



NAM CHEONG LIMITED
(Incorporated in Bermuda)
(Company Registration Number 25458)

DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 AND VARIANCE BETWEEN THE UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

DISCLAIMER OF OPINION

In compliance with Rule 704(5) of the Listing Manual, the Board (“Board”) of Directors of Nam Cheong Limited (the “Company”, and together with its subsidiaries, the “Group”) would like to announce that its independent auditors, Foo Kon Tan LLP (the “Auditors”), have issued a disclaimer of opinion in their report (the “Independent Auditor’s Report”) with respect to the use of the going concern basis of accounting in the preparation of the financial statements of the Group for the financial year ended 31 December 2018 (the “Audited FY2018 Financial Statements”).

The nature and contents of the disclaimer of opinion are contained in the Independent Auditor’s Report, a copy of which together with the Audited FY2018 Financial Statements is annexed to this announcement.

As at the date of the Independent Auditor’s Report, the Directors are of the view that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis on the assumptions that (i) sufficient cash inflows to be generated by the Group’s shipbuilding and chartering segments based on certain projected revenue, with reasonable expectations that the customers are able to pay, and (ii) no material claims from the Group’s trade creditors, particularly those shipyards, which the Group has yet to terminate the contracts or restructure the debts owing to the shipyards, that are reasonably likely to have a material effect on the Group’s financial conditions and operations are brought against the Group.

VARIANCE

The Board refers to the unaudited financial statement announcement for the financial year ended 31 December 2018 dated 27 February 2019 (“Unaudited FY2018 Results”) and the Board wishes to announce that subsequent to the release of the Unaudited FY2017 Results and upon the finalisation of the audit by the Auditors, certain adjustments have been made to Audited FY2018 Financial Statements as compared to what was disclosed in the Unaudited FY2018 Results.

The details and explanations of the variances between the Unaudited FY2018 Results and the Audited FY2018 Financial Statements are set out below:

(a) Statement of Comprehensive Income

	Unaudited FY2018 Results RM'000	Audited FY2018 Financial Statements RM'000	Variance RM'000	Notes
Other income	992,318	1,035,957	43,639	Due to reclassification and overstatement of unrealised foreign exchange loss of RM54.3 million arising from borrowings.
Selling and administrative expenses	(31,340)	(32,022)	(682)	Mainly due to (1) under accrual of share grant expenses amounted to RM591,000 and (2) under accrual of Director’s fees of RM91,000.
Other operating expenses	(43,310)	(30,524)	12,786	Due to the net effect against unrealised foreign exchange loss of RM54.3 million arising from borrowings.
Share of results of equity accounted joint ventures, net of tax	(1,054)	(1,016)	38	Due to adjustments made in the joint ventures' audited financial statements by the component auditors
Share of results of equity accounted associate, net of tax	(8,493)	(9,634)	(1,141)	Due to adjustment made in the associate’s audited financial statement by the component auditor
Profit for the year	963,262	1,017,902	54,640	

(b) Statements of Financial Position

	Group (RM'000)		Company (RM'000)		Variance		Notes
	Unaudited FY2018 Results	Audited FY2018 Financial Statements	Unaudited FY2018 Results	Audited FY2018 Financial Statements	Group (RM'000)	Company (RM'000)	
Non current assets	666,886	665,812	-	-	(1,074)	-	Due to the adjustment made in the associate and joint ventures' accounts in relation to the finalisation of audit by the component auditor.
Current assets	346,363	355,165	125,975	371	8,802	(125,604)	Group Mainly due to reclassification of amount due to joint ventures to amount due from joint ventures. Company Mainly due to impairment of amount due from subsidiaries.
Non current liabilities	1,248,182	1,191,990	715,897	670,223	(56,192)	(45,674)	Group Mainly due to overstatement of unrealised foreign exchange loss of RM54.3 million in loans and borrowings. Company Mainly due to overstatement of unrealised foreign exchange loss of RM45.7 million in loans and borrowings.

(b) Statements of Financial Position (cont'd)

	Group (RM'000)		Company (RM'000)		Variance		Notes
	Unaudited FY2018 Results	Audited FY2018 Financial Statements	Unaudited FY2018 Results	Audited FY2018 Financial Statements	Group (RM'000)	Company (RM'000)	
Current liabilities	297,314	306,206	27,728	33,488	8,892	5,760	<p>Group Mainly due to reclassification of amount due to joint venture to amount due from joint ventures.</p> <p>Company Mainly due to reclassification of amount due from subsidiaries to amount due to subsidiaries.</p>
Total equity	(532,247)	(477,219)	(617,650)	(703,340)	55,028	(85,690)	

(c) Consolidated Statement of Cash Flows

	Unaudited FY2018 Results RM'000	Audited FY2018 Financial Statements RM'000	Variance RM'000	Notes
Net cash flows used in operating activities	(28,850)	(52,027)	(23,177)	Mainly due to the reclassification of pledged fixed deposits utilised for settlement from operating activities to financing activities.
Net cash flows from financing activities	42,393	65,570	23,177	

This announcement is to be read in conjunction with the attached Independent Auditor's Report and the Audited FY2018 Financial Statements.

BY ORDER OF THE BOARD
NAM CHEONG LIMITED

Tan Sri Datuk Tiong Su Kouk
Executive Chairman
2 April 2019