
**Third Quarter and Nine Months Ended 30 Sep 2016 Financial Statements
and Related Announcement**

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1. Unaudited Financial Statements

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

	3rd Quarter ended 30.9.2016 RM'000	3rd Quarter ended 30.9.2015 RM'000	Change %	9 months ended 30.9.2016 RM'000	9 months ended 30.9.2015 RM'000	Change %
Revenue	25,830	189,272	(86%)	50,148	708,186	(93%)
Cost of sales	(25,052)	(168,131)	(85%)	(29,478)	(588,139)	(95%)
Gross profit	778	21,141	(96%)	20,670	120,047	(83%)
Other income	15,449	3,152	>100%	11,309	13,703	(17%)
Selling and administrative expenses	(10,646)	(16,043)	(34%)	(56,465)	(60,491)	(7%)
Operating profit / (loss)	5,581	8,250	(32%)	(24,486)	73,259	n.m.
Finance costs	(4,704)	(4,722)	n.m.	(10,000)	(17,932)	(44%)
Share of post-tax loss of equity accounted associate and jointly controlled entities	(61)	(2,517)	(98%)	(2,150)	(2,915)	(26%)
Profit / (Loss) before tax	816	1,011	(19%)	(36,636)	52,412	n.m.
Income tax expense	(56)	(601)	(91%)	(54)	(2,195)	(98%)
Profit / (Loss) for the financial period	760	410	85%	(36,690)	50,217	n.m.

1. Unaudited Financial Statements (Contd.)

	3rd Quarter ended 30.9.2016 RM'000	3rd Quarter ended 30.9.2015 RM'000	Change %	9 months ended 30.9.2016 RM'000	9 months ended 30.9.2015 RM'000	Change %
Other comprehensive income						
Exchange differences on translating foreign operations	24,251	143,402	(83%)	(45,488)	211,144	n.m.
Net gain / (loss) on cash flow hedges	222	(9,113)	n.m.	6,617	(23,078)	n.m.
Other comprehensive income for the financial period, net of tax	24,473	134,289	(82%)	(38,871)	188,066	n.m.
Total comprehensive income for the financial period	25,233	134,699	(81%)	(75,561)	238,283	n.m.
Profit / (Loss) attributable to :						
Owners of the parent	722	6	n.m.	(36,391)	49,981	n.m.
Non-controlling interest	38	404	(91%)	(299)	236	>100%
Profit / (Loss) for the financial period	760	410	85%	(36,690)	50,217	n.m.
Total comprehensive income attributable to:						
Owners of the parent	25,195	134,295	(81%)	(75,262)	238,047	n.m.
Non-controlling interest	38	404	(91%)	(299)	236	n.m.
Total comprehensive income for the financial period	25,233	134,699	(81%)	(75,561)	238,283	n.m.

1. Unaudited Financial Statements (Contd.)

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

	3rd Quarter ended 30.9.2016 RM'000	3rd Quarter ended 30.9.2015 RM'000	Change %	9 months ended 30.9.2016 RM'000	9 months ended 30.9.2015 RM'000	Change %
Other income						
Interest income	2,259	1,983	14%	4,700	5,571	(16%)
Miscellaneous	240	381	(37%)	1,876	1,221	54%
Net fair value gain on derivatives	-	-	n.m.	2,378	4,781	(50%)
Gain on disposal of property, plant and equipment	-	-	n.m.	26	63	(59%)
Rental income	774	788	(2%)	2,329	2,067	13%
Foreign exchange gain, net	12,176	-	n.m.	-	-	n.m.
	<u>15,449</u>	<u>3,152</u>	>100%	<u>11,309</u>	<u>13,703</u>	(17%)
Profit / (Loss) before tax						
The following amounts have been included in arriving at profit / (loss) before tax:						
Amortisation of prepaid land lease payments	27	27	n.m.	81	81	n.m.
Depreciation of investment properties	324	332	(2%)	957	904	6%
Depreciation of property, plant and equipment	5,165	6,100	(15%)	15,054	14,918	1%
Foreign exchange loss, net	-	909	n.m.	24,061	10,840	>100%
Loss on disposal of property, plant and equipment	-	5	n.m.	-	-	n.m.
Net fair value loss on derivatives	152	2,335	(93%)	-	-	n.m.
Share grant plan expenses	-	-	n.m.	-	683	n.m.
	<u>56</u>	<u>601</u>	(91%)	<u>54</u>	<u>2,195</u>	(98%)
Income tax expense						
Current income tax	<u>56</u>	<u>601</u>	(91%)	<u>54</u>	<u>2,195</u>	(98%)

