,309)	(33%)	(27,237)	(22,188)	23%
Operating profit	<u>65,680</u>	<u>43,642</u>	50%	<u>140,115</u>	<u>84,751</u>	65%
Finance costs	(3,847)	(1,606)	>100%	(7,422)	(6,689)	11%
Share of profit / (loss) of jointly controlled entity, net of tax	2,336	-	n.m.	3,051	(89)	>100%
Profit before tax	<u>64,169</u>	<u>42,036</u>	53%	<u>135,744</u>	<u>77,973</u>	74%
Income tax expense	(1,133)	(955)	19%	(1,378)	(1,118)	23%
Profit for the financial period	<u><u>63,036</u></u>	<u><u>41,081</u></u>	53%	<u><u>134,366</u></u>	<u><u>76,855</u></u>	75%
Profit attributable to :						
Owners of the parent	63,299	40,723	55%	134,392	76,497	76%
Non-controlling interest	(263)	358	n.m.	(26)	358	n.m.
Profit for the financial period	<u><u>63,036</u></u>	<u><u>41,081</u></u>		<u><u>134,366</u></u>	<u><u>76,855</u></u>	

1. Unaudited Financial Statements

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

	2nd Quarter ended 30.6.2014 RM'000	2nd Quarter ended 30.6.2013 RM'000	Change %	Half year ended 30.6.2014 RM'000	Half year ended 30.6.2013 RM'000	Change %
Other comprehensive income						
Exchange differences on translating foreign operations	(14,968)	15,082	>100%	(18,135)	21,669	>100%
Net change in fair value of cash flow hedges	3,070	9,508	(68%)	3,070	9,508	(68%)
Other comprehensive income for the financial period, net of tax	<u>(11,898)</u>	<u>24,590</u>	>100%	<u>(15,065)</u>	<u>31,177</u>	>100%
Total comprehensive income for the financial period	<u>51,138</u>	<u>65,671</u>	(22%)	<u>119,301</u>	<u>108,032</u>	10%
Total comprehensive income attributable to:						
Owners of the parent	51,401	65,313	(21%)	119,327	107,674	11%
Non-controlling interest	(263)	358	>100%	(26)	358	>100%
Total comprehensive income for the financial period	<u>51,138</u>	<u>65,671</u>	(22%)	<u>119,301</u>	<u>108,032</u>	10%

1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.6.2014 RM'000	2nd Quarter ended 30.6.2013 RM'000	Change %	Half year ended 30.6.2014 RM'000	Half year ended 30.6.2013 RM'000	Change %
Other income						
Interest income	343	58	491%	526	509	3%
Miscellaneous	141	575	(75%)	630	761	(17%)
Net fair value gain on derivatives	1,677	(302)	>100%	7,481	2,339	>100%
Gain on disposal of property, plant and equipment	10	-	n.m.	10	2,807	>100%
Rental income	673	4	>100%	1,352	9	>100%
Foreign exchange gain	4,779	2,822	69%	4,116	3,014	37%
	<u>7,623</u>	<u>3,157</u>	>100%	<u>14,115</u>	<u>9,439</u>	50%
Finance costs						
Interest expense on borrowings	10,239	7,069	45%	20,489	13,567	51%
Less: Interest capitalised in cost of construction contracts	(6,392)	(5,463)	17%	(13,067)	(6,878)	90%
	<u>3,847</u>	<u>1,606</u>	140%	<u>7,422</u>	<u>6,689</u>	11%

1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.6.2014 RM'000	2nd Quarter ended 30.6.2013 RM'000	Change %	Half year ended 30.6.2014 RM'000	Half year ended 30.6.2013 RM'000	Change %
Profit before tax						
The following amounts have been included in arriving at profit before tax:						
Amortisation of prepaid land lease payments	27	23	17%	54	45	20%
Depreciation of property, plant and equipment	3,919	2,043	92%	7,877	4,470	76%
Depreciation of investment properties	270	-	n.m.	542	-	n.m.
Property, plant and equipment written off	50	-	n.m.	50	-	n.m.
Share grant plan expenses	(540)	-	n.m.	2,933	-	n.m.
Income tax expense						
Current income tax	59	328	(82%)	304	353	(14%)
Deferred tax	1,074	627	71%	1,074	765	40%
	<u>1,133</u>	<u>955</u>	19%	<u>1,378</u>	<u>1,118</u>	23%

