
**Second Quarter and First Half Year Ended 30 June 2017 Financial Statements
and Related Announcement**

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1. Unaudited Financial Statements

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

	2nd Quarter ended 30.6.2017 RM'000	2nd Quarter ended 30.6.2016 RM'000	Change %	Half year ended 30.6.2017 RM'000	Half year ended 30.6.2016 RM'000	Change %
Revenue	151,245	117,395	29%	169,133	24,318	>100%
Cost of sales	(139,204)	(101,717)	37%	(149,940)	(4,426)	>100%
Gross profit	12,041	15,678	(23%)	19,193	19,892	(4%)
Other income	1,161	2,508	(54%)	5,662	8,188	(31%)
Selling and administrative expenses	(7,596)	(10,465)	(27%)	(15,008)	(21,910)	(32%)
Assets impairment and written down	(1,881,099)	-	n.m.	(1,881,393)	-	n.m.
Other operating expenses	(19,987)	(399)	>100%	(62,698)	(36,237)	73%
Operating (loss) / profit	(1,895,480)	7,322	n.m.	(1,934,244)	(30,067)	>100%
Finance costs	(9,943)	(3,541)	>100%	(16,067)	(5,296)	>100%
Share of post-tax loss of equity accounted associate and jointly controlled entities	(2,528)	(1,109)	>100%	(5,013)	(2,089)	>100%
Impairment on investment in associate	(54,440)	-	n.m.	(54,440)	-	n.m.
Impairment on amount owing by jointly controlled entities	(61,812)	-	n.m.	(61,812)	-	n.m.
(Loss) / Profit before tax	(2,024,203)	2,672	n.m.	(2,071,576)	(37,452)	>100%
Income tax expense	(22)	-	n.m.	(157)	2	n.m.
(Loss) / Profit for the financial period	(2,024,225)	2,672	n.m.	(2,071,733)	(37,450)	>100%

1. Unaudited Financial Statements (Contd.)

	2nd Quarter ended 30.6.2017 RM'000	2nd Quarter ended 30.6.2016 RM'000	Change %	Half year ended 30.6.2017 RM'000	Half year ended 30.6.2016 RM'000	Change %
Other comprehensive income						
Exchange differences on translating foreign operations	12,281	28,932	(58%)	4,320	(69,739)	n.m.
Net gain / (loss) on cash flow hedges	-	201	n.m.	-	6,395	n.m.
Other comprehensive income /(loss) for the financial period, net of tax	<u>12,281</u>	<u>29,133</u>	n.m.	<u>4,320</u>	<u>(63,344)</u>	n.m.
Total comprehensive (loss) / income for the financial period	<u>(2,011,944)</u>	<u>31,805</u>	n.m.	<u>(2,067,413)</u>	<u>(100,794)</u>	>100%
(Loss) / Profit attributable to :						
Owners of the parent	(2,024,376)	3,036	n.m.	(2,071,864)	(37,113)	>100%
Non-controlling interest	151	(364)	n.m.	131	(337)	n.m.
(Loss) / Profit for the financial period	<u>(2,024,225)</u>	<u>2,672</u>	n.m.	<u>(2,071,733)</u>	<u>(37,450)</u>	>100%
Total comprehensive (loss) / income attributable to:						
Owners of the parent	(2,012,095)	32,169	n.m.	(2,067,544)	(100,457)	>100%
Non-controlling interest	151	(364)	n.m.	131	(337)	n.m.
Total comprehensive (loss) / income for the financial period	<u>(2,011,944)</u>	<u>31,805</u>	n.m.	<u>(2,067,413)</u>	<u>(100,794)</u>	>100%

1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.6.2017 RM'000	2nd Quarter ended 30.6.2016 RM'000	Change %	Half year ended 30.6.2017 RM'000	Half year ended 30.6.2016 RM'000	Change %
Other income						
Interest income	(726)	1,031	n.m.	(229)	2,441	n.m.
Miscellaneous	966	151	>100%	4,048	1,636	>100%
Net fair value gain on derivatives	-	-	n.m.	-	2,530	n.m.
Gain on disposal of property, plant and equipment	1	-	n.m.	-	26	n.m.
Rental income	920	697	32%	1,843	1,555	19%
Foreign exchange gain, net	-	629	n.m.	-	-	n.m.
	<u>1,161</u>	<u>2,508</u>	<u>(54%)</u>	<u>5,662</u>	<u>8,188</u>	<u>(31%)</u>

