
Third Quarter And Nine Months Ended 30 September 2015 Financial Statements and Related Announcement

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1. Unaudited Financial Statements

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

	3rd quarter ended 30.9.2015 RM'000	3rd quarter ended 30.9.2014 RM'000	Change %	9 months ended 30.9.2015 RM'000	9 months ended 30.9.2014 RM'000	Change %
Revenue	189,272	618,621	(69%)	708,186	1,404,685	(50%)
Cost of sales	(168,131)	(469,896)	(64%)	(588,139)	(1,102,723)	(47%)
Gross profit	21,141	148,725	(86%)	120,047	301,962	(60%)
Other income	3,147	1,116	>100%	13,703	14,530	(6%)
Selling and administrative expenses	(16,038)	(14,881)	8%	(60,491)	(41,417)	46%
Operating profit	8,250	134,960	(94%)	73,259	275,075	(73%)
Finance costs	(4,722)	(7,540)	(37%)	(17,932)	(14,962)	20%
Share of post-tax (loss) / profit of equity accounted associate and jointly controlled entities	(2,517)	2,217	n.m.	(2,915)	5,268	n.m.
Profit before tax	1,011	129,637	(99%)	52,412	265,381	(80%)
Income tax expense	(601)	(3,998)	(85%)	(2,195)	(5,376)	(59%)
Profit for the financial period	410	125,639	(100%)	50,217	260,005	(81%)
Profit attributable to :						
Owners of the parent	6	126,293	(100%)	49,981	260,685	(81%)
Non-controlling interest	404	(654)	n.m.	236	(680)	n.m.
Profit for the financial period	410	125,639	(100%)	50,217	260,005	(81%)

1. Unaudited Financial Statements

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

	3rd quarter ended 30.9.2015 RM'000	3rd quarter ended 30.9.2014 RM'000	Change %	9 months ended 30.9.2015 RM'000	9 months ended 30.9.2014 RM'000	Change %
Other comprehensive income						
Exchange differences on translating foreign operations	143,402	36,762	>100%	211,144	18,627	>100%
Net change in fair value of cash flow hedges	(9,113)	(1,224)	>100%	(23,078)	1,846	n.m.
Other comprehensive income for the financial period, net of tax	<u>134,289</u>	<u>35,538</u>	>100%	<u>188,066</u>	<u>20,473</u>	>100%
Total comprehensive income for the financial period	<u>134,699</u>	<u>161,177</u>	(16%)	<u>238,283</u>	<u>280,478</u>	(15%)
Total comprehensive income attributable to:						
Owners of the parent	134,295	161,831	(17%)	238,047	281,158	(15%)
Non-controlling interest	404	(654)	n.m.	236	(680)	n.m.
Total comprehensive income for the financial period	<u>134,699</u>	<u>161,177</u>	(16%)	<u>238,283</u>	<u>280,478</u>	(15%)

1. Unaudited Financial Statements (Contd.)

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

	3rd quarter ended 30.9.2015 RM'000	3rd quarter ended 30.9.2014 RM'000	Change %	9 months ended 30.9.2015 RM'000	9 months ended 30.9.2014 RM'000	Change %
Other income						
Interest income	1,983	223	>100%	5,571	749	>100%
Miscellaneous	381	246	55%	1,221	876	39%
Net fair value gain on derivatives	-	-	n.m.	4,781	7,053	(32%)
Gain on disposal of property, plant and equipment	(5)	-	n.m.	63	-	n.m.
Rental income	788	647	22%	2,067	1,999	3%
Foreign exchange gain	-	-	n.m.	-	3,853	n.m.
	<u>3,147</u>	<u>1,116</u>	>100%	<u>13,703</u>	<u>14,530</u>	(6%)