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(b)(i) Statements of Financial Position

	Group		Company	
	30.6.2014 RM'000	31.12.2013 RM'000	30.6.2014 RM'000	31.12.2013 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	286,343	290,128	-	-
Prepaid land lease payments	8,091	8,214	-	-
Investment properties	79,714	80,760	-	-
Investment in subsidiaries	-	-	1,142,970	1,541,219
Investment in jointly controlled entities	2,494	1,147	-	-
	<u>376,642</u>	<u>380,249</u>	<u>1,142,970</u>	<u>1,541,219</u>
Current assets				
Inventories	898,469	751,080	-	-
Trade and other receivables	220,439	175,149	15	15
Prepayments	61,215	45,191	295	160
Amount due from subsidiaries	-	-	641,652	121,347
Tax recoverable	2,481	1,247	-	-
Due from customers on contracts	530,014	459,736	-	-
Derivatives	11,326	4,539	-	-
Fixed deposits with licensed banks	12,354	40,173	-	-
Cash and bank balances	194,199	321,870	1,431	117,469
	<u>1,930,497</u>	<u>1,798,985</u>	<u>643,393</u>	<u>238,991</u>
TOTAL ASSETS	<u>2,307,139</u>	<u>2,179,234</u>	<u>1,786,363</u>	<u>1,780,210</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	405,962	405,962	405,962	405,962
Share premium	82,347	82,347	82,347	82,347
Other reserves	22,269	38,518	779,739	780,923
Retained earnings / (Accumulated losses)	489,594	411,164	161	(8,864)
	<u>1,000,172</u>	<u>937,991</u>	<u>1,268,209</u>	<u>1,260,368</u>
Non-controlling interest	617	643	-	-
Total equity	<u>1,000,789</u>	<u>938,634</u>	<u>1,268,209</u>	<u>1,260,368</u>
Non-current liabilities				
Loans and borrowings	596,659	609,116	513,340	514,500
Deferred tax liabilities	1,972	898	-	-
Trade and other payables	2,756	2,756	-	-
	<u>601,387</u>	<u>612,770</u>	<u>513,340</u>	<u>514,500</u>

1. Unaudited Financial Statements (Contd.)

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

	Group		Company	
	30.6.2014 RM'000	31.12.2013 RM'000	30.6.2014 RM'000	31.12.2013 RM'000
Current liabilities				
Amount due to subsidiaries	-	-	649	-
Due to customers on contracts	15,228	20,004	-	-
Derivatives	1,218	4,983	-	-
Loans and borrowings	206,928	242,067	3,044	3,707
Trade and other payables	481,389	360,576	1,121	1,635
Provisions	200	200	-	-
	<u>704,963</u>	<u>627,830</u>	<u>4,814</u>	<u>5,342</u>
Total liabilities	<u>1,306,350</u>	<u>1,240,600</u>	<u>518,154</u>	<u>519,842</u>
TOTAL EQUITY AND LIABILITIES	<u>2,307,139</u>	<u>2,179,234</u>	<u>1,786,363</u>	<u>1,780,210</u>

1. Unaudited Financial Statements (Contd.)

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

	30.6.2014		31.12.2013	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount repayable in one year or less, or on demand	206,928	-	242,067	-
Amount repayable after one year	83,319	513,340	94,616	514,500

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) Statements of Cash Flows (Group)