(Loss) / Profit before tax

The following amounts have been included in arriving
at (loss) / profit before tax:

Selling and administrative expenses

Amortisation of prepaid land lease payments	30	27	11%	57	54	6%
Depreciation of property, plant and equipment	5,222	4,953	5%	10,247	9,889	4%
Depreciation of investment properties	320	321	n.m.	640	633	1%

1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.6.2017 RM'000	2nd Quarter ended 30.6.2016 RM'000	Change %	Half year ended 30.6.2017 RM'000	Half year ended 30.6.2016 RM'000	Change %
(Loss) / Profit before tax (Contd.)						
The following amounts have been included in arriving at (loss) / profit before tax:						
<i>Assets impairment and written down</i>						
Impairment of property, plant and equipment	299,626	-	n.m.	299,626	-	n.m.
Impairment of investment properties	15,455	-	n.m.	15,455	-	n.m.
Impairment of trade and other receivables	8,590	-	n.m.	8,590	-	n.m.
Inventories written down	1,509,732	-	n.m.	1,509,732	-	n.m.
Prepayment written off	47,508	-	n.m.	47,508	-	n.m.
Property, plant and equipment written off	188	-	n.m.	482	-	n.m.
<i>Other operating expenses</i>						
Foreign exchange loss, net	17,408	-	n.m.	60,115	36,237	66%
Loss on disposal of property, plant and equipment	-	-	n.m.	4	-	n.m.
Net fair value loss on derivatives	-	399	n.m.	-	-	n.m.
Income tax expense						
Current income tax	22	-	n.m.	157	(2)	n.m.

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(b)(I) Statement of Financial Position

	Group		Company	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	296,643	428,497	-	-
Prepaid land lease payments	7,331	7,403	-	-
Investment properties	77,187	92,784	-	-
Investment in subsidiaries	-	-	1,079,188	2,307,317
Investment in joint ventures	7,936	10,957	-	-
Investment in an associate	18,024	74,840	-	-
Available-for-sale financial assets	3,120	30,442	-	-
	<u>410,241</u>	<u>644,923</u>	<u>1,079,188</u>	<u>2,307,317</u>
Current assets				
Available-for-sale financial assets	5,378	4,716	-	-
Inventories	615,184	2,398,304	-	-
Trade and other receivables	88,153	128,012	-	100,576
Prepayments	128,512	156,785	-	7
Current income tax recoverable	1,784	1,674	-	-
Due from customers on contracts	250,729	462,398	-	-
Cash and cash equivalents	240,559	301,493	60,933	61,511
	<u>1,330,299</u>	<u>3,453,382</u>	<u>60,933</u>	<u>162,094</u>
TOTAL ASSETS	<u>1,740,540</u>	<u>4,098,305</u>	<u>1,140,121</u>	<u>2,469,411</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	81,192	405,962	81,192	405,962
Share premium	82,347	82,347	82,347	82,347
Treasury shares	(4,097)	(4,097)	(4,097)	(4,097)
Other reserves	331,222	327,787	778,608	778,608
(Accumulated loss) / Retained earnings	(1,190,280)	556,814	(950,420)	58,413
	<u>(699,616)</u>	<u>1,368,813</u>	<u>(12,370)</u>	<u>1,321,233</u>
Non-controlling interest	<u>(649)</u>	<u>(780)</u>	<u>-</u>	<u>-</u>
Total equity	<u>(700,265)</u>	<u>1,368,033</u>	<u>(12,370)</u>	<u>1,321,233</u>
Non-current liabilities				
Loans and borrowings	-	874,781	-	847,228
Deferred tax liabilities	1,481	1,480	-	-
Trade and other payables	2,637	2,637	-	-
	<u>4,118</u>	<u>878,898</u>	<u>-</u>	<u>847,228</u>

1. Unaudited Financial Statements (Contd.)

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

	Group		Company	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Current liabilities				
Due to customers on contracts	759	3,791	-	-
Derivatives	-	-	-	-
Loans and borrowings	1,700,825	948,720	1,151,657	294,457
Trade and other payables	734,903	898,663	834	6,493
Provisions	200	200	-	-
	<u>2,436,687</u>	<u>1,851,374</u>	<u>1,152,491</u>	<u>300,950</u>
Total liabilities	<u>2,440,805</u>	<u>2,730,272</u>	<u>1,152,491</u>	<u>1,148,178</u>
TOTAL EQUITY AND LIABILITIES	<u>1,740,540</u>	<u>4,098,305</u>	<u>1,140,121</u>	<u>2,469,411</u>

