
**Third Quarter And Nine Months Ended 30 September 2014 Financial Statements
and Related Announcement**

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1. Unaudited Financial Statements

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

	3rd Quarter ended 30.9.2014 RM'000	3rd Quarter ended 30.9.2013 RM'000	Change %	9 months ended 30.9.2014 RM'000	9 months ended 30.9.2013 RM'000	Change %
Revenue	618,621	341,227	81%	1,404,685	851,299	65%
Cost of sales	(469,896)	(253,925)	85%	(1,102,723)	(666,497)	65%
Gross profit	148,725	87,302	70%	301,962	184,802	63%
Other income	1,116	186	>100%	14,530	4,262	>100%
Selling and administrative expenses	(14,881)	(22,525)	(34%)	(41,417)	(39,350)	5%
Operating profit	134,960	64,963	108%	275,075	149,714	84%
Finance costs	(7,540)	(1,529)	>100%	(14,962)	(8,218)	82%
Share of profit / (loss) of jointly controlled entity, net of tax	2,217	-	n.m.	5,268	(89)	>100%
Profit before tax	129,637	63,434	104%	265,381	141,407	88%
Income tax expense	(3,998)	(4,270)	(6%)	(5,376)	(5,388)	<1%
Profit for the financial period	125,639	59,164	112%	260,005	136,019	91%
Profit attributable to :						
Owners of the parent	126,293	58,691	115%	260,685	135,188	93%
Non-controlling interest	(654)	473	n.m.	(680)	831	n.m.
Profit for the financial period	125,639	59,164		260,005	136,019	

1. Unaudited Financial Statements

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

	3rd Quarter ended 30.9.2014 RM'000	3rd Quarter ended 30.9.2013 RM'000	Change %	9 months ended 30.9.2014 RM'000	9 months ended 30.9.2013 RM'000	Change %
Other comprehensive income						
Exchange differences on translating foreign operations	36,762	35,902	2%	18,627	57,571	(68%)
Net change in fair value of cash flow hedges	(1,224)	(18,354)	(93%)	1,846	(8,846)	>100%
Other comprehensive income for the financial period, net of tax	<u>35,538</u>	<u>17,548</u>	103%	<u>20,473</u>	<u>48,725</u>	(58%)
Total comprehensive income for the financial period	<u>161,177</u>	<u>76,712</u>	110%	<u>280,478</u>	<u>184,744</u>	52%
Total comprehensive income attributable to:						
Owners of the parent	161,831	76,239	112%	281,158	183,913	53%
Non-controlling interest	(654)	473	(238%)	(680)	831	(182%)
Total comprehensive income for the financial period	<u>161,177</u>	<u>76,712</u>	110%	<u>280,478</u>	<u>184,744</u>	52%

1. Unaudited Financial Statements (Contd.)

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

	3rd Quarter ended 30.9.2014 RM'000	3rd Quarter ended 30.9.2013 RM'000	Change %	9 months ended 30.9.2014 RM'000	9 months ended 30.9.2013 RM'000	Change %
Other income						
Foreign exchange gain	-	-	n.m.	3,853	-	n.m.
Gain on disposal of property, plant and equipment	-	-	n.m.	-	2,797	n.m.
Interest income	223	149	50%	749	658	14%
Miscellaneous	246	32	>100%	876	793	10%
Net fair value gain on derivatives	-	-	n.m.	7,053	-	n.m.
Rental income	647	5	>100%	1,999	14	>100%
	<u>1,116</u>	<u>186</u>	>100%	<u>14,530</u>	<u>4,262</u>	>100%
Finance costs						
Interest expense on borrowings	18,709	12,453	50%	39,198	26,020	51%
Less: Interest capitalised in cost of construction contracts	(11,169)	(10,924)	2%	(24,236)	(17,802)	36%
	<u>7,540</u>	<u>1,529</u>	>100%	<u>14,962</u>	<u>8,218</u>	82%