1. Unaudited Financial Statements (Contd.)

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

	3rd quarter ended 30.9.2015 RM'000	3rd quarter ended 30.9.2014 RM'000	Change %	9 months ended 30.9.2015 RM'000	9 months ended 30.9.2014 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	27	-	81	81	-
Depreciation of property, plant and equipment	6,100	3,782	61%	14,918	11,659	28%
Depreciation of investment properties	332	272	22%	904	814	11%
Foreign exchange loss	909	263	>100%	10,840	-	n.m.
Loss on disposal of property, plant and equipment	-	1,730	n.m.	-	1,720	n.m.
Net fair value loss on derivatives	2,335	428	>100%	-	-	-
Property, plant and equipment written off	-	-	-	-	50	n.m.
Share grant plan expenses	-	606	n.m.	683	3,539	(81%)
Income tax expense						
Current income tax	601	435	38%	2,195	739	>100%
Deferred tax	-	3,563	n.m.	-	4,637	n.m.
	<u>601</u>	<u>3,998</u>	(85%)	<u>2,195</u>	<u>5,376</u>	(59%)

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(b)(i) Statements of Financial Position

	Group		Company	
	30.9.2015 RM'000	31.12.2014 RM'000	30.9.2015 RM'000	31.12.2014 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	429,145	282,157	-	-
Prepaid land lease payments	7,740	7,943	-	-
Investment properties	94,067	81,444	-	-
Investment in subsidiaries	-	-	1,143,688	1,790,099
Investment in joint ventures	9,933	5,686	-	-
Investment in an associate	95,406	110,400	-	-
Held-to-maturity financial assets	113,731	115,669	-	-
	<u>750,022</u>	<u>603,299</u>	<u>1,143,688</u>	<u>1,790,099</u>
Current assets				
Held-to-maturity financial assets	17,705	-	-	-
Inventories	1,636,626	1,040,666	-	-
Trade and other receivables	132,764	230,195	1,640,735	196,551
Prepayments	243,624	159,969	244	246
Tax recoverable	10,068	4,908	-	-
Due from customers on contracts	646,401	413,250	-	-
Derivatives	3,671	22	-	-
Cash and cash equivalents	614,818	800,098	15,853	354,026
	<u>3,305,677</u>	<u>2,649,108</u>	<u>1,656,832</u>	<u>550,823</u>
TOTAL ASSETS	<u>4,055,699</u>	<u>3,252,407</u>	<u>2,800,520</u>	<u>2,340,922</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
Treasury shares	(4,097)	(7,090)	(4,097)	(7,090)
Other reserves	265,801	80,560	778,608	781,433
Retained earnings	620,293	656,985	59,113	8,523
	<u>1,370,306</u>	<u>1,218,764</u>	<u>1,321,933</u>	<u>1,271,175</u>
Non-controlling interest	<u>804</u>	<u>568</u>	<u>-</u>	<u>-</u>
Total equity	<u>1,371,110</u>	<u>1,219,332</u>	<u>1,321,933</u>	<u>1,271,175</u>
Non-current liabilities				
Loans and borrowings	1,097,042	753,136	1,122,869	763,553
Deferred tax liabilities	1,361	1,344	-	-
Trade and other payables	1,378	2,756	-	-
	<u>1,099,781</u>	<u>757,236</u>	<u>1,122,869</u>	<u>763,553</u>

1. Unaudited Financial Statements (Contd.)

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

	Group		Company	
	30.9.2015 RM'000	31.12.2014 RM'000	30.9.2015 RM'000	31.12.2014 RM'000
Current liabilities				
Due to customers on contracts	31,762	35,092	-	-
Derivatives	69,693	47,747	-	-
Loans and borrowings	844,260	556,200	352,039	303,484
Trade and other payables	638,893	636,600	3,679	2,710
Provisions	200	200	-	-
	<u>1,584,808</u>	<u>1,275,839</u>	<u>355,718</u>	<u>306,194</u>
Total liabilities	<u>2,684,589</u>	<u>2,033,075</u>	<u>1,478,587</u>	<u>1,069,747</u>
TOTAL EQUITY AND LIABILITIES	<u>4,055,699</u>	<u>3,252,407</u>	<u>2,800,520</u>	<u>2,340,922</u>