1. Unaudited Financial Statements (Contd.)

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

	As at 30.6.2017		As at 31.12.2016	
	Secured	Unsecured	Secured	Unsecured
	RM'000	RM'000	RM'000	RM'000
Amount repayable in one year or less, or on demand	596,543	1,104,282	670,154	278,566
Amount repayable after one year	-	-	58,760	816,021

Details of any collaterals

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

1. Unaudited Financial Statements (Contd.)

1(c) Statement of Cash Flows (Group)

	2nd Quarter ended 30.6.2017 RM'000	2nd Quarter ended 30.6.2016 RM'000	Half year ended 30.6.2017 RM'000	Half year ended 30.6.2016 RM'000
Operating activities				
(Loss) / Profit before tax	(2,024,203)	2,672	(2,071,576)	(37,452)
Adjustments for:				
Amortisation of prepaid land lease payments	30	27	57	54
Depreciation of property, plant and equipment	5,222	4,953	10,247	9,889
Depreciation of investment properties	320	321	640	633
(Gain) / Loss on disposal of property, plant and equipment	(1)	-	4	(26)
Impairment on property, plant and equipment	299,626	-	299,626	-
Impairment on investment in associate	54,440	-	54,440	-
Impairment on amount owing by jointly controlled entities	61,812	-	61,812	-
Impairment on investment properties	15,455	-	15,455	-
Impairment on trade and other receivables	8,590	-	8,590	-
Inventories written down	1,509,732	-	1,509,732	-
Interest expense	9,943	3,541	16,067	5,296
Interest income	726	(1,031)	229	(2,441)
Net fair value loss / (gain) on derivatives	-	399	-	(2,530)
Prepayment written off	47,508	-	47,508	-
Property, plant and equipment written off	188	-	482	-
Share of post-tax loss of equity accounted associate and jointly controlled entities	2,528	1,109	5,013	2,089
Unrealised loss / (gain) loss on foreign exchange	16,695	(13,876)	67,408	29,880
Total adjustments	2,032,814	(4,557)	2,097,310	42,844
Operating cash flows before working capital changes	8,611	(1,885)	25,734	5,392
Changes in working capital:				
Decrease / (Increase) in inventories	207,600	(14,570)	137,815	(30,769)
Decrease / (Increase) in receivables	(52,777)	29,320	(69,306)	(2,642)
(Increase) / Decrease in prepayments	(3,820)	(2,741)	(24,569)	14,610
Decrease / (Increase) in amount due from customers on contracts	120,904	(186,898)	99,509	(222,172)
(Decrease) / Increase in payables	(165,048)	73,819	(98,973)	57,685
Increase / (Decrease) in amount due to customers on contracts	931	(727)	(1,488)	(798)
Total changes in working capital	107,790	(101,797)	42,988	(184,086)
Cash flows from / (used in) operations	116,401	(103,682)	68,722	(178,694)
Interest paid	(9,728)	(21,573)	(31,768)	(39,338)
Taxes paid, net of refund	(57)	(148)	(267)	(431)
Net cash flows from/(used in) operating activities	106,616	(125,403)	36,687	(218,463)

1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.6.2017 RM'000	2nd Quarter ended 30.6.2016 RM'000	Half year ended 30.6.2017 RM'000	Half year ended 30.6.2016 RM'000
Investing activities				
Acquisition of property, plant and equipment	(878)	(11)	(882)	(65)
Interest received	(726)	1,031	(229)	2,441
Proceeds from disposal available-for-sale financial assets	6,188	44,067	24,184	60,551
Proceeds from disposal of property, plant and equipment	-	-	7	26
Net cash flows (used in)/from investing activities	4,584	45,087	23,080	62,953
Financing activities				
Proceeds from bank borrowings	24,194	23,951	82,131	111,285
Repayments of bank borrowings	(87,744)	(25,859)	(138,579)	(194,722)
Placement of fixed deposit	-	(1,127)	-	(57,058)
Net cash flows used in financing activities	(63,550)	(3,035)	(56,448)	(140,495)
Net increase / (decrease) in cash and cash equivalents	47,650	(83,351)	3,319	(296,005)
Effects of foreign exchange rate changes	(2,447)	11,819	(4,777)	(8,039)
Cash and cash equivalents at 1 April / 1 January	115,957	209,479	162,618	441,991
Cash and cash equivalents at 30 June	161,160	137,947	161,160	137,947

