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## Fourth Quarter and Full Year Ended 31 Dec 2017 Financial Statements and Related Announcement

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## 1. Unaudited Financial Statements

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

	4th Quarter ended 31.12.2017 RM'000	4th Quarter ended 31.12.2016 RM'000	Change %	Full year ended 31.12.2017 RM'000	Full year ended 31.12.2016 RM'000	Change %
<b>Revenue</b>	64,896	120,276	(46%)	313,118	170,424	84%
Cost of sales	(54,162)	(132,493)	(59%)	(279,289)	(161,971)	72%
<b>Gross profit / (loss)</b>	10,734	(12,217)	>100%	33,829	8,453	>100%
Other income	16,771	118,843	(86%)	23,938	106,065	(77%)
Selling and administrative expenses	(7,863)	(10,420)	(25%)	(32,465)	(42,824)	(24%)
Assets impairment and written down	(946,042)	(84,466)	>100%	(2,825,578)	(84,466)	>100%
Other operating expenses	(51,909)	(3,290)	>100%	(132,692)	(3,264)	>100%
<b>Operating (loss) / profit</b>	(978,309)	8,450	n.m.	(2,932,968)	(16,036)	>100%
Finance costs	(26,201)	(5,463)	>100%	(69,716)	(15,463)	>100%
Share of results of equity accounted joint ventures, net of tax	(1,603)	1,192	n.m.	(4,936)	6,593	n.m.
Share of results of equity accounted associate, net of tax	(45,327)	(6,720)	>100%	(47,703)	(14,271)	>100%
Impairment on amount owing by jointly controlled entities	(1,122)	-	n.m.	(62,934)	-	n.m.
Impairment on investment in associate	27,302	(3,445)	n.m.	(27,138)	(3,445)	>100%
Impairment on investment in jointly controlled entities	(11,006)	-	n.m.	(11,006)	-	n.m.
<b>Loss before income tax</b>	(1,036,266)	(5,986)	>100%	(3,156,401)	(42,622)	>100%
Income tax expense	964	(95)	n.m.	813	(149)	n.m.
<b>Loss for the financial period / year</b>	(1,035,302)	(6,081)	>100%	(3,155,588)	(42,771)	>100%

1. Unaudited Financial Statements (Contd.)

	4th Quarter ended 31.12.2017 RM'000	4th Quarter ended 31.12.2016 RM'000	Change %	Full year ended 31.12.2017 RM'000	Full year ended 31.12.2016 RM'000	Change %
<b>Other comprehensive income</b>						
Exchange differences on translating foreign operations	39,774	72,559	(45%)	59,707	27,071	>100%
Net gain on cash flow hedges	-	-	n.m.	-	6,617	n.m.
Fair value loss on available-for-sale	(1,487)	-	n.m.	(2,372)	-	n.m.
<b>Other comprehensive income for the financial period / year, net of tax</b>	<u>38,287</u>	<u>72,559</u>	(47%)	<u>57,335</u>	<u>33,688</u>	70%
<b>Total comprehensive income / (loss) for the financial period / year</b>	<u>(997,015)</u>	<u>66,478</u>	n.m.	<u>(3,098,253)</u>	<u>(9,083)</u>	>100%
<b>(Loss) / Profit attributable to :</b>						
Owners of the parent	(1,037,296)	(5,623)	>100%	(3,157,864)	(42,014)	n.m.
Non-controlling interest	<u>1,994</u>	<u>(458)</u>	n.m.	<u>2,276</u>	<u>(757)</u>	n.m.
<b>(Loss) / Profit for the financial period / year</b>	<u>(1,035,302)</u>	<u>(6,081)</u>	>100%	<u>(3,155,588)</u>	<u>(42,771)</u>	n.m.
<b>Total comprehensive income / (loss) attributable to:</b>						
Owners of the parent	(999,009)	66,936	n.m.	(3,100,529)	(8,326)	>100%
Non-controlling interest	<u>1,994</u>	<u>(458)</u>	n.m.	<u>2,276</u>	<u>(757)</u>	n.m.
<b>Total comprehensive income / (loss) for the financial period / year</b>	<u>(997,015)</u>	<u>66,478</u>	n.m.	<u>(3,098,253)</u>	<u>(9,083)</u>	>100%

