ANNUAL REPORT 2019

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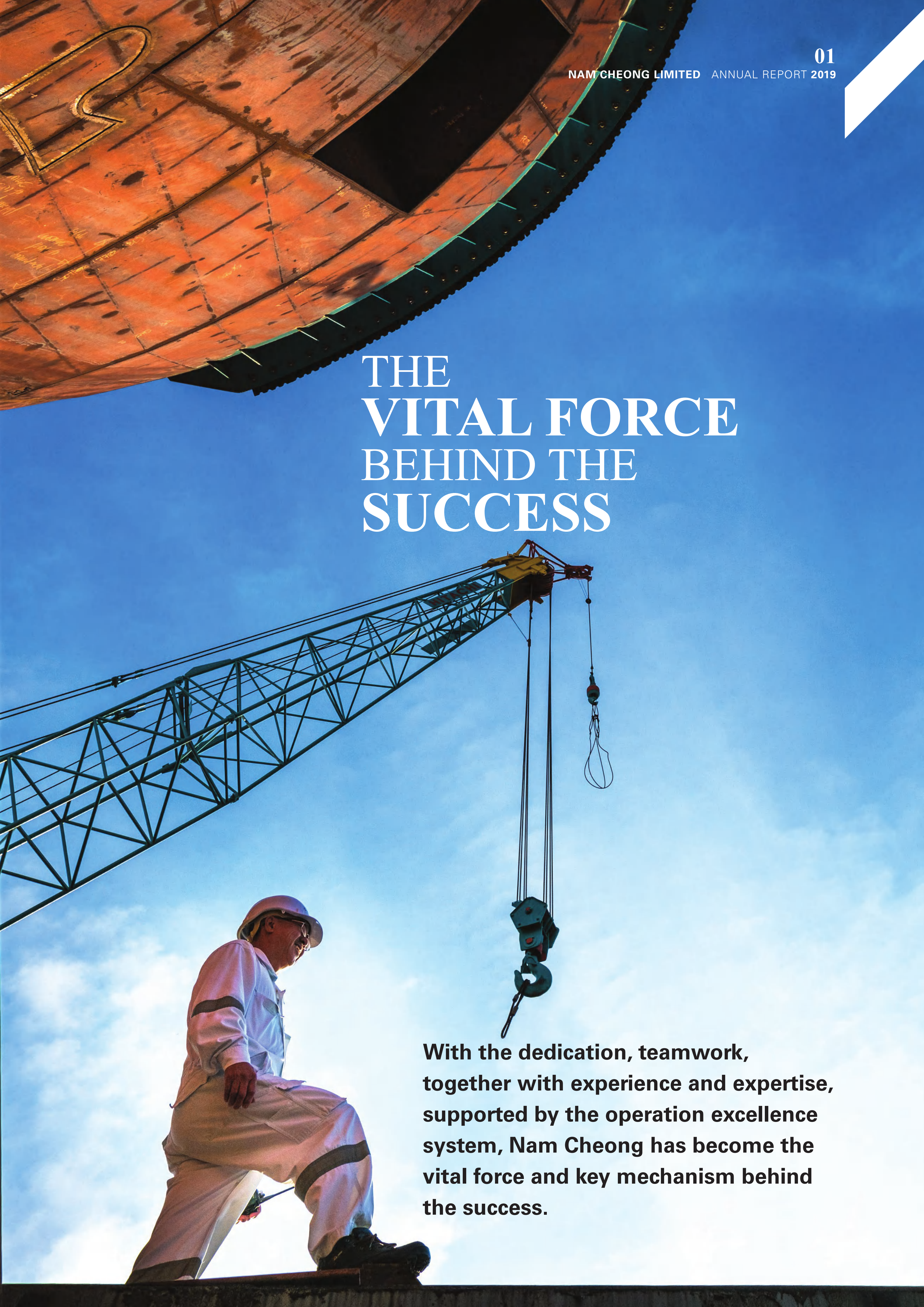


THE VITAL FORCE BEHIND THE SUCCESS

With the dedication, teamwork, together with experience and expertise, supported by the operation excellence system, Nam Cheong has become the vital force and key mechanism behind the success.

VISION

OUR VISION IS TO CREATE CONSISTENT VALUE GROWTH THROUGH INNOVATIVE SUPPLY CHAIN SOLUTIONS AND UNIQUE PARTNERSHIPS.

TO REALISE THIS VISION, WE PRACTISE A CLIENT VALUE ADDING BUSINESS MODEL THAT GIVES STRATEGIC CAPABILITIES TO THE OIL AND GAS INDUSTRY.

MISSION

TIMELY DELIVERY OF RELIABLE VESSELS AND CHARTERING SERVICES TO OUR CUSTOMERS, THUS SAVING THEM INVALUABLE TIME AND ENHANCING THEIR OPERATIONS.

CORPORATE PROFILE

At Nam Cheong, we believe in meeting our clients' need through three basic principles:

QUALITY. RELIABILITY. DELIVERY.

The company emphasises on its strong procurement philosophies and takes pride in building top notch OSVs, thereby aspiring to revolutionise Nam Cheong into a global household brand and steers the future of shipbuilding.

Our extensive track record and comprehensive knowledge about the offshore support vessel market enable us to strategically envisage and identify the most appropriate vessels to construct for our prospective customers. Coupled with our cutting edge engineering expertise, our ultimate mission is to make certain that the customers receive quality and suitable vessels on schedule. This allows them to execute their projects in a timely manner and enhance their efficiency.

Nam Cheong Limited ("NCL") and its subsidiaries (the "Group") are an offshore marine group headquartered in Kuala Lumpur, Malaysia.

The Group's history can be traced back to the 1960s with the incorporation of its principal operating subsidiary, Nam Cheong Dockyard Sdn. Bhd. ("NCD"), in Malaysia as a private limited company (under the Malaysia Companies Act 1965) on 5 December 1968, which was then engaged primarily in the construction of barges and fishing vessels in Malaysia.

In 2007, the Group expanded its shipbuilding operations, with part of their scope being the engagement, supervision and monitoring of the PRC Contractors where the Group's shipbuilding operations are outsourced to the PRC Contractors. In May 2011, NCL was listed on the Mainboard of the SGX-ST through a reverse takeover of Eagle Brand Holdings Limited. On 25 April 2011, Eagle Brand Holdings Limited changed its name to Nam Cheong Limited.