1. Unaudited Financial Statements (Contd.)

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

	30.9.2015		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	504,470	339,790	263,966	292,234
Amount repayable after one year	209,547	887,495	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) Statements of Cash Flows (Group)

	3rd quarter ended 30.9.2015 RM'000	3rd quarter ended 30.9.2014 RM'000	9 months ended 30.9.2015 RM'000	9 months ended 30.9.2014 RM'000
Operating activities				
Profit before tax	1,011	129,637	52,412	265,381
Adjustments for:				
Amortisation of prepaid land lease payments	27	27	81	81
Amortisation of transaction cost for medium term notes	-	243	-	335
Depreciation of property, plant and equipment	6,100	3,782	14,918	11,659
Depreciation of investment properties	332	272	904	814
Impairment of trade and other receivables	2,865	-	2,865	-
Interest expense	4,722	7,540	17,932	14,962
Interest income	(1,983)	(223)	(5,571)	(749)
Loss / (Gain) on disposal of property, plant and equipment	5	1,730	(63)	1,720
Net fair value loss / (gain) on derivatives	2,335	428	(4,781)	(7,053)
Property, plant and equipment written off	-	-	-	50
Share of results in associates and jointly controlled entities	2,517	(2,217)	2,915	(5,268)
Share grant expenses, net	-	606	683	3,539
Unrealised (gain) / loss on foreign exchange	(55,426)	2,835	(16,396)	(253)
Total adjustments	(38,506)	15,023	13,487	19,837
Operating cash flows before working capital changes	(37,495)	144,660	65,899	285,218
Changes in working capital:				
(Increase) / Decrease in inventories	(55,062)	3,170	(438,760)	(150,703)
(Increase) / Decrease in receivables	(195,522)	24,500	137,382	(37,151)
Increase in prepayments	(73,784)	(115,267)	(53,301)	(131,319)
Decrease / (Increase) in amount due from customers on contracts	11,689	(62,337)	(69,912)	(127,056)
Increase / (Decrease) in payables	160,225	48,805	(155,148)	186,371
Increase / (Decrease) in amount due to customers on contracts	4,381	729	(11,089)	(4,047)
Total changes in working capital	(148,073)	(100,400)	(590,828)	(263,905)
Cash flows (used in) / from operations	(185,568)	44,260	(524,929)	21,313
Interest paid	(24,339)	(18,709)	(59,048)	(39,198)
Taxes paid, net of refund	(6,160)	(884)	(7,355)	(2,422)
Net cash flows (used in) / from operating activities	(216,067)	24,667	(591,332)	(20,307)

1. Unaudited Financial Statements (Contd.)

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

	3rd quarter ended 30.9.2015 RM'000	3rd quarter ended 30.9.2014 RM'000	9 months ended 30.9.2015 RM'000	9 months ended 30.9.2014 RM'000
Investing activities				
Acquisition of property, plant and equipment	(348)	(2,309)	(1,470)	(5,717)
Acquisition of investment	-	(6,568)	-	(6,568)
Proceeds from disposal of held-to-maturity financial assets	10,716	-	10,716	-
Interest received	1,983	223	5,571	749
Proceeds from disposal of plant and equipment	1	38,840	86	38,880
Net cash flows from investing activities	12,352	30,186	14,903	27,344
Financing activities				
Dividends paid	-	-	(84,896)	(54,675)
Proceeds from bank borrowings	180,766	63,166	455,482	117,492
Repayments of bank borrowings	(217,343)	(81,068)	(278,610)	(173,787)
Proceeds from issuance of Medium Term Notes, net of transaction costs	210,240	514,797	210,240	514,797
Placement of fixed deposits pledged	(64,872)	-	(64,872)	(25)
Purchase of treasury shares	(2,292)	-	(2,292)	(5,404)
Net cash flows from financing activities	106,499	496,895	235,052	398,398
Net increase / (decrease) in cash and cash equivalents	(97,216)	551,748	(341,377)	405,435
Effects of foreign exchange rate changes	74,733	28,922	89,882	22,812
Cash and cash equivalents at 1 July / 1 January	570,888	206,355	799,900	358,778
Cash and cash equivalents at 30 September	548,405	787,025	548,405	787,025

