
Second Quarter and Six Month Year Ended 30 June 2019 Financial Statements and Related Announcement

Content	Page
1. Unaudited Financial Statements	1
1(a)(i) Statement of Comprehensive Income (Group)	1
1(a) (ii) Notes to the Statement of Comprehensive Income	3
1(b)(i) Statement of Financial Position	5
1(b)(ii) Aggregate amount of Group's Borrowings and Debt Securities	6
1(c) Statement of Cash Flows (Group)	7
1(d)(i) Statements of Changes in Equity	9
1(d)(ii) Share Capital	12
1(d)(iii) Number of Issued Shares excluding Treasury Shares	12
1(d)(iv) Sales, Transfers, Disposals, Cancellations and/or use of Treasury Shares	12
2. Audit	12
3. Auditors' Report	12
4. Accounting Policies	12
5. Changes in Accounting Policies	13
6. Earnings Per Ordinary Share	13
7. Net Asset Value Per Ordinary Share	13
8. Review of Group Performance	14
9. Variance From Forecast Statement	19
10. Prospects	19
11. Dividend	19
12. Dividend Declared	19
13. General mandate relating to interested person transactions	20
14. Confirmation pursuant to Appendix 7.7 under Rule 720(1) of the Listing Manual	20

1. Unaudited Financial Statements

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

	2nd Quarter ended 30.6.2019 RM'000	2nd Quarter ended 30.6.2018 RM'000	Change %	Half year ended 30.6.2019 RM'000	Half year ended 30.6.2018 RM'000	Change %
Revenue	74,669	127,188	(41%)	104,607	135,718	(23%)
Cost of sales	(49,680)	(107,467)	(54%)	(72,192)	(117,815)	(39%)
Gross profit	24,989	19,721	27%	32,415	17,903	81%
Other income	1,439	44,314	(97%)	14,993	593,625	(97%)
Selling and Administrative expenses	(8,161)	(7,112)	15%	(16,178)	(14,648)	10%
Other operating expenses	(3,798)	(2,869)	32%	(6,201)	(5,510)	13%
Operating profit	14,469	54,054	(73%)	25,029	591,370	(96%)
Finance costs	(10,980)	(14,724)	(25%)	(18,546)	(27,357)	(32%)
Share of results of equity accounted joint ventures, net of tax	706	312	n.m.	(166)	(672)	(75%)
Share of results of equity accounted associate, net of tax	(1,952)	(1,654)	18%	(3,614)	(3,709)	(3%)
Profit before tax	2,243	37,988	(94%)	2,703	559,632	(100%)
Income tax expense	(163)	(233)	(30%)	(218)	(28)	n.m.
Profit for the financial period	2,080	37,755	(94%)	2,485	559,604	(100%)

1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.6.2019 RM'000	2nd Quarter ended 30.6.2018 RM'000	Change %	Half year ended 30.6.2019 RM'000	Half year ended 30.6.2018 RM'000	Change %
Other comprehensive income						
Exchange differences on translating foreign operations	(10,977)	(63,897)	(83%)	(3,398)	(160)	n.m.
Fair value gain/(loss) on available-for-sale	154	343	n.m.	(8)	(2,547)	(100%)
Other comprehensive loss for the financial period, net of tax	<u>(10,823)</u>	<u>(63,554)</u>	(83%)	<u>(3,406)</u>	<u>(2,707)</u>	26%
Total comprehensive (loss)/income for the financial period	<u>(8,743)</u>	<u>(25,799)</u>	(66%)	<u>(921)</u>	<u>556,897</u>	n.m.
Profit attributable to :						
Owners of the parent	2,870	34,739	(92%)	3,290	557,215	(99%)
Non-controlling interest	(790)	3,016	n.m.	(805)	2,389	n.m.
Profit for the financial period	<u>2,080</u>	<u>37,755</u>	(94%)	<u>2,485</u>	<u>559,604</u>	(100%)
Total comprehensive (loss)/income attributable to:						
Owners of the parent	(7,953)	(28,815)	(72%)	(116)	554,508	n.m.
Non-controlling interest	(790)	3,016	n.m.	(805)	2,389	n.m.
Total comprehensive (loss)/income for the financial period	<u>(8,743)</u>	<u>(25,799)</u>	(66%)	<u>(921)</u>	<u>556,897</u>	n.m.