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(b)(I) Statement of Financial Position

	Group		Company	
	30.9.2016 RM'000	31.12.2015 RM'000	30.9.2016 RM'000	31.12.2015 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	419,070	449,881	-	-
Prepaid land lease payments	7,470	7,673	-	-
Investment properties	91,175	92,241	-	-
Investment in subsidiaries	-	-	1,079,188	1,079,188
Investment in joint ventures	9,084	8,624	-	-
Investment in an associate	80,731	88,281	-	-
Held-to-maturity financial assets	11,584	110,102	-	-
	<u>619,114</u>	<u>756,802</u>	<u>1,079,188</u>	<u>1,079,188</u>
Current assets				
Held-to-maturity financial assets	21,515	16,924	-	-
Inventories	1,896,818	1,827,799	-	-
Trade and other receivables	114,183	105,656	1,276,060	1,198,273
Prepayments	197,006	214,033	252	244
Current income tax recoverable	1,694	744	-	-
Due from customers on contracts	658,516	522,734	-	-
Derivatives	-	151	-	-
Cash and cash equivalents	337,895	506,060	60,755	131,483
	<u>3,227,627</u>	<u>3,194,101</u>	<u>1,337,067</u>	<u>1,330,000</u>
TOTAL ASSETS	3,846,741	3,950,903	2,416,255	2,409,188
EQUITY AND LIABILITIES				
Equity				
Share capital	405,962	405,962	405,962	405,962
Share premium	82,347	82,347	82,347	82,347
Treasury shares	(4,097)	(4,097)	(4,097)	(4,097)
Other reserves	255,228	294,099	778,608	778,608
Retained earnings	562,437	598,828	46,369	19,855
	<u>1,301,877</u>	<u>1,377,139</u>	<u>1,309,189</u>	<u>1,282,675</u>
Non-controlling interest	(322)	(23)	-	-
Total equity	1,301,555	1,377,116	1,309,189	1,282,675
Non-current liabilities				
Loans and borrowings	888,261	1,181,227	828,272	1,105,256
Deferred tax liabilities	1,478	1,478	-	-
Trade and other payables	2,692	2,692	-	-
	<u>892,431</u>	<u>1,185,397</u>	<u>828,272</u>	<u>1,105,256</u>

1. Unaudited Financial Statements (Contd.)

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

	Group		Company	
	30.9.2016 RM'000	31.12.2015 RM'000	30.9.2016 RM'000	31.12.2015 RM'000
Current liabilities				
Due to customers on contracts	15,285	16,968	-	-
Derivatives	-	9,146	-	-
Loans and borrowings	901,957	627,980	272,841	18,690
Trade and other payables	735,313	734,096	5,953	2,567
Provisions	200	200	-	-
	<u>1,652,755</u>	<u>1,388,390</u>	<u>278,794</u>	<u>21,257</u>
Total liabilities	<u>2,545,186</u>	<u>2,573,787</u>	<u>1,107,066</u>	<u>1,126,513</u>
TOTAL EQUITY AND LIABILITIES	<u>3,846,741</u>	<u>3,950,903</u>	<u>2,416,255</u>	<u>2,409,188</u>