	2nd Quarter ended 30.6.2014 RM'000	2nd Quarter ended 30.6.2013 RM'000	Half year ended 30.6.2014 RM'000	Half year ended 30.6.2013 RM'000
Operating activities				
Profit before tax	64,169	42,036	135,744	77,973
Adjustments for:				
Amortisation of prepaid land lease payments	27	23	54	45
Amortisation of transaction cost for medium term notes	92	-	92	-
Depreciation of property, plant and equipment	3,919	2,043	7,877	4,470
Depreciation of investment properties	270	-	542	-
Interest expense	3,847	1,606	7,422	6,689
Interest income	(343)	(58)	(526)	(509)
Gain on disposal of property, plant and equipment	(10)	-	(10)	(2,807)
Net fair value (gain) / loss on derivatives	(1,677)	302	(7,481)	(2,339)
Property, plant and equipment written off	50	-	50	-
Share of results in jointly controlled entities	(2,336)	-	(3,051)	89
Share grant expenses, net	(540)	-	2,933	-
Unrealised (gain) / loss on foreign exchange	(3,029)	1,886	(3,088)	1,898
Total adjustments	270	5,802	4,814	7,536
Operating cash flows before working capital changes	64,439	47,838	140,558	85,509
Changes in working capital:				
Increase in inventories	(171,355)	(77,063)	(153,873)	(161,378)
(Increase) / Decrease in receivables	(90,337)	(4,885)	(61,650)	49,521
Increase in prepayments	(12,044)	(9,962)	(16,052)	(24,728)
(Increase) / Decrease in amount due from customers on contracts	(152,709)	73,893	(64,719)	(4,121)
Increase / (Decrease) in payables	203,035	(40,350)	137,566	(36,356)
(Decrease) / Increase in amount due to customers on contracts	(17,515)	15,776	(4,776)	33,895
Total changes in working capital	(240,925)	(42,591)	(163,504)	(143,167)
Cash flows (used in) / from operations	(176,486)	5,247	(22,946)	(57,658)
Interest paid	(10,239)	(7,069)	(20,489)	(13,567)
Taxes paid, net of refund	(481)	(637)	(1,538)	(1,213)
Net cash flows used in operating activities	(187,206)	(2,459)	(44,973)	(72,438)

1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.6.2014 RM'000	2nd Quarter ended 30.6.2013 RM'000	Half year ended 30.6.2014 RM'000	Half year ended 30.6.2013 RM'000
Investing activities				
Acquisition of property, plant and equipment	(360)	(45,775)	(3,408)	(46,182)
Acquisition of investment	-	93	-	93
Interest received	343	58	526	509
Proceeds from disposal of plant and equipment	40	-	40	7,000
Net cash flows from / (used in) investing activities	23	(45,624)	(2,842)	(38,580)
Financing activities				
Dividends paid	(54,675)	(25,920)	(54,675)	(25,920)
Proceeds from bank borrowings	50,739	61,396	54,326	109,973
Repayments of bank borrowings	(40,637)	(63,307)	(92,719)	(90,830)
Repayments of hire purchase	-	-	-	(718)
Proceeds from issuance of shares (Placement) / Upliftment of fixed deposits	-	(28)	-	118,599
Purchase of treasury shares	(5,404)	-	(5,404)	-
Net cash flows (used in) / from financing activities	(50,002)	13,841	(98,497)	111,704
Net (decrease) / increase in cash and cash equivalents	(237,185)	(34,242)	(146,312)	686
Effects of foreign exchange rate changes	(4,559)	14,951	(6,111)	(978)
Cash and cash equivalents at 1 April / 1 January	448,099	229,283	358,778	210,284
Cash and cash equivalents at 30 June	206,355	209,992	206,355	209,992

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

Fixed deposits with licensed banks	12,354	173	12,354	173
Cash and bank balances	194,199	214,091	194,199	214,091
Bank overdrafts	-	(4,099)	-	(4,099)
	206,553	210,165	206,553	210,165
Less: Restricted fixed deposits with licensed banks	(198)	(173)	(198)	(173)
Total cash and cash equivalents	206,355	209,992	206,355	209,992

1. Unaudited Financial Statements (Contd.)

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

	Attributable to owners of the Company					Total RM'000	Non- controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000			
Group								
At 1 January 2013	369,007	703	1,366	(10,319)	231,439	592,196	-	592,196
Profit for the period	-	-	-	-	35,774	35,774	-	35,774
<i>Other comprehensive income</i>								
Exchange differences on translating foreign operations	-	-	-	6,587	-	6,587	-	6,587
Total other comprehensive income for the financial period, net of tax	-	-	-	6,587	-	6,587	-	6,587
Total comprehensive income for the financial period	-	-	-	6,587	35,774	42,361	-	42,361
Contributions by and distributions to owners								
Issuance of shares	36,955	84,325	-	-	-	121,280	-	121,280
Shares issuance expenses	-	(2,653)	-	-	-	(2,653)	-	(2,653)
Total contributions by and distributions to owners	36,955	81,672	-	-	-	118,627	-	118,627
At 31 March 2013	405,962	82,375	1,366	(3,732)	267,213	753,184	-	753,184