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.6.2019 RM'000	2nd Quarter ended 30.6.2018 RM'000	Change %	Half year ended 30.6.2019 RM'000	Half year ended 30.6.2018 RM'000	Change %
Other income						
Foreign exchange gain	-	30,776	n.m.	-	30,633	n.m.
Gain on disposal of asset-held-for-sale	-	3	n.m.	-	1,167	n.m.
Impairment of trade receivables written back	191	-	n.m.	379	-	n.m.
Interest income	649	341	90%	1,351	814	66%
Inventories written back	-	-	n.m.	12,244	-	n.m.
Miscellaneous	599	1,167	(49%)	1,019	3,120	(67%)
Rental income	-	1	n.m.	-	378	n.m.
Waiver of debts	-	12,026	n.m.	-	557,513	n.m.
	1,439	44,314	(97%)	14,993	593,625	(97%)
Profit before tax						
The following amounts have been included in arriving at profit before tax:						
Administrative expenses						
Amortisation of prepaid land lease payments	68	68	0%	135	135	0%
Depreciation of property, plant and equipment	7,201	3,606	100%	13,099	7,086	85%

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.6.2019 RM'000	2nd Quarter ended 30.6.2018 RM'000	Change %	Half year ended 30.6.2019 RM'000	Half year ended 30.6.2018 RM'000	Change %
Profit before tax (Contd.)						
The following amounts have been included in arriving at profit before tax:						
<i>Other operating expenses</i>						
Property, plant and equipment written off	1	-	n.m.	1	-	n.m.
Legal and professional expenses	7	-	n.m.	751	-	n.m.
Foreign exchange loss, net	3,790	-	n.m.	5,449	-	n.m.
Restructuring expenses	-	472	n.m.	-	3,113	n.m.
Income tax expense						
Current income tax	163	233	n.m.	218	28	n.m.

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)
1(b)(i) Statement of Financial Position

	Group		Company	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	728,032	613,249	-	-
Prepaid land lease payments	6,728	6,863	-	-
Investment in joint ventures	4,084	3,024	-	-
Investment in an associate	19,274	22,888	-	-
	<u>758,118</u>	<u>646,024</u>	<u>-</u>	<u>-</u>
Current assets				
Inventories	120,549	147,284	-	-
Trade and other receivables	110,656	86,742	-	-
Prepayments	13,641	11,459	23	53
Current income tax recoverable	626	-	-	-
Fixed deposits	976	40,872	-	-
Cash and cash equivalents	57,215	68,808	198	318
	<u>303,663</u>	<u>355,165</u>	<u>221</u>	<u>371</u>
TOTAL ASSETS	<u>1,061,781</u>	<u>1,001,189</u>	<u>221</u>	<u>371</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	3,484	3,417	3,484	3,417
Share premium	300,417	297,796	300,417	297,796
Treasury shares	(4,097)	(4,097)	(4,097)	(4,097)
Other reserves	283,537	286,595	859,336	858,988
Accumulated losses	(1,044,082)	(1,047,372)	(1,866,715)	(1,859,444)
	<u>(460,741)</u>	<u>(463,661)</u>	<u>(707,575)</u>	<u>(703,340)</u>
Non-controlling interest	<u>4,392</u>	<u>5,197</u>	<u>-</u>	<u>-</u>
Total equity	<u>(456,349)</u>	<u>(458,464)</u>	<u>(707,575)</u>	<u>(703,340)</u>
Non-current liabilities				
Deferred tax liabilities	220	220	-	-
Trade and other payables	208,195	143,711	-	-
Loans and borrowings	1,018,070	1,009,516	674,757	670,223
	<u>1,226,485</u>	<u>1,153,447</u>	<u>674,757</u>	<u>670,223</u>