1. Unaudited Financial Statements (Contd.)

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

	4th Quarter ended 31.12.2017 RM'000	4th Quarter ended 31.12.2016 RM'000	Change %	Full year ended 31.12.2017 RM'000	Full year ended 31.12.2016 RM'000	Change %
<b>Other income</b>						
Foreign exchange gain, net	-	68,348	n.m.	-	44,287	n.m.
Deposit forfeited	5,828	46,218	(87%)	5,828	46,218	(87%)
Gain on disposal of property, plant and equipment	7,085	-	n.m.	7,081	-	n.m.
Impairment of trade receivables written back	2	1,635	n.m.	2	1,635	n.m.
Interest income	1,982	279	>100%	2,000	4,979	(60%)
Miscellaneous	1,031	1,425	>100%	5,425	3,301	64%
Net fair value gain on derivatives	-	-	n.m.	-	2,378	n.m.
Rental income	843	938	(10%)	3,602	3,267	10%
	<u>16,771</u>	<u>118,843</u>	<u>(86%)</u>	<u>23,938</u>	<u>106,065</u>	<u>(77%)</u>

**Loss before tax**

The following amounts have been included in arriving at loss before tax:

Amortisation of prepaid land lease payments	21	27	(22%)	108	108	n.m.
Depreciation of investment properties	(15)	341	n.m.	930	1,298	(28%)
Depreciation of property, plant and equipment	4,133	5,834	>100%	19,214	20,888	n.m.

1. Unaudited Financial Statements (Contd.)

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

	4th Quarter ended 31.12.2017 RM'000	4th Quarter ended 31.12.2016 RM'000	Change %	Full year ended 31.12.2017 RM'000	Full year ended 31.12.2016 RM'000	Change %
<b>Loss before tax (Contd.)</b>						
<i>Assets impairment and written down</i>						
Impairment on amount due from contract customers	239,229	-	n.m.	239,229	-	
Impairment on investment properties	(222)	-	n.m.	15,233	-	n.m.
Impairment on property, plant and equipment	34,079	3,554	>100%	333,705	3,554	>100%
Impairment on trade and other receivables	2,672	1,196	>100%	9,405	1,196	>100%
Inventories written down	577,585	59,772	>100%	2,087,317	59,772	>100%
Property, plant and equipment written off	-	-	n.m.	482	-	n.m.
Contract termination expenses	31,109	-	n.m.	31,109	-	n.m.
Prepayment written off	57,615	19,929	189%	105,123	19,929	>100%
Bad debt written off	1,256	15	n.m.	1,256	15	n.m.
Dry docking expenses written off	2,719	-	n.m.	2,719	-	n.m.
<i>Other operating expenses</i>						
Foreign exchange loss, net	21,439	-	n.m.	96,937	-	n.m.
Loss on disposal of property, plant and equipment	-	3,290	n.m.	-	3,264	n.m.
Provision for mooring charges	35,820	-	n.m.	35,820	-	n.m.
Restructuring expenses	4,866	-	n.m.	8,708	-	n.m.
<b>Income tax expense</b>						
Current income tax	293	95	n.m.	444	149	n.m.
Deferred tax expenses	(1,257)	-	n.m.	(1,257)	-	n.m.
	(964)	95	n.m.	(813)	149	n.m.