1. Unaudited Financial Statements (Contd.)

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

	Attributable to owners of the Company					Retained earnings RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Foreign exchange reserve RM'000	Fair value reserves RM'000				
Group									
At 31 March 2013	405,962	82,375	1,366	(3,732)	-	267,213	753,184	-	753,184
Profit for the period	-	-	-	-	-	40,723	40,723	358	41,081
Other comprehensive income									
Exchange differences on translating foreign operations	-	-	-	15,082	-	-	15,082	-	15,082
Net change in fair value of cash flow hedges	-	-	-	-	9,508	-	9,508	-	9,508
Total other comprehensive income for the financial period, net of tax	-	-	-	15,082	9,508	-	24,590	-	24,590
Total comprehensive income for the financial period	-	-	-	15,082	9,508	40,723	65,313	358	65,671
Contributions by and distributions to owners									
Shares issuance expenses	-	(28)	-	-	-	-	(28)	-	(28)
Dividends paid	-	-	-	-	-	(25,920)	(25,920)	-	(25,920)
Total contributions by and distributions to owners	-	(28)	-	-	-	(25,920)	(25,948)	-	(25,948)
Transactions with non-controlling shareholders									
Acquisition from a non-controlling interests	-	-	-	-	-	-	-	93	93
Total transactions with non- controlling shareholders	-	-	-	-	-	-	-	93	93
At 30 June 2013	405,962	82,347	1,366	11,350	9,508	282,016	792,549	451	793,000

1. Unaudited Financial Statements (Contd.)

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

	Attributable to owners of the Company					Total RM'000	Non- controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Share grant reserve RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000			
Group								
At 1 January 2014	405,962	82,347	2,315	36,203	411,164	937,991	643	938,634
Profit for the period	-	-	-	-	71,093	71,093	237	71,330
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	-	(3,167)	-	(3,167)	-	(3,167)
Total other comprehensive income for the financial period, net of tax	-	-	-	(3,167)	-	(3,167)	-	(3,167)
Total comprehensive income for the financial period	-	-	-	(3,167)	71,093	67,926	237	68,163
Others								
Issue of share grant	-	-	3,473	-	-	3,473	-	3,473
Total others	-	-	3,473	-	-	3,473	-	3,473
At 31 March 2014	405,962	82,347	5,788	33,036	482,257	1,009,390	880	1,010,270

1. Unaudited Financial Statements (Contd.)

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

	Attributable to owners of the Company						Retained earnings RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Share grant reserve RM'000	Treasury shares RM'000	Foreign exchange reserve RM'000	Fair value reserves RM'000				
Group										
At 31 March 2014	405,962	82,347	5,788	-	33,036	-	482,257	1,009,390	880	1,010,270
Profit for the period	-	-	-	-	-	-	63,299	63,299	(263)	63,036
Other comprehensive income										
Exchange differences on translating foreign operations	-	-	-	-	(14,968)	-	-	(14,968)	-	(14,968)
Net change in fair value of cash flow hedges	-	-	-	-	-	3,070	-	3,070	-	3,070
Total other comprehensive income for the financial period, net of tax	-	-	-	-	(14,968)	3,070	-	(11,898)	-	(11,898)
Total comprehensive income for the financial period	-	-	-	-	(14,968)	3,070	63,299	51,401	(263)	51,138
Contributions by and distributions to owners										
Dividends paid	-	-	-	-	-	-	(54,675)	(54,675)	-	(54,675)
Total contributions by and distributions to owners	-	-	-	-	-	-	(54,675)	(54,675)	-	(54,675)
Others										
Purchase of treasury shares	-	-	-	(5,404)	-	-	-	(5,404)	-	(5,404)
Issuance of treasury shares	-	-	(3,634)	4,921	-	-	(1,287)	-	-	-
Issue of share grant	-	-	(540)	-	-	-	-	(540)	-	(540)
Total others	-	-	(4,174)	(483)	-	-	(1,287)	(5,944)	-	(5,944)
At 30 June 2014	405,962	82,347	1,614	(483)	18,068	3,070	489,594	1,000,172	617	1,000,789