1. Unaudited Financial Statements (Contd.)

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

	3rd Quarter ended 30.9.2014 RM'000	3rd Quarter ended 30.9.2013 RM'000	Change %	9 months ended 30.9.2014 RM'000	9 months ended 30.9.2013 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	22	23%	81	67	21%
Depreciation of investment properties	272	-	n.m.	814	-	n.m.
Depreciation of property, plant and equipment	3,782	4,657	(19%)	11,659	9,127	28%
Foreign exchange loss	263	4,794	(95%)	-	1,780	n.m.
Loss on disposal of property, plant and equipment	1,730	10	>100%	1,720	-	n.m.
Net fair value loss on derivatives	428	3,309	(87%)	-	970	n.m.
Property, plant and equipment written off	-	-	n.m.	50	-	n.m.
Share grant plan expenses	606	-	n.m.	3,539	-	n.m.
Income tax expense						
Current income tax	435	634	(31%)	739	987	(25%)
Deferred tax	3,563	3,636	(2%)	4,637	4,401	5%
	<u>3,998</u>	<u>4,270</u>	(6%)	<u>5,376</u>	<u>5,388</u>	<1%

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(b)(i) Statements of Financial Position

	Group		Company	
	30.9.2014 RM'000	31.12.2013 RM'000	30.9.2014 RM'000	31.12.2013 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	335,203	290,128	-	-
Prepaid land lease payments	8,011	8,214	-	-
Investment properties	79,484	80,760	-	-
Investment in subsidiaries	-	-	1,143,223	1,541,219
Investment in jointly controlled entities	10,130	1,147	-	-
	<u>432,828</u>	<u>380,249</u>	<u>1,143,223</u>	<u>1,541,219</u>
Current assets				
Inventories	836,820	751,080	-	-
Trade and other receivables	203,356	175,149	15	15
Prepayments	149,173	45,191	202	160
Amount due from subsidiaries	-	-	643,236	121,347
Tax recoverable	2,930	1,247	-	-
Due from customers on contracts	595,394	459,736	-	-
Derivatives	9,643	4,539	-	-
Fixed deposits with licensed banks	37,601	40,173	-	-
Cash and bank balances	753,277	321,870	524,374	117,469
	<u>2,588,194</u>	<u>1,798,985</u>	<u>1,167,827</u>	<u>238,991</u>
TOTAL ASSETS	<u>3,021,022</u>	<u>2,179,234</u>	<u>2,311,050</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	57,977	38,518	779,909	780,923
Retained earnings / (Accumulated losses)	615,887	411,164	7,276	(8,864)
	<u>1,162,173</u>	<u>937,991</u>	<u>1,275,494</u>	<u>1,260,368</u>
Non-controlling interest	(37)	643	-	-
Total equity	<u>1,162,136</u>	<u>938,634</u>	<u>1,275,494</u>	<u>1,260,368</u>
Non-current liabilities				
Loans and borrowings	1,054,837	609,116	1,025,119	514,500
Deferred tax liabilities	5,535	898	-	-
Trade and other payables	2,756	2,756	-	-
	<u>1,063,128</u>	<u>612,770</u>	<u>1,025,119</u>	<u>514,500</u>

1. Unaudited Financial Statements (Contd.)

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

	Group		Company	
	30.9.2014 RM'000	31.12.2013 RM'000	30.9.2014 RM'000	31.12.2013 RM'000
Current liabilities				
Amount due to subsidiaries	-	-	2,166	-
Due to customers on contracts	15,957	20,004	-	-
Derivatives	1,187	4,983	-	-
Loans and borrowings	254,246	242,067	6,432	3,707
Trade and other payables	524,168	360,576	1,839	1,635
Provisions	200	200	-	-
	<u>795,758</u>	<u>627,830</u>	<u>10,437</u>	<u>5,342</u>
Total liabilities	<u>1,858,886</u>	<u>1,240,600</u>	<u>1,035,556</u>	<u>519,842</u>
TOTAL EQUITY AND LIABILITIES	<u>3,021,022</u>	<u>2,179,234</u>	<u>2,311,050</u>	<u>1,780,210</u>