n.m. : Not meaningful

## 1. Unaudited Financial Statements (Contd.)

### 1(b)(i) Statement of Financial Position

	Group		Company	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	281,766	428,497	-	-
Prepaid land lease payments	7,132	7,403	-	-
Investment properties	-	92,784	-	-
Investment in subsidiaries	-	-	-	2,307,317
Investment in joint ventures	4,041	10,957	-	-
Investment in an associate	-	74,840	-	-
Available-for-sale financial assets	3,226	30,442	-	-
Trade receivables - Long Term	8,702	-	-	-
	<u>304,867</u>	<u>644,923</u>	<u>-</u>	<u>2,307,317</u>
<b>Current assets</b>				
Available-for-sale financial assets	-	4,716	-	-
Inventories	357,858	2,398,304	-	-
Trade and other receivables	158,590	128,012	-	100,576
Prepayments	4,724	156,785	28	7
Current income tax recoverable	1,526	1,674	-	-
Due from customers on contracts	8,095	462,398	-	-
Cash and cash equivalents	224,417	301,493	23,227	61,511
	<u>755,210</u>	<u>3,453,382</u>	<u>23,255</u>	<u>162,094</u>
Asset-held-for-sale	74,676	-	-	-
<b>TOTAL ASSETS</b>	<u>1,134,753</u>	<u>4,098,305</u>	<u>23,255</u>	<u>2,469,411</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
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	385,122	327,787	778,608	778,608
(Accumulated losses) / Retained earnings	(2,276,280)	556,814	(2,031,453)	58,413
	<u>(1,731,716)</u>	<u>1,368,813</u>	<u>(1,093,403)</u>	<u>1,321,233</u>
<b>Non-controlling interest</b>	1,496	(780)	-	-
<b>Total equity</b>	<u>(1,730,220)</u>	<u>1,368,033</u>	<u>(1,093,403)</u>	<u>1,321,233</u>
<b>Non-current liabilities</b>				
Loans and borrowings	-	874,781	-	847,228
Deferred tax liabilities	220	1,480	-	-
Trade and other payables	2,582	2,637	-	-
	<u>2,802</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	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
<b>Current liabilities</b>				
Due to customers on contracts	700	3,791	-	-
Derivatives	-	-	-	-
Loans and borrowings	1,636,111	948,720	1,114,322	294,457
Trade and other payables	1,225,360	898,663	2,336	6,493
Provisions	-	200	-	-
	<u>2,862,171</u>	<u>1,851,374</u>	<u>1,116,658</u>	<u>300,950</u>
<b>Total liabilities</b>	<u>2,864,973</u>	<u>2,730,272</u>	<u>1,116,658</u>	<u>1,148,178</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,134,753</u>	<u>4,098,305</u>	<u>23,255</u>	<u>2,469,411</u>

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**1. Unaudited Financial Statements (Contd.)**

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

	As at 31.12.2017		As at 31.12.2016	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount repayable in one year or less, or on demand	567,804	1,068,307	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)

	4th Quarter ended 31.12.2017 RM'000	4th Quarter ended 31.12.2016 RM'000	Full year ended 31.12.2017 RM'000	Full year ended 31.12.2016 RM'000
<b>Operating activities</b>				
Loss before tax	(1,036,266)	(5,986)	(3,156,401)	(42,622)
Adjustments for:				
Amortisation of prepaid land lease payments	21	27	108	108
Bad debts written off	1,256	15	1,256	15
Deposit and prepayment written off	57,615	19,929	105,123	19,929
Depreciation of investment properties	(15)	341	930	1,298
Depreciation of property, plant and equipment	4,133	5,834	19,214	20,888
(Gain) / Loss on disposal of property, plant and equipment	(7,085)	3,290	(7,081)	3,264
Loss on disposal of held-to-maturity financial assets	-	2,713	-	2,713
Impairment on investment properties	(222)	-	15,233	-
Impairment on investment in jointly controlled entities	11,006	-	11,006	-
Impairment on amount owing by jointly controlled entities	1,122	-	62,934	-
Impairment on investment in associate	(27,302)	3,445	27,138	3,445
Impairment of property, plant and equipment	34,079	3,554	333,705	3,554
Impairment of trade and other receivables	9,405	1,196	9,405	1,196
Impairment of trade receivables written back	(2)	(1,635)	(2)	(1,635)
Impairment on amount due from contract customers	239,229	-	239,229	-
Interest expense	26,201	5,463	69,716	15,463
Interest income	(1,982)	(279)	(2,000)	(4,979)
Inventories written down	577,585	59,772	2,087,317	59,772
Net fair value gain on derivatives	-	-	-	(2,378)
Property, plant and equipment written off	-	-	482	-
Share of post-tax loss of equity accounted associate and jointly controlled entities	46,930	5,528	52,639	7,678
Unrealised loss / (gain) on foreign exchange	17,512	(65,909)	100,327	(42,751)
Total adjustments	989,486	43,284	3,126,679	87,580
<b>Operating cash flows before working capital changes</b>	(46,780)	37,298	(29,722)	44,958
Changes in working capital:				
Increase in inventories	(535,547)	(303,584)	(408,076)	(305,236)
(Increase) / Decrease in receivables	(45,830)	17,567	(89,664)	(15,475)
Decrease in prepayments	18,218	32,250	40,099	43,895
Decrease / (Increase) in amount due from customers on contracts	105,674	129,454	192,041	(83,206)
Increase in payables	549,787	103,066	436,174	129,688
Increase / (Decrease) in amount due to customers on contracts	59	(12,521)	(2,868)	(13,639)
Decrease in provision	(200)	-	(200)	-
Total changes in working capital	92,161	(33,768)	167,506	(243,973)