CORPORATE PROFILE & BUSINESS OVERVIEW

The Group's core business is the construction and supply of Offshore Support Vessels ("OSVs") used in the offshore oil and gas exploration and production ("E&P") and oilfield services industries, including Safety Standby Vessels ("SSVs"), Anchor Handling Tug Supply ("AHTS") vessels, Platform Supply Vessels ("PSVs") accommodation work barges and maintenance work vessels.

The Group's customers consist primarily of ship owners and marine services operators that provide logistics support, offshore construction and field operation services to companies operating in the offshore oil and gas support industry in Malaysia, Singapore, Indonesia, Vietnam, the People's Republic of China ("PRC"), Netherlands, India, Tunisia, the Middle East, the United States and West Africa and Latin America. To expand its business in the offshore marine industry, the Group ventured into the vessel chartering business and commenced vessel chartering operations in 2007.

SHIPBUILDING

The Group's shipbuilding were conducted solely in its 12.6-hectare Miri shipyard located in Kuala Baram, Sarawak, Malaysia, and East Malaysia prior to 2006. However, due to an increase in the demand for its vessels, the Group started outsourcing the construction of vessels to yards in the PRC.

The Group builds vessels on both a build-to-order and build-to-stock basis. For build-to-order vessels, it typically commences the construction process only upon securing a firm order from a customer. For build-to-stock vessels, however, it commences the construction of the vessels in anticipation of future or potential orders and seeks to sell the vessels to customers at a later stage when the selling prices are favorable. The Group initiates the design and engineering of vessels contracts after it has assessed the market demand for vessels and the availability of major equipment for vessels with identified specifications.

The Group's strategic focus is on building OSVs such as AHTS vessels, accommodation workboats, accommodation barges, and since 2011, Platform Supply Vessels ("PSVs") which comply with the technical specifications required to operate in the North Sea, including the requirements of the Norwegian Maritime Directorate and Det Norske Veritas ("DNV"), as well as alternative PSVs designed specifically for Asian waters.

The Group secures its sale contracts through negotiations and is awarded contracts mainly based on its track record, capacity, pricing, technical product specifications and technical financial capabilities. The Group has developed strong relationships with its customers over the years and has gained a reputation for building reliable, high quality vessels.

The Group typically builds vessels based on standard proven designs, which are widely accepted, and specifications that are able to meet the requirements of its customers.

At present, the OSVs constructed or to be constructed by the Group include:

ANCHOR HANDLING TUG SUPPLY (AHTS)

AHTS vessels are designed to provide anchor handling for offshore drilling rigs, tow offshore drilling rigs, barges and other types of OSVs, and also transport supplies and equipment to and from offshore drilling rigs, production platforms and other types of offshore support vessels and installations. The Group's AHTS vessels range from 5,000 bhp to 12,000 bhp, which can produce between 60 and 150 tonnes of bollard pull. The vessels are generally between 60 metres to 78 metres long and are equipped with fire-fighting and fuel-efficient capabilities.

ACCOMMODATION WORK BARGES (AWB)

AWB are vessels specifically designed to house and accommodate crew. Depending on the size and specifications, the capacity of accommodation barges may vary from 150 to 500 people.

MAINTENANCE WORK VESSEL (MWV)

MWV are vessels designed as a platform for the loading and unloading of cargo or as a temporary workspace for the handling of equipment and materials. Measuring up to 78 metres in length, the Group's accommodation workboats are installed with DP2 and have a carrying capacity of up to 200 people. The workboats are currently built for operation in Asia but can be upgraded in size to operate in Europe if required by customers.

PLATFORM SUPPLY VESSEL (PSV)

PSV are designed for the transportation of supplies and equipment to and from offshore oil and gas support production platforms, offshore drilling rigs and other types of offshore vessels and installations. The Group's PSVs measure up to 90 metres in length and have a speed of up to 15 knots. Typically, they can carry loads of up to 5,000 DWT and are equipped with fire-fighting and fuel-efficient capabilities as well as DPS.

SHIP CHARTERING

To diversify our business, the Group started vessel chartering operations since 2007. These operations are carried out through our subsidiaries, SKOSV Sdn Bhd and SKOM Sdn Bhd (formerly known as SK Offshore & Marine Sdn Bhd). The Group currently has a fleet of more than 30 vessels, comprising AHTS, PSV, MWV, AWB, Safety Standby Vessel and Landing Craft. From bareboat charter, we moved to time chartering which succeed by a team of professionals who commits to strive the highest standard of quality, health, safety, security & environment.

We hold a valid Petronas license and are being seen as one of the largest OSV providers in Malaysia to the national oil company and international oil majors.

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DATUK TIONG SU KOUK
(Executive Chairman)

TIONG CHIONG HIIUNG
(Executive Vice Chairman cum Finance Director)

LEONG SENG KEAT
(Chief Executive Officer)

AJAIB HARI DASS
(Lead Independent Director)

YEE KIT HONG
(Independent Director)

KAN YUT KEONG, BENJAMIN
(Independent Director)