1. Unaudited Financial Statements (Contd.)

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

	30.9.2014		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	254,246	-	242,067	-
Amount repayable after one year	29,718	1,025,119	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)

	3rd Quarter ended 30.9.2014 RM'000	3rd Quarter ended 30.9.2013 RM'000	9 months ended 30.9.2014 RM'000	9 months ended 30.9.2013 RM'000
Operating activities				
Profit before tax	129,637	63,434	265,381	141,407
Adjustments for:				
Amortisation of prepaid land lease payments	27	22	81	67
Amortisation of transaction cost for Medium Term Notes	243	-	335	-
Depreciation of property, plant and equipment	3,782	4,657	11,659	9,127
Depreciation of investment properties	272	-	814	-
Interest expense	7,540	1,529	14,962	8,218
Interest income	(223)	(149)	(749)	(658)
Loss / (Gain) on disposal of property, plant and equipment	1,730	10	1,720	(2,797)
Net fair value loss / (gain) on derivatives	428	3,309	(7,053)	970
Property, plant and equipment written off	-	-	50	-
Share of results in jointly controlled entities	(2,217)	-	(5,268)	89
Share grant expenses, net	606	-	3,539	-
Unrealised loss / (gain) on foreign exchange	2,835	4,564	(253)	3,612
Total adjustments	15,023	13,942	19,837	18,628
Operating cash flows before working capital changes	144,660	77,376	285,218	160,035
Changes in working capital:				
Increase in inventories	(29,679)	(179,308)	(183,552)	(340,686)
Decrease / (Increase) in receivables	44,656	27,528	(16,994)	77,464
Increase in prepayments	(87,881)	(6,120)	(103,933)	(30,848)
(Increase) / Decrease in amount due from customers on contracts	(62,337)	57,890	(127,056)	53,769
Increase in payables	48,369	189,851	185,935	153,517
Increase / (Decrease) in amount due to customers on contracts	729	(5,327)	(4,047)	28,568
Total changes in working capital	(86,143)	84,514	(249,647)	(58,216)
Cash flows from operations	58,517	161,890	35,571	101,819
Interest paid	(18,709)	(12,453)	(39,198)	(26,020)
Taxes paid, net of refund	(884)	(89)	(2,422)	(1,302)
Net cash flows from / (used in) operating activities	38,924	149,348	(6,049)	74,497

1. Unaudited Financial Statements (Contd.)

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

	3rd Quarter ended 30.9.2014 RM'000	3rd Quarter ended 30.9.2013 RM'000	Nine months ended 30.9.2014 RM'000	Nine months ended 30.9.2013 RM'000
Investing activities				
Acquisition of property, plant and equipment	(2,309)	(2,349)	(5,717)	(48,531)
Acquisition of investment	(6,568)	(4,927)	(6,568)	(4,834)
Interest received	223	149	749	658
Proceeds from disposal of plant and equipment	38,840	4	38,880	7,004
Net cash flows from / (used in) investing activities	30,186	(7,123)	27,344	(45,703)
Financing activities				
Dividends paid	-	-	(54,675)	(25,920)
Proceeds from bank borrowings	63,166	113,883	117,492	223,901
Repayments of bank borrowings	(81,068)	(82,115)	(173,787)	(172,945)
Repayments of hire purchase	-	-	-	(717)
Proceeds from issuance of shares	-	-	-	118,599
Proceeds from issuance of Medium Term Notes, net of transaction costs	514,797	234,736	514,797	234,736
(Placement) / Upliftment of fixed deposits	-	-	(25)	600
Purchase of treasury shares	-	-	(5,404)	-
Net cash flows from financing activities	496,895	266,504	398,398	378,254
Net increase in cash and cash equivalents	566,005	408,729	419,693	407,048
Effects of foreign exchange rate changes	14,665	15,799	8,554	17,188
Cash and cash equivalents at 1 July / 1 January	206,355	209,992	358,778	210,284
Cash and cash equivalents at 30 September	787,025	634,520	787,025	634,520