1. Unaudited Financial Statements (Contd.)

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

	4th Quarter ended 31.12.2017 RM'000	4th Quarter ended 31.12.2016 RM'000	Full year ended 31.12.2017 RM'000	Full year ended 31.12.2016 RM'000
<b>Operating activities (Contd.)</b>				
<b>Cash flows from / (used in) operations</b>	45,381	3,530	137,784	(199,015)
Interest paid	(26,201)	(13,794)	(69,716)	(90,898)
Taxes paid, net of refund	1,683	(75)	1,405	(1,079)
<b>Net cash flows from / (used in) operating activities</b>	<u>20,863</u>	<u>(10,339)</u>	<u>69,473</u>	<u>(290,992)</u>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(2,040)	(37)	(2,922)	(87)
Interest received	1,982	279	2,000	4,979
Proceeds from disposal of held-to-maturity financial assets	-	4,691	-	15,914
Proceeds from disposal of available-for-sale financial assets	1,154	-	26,909	79,130
Proceeds from disposal of property, plant and equipment	(7)	5,024	-	5,050
<b>Net cash flows from investing activities</b>	<u>1,089</u>	<u>9,957</u>	<u>25,987</u>	<u>104,986</u>
<b>Financing activities</b>				
Proceeds from bank borrowings	-	82,581	82,131	391,053
Proceeds from issuance of Medium Term Notes, net of transaction costs	-	-	-	-
Repayments of bank borrowings	-	(145,153)	(138,579)	(433,561)
Repayment of Medium Term Notes	-	-	(7,192)	-
Increase in fixed deposits pledged	(112)	-	(112)	(59,048)
<b>Net cash flows used in financing activities</b>	<u>(112)</u>	<u>(62,572)</u>	<u>(63,752)</u>	<u>(101,556)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	21,840	(62,954)	31,708	(287,562)
<b>Effects of foreign exchange rate changes</b>	(5,486)	13,510	(11,303)	8,189
<b>Cash and cash equivalents at 1 October / 1 January</b>	<u>166,669</u>	<u>212,062</u>	<u>162,618</u>	<u>441,991</u>
<b>Cash and cash equivalents at 31 December</b>	<u>183,023</u>	<u>162,618</u>	<u>183,023</u>	<u>162,618</u>
Cash and cash equivalents comprise the following as at the statements of financial position date:				
Fixed deposits with licensed banks	28,677	153,003	28,677	153,003
Cash and bank balances	195,740	148,490	195,740	148,490
Bank overdrafts	(18,217)	(15,757)	(18,217)	(15,757)
	<u>206,200</u>	<u>285,736</u>	<u>206,200</u>	<u>285,736</u>
Less: Restricted fixed deposits with licensed banks	(23,177)	(123,118)	(23,177)	(123,118)
<b>Total cash and cash equivalents</b>	<u>183,023</u>	<u>162,618</u>	<u>183,023</u>	<u>162,618</u>