Cash and cash equivalents in the statement of cash flows (Group) comprise the following balance sheet amounts:

Fixed deposits with licensed banks	451,915	37,601	451,915	37,601
Cash and bank balances	162,903	753,277	162,903	753,277
Bank overdrafts	(1,343)	(3,655)	(1,343)	(3,655)
Cash and cash equivalents in statements of financial position	613,475	787,223	613,475	787,223
Less: Restricted fixed deposits with licensed banks	(65,070)	(198)	(65,070)	(198)
Cash and cash equivalents in statements of cash flows (Group)	548,405	787,025	548,405	787,025

1. Unaudited Financial Statements (Contd.)

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

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	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
Group										
At 1 January 2014	405,962	82,347	-	36,203	-	2,315	411,164	937,991	643	938,634
Profit for the period	-	-	-	-	-	-	134,392	134,392	(26)	134,366
Other comprehensive income	-	-	-	(18,135)	3,070	-	-	(15,065)	-	(15,065)
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	-	-	4,921	-	-	(3,634)	(1,287)	-	-	-
Issue of share grant	-	-	-	-	-	2,933	-	2,933	-	2,933
Total others	-	-	(483)	-	-	(701)	(1,287)	(2,471)	-	(2,471)
At 30 June 2014	405,962	82,347	(483)	18,068	3,070	1,614	489,594	1,000,172	617	1,000,789
Profit for the period	-	-	-	-	-	-	126,293	126,293	(654)	125,639
Other comprehensive income	-	-	-	36,762	(1,224)	-	-	35,538	-	35,538
Others										
Share grant plan expenses	-	-	-	-	-	606	-	606	-	606
Purchase of treasury shares	-	-	(436)	-	-	-	-	(436)	-	(436)
Total others	-	-	(436)	-	-	606	-	170	-	170
At 30 September 2014	405,962	82,347	(919)	54,830	1,846	2,220	615,887	1,162,173	(37)	1,162,136

1. Unaudited Financial Statements (Contd.)

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

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	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
Group										
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	-	-	-	-	-	-	49,975	49,975	(168)	49,807
Other comprehensive income	-	-	-	67,742	(13,965)	-	-	53,777	-	53,777
Contributions by and distributions to owners:										
Dividends paid	-	-	-	-	-	-	(84,896)	(84,896)	-	(84,896)
Total contributions by and distributions to owners	-	-	-	-	-	-	(84,896)	(84,896)	-	(84,896)
Others										
Share grant plan expenses	-	-	-	-	-	683	-	683	-	683
Treasury shares re-issued for share awards vested	-	-	5,285	-	-	(3,508)	(1,777)	-	-	-
Total others	-	-	5,285	-	-	(2,825)	(1,777)	683	-	683
At 30 June 2015	405,962	82,347	(1,805)	183,522	(52,010)	-	620,287	1,238,303	400	1,238,703
Profit for the period	-	-	-	-	-	-	6	6	404	410
Other comprehensive income	-	-	-	143,402	(9,113)	-	-	134,289	-	134,289
Others										
Purchase of treasury shares	-	-	(2,292)	-	-	-	-	(2,292)	-	(2,292)
Total others	-	-	(2,292)	-	-	-	-	(2,292)	-	(2,292)
At 30 September 2015	405,962	82,347	(4,097)	326,924	(61,123)	-	620,293	1,370,306	804	1,371,110