1. Unaudited Financial Statements (Contd.)

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

	As at 30.9.2016		As at 31.12.2015	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount repayable in one year or less, or on demand	629,116	272,841	609,290	18,690
Amount repayable after one year	106,104	782,157	122,141	1,059,086

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)

	3rd Quarter ended 30.9.2016 RM'000	3rd Quarter ended 30.9.2015 RM'000	9 months ended 30.9.2016 RM'000	9 months ended 30.9.2015 RM'000
Operating activities				
Profit / (Loss) before tax	816	1,011	(36,636)	52,412
Adjustments for:				
Amortisation of prepaid land lease payments	27	27	81	81
Depreciation of investment properties	324	332	957	904
Depreciation of property, plant and equipment	5,165	6,100	15,054	14,918
Loss / (Gain) on disposal of property, plant and equipment	-	5	(26)	(63)
Impairment of trade and other receivables	-	2,865	-	2,865
Interest expense	4,704	4,722	10,000	17,932
Interest income	(2,259)	(1,983)	(4,700)	(5,571)
Net fair value loss / (gain) on derivatives	152	2,335	(2,378)	(4,781)
Share grant plan expenses	-	-	-	683
Share of post-tax loss of equity accounted associate and jointly controlled entities	61	2,517	2,150	2,915
Unrealised (gain) / loss on foreign exchange	(6,722)	(55,426)	23,158	(16,396)
Total adjustments	1,452	(38,506)	44,296	13,487
Operating cash flows before working capital changes	2,268	(37,495)	7,660	65,899
Changes in working capital:				
Decrease / (Increase) in inventories	29,117	(55,062)	(1,652)	(438,760)
(Increase) / Decrease in receivables	(30,400)	(195,522)	(33,042)	137,382
(Increase) / Decrease in prepayments	(2,965)	(73,784)	11,645	(53,301)
Decrease / (Increase) in amount due from customers on contracts	9,512	11,689	(212,660)	(69,912)
(Decrease) / Increase in payables	(31,064)	160,225	26,621	(155,148)
(Decrease) / Increase in amount due to customers on contracts	(320)	4,381	(1,118)	(11,089)
Total changes in working capital	(26,120)	(148,073)	(210,206)	(590,828)
Cash flows used in operations	(23,852)	(185,568)	(202,546)	(524,929)
Interest paid	(37,766)	(24,339)	(77,104)	(59,048)
Taxes paid, net of refund	(573)	(6,160)	(1,004)	(7,355)
Net cash flows used in operating activities	(62,191)	(216,067)	(280,654)	(591,332)

1. Unaudited Financial Statements (Contd.)

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

	3rd Quarter ended 30.9.2016 RM'000	3rd Quarter ended 30.9.2015 RM'000	9 months ended 30.9.2016 RM'000	9 months ended 30.9.2015 RM'000
Investing activities				
Acquisition of property, plant and equipment	15	(348)	(50)	(1,470)
Interest received	2,259	1,983	4,700	5,571
Proceeds from disposal of held-to-maturity financial assets	29,802	10,716	90,353	10,716
Proceeds from disposal of property, plant and equipment	-	1	26	86
Net cash flows from investing activities	<u>32,076</u>	<u>12,352</u>	<u>95,029</u>	<u>14,903</u>
Financing activities				
Dividends paid	-	-	-	(84,896)
Proceeds from bank borrowings	197,187	180,766	308,472	455,482
Repayments of bank borrowings	(93,686)	(217,343)	(288,408)	(278,610)
Proceeds from issuance of Medium Term Notes, net of transaction costs	-	210,240	-	210,240
Placement of fixed deposits	(2,185)	(64,872)	(59,245)	(64,872)
Proceed from upliftment of fixed deposits	197	-	197	-
Purchase of treasure shares	-	(2,292)	-	(2,292)
Net cash flows from / (used in) financing activities	<u>101,513</u>	<u>106,499</u>	<u>(38,984)</u>	<u>235,052</u>
Net increase / (decrease) in cash and cash equivalents	71,398	(97,216)	(224,609)	(341,377)
Effects of foreign exchange rate changes	2,717	74,733	(5,322)	89,882
Cash and cash equivalents at 1 July / 1 January	<u>137,947</u>	<u>570,888</u>	<u>441,993</u>	<u>799,900</u>
Cash and cash equivalents at 30 September	<u>212,062</u>	<u>548,405</u>	<u>212,062</u>	<u>548,405</u>
Cash and cash equivalents comprise the following as at the statements of financial position date:				
Fixed deposits with licensed banks	180,816	451,915	180,816	451,915
Cash and bank balances	157,079	162,903	157,079	162,903
Bank overdrafts	(2,715)	(1,343)	(2,715)	(1,343)
	<u>335,180</u>	<u>613,475</u>	<u>335,180</u>	<u>613,475</u>
Less: Restricted fixed deposits with licensed banks	(123,118)	(65,070)	(123,118)	(65,070)
Total cash and cash equivalents	<u>212,062</u>	<u>548,405</u>	<u>212,062</u>	<u>548,405</u>