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 RM'000	Equity attributable to owners of the parent RM'000	Non- controlling interest RM'000	Total equity RM'000
<b>At 1 January 2016</b>	405,962	82,347	(4,097)	300,716	(6,617)	-	598,828	1,377,139	(23)	1,377,116
Loss for the period	-	-	-	-	-	-	(36,391)	(36,391)	(299)	(36,690)
Exchange differences on translating foreign operations	-	-	-	(45,488)	-	-	-	(45,488)	-	(45,488)
Reclassification during the financial year	-	-	-	-	6,617	-	-	6,617	-	6,617
<b>At 30 September 2016</b>	405,962	82,347	(4,097)	255,228	-	-	562,437	1,301,877	(322)	1,301,555
Loss for the period	-	-	-	-	-	-	(5,623)	(5,623)	(458)	(6,081)
Exchange differences on translating foreign operations	-	-	-	72,559	-	-	-	72,559	-	72,559
<b>At 31 December 2016</b>	405,962	82,347	(4,097)	327,787	-	-	556,814	1,368,813	(780)	1,368,033

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	Available-for-sale reserve RM'000	Retained earnings / (Accumulated losses) RM'000	Equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
<b>At 1 January 2017</b>	405,962	82,347	(4,097)	327,787	-	556,814	1,368,813	(780)	1,368,033
Loss for the period	-	-	-	-	-	(2,120,568)	(2,120,568)	282	(2,120,286)
Exchange differences on translating foreign operations	-	-	-	19,933	-	-	19,933	-	19,933
Fair value loss on available-for-sale	-	-	-	-	(885)	-	(885)	-	(885)
Capital reorganisation (Note)	(324,770)	-	-	-	-	324,770	-	-	-
<b>At 30 September 2017</b>	81,192	82,347	(4,097)	347,720	(885)	(1,238,984)	(732,707)	(498)	(733,205)
Loss for the period	-	-	-	-	-	(1,037,296)	(1,037,296)	1,994	(1,035,302)
Exchange differences on translating foreign operations	-	-	-	39,774	-	-	39,774	-	39,774
Fair value loss on available-for-sale	-	-	-	-	(1,487)	-	(1,487)	-	(1,487)
<b>At 31 December 2017</b>	81,192	82,347	(4,097)	387,494	(2,372)	(2,276,280)	(1,731,716)	1,496	(1,730,220)

**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 losses) RM'000	Equity attributable to owners of the parent RM'000
<b>At 1 January 2016</b>	405,962	82,347	(4,097)	778,608	19,855	1,282,675
Profit for the period	-	-	-	-	26,514	26,514
<b>At 30 September 2016</b>	405,962	82,347	(4,097)	778,608	46,369	1,309,189
Profit for the period	-	-	-	-	12,044	12,044
<b>At 31 December 2016</b>	405,962	82,347	(4,097)	778,608	58,413	1,321,233
<b>At 1 January 2017</b>	405,962	82,347	(4,097)	778,608	58,413	1,321,233
Loss for the period	-	-	-	-	(1,342,109)	(1,342,109)
Capital reorganisation (Note)	(324,770)	-	-	-	324,770	-
<b>At 30 September 2017</b>	81,192	82,347	(4,097)	778,608	(958,926)	(20,876)
Loss for the period	-	-	-	-	(1,072,527)	(1,072,527)
<b>At 31 December 2017</b>	81,192	82,347	(4,097)	778,608	(2,031,453)	(1,093,403)

**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.

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## 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 31 December 2017 and 31 December 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 4Q 2017.

As at 31 December 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	
	4th Quarter ended	4th Quarter ended	Full year ended	Full year ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Loss per ordinary shares of the Group for the financial period based on net loss attributable to shareholders:				
(i) Based on weighted average number of ordinary shares in issue (Sen)	(49.48)	(0.27)	(150.63)	(2.00)
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)	(49.48)	(0.27)	(150.63)	(2.00)
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	As at	As at	As at
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Net asset value per ordinary share (Sen)	(82.5)	65.3	(52.2)	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)**