AUDIT COMMITTEE

YEE KIT HONG (Chairman)
AJAIB HARI DASS
KAN YUT KEONG, BENJAMIN

NOMINATING COMMITTEE

AJAIB HARI DASS (Chairman)
YEE KIT HONG
TIONG CHIONG HIIUNG

REMUNERATION COMMITTEE

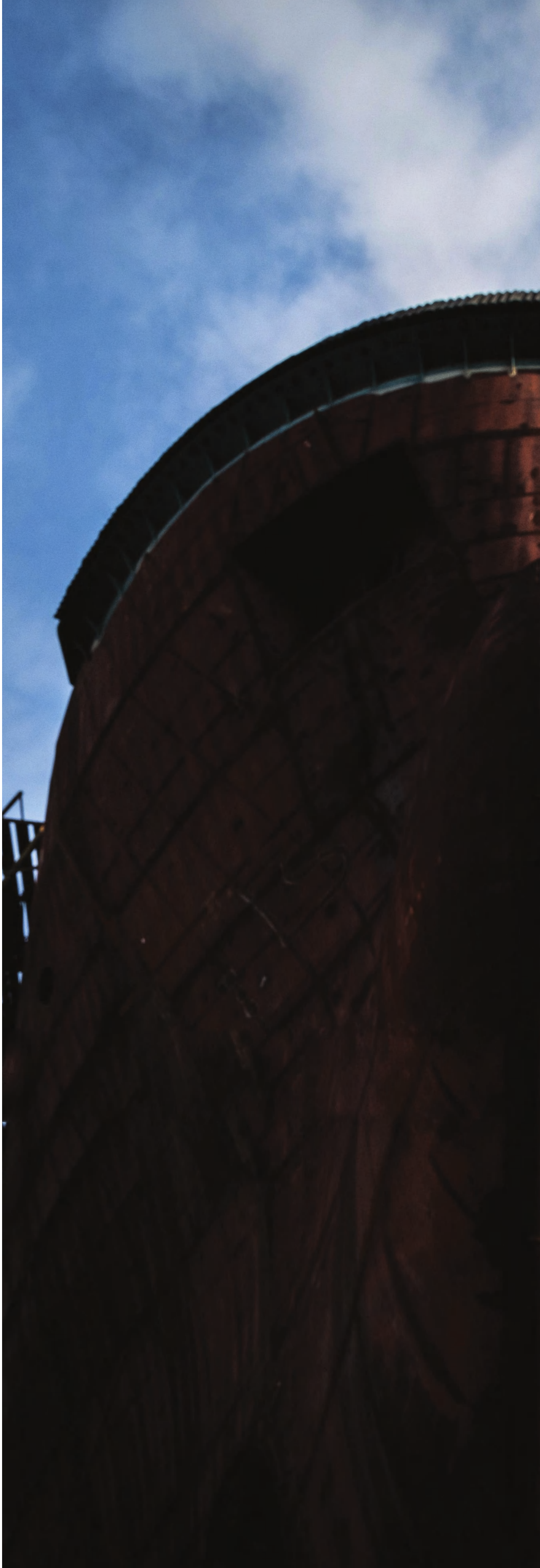
AJAIB HARI DASS (Chairman)
YEE KIT HONG
KAN YUT KEONG, BENJAMIN

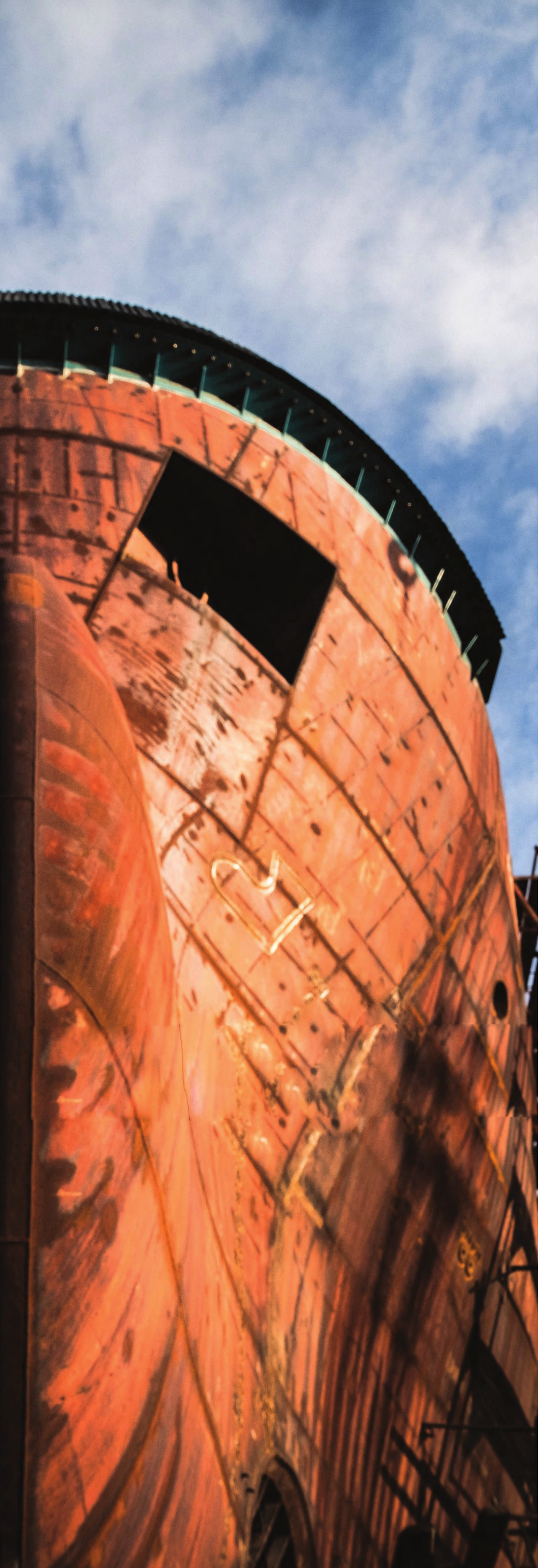
COMPANY SECRETARY

CLAUDIA TEO KWEE YEE

ASSISTANT SECRETARY

CONYERS CORPORATE SERVICES (BERMUDA) LIMITED





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Fax: (65) 6337 2197

Audit Partner-In-Charge
CHIN SIN BENG
(Appointed from the financial year ended 31 December 2019)

FINANCIAL HIGHLIGHTS

	2019	2018	% changes
Group Income Statements (RM'000)			
Revenue	285,362	329,862	-13%
EBITDA	136,423	1,078,569	-87%
Operating Profit	111,873	1,073,424	-90%
Profit Before Tax	68,329	1,036,971	-93%
Net Profit After Tax	65,218	1,036,657	-94%
Group Balance Sheets (RM'000)			
Total Assets	1,156,183	1,001,189	15%
Total Liabilities	1,520,403	1,459,653	4%
Shareholders' deficit	(364,220)	(458,464)	-21%
Fixed Deposits, Cash and Bank Balance	47,478	109,680	-57%
Borrowings	1,001,280	1,009,516	-1%
Financial Ratios			
Earnings Per Share			
Basic (sen)	0.90	30.34	
Diluted (sen)	0.89	30.34	
Net Liability Value Per Share (sen)	(5.1)	(13.5)	


NamCheong
IMO 9538000
Rolls-Royce
UT 755 CD
SK PRIDE

CHAIRMAN'S STATEMENT

With fleet size expanding from 28 in FY2018 to 36 in FY2019, the Group's chartering revenue surged by 112% from RM134.5 million in FY2018 to RM285.4 million in FY2019.

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, I present to you Nam Cheong's Annual Report for the full year ended 31 December 2019 ("FY 2019").