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 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

Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Cash flow hedge reserve RM'000	Share grant reserve RM'000	Retained earnings RM'000	Equity attributable to owners of the parent RM'000	Non- controlling interest RM'000	Total equity RM'000
At 1 January 2016	405,962	82,347	(4,097)	300,716	(6,617)	-	598,828	1,377,139	(23)	1,377,116
Loss for the period	-	-	-	-	-	-	(37,113)	(37,113)	(337)	(37,450)
Other comprehensive income	-	-	-	(69,739)	6,395	-	-	(63,344)	-	(63,344)
At 30 June 2016	405,962	82,347	(4,097)	230,977	(222)	-	561,715	1,276,682	(360)	1,276,322
Profit for the period	-	-	-	-	-	-	722	722	38	760
Other comprehensive income	-	-	-	24,251	222	-	-	24,473	-	24,473
At 30 September 2016	405,962	82,347	(4,097)	255,228	-	-	562,437	1,301,877	(322)	1,301,555

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:							
Dividend 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
At 1 January 2016	405,962	82,347	(4,097)	-	778,608	19,855	1,282,675
Profit for the period	-	-	-	-	-	23,878	23,878
At 30 June 2016	405,962	82,347	(4,097)	-	778,608	43,733	1,306,553
Profit for the period	-	-	-	-	-	2,636	2,636
At 30 September 2016	405,962	82,347	(4,097)	-	778,608	46,369	1,309,189

Notes:

(a) There were no share granted in 3Q of FY2016 under the Nam Cheong Group 2013 Share Grant Plan ("2013 Share Grant Plan"). During 3Q 2016, there were neither share grant being released (3Q 2015: Nil) nor lapsed (3Q 2015: 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 2016 and 30 September 2015, 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.

During 3Q 2016, no treasury shares was acquired nor re-issued pursuant to the 2013 Share Grant Plan.

As at 30 September 2016, 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.

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

Other than the changes mentioned in item no. 5 below, 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 2015.

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 Group has revised the estimated useful lives of vessels from 20 years to 25 years pursuant to the Group's recent operational and sector review of our vessels. It is the Group's practice to regularly review on fleet composition to ensure that the fleet remains competitive and market relevant. As the Group's fleet composition has gradually grown towards a fleet with more enhanced specification, the useful life of the vessels is expected to be 25 years. Accordingly, the Group has revised the estimated useful lives of the vessels from 20 to 25 years.

In accordance with IFRS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the change in accounting estimate has been applied from 1 January 2016. Accordingly, the adoption of the change in accounting estimate has no effect in prior years.