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

Fixed deposits with licensed banks	37,601	173	37,601	173
Cash and bank balances	753,277	635,065	753,277	635,065
Bank overdrafts	(3,655)	(545)	(3,655)	(545)
	787,223	634,693	787,223	634,693
Less: Restricted fixed deposits with licensed banks	(198)	(173)	(198)	(173)
Total cash and cash equivalents	787,025	634,520	787,025	634,520

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	Fair value reserves 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	-	-	-	-	-	76,497	76,497	358	76,855
Other comprehensive income									
Exchange differences on translating foreign operations	-	-	-	21,669	-	-	21,669	-	21,669
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	-	-	-	21,669	9,508	-	31,177	-	31,177
Total comprehensive income for the financial period	-	-	-	21,669	9,508	76,497	107,674	358	108,032
Contributions by and distributions to owners									
Issuance of shares	36,955	84,325	-	-	-	-	121,280	-	121,280
Shares issuance expenses	-	(2,681)	-	-	-	-	(2,681)	-	(2,681)
Dividend	-	-	-	-	-	(25,920)	(25,920)	-	(25,920)
Total contributions by and distributions to owners	36,955	81,644	-	-	-	(25,920)	92,679	-	92,679
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					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 30 June 2013	405,962	82,347	1,366	11,350	9,508	282,016	792,549	451	793,000
Profit for the period	-	-	-	-	-	58,691	58,691	473	59,164
Other comprehensive income									
Exchange differences on translating foreign operations	-	-	-	35,902	-	-	35,902	-	35,902
Net change in fair value of cash flow hedges	-	-	-	-	(18,354)	-	(18,354)	-	(18,354)
Total other comprehensive income for the financial period, net of tax	-	-	-	35,902	(18,354)	-	17,548	-	17,548
Total comprehensive income for the financial period	-	-	-	35,902	(18,354)	58,691	76,239	473	76,712
Contributions by and distributions to owners									
Shares issuance expenses	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-
Transactions with non-controlling shareholders									
Acquisition from a non-controlling interests	-	-	-	-	-	-	-	-	-
Total transactions with non- controlling shareholders	-	-	-	-	-	-	-	-	-
At 30 September 2013	405,962	82,347	1,366	47,252	(8,846)	340,707	868,788	924	869,712

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 1 January 2014	405,962	82,347	2,315	-	36,203	-	411,164	937,991	643	938,634
Profit for the period	-	-	-	-	-	-	134,392	134,392	(26)	134,366
Other comprehensive income										
Exchange differences on translating foreign operations	-	-	-	-	(18,135)	-	-	(18,135)	-	(18,135)
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	-	-	-	-	(18,135)	3,070	-	(15,065)	-	(15,065)
Total comprehensive income for the financial period	-	-	-	-	(18,135)	3,070	134,392	119,327	(26)	119,301
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	-	-	2,933	-	-	-	-	2,933	-	2,933
Total others	-	-	(701)	(483)	-	-	(1,287)	(2,471)	-	(2,471)
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)