1. Unaudited Financial Statements (Contd.)

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

Company	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Contributed surplus RM'000	(Accumulated losses) RM'000	Equity attributable to owners of the parent RM'000
At 1 January 2013	369,007	703	1,366	778,608	(15,001)	1,134,683
Loss for the period	-	-	-	-	(4,047)	(4,047)
Contributions by and distributions to owners						
Issuance of shares	36,955	84,325	-	-	-	121,280
Shares issuance expenses	-	(2,653)	-	-	-	(2,653)
Total contributions by and distributions to owners	36,955	81,672	-	-	-	118,627
At 31 March 2013	405,962	82,375	1,366	778,608	(19,048)	1,249,263
Profit for the period	-	-	-	-	35,649	35,649
Contributions by and distributions to owners						
Shares issuance expenses	-	(28)	-	-	-	(28)
Dividends paid	-	-	-	-	(25,920)	(25,920)
Total contributions by and distributions to owners	-	(28)	-	-	(25,920)	(25,948)
At 30 June 2013	405,962	82,347	1,366	778,608	(9,319)	1,258,964

1. Unaudited Financial Statements (Contd.)

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

	Share capital RM'000	Share premium RM'000	Share grant reserve RM'000	Treasury shares RM'000	Contributed surplus RM'000	Retained earnings / (Accumulated losses) 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)
Others							
Issue of share grant	-	-	3,473	-	-	-	3,473
Total others	-	-	3,473	-	-	-	3,473
At 31 March 2014	405,962	82,347	5,788	-	778,608	(13,514)	1,259,191
Profit for the period	-	-	-	-	-	69,637	69,637
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(54,675)	(54,675)
Total contributions by and distributions to owners	-	-	-	-	-	(54,675)	(54,675)
Others							
Purchase of treasury shares	-	-	-	(5,404)	-	-	(5,404)
Issuance of treasury shares	-	-	(3,634)	4,921	-	(1,287)	-
Issue of share grant	-	-	(540)	-	-	-	(540)
Total others	-	-	(4,174)	(483)	-	(1,287)	(5,944)
At 30 June 2014	405,962	82,347	1,614	(483)	778,608	161	1,268,209

Notes:

(a) There were no shares granted in 2Q 2014 under the Nam Cheong Group 2013 Share Grant Plan ("2013 Share Grant Plan"). During 2Q 2014, 5,010,843 (2Q 2013: Nil) shares were released under the 2013 Share Grant Plan and 4,346,314 (2Q 2013: Nil) shares were granted.

1. Unaudited Financial Statements (Contd.)

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

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

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

As at 30 June 2014 and 31 December 2013, the total number of issued shares excluding treasury shares was 2,102,655,325 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 2Q 2014, the Company acquired 5,500,000 shares (2Q 2013 : Nil) ordinary shares in the Company by way of on-market purchases.

In 2Q 2014, 5,010,843 treasury shares were re-issued pursuant to the 2013 Share Grant Plan.

As at 30 June 2014, 489,157 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 2013.

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 2013.

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	
	2nd Quarter ended 30.6.2014	2nd Quarter ended 30.6.2013	Half year ended 30.6.2014	Half year ended 30.6.2013
Earnings per ordinary shares of the Group for the financial period based on net profit attributable to shareholders:				
(i) Based on weighted average number of ordinary shares in issue (Sen)	3.01	1.94	6.39	3.66
Weighted average number of shares	2,101,930,673	2,103,144,482	2,102,534,224	2,087,398,626
(ii) On a fully diluted basis (Sen)	3.01	1.94	6.39	3.66
Adjusted weighted average number of shares	2,101,930,673	2,103,144,482	2,102,534,224	2,087,398,626

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 30.6.2014	As at 31.12.2013	As at 30.6.2014	As at 31.12.2013
Net asset value per ordinary share (Sen)	47.6	44.6	60.3	59.9
Ordinary shares in issue	2,102,655,325	2,103,144,482	2,102,655,325	2,103,144,482

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review of Group Performance

(a) Statements of comprehensive income (Group)