It has been a turbulent year for the oil market in 2019, driven by whipsawing trade tensions, concerns over softened demand, and slower economic growth. The oil price swung within a range from the daily low of US$53 per barrel to a high of US$75 per barrel, and it settled at US$66 on 31 December 2019 on the breakthrough of the US-China trade talks, representing a 23% gain in for the year.[1]

Against the backdrop, the Group's vessels chartering segment saw strong growth momentum, supported by the uptick in the upstream activities in Malaysia. In FY2019 Petronas has made RM47.8 billion in capital investments mainly for upstream projects, which was higher than that of FY2018.[2]

CHARTERING SEGMENT CONTINUES TO MAKE HEADWAY

Nam Cheong recorded revenue of RM285.4 million in FY2019, a 13% decrease year-on-year from RM329.9 million in FY2018 mainly due to the absence of revenue from shipbuilding segment in FY2019. However, with fleet size expanding from 28 in FY2018 to 36 in FY2019, the Group's chartering revenue surged by 112% from RM134.5 million in FY2018 to RM285.4 million in FY2019.

Overall, the Group's gross profit increased by 12% from RM81.3 million in FY2018 to RM91.4 million in FY2019. This was mainly attributable to significant improvements in both

1 **Oil price posts biggest annual rise in 3 years – 2 Jan 2020**
https://www.straitstimes.com/business/economy/oil-price-posts-biggest-annual-rise-in-3-years

2 **Petronas' net profit down 27pct in FY19, on low revenue and impairment – 26 Feb 2020**
https://www.nst.com.my/business/2020/02/569364/petronas-net-profit-down-27pct-fy19-low-revenue-and-impairment%C2%A0

the gross profit and gross profit margin from the vessel chartering segment. The gross profit from vessel chartering segment more than tripled to RM91.3 million, with gross profit margin increasing from 22% in FY2018 to 32% in FY2019 mainly as a result of the increase in daily charter rates.

The Group reported a lower net profit after tax of RM65.2 million in FY2019 as compared to RM1 billion in FY2018, mainly due to high amount of extinguishment of debt and higher amount of waiver of debt recorded in FY2018. The Group noted that if the extinguishment of debts, waiver of debts and foreign exchange differences were excluded in both years, the Group would report net profit attributable to the owners of the parent of RM17.6 million in FY2019 as compared to RM8.0 million in FY2018.

In FY2019, as a result of the significant improvement in the business performance of the chartering segment, the Group registered a lower net cash flow used in operating activities of RM4.8 million as compared to net cash flow used in operating activities of RM52.0 million in FY2018.

The Group wishes to update that by November 2019, the S$22.0 million net proceeds raised from Rights Issue that concluded in September 2018 has been fully utilized for the repayment of the Cash Out option to the Schemes, settlement with trade creditors in the course of the operations of the Group as well as for the business operations.

The Group has made significant progress in FY2019 particularly on the chartering front and this achievement is duly recognized by the Fastest Growing Offshore Support Vessel (OSV) Company Award received from International Finance Award in July 2019. With the support of shareholders, the Group remains committed to creating value for them in the long-term.

LOOKING AHEAD

Since the start of this year, the global oil and gas industry has been buffeted by various headwinds, leading to seesawing oil prices. Following the COVID-19 pandemic and the failed OPEC deal with Saudi, oil prices suffered an unprecedented drop. The biggest-ever output cuts approved over the Easter weekend also failed to spur the market upwards.

The widespread outbreak has forced the Malaysian government to impose the Movement Control Order aimed primarily at flattening the curve but also impacting our business operations.

Consequently, the Group remains cautious about the long-term growth of activities in offshore and marine industry. The Group will continue to assess the developing situation to counter possible challenges and capitalize on opportunities of varying magnitudes, while keeping a keen eye on more opportunities in the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) segments to diversify revenue streams.

WORDS OF APPRECIATION

I would like to extend my sincere gratitude to the Board of Directors. With their insights and advice, the Group is able to stay resilient during the tough times. I also would like to thank my management team and staff for their dedications and persistent efforts over the past few years. To our business partners, associates, bankers, consultants and suppliers, your unwavering support to the Group has been extremely heartening and we hope that we continue to build on these bonds. Lastly, our sincere gratitude goes to our shareholders for your support and trust in the Group. It's with your trust and support that we build the business through ups and downs.

Yours Faithfully

TAN SRI DATUK TIONG SU KOUK
Executive Chairman

13 April 2020

FINANCIAL & OPERATIONS REVIEW

REVENUE AND PROFITABILITY

Due to the absence of shipbuilding revenue in financial year ended 31 December 2019 ("FY2019"), the Group's revenue decreased by 13.0% year-on-year ("YoY") to RM285.4 million in FY2019. However, the Group's revenue from vessel chartering surged by 112.0% YoY from RM134.5 million in the previous corresponding year ended 31 December 2018 ("FY2018") to RM285.4 million in FY2019. This was mainly attributable to the expanded fleet size of 36 vessels in FY2019 as compared to 28 vessels in FY2018.

Despite the drop in revenue, gross profit increased by 12.4% YoY to RM91.4 million in FY2019 with the GPM increasing from 24.6% in FY2018 to 32.0% in FY2019, owing to the significant improvement of GPM for vessel chartering segment from 22.3% in FY2018 to 32.0% in FY2019, which was in turn mainly attributed to the increase in vessel daily charter rates.

Other Income was lower at RM75.8 million in FY2019, as compared to RM1.1 billion in FY2018. This was mainly due to the absence of the extinguishment of debt of RM348.4 million and the lower waiver of debts of RM 57.0 million in FY2019, as compared to RM632.9 million in FY2018.

In line with higher vessel chartering revenue and activities, selling and administrative expenses climbed by RM7.3 million or 23% to RM39.4 million in FY2019.

The Group posted a lower operating profit of RM111.9 million in FY2019, compared to RM1.1 billion in FY2018. However, when we exclude impact of extinguishment of debts, waiver of debts and foreign exchange differences in both years (FY2018: Debt forgiveness amounted to RM632.9 million and extinguishment of debt of RM348.4 million; FY2019: Debt forgiveness amounted to RM57.0 million), the Group delivered a higher operating profit of RM65.1 million in FY2019 compared to RM48.5 million in FY2018.

Finance costs stood at RM41.1 million in FY2019 as compared to RM25.8 million, mainly due to the increase in finance cost related to vessel financing to support the expanded fleet size in FY2019.