	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 30 June 2014	405,962	82,347	1,614	(483)	18,068	3,070	489,594	1,000,172	617	1,000,789
Profit for the period	-	-	-	-	-	-	126,293	126,293	(654)	125,639
Other comprehensive income										
Exchange differences on translating foreign operations	-	-	-	-	36,762	-	-	36,762	-	36,762
Net change in fair value of cash flow hedges	-	-	-	-	-	(1,224)	-	(1,224)	-	(1,224)
Total other comprehensive income for the financial period, net of tax	-	-	-	-	36,762	(1,224)	-	35,538	-	35,538
Total comprehensive income for the financial period	-	-	-	-	36,762	(1,224)	126,293	161,831	(654)	161,177
Contributions by and distributions to owners										
Dividends paid	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-
Others										
Purchase of treasury shares	-	-	-	(436)	-	-	-	(436)	-	(436)
Issue of share grant	-	-	606	-	-	-	-	606	-	606
Total others	-	-	606	(436)	-	-	-	170	-	170
At 30 September 2014	405,962	82,347	2,220	(919)	54,830	1,846	615,887	1,162,173	(37)	1,162,136

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	-	-	-	-	31,602	31,602
Contributions by and distributions to owners						
Issuance of shares	36,955	84,325	-	-	-	121,280
Shares issuance expenses	-	(2,681)	-	-	-	(2,681)
Dividends paid					(25,920)	(25,920)
Total contributions by and distributions to owners	36,955	81,644	-	-	(25,920)	92,679
At 30 June 2013	405,962	82,347	1,366	778,608	(9,319)	1,258,964
Profit for the period	-	-	-	-	382	382
At 30 September 2013	405,962	82,347	1,366	778,608	(8,937)	1,259,346

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
profit for the period	-	-	-	-	-	64,987	64,987
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	-	-	-	(5,840)	-	-	(5,840)
Issuance of treasury shares	-	-	(3,634)	4,921	-	(1,287)	-
Issue of share grant	-	-	2,933	-	-	-	2,933
Total others	-	-	(701)	(919)	-	(1,287)	(2,907)
At 30 June 2014	405,962	82,347	1,614	(919)	778,608	161	1,267,773
Profit for the period	-	-	-	-	-	7,115	7,115
Others							
Purchase of treasury shares	-	-	-	-	-	-	-
Issue of share grant	-	-	606	-	-	-	606
Total others	-	-	606	-	-	-	606
At 30 September 2014	405,962	82,347	2,220	(919)	778,608	7,276	1,275,494

Notes:

(a) There were no shares granted in 3Q 2014 under the Nam Cheong Group 2013 Share Grant Plan ("2013 Share Grant Plan"). During 3Q 2014, there were neither shares granted nor lapsed (3Q 2013: 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 as at the end of the immediately preceding year.

As at 30 September 2014 and 31 December 2013, the total number of issued shares excluding treasury shares was 2,101,655,325 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 3Q 2014, the Company acquired 1,000,000 shares (3Q 2013 : Nil) ordinary shares in the Company by way of on-market purchases.

In 3Q 2014, there were no treasury shares re-issued pursuant to the 2013 Share Grant Plan.

As at 30 September 2014, 1,489,157 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	
	3rd Quarter ended 30.9.2014	3rd Quarter ended 30.9.2013	Nine months ended 30.9.2014	Nine months ended 30.9.2013
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)	6.01	2.79	12.40	6.46
Weighted average number of shares	2,102,644,455	2,103,144,482	2,102,571,372	2,092,704,922
(ii) On a fully diluted basis (Sen)	6.01	2.79	12.40	6.46
Adjusted weighted average number of shares	2,102,644,455	2,103,144,482	2,102,571,372	2,092,704,922

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 30.9.2014	As at 31.12.2013	As at 30.9.2014	As at 31.12.2013
Net asset value per ordinary share (Sen)	55.3	44.6	60.7	59.9
Ordinary shares in issue	2,101,655,325	2,103,144,482	2,101,655,325	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)

9M 2014 vs 9M 2013

	9M 2014				9M 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	1,333,882	95%	280,675	21%	807,225	95%	157,415	20%	526,657	65%	123,260	78%
Vessel Chartering	70,803	5%	21,287	30%	44,074	5%	27,387	62%	26,729	61%	(6,100)	(22%)
Total	1,404,685	100%	301,962	21%	851,299	100%	184,802	22%	553,386	65%	117,160	63%

Revenue for nine months ended 30 September 2014 ("9M 2014") of RM1.4 billion was RM553.4 million, or 65%, higher as compared to RM851.3 million achieved during the previous year corresponding nine months ended 30 September 2013 ("9M 2013"). The shipbuilding segment recorded revenue of RM1.3 billion for 9M 2014, representing an increase of 65% as compared to RM807.2 million recorded for 9M 2013. A significant portion of the increase in shipbuilding revenue was mainly due to the completion and delivery of eighteen vessels during this period as compared to fourteen vessels in 9M 2013.