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

Fixed deposits with licensed banks	176,475	123,527	176,475	123,527
Cash and bank balances	64,084	136,946	64,084	136,946
Bank overdrafts	(18,415)	(1,399)	(18,415)	(1,399)
	<u>222,144</u>	<u>259,074</u>	<u>222,144</u>	<u>259,074</u>
Less: Restricted fixed deposits with licensed banks	(60,984)	(121,127)	(60,984)	(121,127)
Total cash and cash equivalents	161,160	137,947	161,160	137,947

1. Unaudited Financial Statements (Contd.)

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

Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Cash flow hedge reserve RM'000	Available- for-sale reserve RM'000	Retained earnings / (Accumulated loss) RM'000	Equity attributable to owners of the parent RM'000	Non- controlling interest RM'000	Total equity RM'000
At 1 January 2016	405,962	82,347	(4,097)	300,716	(6,617)	-	598,828	1,377,139	(23)	1,377,116
Loss for the period	-	-	-	-	-	-	(40,149)	(40,149)	27	(40,122)
Other comprehensive income	-	-	-	(98,671)	6,194	-	-	(92,477)	-	(92,477)
At 31 March 2016	405,962	82,347	(4,097)	202,045	(423)	-	558,679	1,244,513	4	1,244,517
Profit for the period	-	-	-	-	-	-	3,036	3,036	(364)	2,672
Other comprehensive income	-	-	-	28,932	201	-	-	29,133	-	29,133
At 30 June 2016	405,962	82,347	(4,097)	230,977	(222)	-	561,715	1,276,682	(360)	1,276,322
At 1 January 2017	405,962	82,347	(4,097)	327,787	-	-	556,814	1,368,813	(780)	1,368,033
Loss for the period	-	-	-	-	-	-	(47,488)	(47,488)	(20)	(47,508)
Other comprehensive income	-	-	-	(7,961)	-	-	-	(7,961)	-	(7,961)
Fair value loss on available- for-sale	-	-	-	-	-	(885)	-	(885)	-	(885)
At 31 March 2017	405,962	82,347	(4,097)	319,826	-	(885)	509,326	1,312,479	(800)	1,311,679
Loss for the period	-	-	-	-	-	-	(2,024,376)	(2,024,376)	151	(2,024,225)
Other comprehensive income	-	-	-	12,281	-	-	-	12,281	-	12,281
Capital reorganisation (Note)	(324,770)	-	-	-	-	-	324,770	-	-	-
At 30 June 2017	81,192	82,347	(4,097)	332,107	-	(885)	(1,190,280)	(699,616)	(649)	(700,265)

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	Contributed surplus RM'000	Retained earnings / (Accumulated loss) RM'000	Equity attributable to owners of the parent RM'000
At 1 January 2016	405,962	82,347	(4,097)	778,608	19,855	1,282,675
Loss for the period	-	-	-	-	(17,154)	(17,154)
At 31 March 2016	405,962	82,347	(4,097)	778,608	2,701	1,265,521
Profit for the period	-	-	-	-	41,032	41,032
At 30 June 2016	405,962	82,347	(4,097)	778,608	43,733	1,306,553
At 1 January 2017	405,962	82,347	(4,097)	778,608	58,413	1,321,233
Loss for the period	-	-	-	-	(5,088)	(5,088)
At 31 March 2017	405,962	82,347	(4,097)	778,608	53,325	1,316,145
Loss for the period	-	-	-	-	(1,328,515)	(1,328,515)
Capital reorganisation (Note)	(324,770)	-	-	-	324,770	-
At 30 June 2017	81,192	82,347	(4,097)	778,608	(950,420)	(12,370)

Note:

On 15 May 2017, the issued and paid-up share capital of the Company was reduced (the "Capital Reduction") from HK\$1,051,572,241 divided into 2,103,144,482 ordinary shares (including 6,678,597 treasury shares) of HK\$0.50 each to HK\$210,314,448.20 divided into 2,103,144,482 ordinary shares of par value HK\$0.10 each. The credit arising from the Capital Reduction in the sum of HK\$841,257,792.80 (equivalent to approximately RM324,770,000) was credited to the accumulated loss of the Company.

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 June 2017 and 30 June 2016, the total number of issued shares excluding treasury shares was 2,096,465,885.

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.

There were no movement in the treasury shares during 2Q 2017.

As at 30 June 2017, 6,678,597 treasury shares were held as treasury shares by the Company.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent 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 2016.

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

Not applicable.