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
Profit for the period	-	-	-	-	-	64,987	64,987
<i>Contributions by and distributions to owners:</i>							
Dividends paid	-	-	-	-	-	(54,675)	(54,675)
Total contributions by and distributions to owners	-	-	-	-	-	(54,675)	(54,675)
<i>Others</i>							
Share grant plan expenses	-	-	-	(701)	-	(1,287)	(1,988)
Treasury share expenses	-	-	(483)	-	-	-	(483)
Total others	-	-	(483)	(701)	-	(1,287)	(2,471)
At 30 June 2014	405,962	82,347	(483)	1,614	778,608	161	1,268,209
Profit for the period	-	-	-	-	-	7,115	7,115
<i>Others</i>							
Share grant plan expenses	-	-	-	606	-	-	606
Purchase of treasury shares	-	-	(436)	-	-	-	(436)
Total others	-	-	(436)	606	-	-	170
At 30 September 2014	405,962	82,347	(919)	2,220	778,608	7,276	1,275,494

1. Unaudited Financial Statements (Contd.)

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

Company	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Share grant reserve RM'000	Contributed surplus RM'000	Retained profit RM'000	Equity attributable to owners of the parent RM'000
At 1 January 2015	405,962	82,347	(7,090)	2,825	778,608	8,523	1,271,175
Profit for the period	-	-	-	-	-	98,541	98,541
Contributions by and distributions to owners:							
Dividends paid	-	-	-	-	-	(84,896)	(84,896)
Total contributions by and distributions to owners	-	-	-	-	-	(84,896)	(84,896)
Others							
Share grant plan expenses	-	-	-	683	-	-	683
Treasury share expenses	-	-	5,285	(3,508)	-	(1,777)	-
Total others	-	-	5,285	(2,825)	-	(1,777)	683
At 30 June 2015	405,962	82,347	(1,805)	-	778,608	20,391	1,285,503
Profit for the period	-	-	-	-	-	38,722	38,722
Others							
Purchase of treasury shares	-	-	(2,292)	-	-	-	(2,292)
Total others	-	-	(2,292)	-	-	-	(2,292)
At 30 September 2015	405,962	82,347	(4,097)	-	778,608	59,113	1,321,933

Notes:

(a) There were no shares granted in 3Q 2015 under the Nam Cheong Group 2013 Share Grant Plan ("2013 Share Grant Plan"). During 3Q 2015, there were neither shares granted nor released (3Q 2014: Nil) nor lapsed (3Q 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 30 September 2015 and 30 September 2014, the total number of issued shares excluding treasury shares was 2,096,465,885 and 2,101,655,325 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.

During 3Q 2015, there were additional of 4,628,000 treasury shares being acquired.

As at 30 September 2015, 6,678,597 shares was 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 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		Group	
	3rd quarter ended 30.9.2015	3rd quarter ended 30.9.2014	9 months ended 30.9.2015	9 months ended 30.9.2014
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)	0.0003	6.01	2.38	12.40
Weighted average number of shares	2,098,699,885	2,102,644,455	2,098,408,407	2,102,571,372
(ii) On a fully diluted basis (Sen)	0.0003	5.99	2.38	12.35
Adjusted weighted average number of shares	2,098,699,885	2,107,655,298	2,100,354,010	2,110,831,003

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 30.9.2015	As at 31.12.2014	As at 30.9.2015	As at 31.12.2014
Net asset value per ordinary share (Sen)	65.4	58.2	63.1	60.6
Ordinary shares in issue	2,096,465,885	2,096,255,325	2,096,465,885	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)

9M 2015 vs 9M 2014

	9M 2015				9M 2014				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	671,972	95%	115,735	17%	1,333,882	95%	280,675	21%	(661,910)	(50%)	(164,940)	(59%)
Vessel Chartering	36,214	5%	4,312	12%	70,803	5%	21,287	30%	(34,589)	(49%)	(16,975)	(80%)
Total	708,186	100%	120,047	17%	1,404,685	100%	301,962	21%	(696,499)	(50%)	(181,915)	(60%)

Revenue for nine months ended 30 September 2015 ("9M 2015") of RM708.2 million was RM696.5 million, or 50%, lower as compared to RM1,404.7 million achieved during the previous year corresponding 9 months ended 30 September 2014 ("9M 2014"). The shipbuilding segment recorded revenue of RM672.0 million for 9M 2015, representing a decrease of 50% as compared to RM1,333.9 million recorded for 9M 2014. The reduction in shipbuilding revenue was mainly due to the completion and delivery of nine (9) units of vessels during this period as compared to eighteen (18) units of vessels in 9M 2014.