The vessel chartering segment also registered an increase in revenue of RM26.7 million, or 61%, from RM44.1 million for 9M 2013 to RM70.8 million for 9M 2014, mainly as a result of the contribution of three additional vessels in the chartering fleet since 2Q 2013.

8. (contd.)

Review of Group Performance (Contd.)

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

9M 2014 vs 9M 2013

Gross profit increased by 63%, from RM184.8 million for 9M 2013 to RM302.0 million recorded for 9M 2014, which is in tandem with higher revenue recorded. The gross profit margins for 9M 2014 and 9M 2013 were consistent at the range of 21% to 22%. The shipbuilding segment's gross profit margin were maintained at the range of 20% to 21%. However, the vessel chartering segment's gross profit margin was lower at 30% in 9M 2014, mainly 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 9M 2014 as compared to 9M 2013 due to fair value gain on derivatives of RM7.1 million and net foreign exchange gain of RM3.9 million.

Selling and administrative expenses increased by RM2.1 million in 9M 2014 due to share and cash plan expenses and loss on disposal of property, plant and equipment of RM1.7 million. Finance cost increased by RM6.7 million in 9M 2014 mainly due to issuance of additional Medium Term Notes ("MTN") in 3Q 2014.

Share of profit in jointly controlled entities recorded a gain of RM5.3 million as more assets have been deployed by the jointly controlled entities.

As a result of increased revenue, net profit after taxation for 9M 2014 of RM260.0 million, was 91% higher as compared to RM136.0 million in 9M 2013.

3Q 2014 vs 3Q 2013

	3Q 2014				3Q 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	595,099	96%	143,038	24%	319,690	94%	72,753	23%	275,409	86%	70,285	97%
Vessel Chartering	23,522	4%	5,687	24%	21,537	6%	14,549	68%	1,985	9%	(8,862)	(61%)
Total	618,621	100%	148,725	24%	341,227	100%	87,302	26%	277,394	81%	61,423	70%

8. (contd.)

Review of Group Performance (contd.)

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

3Q 2014 vs 3Q 2013 (contd.)

Revenue for the three months ended 30 September 2014 ("3Q 2014") of RM618.6 million was RM277.4 million, or 81%, higher as compared to RM341.2 million recorded during the previous year corresponding three months ended 30 September 2013 ("3Q 2013"). Revenue from the shipbuilding segment increased by 86% to RM595.1 million for 3Q 2014 from RM319.7 million recorded for 3Q 2013, mainly contributed by the increase in order win in 3Q 2014 of sixteen vessels as compared to seven vessels in 3Q 2013. The vessel chartering revenue also recorded an increase of 9% from RM21.5 million for 3Q 2013 to RM23.5 million for 3Q 2014, resulting from the net increase of one new vessel to its chartering fleet as compared to 3Q 2013.

Gross profit increased by 70% from RM87.3 million in 3Q 2013 to RM148.7 million, in tandem with higher revenue and the gross profit margins for 3Q 2014 and 3Q 2013 were maintained at the range of 24% to 26%. The shipbuilding segment's gross profit margin is maintained at 24%. However, the gross profit margin for the chartering segment for 3Q 2014 is lower as one of the vessels' charter contract has ended and was subsequently disposed of in 4Q 2014.

Other income was higher for 3Q 2014 as compared to 3Q 2013 due to rental income derived from the Suntec City office property that was acquired in 4Q 2013.