Due to the factors discussed above, the Group reported net profit attributable to the owners of the parent of RM17.6 million in FY2019 as compared to RM8.0 million in FY2018. (Excluding extinguishment of debts, waiver of debts and foreign exchange differences in both years)

BUSINESS SEGMENTS

Chartering segment was the sole revenue generator for the Group's revenue, contributing to RM285.4 million in FY2019. Chartering segment continues to demonstrate significant improvement by RM150.8 million or 112% surge in revenue from RM134.5 million in FY2018 to RM285.4 million in FY2019.

SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATE

As a result of higher vessel utilisation, share of results of joint ventures turnaround to register a RM1.9 million gain in FY2019 from a loss of RM1.0 million recorded in FY2018, whilst share of results of associate recorded a lower loss of RM4.4 million in FY2019 as compared to RM9.6 million in FY2018.

CASH FLOWS

Net cash used in operating activities of RM4.8 million in FY2019 was mainly due to the decrease in payables of RM34.1 million and increase in receivables of RM11.1 million.

Net cash used in investing activities of RM55.7 million in FY2019 was mainly due to acquisition of vessels of RM58.9 million which are partially offset with interest received of RM3.1 million.

Net cash used in financing activities of RM0.9 million in FY2019 was mainly due to repayment of bank borrowings of RM 3.6 million which was offset with uplifting of fixed deposits pledged amounted to RM2.7 million.

TOTAL ASSETS

Total assets of the Group increased by 15.5% or RM155.0 million from RM1.0 billion as at 31 December 2018 ("FY2018") to RM 1.2 billion as at 31 December 2019 ("FY2019") mainly due to the increase in vessels and trade and other receivables of RM196.7 million and RM59.6 million respectively. The increase in total assets was partially offset with the decrease in fixed deposits and cash and cash equivalent by RM62.2 million mainly due to acquisition of additional vessels and repayment of term loan interest during the period.

TOTAL LIABILITIES

Total liabilities of the Group increased by 4.2% or RM60.8 million from RM1.46 billion as at FY2018 to RM1.52 billion as at FY2019 mainly due to the increase in trade and other payables of RM66.4 million in relation to the abovementioned increase in vessels during the period.

BOARD OF DIRECTORS

TAN SRI DATUK TIONG SU KOUK

Executive Chairman
Date of Appointment: 28 April 2011

In 1998, Tan Sri Datuk Tiong Su Kouk had through a series of equity injections increased his shareholding interest in Nam Cheong Dockyard Sdn Bhd ("NCD"). In the following year, Tan Sri Datuk Tiong has obtained majority shareholding control and has since assumed an active role in the management of the Group.

Tan Sri Datuk Tiong has more than 20 years of solid experience in the shipbuilding industry. He oversees the Group's strategic direction and shipbuilding operations in the Company's shipyard located at Miri and the People's Republic of China contractors' shipyards. Along with his extensive experience and involvement in the shipbuilding industry, he has built a wide network of Malaysian and foreign business contacts over the years. He has played a significant role in steering the Group from being primarily involved in the construction of barges and fishing vessels in Malaysia to building of offshore support vessels ("OSVs"), transforming the Group into one of the leading providers of OSVs in Malaysia.

Tan Sri Datuk Tiong is also the founder of CCK Consolidated Holdings Berhad ("CCK"), a company listed on the Main Market of Bursa Securities Malaysia Bhd. Under his stewardship, CCK and its subsidiaries ("CCK Group") has progressed from a small family-run business to one of Sarawak's largest integrated poultry producers in Malaysia. In addition, he sits on various school boards and boards of other private limited companies.

Tan Sri Datuk Tiong was awarded the Pingat Bintang Sarawak by the head of the Sarawak state in 1987 and Johan Setia Mahkota by Seri Paduka Baginda Yang di-Pertuan Agong in 2000 for his noteworthy contributions to the community.

In 1999, Tan Sri Datuk Tiong was appointed as a Member of MAPEN II (Majlis Perundingan Ekonomi Negara Kedua). Tan Sri Datuk Tiong is also the Honorary Life President of the World Federation of Foochow Association, Permanent Honorary Chairman and Inaugurator of The World Zhang Clan Association, Honorary Life President of the Federation of Foochow Association of Malaysia and Honorary President of the Associated Chinese Chambers of Commerce and Industry of Sarawak.

Tan Sri Datuk Tiong was conferred the Panglima Jasa Negara (P.J.N.) which carries the title "Datuk" by Seri Paduka Baginda Yang di-Pertuan Agong on the occasion of His Excellency's 75th Birthday 2 June 2001.

Tan Sri Datuk Tiong was subsequently conferred the Panglima Setia Mahkota (P.S.M.) which carries the title "Tan Sri" by Seri Paduka Baginda Yang di-Pertuan Agong XIV, Almu'tasimu Billahi Muhibbuddin Tuanku Alhaj Abdul Halim Mu'adzam Shah Ibni Almarhum Sultan Badlishah on the occasion of His Excellency's 88th Birthday on 4 June 2016.

MR TIONG CHIONG HIIUNG

Executive Vice Chairman
Finance Director
Member of Nominating Committee
Date of Appointment: 1 July 2014

Mr Tiong Chiong Hiiung joined the Group's Board of Directors in 1993. Mr Tiong holds a degree in Bachelor of Economics from Monash University, Australia in 1989. In 1997, he became the Managing Director of CCK Group of Companies ("CCK Group") where he oversees the overall management and operations of the CCK Group. He has played a pivotal role in transforming the CCK Group's operations into one of the pioneer poultry producer in Malaysia today.

Mr Tiong is primarily responsible for the Group's general corporate and financial affairs. He involves in crafting the human resource policies and had initiated the implementation of the employee salary structure for the Group. He had also initiated the development of the corporate management system where policies, procedures and detailed processes of different functions are documented and monitored for the betterment of the Group.

In 2014, Mr Tiong was appointed as the Executive Vice Chairman of the Group where he serves to strengthen the Group's financial health in light of the increasing demands of an evolving and dynamic business. He also assists the Executive Chairman in reviewing various Board matters and in supporting the implementation of growth and business strategy.

Mr Tiong was appointed as the Financial Director of the Group in 2017, where he guides the Finance team in financial strategies and control towards a healthier financial performance for the Group. His vast experience in corporate strategies planning and financial management provides an assurance to the Group's commitment in business continuity and growth.