1. Unaudited Financial Statements (Contd.)

1(b)(i) Statement of Financial Position

	Group		Company	
	30.6.2019 RM'000	31.12.2018 RM'000	30.6.2019 RM'000	31.12.2018 RM'000
Current liabilities				
Trade and other payables	291,645	306,206	33,039	33,488
	<u>291,645</u>	<u>306,206</u>	<u>33,039</u>	<u>33,488</u>
Total liabilities	<u>1,518,130</u>	<u>1,459,653</u>	<u>707,796</u>	<u>703,711</u>
TOTAL EQUITY AND LIABILITIES	<u>1,061,781</u>	<u>1,001,189</u>	<u>221</u>	<u>371</u>

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

	As at 30.6.2019		As at 31.12.2018	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount repayable in one year or less, or on demand	-	-	-	-
Amount repayable after one year	<u>102,890</u>	<u>915,180</u>	<u>100,870</u>	<u>908,646</u>

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 30.6.2019 RM'000	2nd Quarter ended 30.6.2018 RM'000	Half year ended 30.6.2019 RM'000	Half year ended 30.6.2018 RM'000
Operating activities				
Profit before tax	2,243	37,988	2,703	559,632
Adjustments for:				
Amortisation of prepaid land lease payments	68	68	135	135
Depreciation of property, plant and equipment	7,201	3,606	13,099	7,086
Gain on disposal of asset-held-for-sale	-	(3)	-	(1,167)
Impairment of trade and other receivables written back	(191)	-	(379)	-
Inventories written back	-	-	(12,244)	-
Interest expense	10,980	14,724	18,546	27,357
Interest income	(649)	(341)	(1,351)	(814)
Share grant expense	-	-	348	-
Share of results of equity accounted joint ventures, net of tax	(706)	(312)	166	672
Share of results of equity accounted associate, net of tax	1,952	1,654	3,614	3,709
Unrealised loss / (gain) on foreign exchange	140	(27,769)	1,948	(24,232)
Waiver of debts	-	(12,026)	-	(557,513)
Total adjustments	18,795	(20,399)	23,882	(544,767)
Operating cash flows before working capital changes	21,038	17,589	26,585	14,865
Changes in working capital:				
Changes in inventories	5,793	(66,712)	4,612	(126,817)
Changes in receivables	(44,189)	15,470	(13,475)	8,083
Changes in prepayments	3,732	(2,757)	(2,184)	(4,083)
Changes in contract assets	-	-	-	38,484
Changes in payables	(20,532)	69,294	(43,833)	(38,282)
Changes in contract liabilities	-	-	-	(668)
Total changes in working capital	(55,196)	15,295	(54,880)	(123,283)
Cash flows (used in) / from operations	(34,158)	32,884	(28,295)	(108,418)
Interest paid	(4,577)	(1,684)	(6,032)	(5,172)
Taxes paid, net of refund	218	(20)	218	311
Net cash flows (used in) / from operating activities	(38,517)	31,180	(34,109)	(113,279)

1. Unaudited Financial Statements (Contd.)
1(c) Statement of Cash Flows (Group)

	2nd Quarter ended 30.6.2019 RM'000	2nd Quarter ended 30.6.2018 RM'000	Half year ended 30.6.2019 RM'000	Half year ended 30.6.2018 RM'000
Investing activities				
Acquisition of property, plant and equipment	(14,082)	(620)	(20,270)	(1,006)
Interest received	649	341	1,351	814
Proceeds from disposal available-for-sale financial assets	-	-	-	120
Net cash flows used in investing activities	(13,433)	(279)	(18,919)	(72)
Financing activities				
Repayments of bank borrowings	(88)	-	(2,040)	(8,080)
Decrease in fixed deposits pledged	2,700	-	2,700	33
Net cash flows from / (used in) financing activities	2,612	-	660	(8,047)
Net changes in cash and cash equivalents	(49,338)	30,901	(52,368)	(121,398)
Effects of foreign exchange rate changes	7,478	(3,078)	3,579	(9,568)
Cash and cash equivalents at 1 April / 1 January	99,780	24,234	106,709	183,023
Cash and cash equivalents at 30 June	57,920	52,057	57,920	52,057