**FY 2017 vs FY 2016**

	FY 2017				FY 2016				Variance			
	Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	RM'000	RM'000	%	RM'000	%
Shipbuilding	252,531	81%	24,543	10%	146,414	86%	25,382	17%	106,117	72%	(839)	(3%)
Vessel Chartering	60,587	19%	9,286	15%	24,010	14%	(16,929)	(71%)	36,577	152%	26,215	(155%)
Total	313,118	100%	33,829	11%	170,424	100%	8,453	5%	142,694	84%	25,376	300%

Revenue for full year ended 31 December 2017 ("FY 2017") of RM313.1 million was RM142.7 million, or 84%, higher as compared to RM170.4 million recorded during the previous year corresponding full year ended 31 December 2016 ("FY 2016"). The shipbuilding segment recorded revenue of RM252.5 million for FY 2017, representing an increase of 72% as compared to RM146.4 million recorded for FY 2016. This was mainly attributed to the sale and delivery of three vessels in FY 2017.

The vessel chartering segment also registered an increase in revenue of RM36.6 million, or 152%, from RM24.0 million for FY 2016 to RM60.6 million for FY 2017, mainly attributed to the addition of four vessels to the chartering fleet in FY 2017.



8. (contd.)

**Review of Group Performance (Contd.)**

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

**FY 2017 vs FY 2016**

Gross profit increased by 300%, from RM8.5 million for FY 2016 to RM33.8 million recorded for FY 2017, mainly attributed to the gross profit generated by the shipbuilding segment of RM24.5 million. Meanwhile, the gross profit margin stabilised at 11% in FY 2017 due to the normalised gross profit margin of 10% and 15% achieved by the shipbuilding and vessel chartering segments respectively.

Primarily due to the absence of a foreign exchange gain of RM44.3 million and forfeited deposit received of RM46.2 million which was recorded in FY 2016, other income in FY 2017 declined 77% to RM23.9 million.

Selling and administrative expenses decreased by 24% to RM32.5 million during FY 2017, mainly due to the decrease in staff cost. Finance cost increased by RM54.3 million in FY 2017 compared to FY 2016, as a result of lower interest expense being capitalised in cost of construction. Share of result in jointly controlled entities and associate recorded a loss of RM4.9 million and RM47.7 million respectively in FY 2017 due to lower vessel utilisation rate.

During FY 2017, the Group provided for assets impairment and writing down of RM2.8 billion, which consist of impairment on property, plant and equipment, investment in associate, investment properties, and trade and other receivables of RM695.7 million as well as inventories written down and prepayment written off of RM2.19 billion. Subsequent to FY 2017, as a result of the successful cancellation of certain shipbuilding contracts in February 2018, the Group would be able to derecognise the inventories and accrual of trade payables related to the cancelled vessels, and in turn allows the reversal of approximately RM600 million from the abovementioned inventories written down.

Mainly as a result of the assets impairment and writing down of RM2.8 billion, the Group recorded a net loss after taxation of RM3.16 billion in FY 2017.

**4Q 2017 vs 4Q 2016**

	4Q 2017				4Q 2016				Variance			
	Revenue		Gross Profit		Revenue		Gross Loss		Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	49,748	77%	2,600	5%	112,817	94%	(9,216)	(8%)	(63,069)	(56%)	11,816	(128%)
Vessel Chartering	15,148	23%	8,134	54%	7,459	6%	(3,001)	(40%)	7,689	103%	11,135	(371%)
Total	64,896	100%	10,734	17%	120,276	100%	(12,217)	(10%)	(55,380)	(46%)	22,951	(188%)

8. (contd.)

**Review of Group Performance (contd.)**

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

**4Q 2017 vs 4Q 2016 (contd.)**

Revenue for the three months ended 31 December 2017 ("4Q 2017") of RM64.9 million was RM55.4 million, or 46%, lower as compared to RM120.3 million recorded during the previous year corresponding three months ended 31 December 2016 ("4Q 2016"). Revenue from the shipbuilding segment decreased by 56% to RM49.7 million for 4Q 2017 (4Q 2016: RM112.8 million). The vessel chartering revenue recorded an increase of 103% from RM7.5 million for 4Q 2016 to RM15.1 million for 4Q 2017, mainly attributed to the increase in utilisation rate as well as the addition of one vessel to the chartering fleet in 4Q 2017.