Mr Tiong is a licensed company secretary by the Companies Commission of Malaysia. He also sits on the boards of various private limited companies.

MR LEONG SENG KEAT

Chief Executive Officer
Date of Appointment: 21 May 2013

Mr Leong Seng Keat joined the Group in 2005. He graduated from the Chrisholm Institute of Technology, Australia in 1990 with a Bachelor of Engineering degree, majoring in Electrical and Computing. Before joining the Group, Mr Leong has accumulated more than 15 years of experiences in the management of information technology. He is very well versed with the different phases of development and changes in the life of a corporation.

Mr Leong joined Group as an Executive Director in the early days and brought with him his vast experience in sales and management. He has successfully marketed and pioneered the sale of the Group's vessels to the international market.

In 2013, Mr Leong was appointed as the Chief Executive Officer for the Group. He spearheads the Group in working towards the visions of the Group. Under his leadership, the Group progresses steadily in its expansion of global market sales and innovation in price performance vessels with fuel efficient features. He also determines the Group's corporate and strategic directions, working closely with the members of the management team intrinsically for significant expansion of market share and operations. He predominantly guides the Group towards maintaining a steady performance in the dynamic industry. In 2016, Mr Leong has established a ship management arm for Group, creating yet another significant milestone for the Company. Under his assiduous supervision, the Company and its subsidiaries has grown to be a proven vessels operator with over 30 vessels in active operation.

Mr Leong is a frequent and well sought-after speaker and panellist at various domestic and international offshore and marine conferences due to his invaluable sales and management experience and in-depth knowledge about offshore and marine industry.

Mr Leong has been a member of American Bureau of Shipping (ABS) Southeast Asia Regional Committee since 2008. He is member of the Singapore Institute of Directors since 2011.

MR AJAIB HARI DASS

Lead Independent Director
Chairman of Nominating Committee
Chairman of Remuneration Committee
Member of Audit Committee
Date of Appointment: 28 April 2011

Mr Ajaib Hari Dass joined the Board of Directors in 2011. He graduated from the University of London in 1974 with a Bachelor of Law (Honours) degree and was called to the English Bar at the Middle Temple in 1975. Mr Hari Dass was admitted as an Advocate & Solicitor of the Supreme Court of Singapore in 1976. Mr Hari Dass has set up Haridass Ho & Partners in 1985. As the founding partner and consultant for the firm, Mr Hari Dass is internationally accredited by Chambers & Partners as a "Senior Statesman" in the niche practice of shipping law in Singapore.

Mr Hari Dass has over 40 years of solid and extensive legal experiences. He specialized predominantly in admiralty matters, both litigious and non-litigious, from ship sale and purchase, the financing aspects of such transactions, marine insurances to general commercial and banking litigation.

Mr Hari Dass is an independent director of Sembcorp Industries Ltd and past independent director of Sembcorp Marine Ltd, both companies listed on the Mainboard of the SGX-ST. He is a principal mediator of the Singapore Mediation Centre, a member of Singapore International Arbitration Centre (SIAC) Panel of Arbitrators, a panel member of the Singapore Chamber of Maritime Arbitration (SCMA), a member panel of Maritime Arbitrators of Asian International Centre for Arbitration (AIAC). He is also a member of the Board of Visiting Justices & Board of Inspection (Prisons Department) under the purview of the Ministry of Home Affairs, a Commissioner for Oaths, a Notary Public as well as a Justice of the Peace.

BOARD OF DIRECTORS

MR YEE KIT HONG

Independent Director
Chairman of Audit Committee
Member of Nominating Committee
Member of Remuneration Committee
Date of Appointment: 28 April 2011

Mr Yee Kit Hong joined the Board of Directors in 2011. He had graduated from the University of Singapore with a Bachelor of Accountancy. As a qualified professional accountant, he has over 30 years of extensive experience in the field of audit, management consultancy, accountancy and taxation. Mr Yee is a fellow of the Institute of Chartered Accountant, England and Wales, the Institute of Singapore Chartered Accountants and a full member of the Institute of Directors. Prior to establishing the practice, he was a Tax Manager with Ernst & Young. He is presently a partner of the practice, Kit Yee & Co. Chartered Accountants Singapore.

In 2003, Mr Yee was conferred the award of Public Service Medal (PBM) by the Singapore government as recognition for his noteworthy public services.

Mr Yee sits on the board of three other listed companies in Singapore.

MR KAN YUT KEONG, BENJAMIN

Independent Director
Member of the Audit Committee
Member of the Remuneration Committee
Date of Appointment: 1 October 2014

Mr Kan Yut Keong, Benjamin joined the Group in 2014. He graduated from the University of Hull in the United Kingdom with B.Sc. Economics (Hons). He then articled with Grant Thornton in London and was admitted as Member of the Institute of Chartered Accountants in England & Wales in 1983. He is also a member of the Institute of Certified Public Accountants of Singapore and the Malaysian Institute of Accountants.

Mr Kan was with PricewaterhouseCoopers, Singapore for more than 30 years. At that time, he covered insolvency services, management consulting and in the last 12 years, he built a new business unit focussing on corporate finance related activities. Following significant growth in the first 4 years, the partnership decided to form a separate licensed business entity, PricewaterhouseCoopers Corporate Finance Pte Ltd and in 2002 obtained a Capital Market Services licence from the Monetary Authority of Singapore and Mr Kan had remained as its Managing Director until he retired from the partnership in June 2014.

Mr Kan has over 35 years of extensive advisory experience working in the Asian region and the United Kingdom. His clients include the public sector, multinational corporation, government linked companies as well as many emerging local companies.

Mr Kan was appointed a member of Competition and Consumer Commission of Singapore in August 2016 for a 3-year term and he has just been re-appointed for another 3-year term. In January 2018, Mr Kan was also appointed a member of the Securities Industry Council and has also been reappointed for another 2-year term from 1 January 2020. In June 2018, Mr Kan joined the board of the Mainboard listed PropNex Limited.

KEY EXECUTIVES

MR TIONG CHIONG SOON (JOSEPH)

Executive Director (Operations)

Mr Joseph Tiong joined the Group as the Group General Manager in 2009. He supervises the Group's shipbuilding operation, vessels' repair works, procurement and sourcing of equipment required for the shipbuilding and chartering operation. Since the set-up of the ship management arm of the Group, SKOM Sdn Bhd, Mr Joseph Tiong has been instrumental in supervising the Group's chartering business strategies and affairs.