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

Fixed deposits with licensed banks	976	22,704	976	22,704
Cash and bank balances	57,215	88,096	57,215	88,096
Bank overdrafts	-	(36,039)	-	(36,039)
	58,191	74,761	58,191	74,761
Less: Restricted fixed deposits with licensed banks	(271)	(22,704)	(271)	(22,704)
Total cash and cash equivalents	57,920	52,057	57,920	52,057

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	Available- for-sale reserve RM'000	Accumulated loss RM'000	Equity attributable to owners of the parent RM'000	Non- controlling interest RM'000	Total equity RM'000
Group									
At 1 January 2018	81,192	82,347	(4,097)	320,986	(2,372)	(2,138,467)	(1,660,411)	1,496	(1,658,915)
Adoption of IFRS 15	-	-	-	996	-	(19,370)	(18,374)	-	(18,374)
At 1 January 2018, restated	81,192	82,347	(4,097)	321,982	(2,372)	(2,157,837)	(1,678,785)	1,496	(1,677,289)
Profit for the period	-	-	-	-	-	522,476	522,476	(627)	521,849
Other comprehensive income	-	-	-	63,737	-	-	63,737	-	63,737
Fair value loss on available for- sales	-	-	-	-	(2,890)	-	(2,890)	-	(2,890)
At 31 March 2018	81,192	82,347	(4,097)	385,719	(5,262)	(1,635,361)	(1,095,462)	869	(1,094,593)
Loss for the period	-	-	-	-	-	34,739	34,739	3,016	37,755
Arising from dilution of equity interests in subsidiary	-	-	-	-	-	(3,259)	(3,259)	-	(3,259)
Other comprehensive income	-	-	-	(63,897)	-	-	(63,897)	-	(63,897)
Fair value gain on available-for-sale	-	-	-	-	343	-	343	-	343
At 30 June 2018	81,192	82,347	(4,097)	321,822	(4,919)	(1,603,881)	(1,127,536)	3,885	(1,123,651)

1. Unaudited Financial Statements (Contd.)

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

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Available-for-sale reserve RM'000	Share grant reserve RM'000	Accumulated loss RM'000	Equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
Group										
At 1 January 2019, previously reported	3,417	297,796	(4,097)	290,996	(4,401)	-	(1,047,372)	(463,661)	5,197	(458,464)
Profit for the period	-	-	-	-	-	-	420	420	(15)	405
Other comprehensive income	-	-	-	7,579	-	-	-	7,579	-	7,579
Fair value loss on available for-sales	-	-	-	-	(162)	-	-	(162)	-	(162)
Allotment and issuance of the Term Loan Shares	67	2,621	-	-	-	-	-	2,688	-	2,688
Share grant plan expenses	-	-	-	-	-	348	-	348	-	348
At 31 March 2019	3,484	300,417	(4,097)	298,575	(4,563)	348	(1,046,952)	(452,788)	5,182	(447,606)
Profit for the period	-	-	-	-	-	-	2,870	2,870	(790)	2,080
Other comprehensive income	-	-	-	(10,977)	-	-	-	(10,977)	-	(10,977)
Fair value gain on available for-sales	-	-	-	-	154	-	-	154	-	154
At 30 June 2019	3,484	300,417	(4,097)	287,598	(4,409)	348	(1,044,082)	(460,741)	4,392	(456,349)

1. Unaudited Financial Statements (Contd.)

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

Company	Share capital RM'000	Share premium RM'000	Share grant reserve RM'000	Treasury shares RM'000	Contributed surplus RM'000	Accumulated loss RM'000	Equity attributable to owners of the parent RM'000
At 1 January 2018	81,192	82,347	-	(4,097)	778,608	(2,515,853)	(1,577,803)
Loss for the period	-	-	-	-	-	42,515	42,515
At 31 March 2018	81,192	82,347	-	(4,097)	778,608	(2,473,338)	(1,535,288)
Loss for the period	-	-	-	-	-	(5,563)	(5,563)
At 30 June 2018	81,192	82,347	-	(4,097)	778,608	(2,478,901)	(1,540,851)
At 1 January 2019	3,417	297,796	-	(4,097)	858,988	(1,859,444)	(703,340)
Profit for the period	-	-	-	-	-	919	919
Share grant plan expenses	-	-	348	-	-	-	348
Allotment and issuance of the Term Loan Shares	67	2,621	-	-	-	-	2,688
At 31 March 2019	3,484	300,417	348	(4,097)	858,988	(1,858,525)	(699,385)
Loss for the period	-	-	-	-	-	(8,190)	(8,190)
At 30 June 2019	3,484	300,417	348	(4,097)	858,988	(1,866,715)	(707,575)