1H 2014 vs 1H 2013

	1H 2014				1H 2013				Variance			
	Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	738,783	94%	137,637	19%	487,535	96%	84,639	17%	251,248	52%	52,998	63%
Vessel Chartering	47,281	6%	15,600	33%	22,537	4%	12,861	57%	24,744	110%	2,739	21%
Total	786,064	100%	153,237	19%	510,072	100%	97,500	19%	275,992	54%	55,737	57%

Revenue for six months ended 30 June 2014 ("1H 2014") of RM786.1 million was RM276.0 million, or 54%, higher as compared to RM510.1 million achieved during the previous year corresponding six months ended 30 June 2013 ("1H 2013"). The shipbuilding segment recorded revenue of RM738.8 million for 1H 2014, representing an increase of 52% as compared to RM487.5 million recorded for 1H 2013. A significant portion of the increase in shipbuilding revenue was mainly due to the completion and delivery of six (6) units of Platform Supply Vessels ("PSVs") during this period as compared to only three (3) units of PSVs in 1H 2013.

The vessel chartering segment also registered an increase in revenue of RM24.7 million, or 110%, from RM22.5 million for 1H 2013 to RM47.3 million for 1H 2014, resulting from the addition of 2 new vessels to its chartering fleet since 2Q 2013.

8. (contd.)

Review of Group Performance (Contd.)

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

1H 2014 vs 1H 2013

Gross profit increased by 57%, from RM97.5 million for 1H 2013 to RM153.2 million recorded for 1H 2014, which is in tandem with higher revenue recorded. The gross profit margins for 1H 2014 and 1H 2013 were consistent at 19%. The shipbuilding segment's gross profit margin were maintained at the range of 17% to 19%. However, the vessel chartering segment's gross profit margin was lower at 33% in 1H 2014, due to chartering-in of a vessel to fulfill a time charter contract as the Group's vessel which was intended to perform this charter was then unavailable.

Other income was higher for 1H 2014 as compared to 1H 2013 due to fair value gain on derivatives of RM7.5 million and net foreign exchange gain of RM4.1 million.

Selling and administrative expenses increased by RM5.0 million in 1H 2014 due to share and cash plan expenses while finance cost was consistent with 1H 2013.

Share of profit in jointly controlled entities recorded a gain of RM3.1 million as more assets have been deployed by the jointly controlled entities.

As a result of the rise in overall revenue, net profit after taxation for 1H 2014 of RM134.4 million, was 75% higher as compared to RM76.8 million in 1H 2013.

2Q 2014 vs 2Q 2013

	2Q 2014				2Q 2013				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	355,581	94%	60,428	17%	259,243	94%	44,861	17%	96,338	37%	15,567	35%
Vessel Chartering	23,231	6%	6,526	28%	16,103	6%	8,933	55%	7,128	44%	(2,407)	(27%)
Total	378,812	100%	66,954	18%	275,346	100%	53,794	20%	103,466	38%	13,160	24%

8. (contd.)

Review of Group Performance (contd.)

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

2Q 2014 vs 2Q 2013 (contd.)

Revenue for the three months ended 30 June 2014 ("2Q 2014") of RM378.8 million was RM103.5 million, or 38%, higher as compared to RM275.3 million recorded during the previous year corresponding three months ended 30 June 2013 ("2Q 2013"). Revenue from the shipbuilding segment increased by 37% to RM355.6 million for 2Q 2014 from RM259.2 million recorded for 2Q 2013, mainly attributed to the progressive recognition of revenue from the sales of PSVs which contributed RM228.5 million or 60% to the Group total shipbuilding revenue for 2Q 2014. The vessel chartering revenue also recorded an increase of 44% from RM16.1 million for 2Q 2013 to RM23.2 million for 2Q 2014, resulting from the addition of 2 new vessels to its chartering fleet since 2Q 2013.

Gross profit increased by 24% from RM53.8 million in 2Q 2013 to RM67.0 million, in tandem with higher revenue and the gross profit margins for 2Q 2014 and 2Q 2013 were maintained at the range of 18% to 20%. The shipbuilding segment's gross profit margin is maintained at 17%. However, the gross profit margin for the chartering segment for 2Q 2014 is lower as one of its charter contracts ended and redeployment of the vessel is being negotiated.