The vessel chartering segment also registered a decrease in revenue of RM34.6 million, or 49%, from RM70.8 million for 9M 2014 to RM36.2 million for 9M 2015, mainly due to lower utilisation rate in 9M 2015.

8. (contd.)

Review of Group Performance (Contd.)

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

9M 2015 vs 9M 2014

Gross profit decreased by 60%, from RM302.0 million for 9M 2014 to RM120.0 million recorded for 9M 2015, which is in tandem with lower revenue recorded. The gross profit margin for 9M 2015 was lower at 17% as compared to 21% in 9M 2014. The shipbuilding segment's gross profit margin was lower at 17% due to higher revenue contribution from its build-to-order vessels. However, the vessel chartering segment's gross profit margin was lower at 12% in 9M 2015, mainly due to a lower utilisation rate of vessels.

Other income for 9M 2015 of RM13.7 million was largely consistent with RM14.5 million recorded in 9M 2014.

Selling and administrative expenses increased by RM19.1 million in 9M 2015 mainly due to a net foreign exchange loss of RM10.8 million in 9M 2015, an increase in depreciation of RM3.2 million and an increase in marketing expenses of RM2.4 million.

Finance cost increased by RM3.0 million in 9M 2015 over 9M 2014 due to the issuance of additional Medium Term Notes ("MTNs") since 3Q 2014.

Share of profit in jointly controlled entities recorded a gain of RM6.3 million in 9M 2015 as more assets have been deployed by the jointly controlled entities. However, the gain was offset by the share of loss in associate of RM9.2 million in 9M 2015 due to a lower vessel utilisation rate.

Overall, net profit after taxation for 9M 2015 of RM50.2 million, was 81% lower as compared to RM260.0 million in 9M 2014.

3Q 2015 vs 3Q 2014

	3Q 2015				3Q 2014				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	182,136	96%	26,128	14%	595,099	96%	143,038	24%	(412,963)	(69%)	(116,910)	(82%)
Vessel Chartering	7,136	4%	(4,987)	(70%)	23,522	4%	5,687	24%	(16,386)	(70%)	(10,674)	(188%)
Total	189,272	100%	21,141	11%	618,621	100%	148,725	24%	(429,349)	(69%)	(127,584)	(86%)

8. (contd.)

Review of Group Performance (contd.)

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

3Q 2015 vs 3Q 2014 (contd.)

Revenue for the three months ended 30 September 2015 ("3Q 2015") of RM189.3 million was RM429.3 million, or 69%, lower as compared to RM618.6 million recorded during the previous year corresponding three months ended 30 September 2014 ("3Q 2014"). Revenue from the shipbuilding segment decreased by 69% to RM182.1 million for 3Q 2015 from RM595.1 million recorded for 3Q 2014. The reduction in shipbuilding revenue was mainly due to the completion and delivery of two (2) units of vessels in 3Q 2015 as compared to six (6) units of vessels in 3Q 2014. The vessel chartering revenue also recorded a decrease of 70% from RM23.5 million for 3Q 2014 to RM7.1 million for 3Q 2015, mainly due to a lower utilisation rate in 3Q 2015.

Gross profit decreased by 86% from RM148.7 million in 3Q 2014 to RM21.1 million in 3Q 2015, in tandem with lower revenue. The shipbuilding segment's gross profit margin is lower at 14% mainly due to higher contribution from build-to-order vessels. The gross profit margin for the chartering segment in 3Q 2015 was lower due to a lower utilisation rate of vessels. As a result, the overall gross profit margin was reduced to 11% in 3Q 2015.