Note:

On 4 March 2019, share awards amounted to 70,179,408 shares was granted pursuant to the Nam Cheong Management Incentive Plan ("NCMI 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 June 2019 and 30 June 2018, the total number of issued shares excluding treasury shares was 7,144,298,867 and 2,096,465,885 respectively.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on preceding year.

There were no movement in the treasury shares during second quarter of 2019. As at 30 June 2019, total of 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 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The accounting policies and methods of computation for the current reporting period adopted are consistent with those stated in the Annual Report for the financial year ended 31 December 2018.

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 30.6.2019	2nd Quarter ended 30.6.2018	Half year ended 30.6.2019	Half year ended 30.6.2018
Earnings per ordinary shares of the Group for the financial period based on net profit attributable to shareholders:				
(i) Based on weighted average number of ordinary shares in issue (Sen)	0.04	1.66	0.05	26.58
Weighted average number of shares	7,144,298,867	2,096,465,885	7,128,242,313	2,096,465,885
(ii) On a fully diluted basis (Sen)	0.04	1.66	0.05	26.58
Adjusted weighted average number of shares	7,214,478,275	2,096,465,885	7,174,382,366	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 30.6.2019	As at 31.12.2018	As at 30.6.2019	As at 31.12.2018
Net asset value per ordinary share (Sen)	(6.4)	(6.5)	(9.9)	(10.0)
Ordinary shares in issue	7,144,298,867	7,017,940,767	7,144,298,867	7,017,940,767

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 2019 vs 1H 2018

	1H 2019				1H 2018				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	-	-	-	n.m.	98,775	73%	8,751	9%	(98,775)	n.m.	(8,751)	n.m.
Vessel Chartering	104,607	100%	32,415	31%	36,943	27%	9,152	25%	67,664	183%	23,263	254%
Total	104,607	100%	32,415	31%	135,718	100%	17,903	13%	(31,111)	(23%)	14,512	81%

For the six months ended 30 June 2019 ("1H 2019"), the Group recorded a lower revenue of RM104.6 million, or 23% lower as compared to RM135.7 million recorded during the previous corresponding six months ended 30 June 2018 ("1H 2018"). The revenue from vessel chartering segment has shown significant improvement with the increase of 183%, mainly attributed to the increase of fleet size from 23 vessels in 1H 2018 to 34 vessels in 1H 2019 and higher utilisation rates achieved during the period.

Conversely, the shipbuilding segment did not register any revenue for 1H 2019 as there was no vessel scheduled for delivery during the period as opposed to sales and delivery of two (2) vessels amounting to RM 98.8 million made in 1H 2018.

8. (Contd.)

Review of Group Performance (Contd.)

(a) Statements of comprehensive income (Group)

1H 2019 vs 1H 2018

The Group has shown significant improvement by recorded a gross profit of RM32.4 million in 1H 2019 as compared to gross profit of RM17.9 million in 1H 2018 mainly due to the expanded fleet size in 1H2019.

Other income is lower at RM15.0 million in 1H 2019 as compared to RM593.6 million in 1H 2018 mainly due to the absence of waiver of debt of RM557.5 million and foreign exchange gain of RM30.6 million recorded in 1H 2018.

Selling and Administrative expenses climbed 10% to RM16.2 million during 1H 2019 from RM14.6 million for 1H 2018, primarily due to increasing vessel chartering activities, consistent with the chartering revenue increase.

Finance costs decreased by RM8.8 million to RM18.5 million in 1H 2019 as compared to RM27.4 million recorded in 1H 2018, mainly as a result of the adjustment of interest expense in accordance with the Scheme of Arrangements.

Share of result in joint ventures and associate recorded net losses of RM0.2 million and RM3.6 million respectively in 1H 2019 due to low vessel utilisation rate.