Other income was higher for 2Q 2014 as compared to 2Q 2013 due to net fair value gain on derivatives of RM1.7 million and net foreign exchange gain of RM4.8 million.

Finance cost increased to RM3.8 million in 2Q 2014 as compared to RM1.6 million in 2Q 2013 due to higher Medium Term Notes interest expense and amortisation of debt issuance cost.

As a result of the rise in overall revenue, net profit after taxation for 2Q 2014 increased to RM63.0 million from RM41.1 million in 2Q 2013, representing a 53% increase.

(b) Statements of financial position (Group)

Total Assets

Total assets of the Group increased by RM127.9 million from RM2.2 billion as at 31 December 2013 ("FY2013") to RM2.3 billion as at 30 June 2014 ("PE2014") mainly due to the increase in inventories by RM147.4 million from RM751.1 million in FY2013 to RM898.5 million in PE2014 as a result of progresses of works for its built-to-stock vessels under the shipbuilding programme.

Total Liabilities

Total liabilities of the Group increased by RM65.8 million from RM1.2 billion in FY2013 to RM1.3 billion in PE2014 mainly due to the increase in trade and other payables by RM120.8 million and net repayment of loan by RM47.6 million.

The Group's net gearing ratio increased from 0.52 times in FY2013 to 0.60 times in PE2014 mainly due to the decrease in cash and bank balances.

8. (contd.)

Review of Group Performance (contd.)

(c) Statements of Cash Flows (Group)

2Q 2014 vs 2Q 2013

Net cash flows used in operating activities increased from RM2.5 million in 2Q 2013 to RM187.2 million in 2Q 2014 mainly due to the increase in inventories by RM171.4 million as a result of the increased shipbuilding activities.

Net cash flows from investing activities for 2Q 2014 mainly due to net increased of interest received and sales proceed from disposal of property, plant and equipment.

Net cash flows used in financing activities for 2Q 2014 of RM50.0 million was mainly attributed to payment of final and special dividend of RM54.7 million of which was partly offset by net proceeds from bank borrowing of RM10.1 million.

1H 2014 vs 1H 2013

As a result of the rise in the profit in 1H 2014, net cash flows used in operating activities reduced from RM72.4 million in 1H 2013 to RM45.0 million in 1H 2014.

Net cash flows used in investing activities for 1H 2014 was RM2.8 million of which RM3.4 million was utilized for additional property, plant and equipment.

Net cash flows used in financing activities for 1H 2014 of RM98.5 million was mainly attributed to payment of final and special dividend of RM54.7 million and net repayments of bank borrowings of RM38.4 million.

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

There is no material change from the previous prospect statement.

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

The global and regional outlook of the Exploration and Production (“E&P”) sector remains upbeat, with global spending expected to reach a new record of US\$723 billion in 2014 before hitting US\$1 trillion in 2017¹.

The increased activities by oil majors in 2014 have benefited the Group so far, as evident by the order wins of 13 vessels worth approximately US\$290 million (year-to-date). Our order book value, as at 1 July 2014, stood at approximately RM1.7 billion, comprising a mix of OSVs for shallow and deep water operations that are due for deliveries up to 2015.

Within Asia-Pacific, Malaysia is expected to exhibit a robust performance in the medium term. As a key driver in Malaysia’s oil and gas industry, Petronas seeks to rejuvenate mature assets and develop marginal oilfields, having pledged US\$14 billion to enhanced oil recovery projects². This development allows us to capitalise on our strong links with oilfield service companies in Malaysia which will enable us to secure vessel orders.

In addition, the global OSV fleet is ageing with over 30% of vessels being of traditional build and in operation for over 25 years³. In order to cope with the present-day operational demands, operators and charterers are looking to replace older vessels with modern variants that are better-equipped to do their jobs more efficiently.

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

Source:

¹ *The Business Times - Offshore equities market set for takeoff*, July 2, 2014

² *Upstream News*, 14 Jan 2014

³ *“Ideal Investment Scenario for Offshore Support Vessels”*, *Synergy Offshore*, March 6, 2013

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

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.

BY ORDER OF THE BOARD

Datuk Tiong Su Kouk

Executive Chairman

8 August 2014

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 2014 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
8 August 2014