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 30.6.2017	2nd Quarter ended 30.6.2016	Half year ended 30.6.2017	Half year ended 30.6.2016
Earnings / (loss) per ordinary shares of the Group for the financial period based on net profit / (loss) attributable to shareholders:				
(i) Based on weighted average number of ordinary shares in issue (Sen)	(96.56)	0.14	(98.83)	(1.77)
Weighted average number of shares	2,096,465,885	2,096,465,885	2,096,465,885	2,096,465,885
(ii) On a fully diluted basis (Sen)	(96.56)	0.14	(98.83)	(1.77)
Adjusted weighted average number of shares	2,096,465,885	2,096,465,885	2,096,465,885	2,096,465,885

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 30.6.2017	As at 31.12.2016	As at 30.6.2017	As at 31.12.2016
Net asset value per ordinary share (Sen)	(33.4)	65.3	(0.6)	63.0
Ordinary shares in issue	2,096,465,885	2,096,465,885	2,096,465,885	2,096,465,885

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 2017 vs 1H 2016

	1H 2017				1H 2016				Variance			
	Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit	
	RM'000	%	RM'000	Margin %	RM'000	%	RM'000	Margin %	RM'000	%	RM'000	%
Shipbuilding	141,844	84%	19,453	14%	16,950	70%	32,078	189%	124,894	737%	(12,625)	(39%)
Vessel Chartering	27,289	16%	(260)	(1%)	7,368	30%	(12,186)	(165%)	19,921	270%	11,926	(98%)
Total	169,133	100%	19,193	11%	24,318	100%	19,892	82%	144,815	596%	(699)	(4%)

Revenue for six months ended 30 June 2017 ("1H 2017") of RM169.1 million was RM144.8 million, or 596%, higher as compared to RM24.3 million achieved during the previous year corresponding six months ended 30 June 2016 ("1H 2016"). The shipbuilding segment recorded revenue of RM141.8 million for 1H 2017, representing a increase of 737% as compared to RM17.0 million recorded for 1H 2016. This was mainly attributed to the sale and delivery of two vessels in 2Q 2017.

The vessel chartering segment also registered an increase in revenue of RM19.9 million, or 270%, from RM7.4 million for 1H 2016 to RM27.3 million for 1H 2017, mainly attributed to the addition of three vessels to the chartering fleet during 2Q 2017.

8. (contd.)

Review of Group Performance (Contd.)

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

1H 2017 vs 1H 2016

Gross profit decreased by 4%, from RM19.9 million for 1H 2016 to RM19.2 million recorded for 1H 2017. The gross profit margin for shipbuilding segment normalised at 14% in 1H 2017. The chartering segment had shown significant improvement by registering a lower gross loss of RM0.3 million in 1H 2017 as compared to gross loss of RM12.2 million in 1H 2016, mainly attributed to the addition of three vessels to the chartering fleet during 2Q 2017.

Primarily due to the absence of a net fair value gain on derivatives of RM2.5 million which was recorded in 1H 2016, other income in 1H 2017 declined 31% to RM5.7 million.

Selling and administrative expenses decreased 32% to RM15.0 million during 1H 2017, mainly due to the decrease in staff cost.

Finance cost increased by RM6.4 million in 1H 2017 over 1H 2016, as a result of lower interest expense being capitalised in cost of construction in 1H 2017.

Share of result in jointly controlled entities and associate recorded a loss of RM2.6 million and RM2.4 million respectively in 1H 2017 due to lower vessel utilisation rate.

As a result of the assets impairment and written down of RM2.0 billion in 1H 2017 which consist of impairment on property, plant and equipment, investment in associate, investment properties, and trade and other receivables of RM487.9 million as well as inventories written down of RM1.51 billion, the Group recorded a net loss after taxation of RM2.07 billion in 1H 2017.

2Q 2017 vs 2Q 2016

	2Q 2017				2Q 2016				Variance			
	Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	133,694	88%	11,949	9%	114,008	97%	21,387	19%	19,686	17%	(9,438)	(44%)
Vessel Chartering	17,551	12%	92	1%	3,387	3%	(5,709)	(169%)	14,164	418%	5,801	(102%)
Total	151,245	100%	12,041	8%	117,395	100%	15,678	13%	33,850	29%	(3,637)	(23%)

8. (contd.)

Review of Group Performance (contd.)

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

2Q 2017 vs 2Q 2016 (contd.)