Mainly as a result of the absence in waiver of debts and foreign exchange gain recorded during previous corresponding quarter, the Group registered a lower net profit after tax of RM2.5 million in 1H 2019 as compared to net profit after tax of RM559.6 million in 1H 2018.

2Q 2019 vs 2Q 2018

	2Q 2019				2Q 2018				Variance			
	Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	-	-	-	n.m.	98,726	78%	8,751	9%	(98,726)	(100%)	(8,751)	>100%
Vessel Chartering	74,669	100%	24,989	33%	28,462	22%	10,970	39%	46,207	162%	14,019	>100%
Total	74,669	100%	24,989	33%	127,188	100%	19,721	16%	(52,519)	(41%)	5,268	27%

8. (Contd.)

Review of Group Performance (Contd.)

(a) Statements of comprehensive income (Group)

2Q 2019 vs 2Q 2018 (contd.)

Revenue for the three months ended 30 June 2019 ("2Q 2019") of RM74.7 million was RM52.5 million or 41% lower as compared to RM127.2 million registered during the previous year corresponding three months ended 30 June 2018 ("2Q 2018") as there is no shipbuilding revenue registered during the period as compared to the sales and delivery of two (2) vessels in 2Q 2018. However, the decrease was cushioned by the significant improvement in vessel chartering segment, recording an increase in revenue of 162% or RM46.2 million from RM28.5 million for 2Q 2018 to RM74.7 million in 2Q 2019, which was in turn attributed to the increase in fleet size from 23 vessels to 34 vessels and higher vessel utilisation rates achieved during the period.

Gross profit increased by RM5.3 million or 27% from RM19.7 million in 2Q 2018 to RM25.0 million in 2Q 2019 mainly attributed to the increase in revenue for the chartering segment which in turn contributed to the increase in overall gross profit margins from 16% in 2Q 2018 to 33% in 2Q 2019.

Other income decreased to RM1.4 million in 2Q 2019 as compared to RM44.2 million recorded in 2Q 2018 mainly due to the absence of favourable foreign exchange gain and waiver of debts of RM30.8 million and RM12.0 million respectively.

Selling and Administrative expenses increased by RM1.0 million or 15% to RM8.2 million during 2Q 2019 as compared to RM7.1 million in 2Q 2018, primarily due to increase in vessel chartering activities which was consistent with the increase in revenue.

Finance costs decreased by RM3.7 million or 25% to RM11.0 million during 2Q 2019 as compared to RM14.7 million recorded in 2Q 2018, mainly as a result of the adjustment of interest expense in accordance with the Scheme of Arrangements.

Share of results in joint ventures contributed positively to the financial performance of the Group by RM0.7 million in 2Q 2019 which was RM0.4 million higher as compared to 2Q 2018. This was attributed to the improvement in vessel utilisation rates in the 2Q 2019. Whereas, the share of results in associates recorded a net losses of RM2.0 million in 2Q 2019 due to protracted low vessel utilisation rate.

Mainly as a result of the absence of waiver of debts and foreign exchange loss in 2Q 2019, the Group recorded a lower net profit after tax of RM2.1 million in 2Q 2019 as compared to a net profit after taxation of RM37.8 million in 2Q 2018.

8. (Contd.)

Review of Group Performance (Contd.)

(b) Statements of financial position (Group)

Total Assets

Total assets of the Group increased by 6.1% or RM60.6 million from RM1.00 billion as of 31 December 2018 ("FY2018") to RM 1.06 billion as of 30 June 2019 ("1H 2019") mainly due to:

- (i) Property, plant and equipment increased by RM114.8 million or 18.7% from RM613.2 million as at FY2018 to RM728.0 million as at 1H 2019 as the Group expanded its fleet from 28 vessels as at FY2018 to 34 vessels as at 1H2019; and
- (ii) Trade and other receivables increased by RM23.9 million or 27.6% from RM86.7 million as at FY2018 to RM110.7 million as at 1H 2019 consistent with the increase in vessel chartering revenue of close to twofold during the period.