Finance cost increased to RM7.5 million in 3Q 2014 as compared to RM1.5 million in 3Q 2013 due to issuance of additional MTN in 3Q 2014.

As a result of increased revenue, net profit after taxation for 3Q 2014 increased to RM125.6 million from RM59.2 million in 3Q 2013, representing an increase of 112%.

(b) Statements of financial position (Group)

Total Assets

Total assets of the Group increased by RM841.8 million from RM2.2 billion as at 31 December 2013 ("FY2013") to RM3.0 billion as at 30 September 2014 ("PE2014") mainly due to :

- (i) the increase in the aggregate of amount due from customers on contracts of RM135.7 million from RM459.7 million in FY 2013 to RM595.4 million in PE 2014, which was in line with the growing shipbuilding and chartering revenue, and the timing difference between revenue recognition and billing to customers; and
- (ii) the increase in prepayment to suppliers for engines and equipment for shipbuilding of RM104.0 million from RM45.2 million in FY2013 to RM149.2 million in PE2014; and
- (iii) the increase in cash and bank balance by RM431.4 million from RM321.9 million in FY2013 to RM753.3 million in PE 2014 as a result of the issuance of S\$200 million MTN in August 2014.

8. (contd.)

Review of Group Performance (contd.)

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

Total Liabilities

Total liabilities of the Group increased by RM618.3 million from RM1.2 billion in FY2013 to RM1.9 billion in PE2014 mainly due to the increase in trade and other payables by RM163.6 million and the increase in loan and borrowings pursuant to the issuance of additional MTN.

The Group's net gearing ratio decreased from 0.52 times in FY2013 to 0.45 times in PE2014 mainly due to the increase in cash and bank balances.

(c) Statements of Cash Flows (Group)

3Q 2014 vs 3Q 2013

Net cash flows from operating activities reduced to RM38.9 million in 3Q 2014 from RM149.3 million in 3Q 2013 mainly due to the increase in prepayment by RM81.8 million as a result of the increased shipbuilding activities.

Net cash flows from investing activities for 3Q 2014 was RM30.2 million mainly due to sales proceed from disposal of one units of vessel.

Net cash flows from financing activities increased to RM496.9 million in 3Q 2014 as compared to RM266.5 million in 3Q 2013 mainly attributed to proceeds from the issuance of MTN of S\$200 million in 3Q2014 (3Q2013: S\$90 million).

9M 2014 vs 9M 2013

Net cash flows used in operating activities was RM6.0 million in 9M 2014 mainly due to the increase in prepayment by RM73.1 million as a result of the increased shipbuilding activities.

Net cash flows from investing activities for 9M 2014 was RM27.3 million, mainly due to sales proceed from disposal of one unit of vessel.

Net cash flows from financing activities increased to RM398.4 million in 9M 2014 as compared to RM378.3 million in 9M 2013 was mainly attributed to higher proceeds from the issuance of MTN of S\$200 million in 9M 2014 as compared to the proceeds from the issuance of shares and the issuance of MTN of S\$90 million in 9M 2013.

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

Despite the recent volatile oil prices, the shallow water segment continues to be active given that 80% of offshore oilfields to be developed are in shallow water¹. The Group continues to see robust demand for our vessels, as evidenced by the strong order wins of 25 vessels worth approximately US\$505 million (year-to-date) and the letters of intent worth US\$186 million secured for our newly launched Anchor Handling Tug Supply (“AHTS”) vessels. Our order book value, as at 30 September 2014, stood at approximately RM1.9 billion, comprising a mix of OSVs for shallow and deep water operations that are due for deliveries up to 2016.

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 Nam Cheong 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 we will continue to benefit from our strong reputation within the highly resilient shallow water segment, 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 *TradeWinds Offshore Marine Asia Conference, Pareto Securities, October 21, 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
11 November 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 nine months ended 30 September 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
11 November 2014