Revenue for the three months ended 30 June 2017 ("2Q 2017") of RM151.2 million was RM33.9 million, or 29%, higher as compared to RM117.4 million recorded during the previous year corresponding three months ended 30 June 2016 ("2Q 2016"). Revenue from the shipbuilding segment increased by 17% to RM133.7 million for 2Q 2017 from RM114.0 million recorded for 2Q 2016. The increase in shipbuilding revenue in 2Q 2017 was mainly attributed to the sale and delivery of two vessels in 2Q 2017. The vessel chartering revenue also recorded an increase of 418% from RM3.4 million for 2Q 2016 to RM17.6 million for 2Q 2017, mainly attributed to the addition of three vessels to the chartering fleet during 2Q 2017.

Gross profit decreased by 23% from RM15.7 million in 2Q 2016 to RM12.0 million in 2Q 2017 mainly due to the decrease in overall gross profit margins from 13% in 2Q 2016 to 8% in 2Q 2017, which was in turn due to the decrease in gross profit margin of the shipbuilding segment to 9% from 19%. Notwithstanding that, the chartering segment managed to turnaround in 2Q 2017 and recorded a gross profit and gross profit margin of RM0.1 million and 1% respectively mainly attributed to the higher utilisation rate of vessels.

Other income for 2Q 2017 of RM1.2 million was lower as compared to RM2.5 million recorded in 2Q 2016 mainly due to the overprovision of interest income in 1Q 2017.

Selling and administrative expenses decreased 27% to RM7.6 million during 2Q 2017, mainly due to the decrease in staff cost.

Finance costs increased to RM9.9 million in 2Q 2017, as a result of lower interest expenses capitalised as vessels' cost of construction.

Share of result in jointly controlled entities and associate recorded a loss of RM1.2 million and RM1.4 million respectively in 2Q 2017 due to lower vessel utilisation rate.

As a result of the assets impairment and written down of RM2.0 billion in 2Q 2017 which consist of impairment on property, plant and equipment, investment in associate, investment properties, and trade and other receivables of RM487.6 million as well as inventories written down of RM1.51 billion, the Group recorded a net loss after taxation of RM2.02 billion in 1H 2017.

(b) Statements of financial position (Group)

Total Assets

Total assets of the Group decreased by RM2.36 billion from RM4.10 billion as at 31 December 2016 ("FY2016") to RM1.74 billion as at 30 June 2017 ("PE2017") mainly due to assets impairment and written down of RM2.0 billion mentioned above.

Total Liabilities

Total liabilities of the Group decreased by RM289.5 million from RM2.73 billion in FY2016 to RM2.44 billion in PE2017, mainly due to the decrease in the trade and other payables of RM163.8 million and loans and borrowings of RM122.7 million in PE2017.

8. (contd.)

Review of Group Performance (contd.)

(c) Statement of Cash Flows (Group)

1H 2017 vs 1H 2016

Net cash flows from operating activities of RM36.7 million in 1H 2017 was mainly due to the proceeds collected from the sale and delivery of 2 vessels during the period.

Net cash flows from investing activities of RM23.1 million in 1H 2017 was mainly attributed to the proceeds from disposal of available-for-sale financial assets of RM24.2 million.

Net cash flows used in financing activities of RM56.4 million in 1H 2017 was attributed to the net repayments of bank borrowings.

2Q 2017 vs 2Q 2016

Net cash flows from operating activities of RM106.6 million in 2Q 2017 was mainly due to the proceeds collected from the sale and delivery of 2 vessels during the period.

Net cash flows from investing activities of RM4.6 million in 2Q 2017 was mainly attributed to the proceeds from disposal of available-for-sale financial assets of RM6.2 million.

Net cash flows used in financing activities of RM63.6 million in 2Q 2017 was attributed to the net repayments of bank borrowings.

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 outlook for the O&M sector remains weak and the Group anticipates the progress of vessel sales and shipbuilding to remain slow.

In response to the 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 continues to monitor and review the shipbuilding schedule together with deferment and cancellation plans, through ongoing communication and consultation with its stakeholders.

The Group has also taken steps to review its options to restructure its businesses, operations and balance sheet to preserve value for the stakeholders of the Company.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared in the period under review.

13. General mandate relating to interested person transactions

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

14. Confirmation pursuant to Appendix 7.7 under Rule 720(1) of the Listing Manual

The Board of Directors of Nam Cheong Limited hereby confirms that the undertakings from all its directors and executive officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

15. 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 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Tan Sri Datuk Tiong Su Kouk
Executive Chairman

Leong Seng Keat
Chief Executive Officer

Singapore
14 August 2017