The increase in total assets was partially offset by the following items:

- (i) Fixed deposits and Cash and cash equivalents decreased by RM51.5 million mainly due to the acquisition of additional property, plant and equipment during the period; and
- (ii) Inventories decreased by RM26.7 million due to the reclassification of certain inventories to property, plant and equipment during the period.

Total Liabilities

Total liabilities of the Group increased by 4.0% or RM58.5 million from RM1.46 billion as at FY 2018 to RM1.52 billion as at 1H 2019 mainly due to the increase in trade and other payables of RM49.9 million in relation to the abovementioned increase in property, plant and equipment during the period.

(c) Statement of Cash Flows (Group)

1H 2019 vs 1H 2018

Net cash flows used in operating activities of RM34.1 million in 1H 2019 was mainly due to increase in payables of RM43.8 million and receivables of RM13.5 million which was partially offset with decrease in inventories of RM4.6 million.

Net cash flows used in investing activities of RM18.9 million in 1H 2019 was mainly due to acquisition of property, plant and equipment of RM20.3 million which are partially offset with interest received of RM1.4 million.

Net cash flows generated from financing activities of RM0.7 million in 1H 2019 was mainly due to RM2.7 million of fixed deposits pledged being uplifted and was offset with repayment of bank borrowings of RM2.0 million.

8. (Contd.)

Review of Group Performance (Contd.)

(c) Statement of Cash Flows (Group)

2Q 2019 vs 2Q 2018

Net cash flows used in operating activities of RM38.5 million in 2Q 2019 was mainly due to the significant increase in vessel chartering activities as well as chartering revenue in 2Q 2019 which resulted in the increase in cash outflow for receivables and payables of RM44.2 million and RM20.5 million respectively during the period.

Net cash flows used in investing activities of RM13.4 million in 2Q 2019 was attributed to the acquisition of property, plant and equipment of RM14.1 million.

Net cash flows generated from financing activities of RM2.6 million in 2Q 2019 was mainly due to fixed deposits pledged of RM2.7 million being uplifted.

Use of Proceeds

As at the date of this Report, the net proceeds of approximately S\$14.3 million from the Rights Issue have been utilised as follows:

<u>Application of Rights Issue Net Proceeds</u>	<u>Amount (S\$ million)</u>
Net proceeds	22.00
Repayment of the Cash Out Option pursuant to the Schemes	(3.2) ¹
Operations for the Group	(0.1) ¹
Settlement with trade creditors in the course of the operations of the Group	(11.0)
Balance as at the date of this report	<u>7.7</u>

The above utilisation of the Net Proceeds is in accordance with the stated use and within the amount allocated for the operations of the Group, as previously stated in the Offer Information Statement dated 3 September 2018.

¹ The balance S\$0.1 million originally allocated for the repayment of the Cash Out Option pursuant to the Schemes has been reallocated towards the other intended use of the Net Proceeds, being for use in the operations of the Group. This balance amount is due to a reduction in the S\$ equivalent of the Total Cash Out Payment (being approximately US\$2.4 million) as a result of the exchange rate between US\$ and S\$ at the time of payment of the Cash Out Option.

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

According to the Petronas Activity Outlook 2019-2021, a positive outlook is expected for anchor handling tug supply vessels (AHTS), platform supply vessels (PSV), as well as accommodation and maintenance vessels. A pickup in drilling and development activities is also expected to bolster demand for AHTS and PSV.

Meanwhile, a positive outlook for the Maintenance, Construction, and Modification (MCM) segment and an expected increase in man hours required in the brownfield Hook-up & Commissioning (HUC) segment further boost expected demand for accommodation and maintenance vessels.

In response to the uptick in the offshore and marine activities in Malaysia, the Group has been deploying its vessels for charter in Malaysian waters, and expects the vessel chartering unit to continue its growth momentum. The Group will continue to monitor and review the shipbuilding schedule for the remaining vessels which have yet to be delivered, including potential deferment and cancellation plans, through ongoing communication and consultation with its stakeholders.

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 and the reason(s) for the decision

No dividend has been declared in the period under review as the Company is working through its restructuring arrangement and wishes to enhance the financial strength of the Company.

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 2019 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 2019