Other income increased to RM3.1 million in 3Q 2015 as compared to RM1.1 million in 3Q 2014 mainly due to interest income of RM2.0 million in 3Q 2015. Selling and administrative expenses increased by RM1.2 million in 3Q 2015 mainly due to the fair value loss on derivatives of RM2.3 million in 3Q 2015.

Finance cost decreased to RM4.7 million in 3Q 2015 as compared to RM7.5 million in 3Q 2014, as a result of higher interest expense being capitalised in cost of constructions in 3Q 2015 as compared to 3Q 2014.

Overall, net profit after taxation for 3Q 2015 decreased to RM0.4 million from net profit of RM125.6 million in 3Q 2014.

(b) Statements of financial position (Group)

Total Assets

Total assets of the Group increased by RM803.3 million from RM3.25 billion as at 31 December 2014 ("FY2014") to RM4.06 billion as at 30 September 2015 ("PE2015") mainly due to:

- (i) the increase in property, plant and equipment of RM147.0 million which was mainly due to the addition of two vessels to the existing fleet during the period; and
- (ii) the increase in inventories by RM596.0 million from RM1.04 billion in FY2014 to RM1.64 billion in PE2015 as a result of progresses of works for its built-to-stock vessels under the shipbuilding programme.

8. (contd.)

Review of Group Performance (contd.)

(b) Statements of financial position (Group)

Total Liabilities

Total liabilities of the Group increased by RM651.5 million from RM2.03 billion in FY2014 to RM2.68 billion in PE2015 mainly due to an increase in loans and borrowings of RM632.0 million.

The Group's net gearing ratio increased from 0.42 times in FY2014 to 0.97 times in PE2015 mainly due to the decrease in cash and bank balances, coupled with increase in loans and borrowings.

(c) Statements of Cash Flows (Group)

9M 2015 vs 9M 2014

Net cash flows used in operating activities increased from RM20.3 million in 9M 2014 to RM591.3 million in 9M 2015 mainly due to the increase in inventories by RM438.8 million in 9M 2015.

Net cash flows from investing activities for 9M 2014 was higher by RM12.4 million as compared to 9M 2015 mainly due to proceeds received from the disposal of plant and equipment of RM38.9 million in 9M 2014.

Net cash flows from financing activities for 9M 2015 of RM235.1 million was mainly attributed to the net proceeds from bank borrowings of RM455.5 million and issuance of additional MTN of RM210.2 million, which was partially offset by the payment of final dividend of RM84.9 million and repayment of bank borrowings of RM278.6 million.

3Q 2015 vs 3Q 2014

Net cash flows from operating activities decreased from RM24.7 million in 3Q 2014 to net cash flows used in operating activities of RM216.1 million in 3Q 2015 mainly due to the increase in receivables by RM195.5 million in 3Q 2015.

Net cash flows from investing activities for 3Q 2014 was higher by RM17.8 million as compared to 3Q 2015 mainly due to proceeds received from the disposal of plant and equipment of RM38.8 million in 3Q 2014.

Net cash flows from financing activities for 3Q 2015 of RM106.5 million was attributed to the net proceeds from bank borrowings and issuance of additional MTN of RM180.8 million and RM210.2 million respectively, which were partially offset by repayment of bank borrowings of RM217.3 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

Due to lower oil prices, oil companies have been cutting capital expenditure and operating costs over the past year. The outlook for the O&M sector remains weak and the Group anticipates that the progress of vessel sales and shipbuilding to remain slow.

In response to the increasingly challenging business environment that the Group is operating in, the Group has deferred the schedule of deliveries of its vessels currently under construction, both at customers' requests and also at the Group's initiative.

The Group has a gross order book of approximately RM1.4 billion as at September 30, 2015, comprising a mix of OSVs due for deliveries up till 2016.

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
13 November 2015

Confirmation from the Board

We, the undersigned, hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements of the Group and of the Company for the nine months ended 30 September 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
13 November 2015