Mr Joseph Tiong graduated from the University of Oklahoma, USA in 1994, of which he holds a Bachelor of Business. He started his career with CCK Consolidated Holdings Berhad, where he is principally responsible for all the purchasing function and retail division of the CCK Group of Companies ("CCK Group"). In 1997, he was appointed the Executive Director of CCK Group. He has an excellent rapport with suppliers thus ensuring timely delivery of products of the highest quality for the CCK Group.

Mr Joseph Tiong also sits on the boards of various private limited companies.

MR LEONG JUIN ZER JONATHAN

Executive Director (Commercial)

Mr Leong Juin Zer Jonathan joined the Group in 2013. He graduated from the University of Bristol, United Kingdom in 2013 with a degree in Law.

Mr Jonathan Leong joined the Group as a Management Trainee, serving in and rotating into a few different departments of the Group before being permanently placed into the Group's Business Development team. He was originally placed with the Legal team in 2013, where he assisted in the drafting and negotiation of shipbuilding contracts for newbuild projects of the Group. He was also involved in the Group's corporate communications and investor relations.

In 2015 Mr Jonathan Leong was permanently placed into the Group's Business Development team, where he was tasked with not only contributing to the major business transactions of the Group at the time, but also to develop an alternative stream of revenue for the Group within the oil and gas segment, as well as studying several new potential asset classes for the Group's built-to-stock business strategy.

In 2018 Mr Jonathan Leong was promoted to Manager of the Chartering team, and was tasked with securing the cashflow needed by the Group through successful expansion of the chartering business, and in 2020, he was appointed as the Executive Director of the Commercial division, tasked with further expanding the business unit through the provision of offshore support vessels chartering and other related services.

KEY EXECUTIVES

MR KWAN SENG FATT

General Manager (Newbuilding Division)

Mr Kwan Seng Fatt joined the Group in January 2013 as the General Manager for Newbuilding Division. He heads several teams which are primarily responsible in ship designing and product development, engineering, procurement and project management of the Group's newbuilding of offshore support vessels and other related services, technical advisory support for the Group's fleet of vessels and oversee all shipyard processes to ensure efficient operations.

Mr Kwan holds a Master of Science degree in Marine Engineering from the University of Newcastle upon Tyne (UK) and a First-Class Engineer Certificate of Competency (Motorship) (Singapore). He is also a registered Chartered Engineer of Engineering Council (UK) and a Chartered Marine Engineer of the Institute of Marine Engineers, Scientists and Technologists (UK).

Mr Kwan possesses solid and extensive experiences in new shipbuilding, ship repairs, ship design and development, marine engineering systems, procurement of ship power system and equipment, project management and many other related services. He is instrumental in designing custom-built offshore support vessels for the Group that are proven to be exceptionally well received in the offshore support sector.

Prior to his current appointment, Mr Kwan was the Senior Vice President (Engineering) with Jaya Shipbuilding & Engineering Pte Ltd (a subsidiary of Jaya Holdings Ltd) for more than 5 years. He supervised on the ship design, product development and functional engineering, information technology, project procurement of major equipment for new shipbuilding and ship repairs of offshore support vessels and other related services. He was the Vice President (Engineering) of ST Marine Ltd (a company of ST Engineering Ltd) (a major shipbuilding and marine engineering company in Singapore), where he had served for more than 22 years in various positions in the areas of ship design/development and engineering for commercial, naval, para-military and offshore support vessels, shipbuilding processes, project management, information technology, and several other special projects. He had also served as the Engineer Officer on board foreign-going merchant ships for more than 8 years, including the rank of Chief Engineer with Neptune Orient Lines Limited, Singapore.

MR GREGORY JOHN FLINT

General Manager (Marine Operations)

Mr Gregory John Flint joined the Group in February 2016 as the Head of Marine Operations. Having over 40 years of experience in the marine industry with the last 18 years in the oil and gas industry, Mr Flint was tasked to establish SK Offshore and Marine Sdn Bhd, now known as SKOM Sdn Bhd ("SKOM") as the ship management arm of the Group. Today, SKOM has steadily grown to be a proven vessels operator with over 30 active vessels under his current management. Originally from an engineering background, Mr Flint also holds qualifications as a Ships Master and a Marine Warranty Surveyor. He brings to the Group extensive knowledge of vessel management and operations.

Mr Flint commenced his seagoing career as a Marine Engineer in Australia before obtaining deck qualifications. After coming ashore, he took on managerial roles in general cargo operations, marine construction and ship repair companies before venturing into the oil and gas industry. He was initially the Country Manager in Papua New Guinea for Tidewater Marine, and then subsequently acted in a similar capacity for Tidewater Marine in Malaysia and Thailand. Mr Flint next joined GAC, a Swedish logistics company and stayed for 8 years, firstly as General Manager based in Turkmenistan, where he managed the operation of up to 20 vessels, a shipping agency and initiated Turkmenistan's first dedicated supply base. He also took the lead in developing the GAC marine operations in Kazakhstan. He then served as GAC Regional Marine Manager for Africa, Mediterranean, Central Asia and Russia, where he was based in Cairo, Egypt, primarily overseeing the commercial operations of up 30 vessels in the various locations. Mr Flint then joined Topaz Marine as their Marine Operations Manager based in Nigeria, where he supervised all West African vessel operations, from Angola to Ivory Coast, before joining the Group.