Gross profit increased to RM10.7 million in 4Q 2017 mainly attributed to the increase in gross profit and gross profit margin of the vessel chartering segment in 4Q 2017 to RM8.1 million and 54% respectively.

Primarily due to the absence of a net foreign exchange gain of RM68.3 million and forfeited deposit received of RM46.2 million which was recorded in 4Q 2016, other income in 4Q 2017 declined 86% to RM16.8 million.

Selling and administrative expenses decreased by 25% to RM7.9 million during 4Q 2017, mainly due to the continuous cost rationalization initiative. Finance cost increased by RM20.7 million in 4Q 2017 compared to 4Q 2016, as a result of lower interest expense being capitalised in cost of construction. Share of result in jointly controlled entities and associate recorded a loss of RM1.6 million and RM45.3 million respectively in 4Q 2017 due to lower vessel utilisation rate.

During 4Q 2017, the Group provided additional assets impairment and writing down of RM982.4 million, which consist of impairment on property, plant and equipment, investment in associate, investment properties, and trade and other receivables of RM312.1 million as well as inventories written down and prepayment written off of RM635.2 million. Subsequent to FY 2017, as a result of the successful termination of certain shipbuilding contracts in February 2018, the Group would be able to derecognise the inventories and accrual of trade payables related to the cancelled vessels, and in turn allows the reversal of approximately RM600 million from the abovementioned inventories written down.

Mainly as a result of the assets impairment and writing down of RM982.4 million, the Group recorded a net loss after taxation of RM1.04 billion in 4Q 2017.

**(b) Statements of financial position (Group)**

**Total Assets**

Total assets of the Group decreased by RM2.96 billion from RM4.10 billion as at 31 December 2016 ("FY2016") to RM1.13 billion as at 31 December 2017 ("FY 2017") mainly due to assets impairment and writing down of RM2.8 billion in FY 2017.

**Total Liabilities**

Total liabilities of the Group increased by RM134.7 million from RM2.73 billion in FY2016 to RM2.86 billion in FY 2017, mainly due to the increase in the trade and other payables of RM326.7 million and partially offset with the decrease in loans and borrowings of RM187.4 million in FY 2017.

8. (contd.)

**Review of Group Performance (contd.)**

**(c) Statement of Cash Flows (Group)**

**FY 2017 vs FY 2016**

Net cash flows from operating activities of RM69.5 million for FY 2017 was mainly due to the collection from the sale and delivery of 3 vessels in FY 2017.

Net cash flows from investing activities of RM26.0 million for FY 2017 was mainly attributed to the proceeds from disposal of asset held for sales of RM26.9 million.

Net cash flows used in financing activities of RM63.8 million for FY 2017 was mainly attributed to due to the repayment of bank borrowings of RM63.6 million.

**4Q 2017 vs 4Q 2016**

Net cash flows from operating activities of RM20.9 million in 4Q 2017 was mainly due to the increase in payable.

Net cash flows from investing activities of RM1.1 million in 4Q 2017 was mainly attributed to the interest received.

Net cash flows used in financing activities of RM0.1 million in 4Q 2017 was attributed to the increase in fixed deposits pledged.

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 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. In addition, the Group has been deploying some of its unsold vessels for charter and hence the vessels chartering segment is expected to continue its growth momentum in 2018.

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.

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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. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows :-

Not applicable.