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 30.9.2016	3rd Quarter ended 30.9.2015	9 months ended 30.9.2016	9 months ended 30.9.2015
Earnings 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)	0.03	0.0003	(1.74)	2.38
Weighted average number of shares	2,096,465,885	2,098,699,885	2,096,465,885	2,098,408,407
(ii) On a fully diluted basis (Sen)	0.03	0.0003	(1.74)	2.38
Adjusted weighted average number of shares	2,096,465,885	2,098,699,885	2,096,465,885	2,100,354,010

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 30.9.2016	As at 31.12.2015	As at 30.9.2016	As at 31.12.2015
Net asset value per ordinary share (Sen)	62.1	65.7	62.4	61.2
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)

9M 2016 vs 9M 2015

	9M 2016				9M 2015				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	%	RM'000	%
Shipbuilding	33,597	67%	34,598	103%	671,972	95%	115,735	17%	(638,375)	(95%)	(81,137)	(70%)
Vessel Chartering	16,551	33%	(13,928)	(84%)	36,214	5%	4,312	12%	(19,663)	(54%)	(18,240)	(423%)
Total	50,148	100%	20,670	41%	708,186	100%	120,047	17%	(658,038)	(93%)	(99,377)	(83%)

Revenue for nine months ended 30 September 2016 ("9M 2016") of RM50.1 million was RM658.0 million, or 93%, lower as compared to RM708.2 million recorded during the previous year corresponding nine months ended 30 September 2015 ("9M 2015"). The shipbuilding segment recorded revenue of RM33.6 million for 9M 2016, representing a decrease of 95% as compared to RM672.0 million recorded for 9M 2015. This was mainly due to fewer number of vessels delivered in 9M 2016 as compared to 9M 2015 (9M 2016: 2 units; 9M 2015: 9 units).

The vessel chartering segment also registered a decrease in revenue of RM19.7 million, or 54%, from RM36.2 million for 9M 2015 to RM16.6 million for 9M 2016, mainly due to lower utilisation rate for 9M 2016.

8. (contd.)

Review of Group Performance (Contd.)

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

9M 2016 vs 9M 2015

Gross profit decreased by 83%, from RM120.0 million for 9M 2015 to RM20.7 million recorded for 9M 2016, which is in tandem with lower revenue recorded. The gross profit margin for shipbuilding segment was in the range of 15% to 19% excluding contribution from the reversal of Perdana. The chartering segment recorded gross loss in 9M 2016 due to lower utilisation rate of vessels.

Other income for 9M 2016 of RM11.3 million was lower as compared to RM13.7 million recorded in 9M 2015 mainly due to the decrease in net fair value gain on derivatives of RM4.8 million.

Selling and administrative expenses decreased by RM4.0 million for 9M 2016 mainly due to lower marketing and staff cost expenses which are partially offset by increase in net foreign exchange loss.

Finance cost decreased by RM7.9 million in 9M 2016 compared to 9M 2015, as a result of higher interest expense being capitalised in cost of construction.

Share of profit in jointly controlled entities recorded a gain of RM5.4 million in 9M 2016. However, the gain was offset by the share of loss in associate of RM7.6 million in 9M 2016.

Net loss after taxation for 9M 2016 was RM36.7 million.

3Q 2016 vs 3Q 2015

	3Q 2016				3Q 2015				Variance			
	Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	16,647	64%	2,520	15%	182,136	96%	26,128	14%	(165,489)	(91%)	(23,608)	(90%)
Vessel Chartering	9,183	36%	(1,742)	(19%)	7,136	4%	(4,987)	(70%)	2,047	29%	3,245	(65%)
Total	25,830	100%	778	3%	189,272	100%	21,141	11%	(163,442)	(86%)	(20,363)	(96%)

8. (contd.)

Review of Group Performance (contd.)

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

3Q 2016 vs 3Q 2015 (contd.)