14. General mandate relating to interested person transactions

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

15. Segmental Reporting

	Shipbuilding RM'000	Chartering RM'000	Others RM'000	Eliminations RM'000	Total RM'000
<b>Financial year ended 31 December 2017</b>					
<b>Revenue</b>					
External revenue	252,531	60,587	-	-	313,118
Inter segment	-	82,862	-	(82,862)	-
<b>Results</b>					
Interest income	996	708	296	-	2,000
Depreciation of property, plant and equipment	(2,021)	(16,281)	(912)	-	(19,214)
Depreciation of investment property	-	-	(930)	-	(930)
Amortisation of prepaid land lease payments	-	(108)	-	-	(108)
Finance costs	(56,765)	(7,868)	(5,083)	-	(69,716)
Share of results of jointly controlled entities	-	-	(4,936)	-	(4,936)
Share of loss on investment in associate	-	-	(47,703)	-	(47,703)
Loss before tax	(2,731,918)	(285,894)	(138,589)	-	(3,156,401)
<b>As at 31 December 2017</b>					
Additions to non-current assets	741	2,181	-	-	2,922
Investment in jointly controlled entities	-	-	4,041	-	4,041
Investment in associate	-	-	-	-	-
Segment assets	3,657,266	423,666	1,255,945	(4,203,650)	1,133,227
Segment liabilities	5,116,325	720,316	1,450,045	(4,421,933)	2,864,753

15. Segmental Reporting (Contd.)

	Shipbuilding RM'000	Chartering RM'000	Others RM'000	Eliminations RM'000	Total RM'000
<b>Financial year ended 31 December 2016</b>					
<b>Revenue</b>					
External revenue	252,531	60,587	-	-	170,424
Inter segment	55,253	32,369	-	(87,622)	-
<b>Results</b>					
Interest income	1,746	3,211	22	-	4,979
Depreciation of property, plant and equipment	(1,509)	(18,426)	(953)	-	(20,888)
Depreciation of investment property	-	-	(1,298)	-	(1,298)
Amortisation of prepaid land lease payments	-	(108)	-	-	(108)
Finance costs	(6,086)	(6,057)	(3,320)	-	(15,463)
Share of results of jointly controlled entities	-	-	6,593	-	6,593
Share of loss on investment in associate	-	-	(14,271)	-	(14,271)
Profit / (Loss) before tax	20,320	(36,008)	(26,934)	-	(42,622)
<b>As at 31 December 2016</b>					
Additions to non-current assets	40	40	7	-	87
Investment in jointly controlled entities	-	-	10,957	-	10,957
Investment in associate	-	-	74,840	-	74,840
Available-for-sale financial assets	-	-	35,158	-	35,158
Segment assets	3,238,496	531,243	326,892	-	4,096,631
Segment liabilities	1,565,444	62,482	1,100,866	-	2,728,792

15. Segmental Reporting (Contd.)

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>		
Malaysia	125,584	37,480
China	70,035	49,150
Marshall Islands	4,648	78,787
Thailand	112,851	5,007
	<u>313,118</u>	<u>170,424</u>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>		
Malaysia	225,800	496,646
Singapore	75,841	117,835
	<u>301,641</u>	<u>614,481</u>

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15. Segmental Reporting (Contd.)

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment	281,766	428,497
Prepaid land lease payments	7,132	7,403
Investment properties	-	92,784
Investment in jointly controlled entities	4,041	10,957
Investment in associate	-	74,840
Trade receivables - Long Term	8,702	-
	<u>301,641</u>	<u>614,481</u>



16. Review of segment performance

Please refer to paragraph 8

17. A breakdown of Sales

	GROUP		% of increase
	FY2017 RM'000	FY2016 RM'000	
a) Sales reported for first half year	169,133	24,318	596%
b) Operating profit after tax before deducting minority interests reported for first half year	(2,071,733)	(37,450)	5432%
c) Sales reported for second half year	143,985	146,106	-1%
d) Operating profit after tax before deducting minority interests reported for second half year	(1,083,855)	(5,321)	20269%

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Tiong Chiong Soon	48 years	1. Son of Executive Chairman and substantial shareholder, Tan Sri Datuk Tiong Su Kouk  2. Brother of Executive Vice Chairman, Tiong Chiong Hiiung  3. Brother-in-law of Chief Executive Officer, Leong Seng Keat	Director of Nam Cheong Dockyard Sdn Bhd since 01.11.2009. Tiong Chiong Soon is responsible for the shipyard in Miri, Sarawak, Malaysia	Not Applicable

19. 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.

BY ORDER OF THE BOARD

**Tan Sri Datuk Tiong Su Kouk**  
 Executive Chairman  
 1 March 2018