Revenue for the three months ended 30 September 2016 ("3Q 2016") of RM25.8 million was RM163.4 million, or 86%, lower as compared to RM189.3 million recorded during the previous year corresponding three months ended 30 September 2015 ("3Q 2015"). Revenue from the shipbuilding segment decreased by 91% to RM16.6 million for 3Q 2016 (3Q 2015: RM182.1 million). The reduction in shipbuilding revenue in 3Q 2016 was mainly due to slower progressive recognition of revenue from vessels sold. The vessel chartering revenue recorded an increase of 29% from RM7.1 million for 3Q 2015 to RM9.2 million for 3Q 2016, mainly due to higher utilisation rate in 3Q 2016, as a result of higher vessel utilisation rate.

Gross profit decreased by 96% from RM21.1 million in 3Q 2015 to RM0.8 million in 3Q 2016, in tandem with lower revenue. Overall gross profit margins for 3Q 2016 was 3%, compared to 11% in 3Q 2015. The gross profit margin for shipbuilding segment was in the range of 15% to 19% while the vessel chartering segment saw a sharp recovery in margins due to higher vessel utilisation rate.

Other income for 3Q 2016 of RM15.4 million was higher as compared to RM3.2 million recorded in 3Q 2015 mainly due to the higher net foreign exchange gain of RM12.2 million.

Selling and administrative expenses dipped 34% to RM10.6 million during 3Q 2016. Finance costs for 3Q 2016 held steady at RM4.7 million.

Share of profit in jointly controlled entities recorded a gain of RM2.6 million in 3Q 2016. However, the gain was offset by the share of loss in associate of RM2.7 million in 3Q 2016.

Net profit after taxation for 3Q 2016 was RM0.8 million.

(b) Statements of financial position (Group)

Total Assets

Total assets of the Group decreased by RM104.2 million from RM3.95 billion as at 31 December 2015 ("FY2015") to RM3.85 billion as at 30 September 2016 ("PE2016") mainly due to:

- (i) the decrease in the cash and cash equivalents of RM168.2 million, which was partially offset by
- (ii) the increase in inventories of RM69.0 million from RM1.83 billion in FY2015 to RM1.90 billion in PE2016 as a result of progresses of works for its built-to-stock vessels under the shipbuilding programme.

Total Liabilities

Total liabilities of the Group decreased by RM28.6 million from RM2.57 billion in FY2015 to RM2.55 billion in PE2016, mainly due to the decrease in loans and borrowings of RM19.0 million.

As a result of the decrease in cash and cash equivalents, the Group's net gearing ratio increased from 0.95 times in FY2015 to 1.12 times in PE2016.

8. (contd.)

Review of Group Performance (contd.)

(c) Statement of Cash Flows (Group)

9M 2016 vs 9M 2015

Net cash flows used in operating activities of RM280.7 million for 9M 2016 was mainly due to the increase in amount due from customers on contract of RM212.7 million.

Net cash flows from investing activities of RM95.0 million for 9M 2016 was mainly attributed to the proceeds from disposal of held-to-maturity financial assets of RM90.4 million.

Net cash flows used in financing activities of RM39.0 million for 9M 2016 was mainly attributed to the placement of fixed deposits of RM59.2 million.

3Q 2016 vs 3Q 2015

Net cash flows used in operating activities of RM62.2 million in 3Q 2016 was mainly due to the increase in receivables of RM30.4 million and decrease in payables of RM31.1 million.

Net cash flows from investing activities of RM32.1 million in 3Q 2016 was mainly attributed to the proceeds from disposal of held-to-maturity financial assets of RM29.8 million.

Net cash flows from financing activities of RM101.5 million in 3Q 2016 was mainly attributed to the net proceeds from drawn down of bank borrowings of RM103.5 million.

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

There is no material change from the previous prospect statement.

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

The 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 and deferment plan, through ongoing communication and consultation with its stakeholders.

The Group has a gross order book of approximately RM1.05 billion as at September 30, 2016, comprising a mix of OSVs due for deliveries up till 2018.

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 nine months ended 30 September 2016 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
10 November 2016