CORPORATE STRUCTURE

NamCheong®

NAM CHEONG LIMITED

- **100% NAM CHEONG CAPITAL PTE LTD**
- **100% NAM CHEONG DOCKYARD SDN BHD**
  - 100% NC DESIGN PTE LTD
  - 100% NAM CHEONG PIONEER SDN BHD
    - 49% P.T. BAHTERA NIAGA INDONESIA
    - 30% P.T. PELAYARAN NASIONAL BINA BUANA RAYA TBK
  - 100% NAM CHEONG INTERNATIONAL LTD
    - 100% SK MACHINES LTD
    - 100% SK VENTURE LTD
    - 100% NAM CHEONG VENTURE LTD
    - 100% NAM CHEONG OSV LTD
  - 100% NAM CHEONG MARINE PTE LTD
  - 100% NAM CHEONG MARINE LTD
  - 100% SKOM SDN BHD
  - 100% SK GLOBAL LTD
    - 100% SK MAJESTIC LTD
    - 100% SKOM LTD
    - 100% SK CAPITAL LTD
    - 100% SK PRUDENCE LTD
    - 100% SK PRIDE LTD
    - 100% SK PATRIOT LTD
    - 100% SK POWER LTD
    - 100% SK PRECIOUS LTD
    - 51% PELAYARAN NEW ERA (L) BERHAD
      - 100% PELAYARAN ERA SDN BHD
    - 50% MARCO POLO OFFSHORE (IV) PTE LTD
      - 100% SK MARCO POLO SDN BHD
  - 100% S.K. MARINE SDN BHD
  - 70% SKOSV SDN BHD
    - 100% NAM CHEONG MARINE SDN BHD
  - 49% SK HULL SDN BHD
  - 40% SYNERGY KENYALANG OFFSHORE SDN BHD
  - 50% NAM CHEONG OFFSHORE PTE LTD
    - 100% NAM CHEONG PROPERTY PTE LTD
- 50% NAM CHEONG OFFSHORE PTE LTD

CORPORATE MILESTONES

1968

Nam Cheong Dockyard Sdn. Bhd. established

1987

Delivered first SSV

1989

Delivered first AHTS vessel

2001

Relocation to larger premises at Miri Yard

2005

Doubling of production capacity of our Miri yard

2006

Tripling of production capacity: Commence outsourcing of shipbuilding to Chinese yards

2007

- Commenced chartering business
- Management headquarters shifted to Kuala Lumpur
- Received ISO 9001 : 2000 (later revised to ISO9001 : 2008) certification
- Delivered first Malaysian-made DP2 OSV

2008

Expand market to India, Dubai, Hong Kong, Singapore and the Netherlands

2009

- Expand market to China and Vietnam
- Received the Industry Excellence Award (Transportation Sector)

2010

Expand market to Tunisia, Indonesia and USA

2011

Successfully listed on the Singapore Exchange on May 27

2012

- Delivered first PSV
- Expanded into west African market

2013

- Expanded into Latin America market
- Raised US$38m on SGX
- Received the Most Transparent Company Award

2014

- Launched first proprietary design DE series vessels
- Received Bronze for the Best Managed Board Award
- Received Most Transparent Company Award– Runner Up

2016

Received Silver for Best IR Award

2017

Fleet size expanded to 20 vessels; chartering revenue up 152%

2018

Fleet size expanded to 28 vessels; chartering revenue up 106%

2019

- Fleet size expanded to 36 vessels; chartering revenue up 112%
- Awarded the 'Fastest Growing Offshore Support Vessel Company' by UK based International Finance Magazine

SHAREHOLDERS' INFORMATION

STATISTICS OF SHAREHOLDINGS AS AT 16 APRIL 2020

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1,906	16.40	81,656	0.00
100 – 1,000	4,192	36.07	1,251,989	0.02
1,001 – 10,000	1,568	13.49	9,205,922	0.13
10,001 – 1,000,000	3,636	31.29	447,607,138	6.15
1,000,001 AND ABOVE	319	2.75	6,814,493,924	93.70
TOTAL	**11,621**	**100.00**	**7,272,640,629**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	S.K. TIONG ENTERPRISE SDN. BHD.	1,148,685,680	15.79
2	DBS NOMINEES (PRIVATE) LIMITED	1,110,791,952	15.27
3	HUNG YUNG ENTERPRISE SDN. BHD.	639,909,690	8.80
4	RHB BANK NOMINEES PTE. LTD.	599,575,088	8.24
5	CITIBANK NOMINEES SINGAPORE PTE. LTD.	380,133,535	5.23
6	TIONG SU KOUK	343,968,263	4.73
7	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	193,118,495	2.66
8	RAFFLES NOMINEES (PTE.) LIMITED	191,529,195	2.63
9	UOB KAY HIAN PRIVATE LIMITED	176,934,660	2.43
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	174,370,063	2.40
11	RHB SECURITIES SINGAPORE PTE. LTD.	163,897,840	2.25
12	OCBC SECURITIES PRIVATE LIMITED	143,467,312	1.97
13	KGI SECURITIES (SINGAPORE) PTE. LTD.	130,374,684	1.79
14	PHILLIP SECURITIES PTE. LTD.	117,373,688	1.61
15	LAU LIONG KII	88,185,884	1.21
16	HSBC (SINGAPORE) NOMINEES PTE. LTD.	64,237,920	0.88
17	BANK OF CHINA NOMINEES PTE. LTD.	63,271,735	0.87
18	UOBM NOMINEES (TEMPATAN) SDN. BHD.	57,654,847	0.79
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	46,192,169	0.64
20	TIONG ENG MING	36,462,680	0.50
	TOTAL	**5,870,135,380**	**80.69**

SHAREHOLDERS' INFORMATION

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 16 APRIL 2020

Number of equity securities	:	7,272,640,629 (excluding treasury shares)
Class of equity securities	:	Ordinary share of HK$0.001 each
Voting rights	:	One vote per share
Number of treasury shares held	:	6,678,597

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Tan Sri Datuk Tiong Su Kouk(1)	376,168,263	5.17	1,879,486,230	25.85
S.K. Tiong Enterprise Sdn. Bhd.(2)	1,148,685,680	15.80	1,106,968,813	15.22
Hung Yung Enterprise Sdn. Bhd.(3)	639,909,690	8.80	1,615,744,803	22.22
Puan Sri Datin Wong Bak Hee(4)	30,840,860	0.43	2,224,813,633	30.59
RHB Bank Berhad(5)	–	–	587,208,008	8.07

Notes:

(1) Tan Sri Datuk Tiong Su Kouk is deemed to have an interest in the shares held by Hung Yung Enterprise Sdn. Bhd., S.K. Tiong Enterprise Sdn. Bhd., his wife, Puan Sri Datin Wong Bak Hee, 50,000 shares held by Philip Securities Pte. Ltd. (as nominee) and 60,000,000 shares held by United Overseas Bank Nominees (Private) Limited (as nominee), by virtue of Sections 4 and 133 of the Securities and Futures Act (Cap. 289).

(2) S.K. Tiong Enterprise Sdn. Bhd. is deemed to have an interest in the shares held by Hung Yung Enterprise Sdn. Bhd., Tan Sri Datuk Tiong Su Kouk, Puan Sri Datin Wong Bak Hee, United Overseas Bank Nominees (Private) Limited (as nominee) and Philip Securities Pte. Ltd. (as nominee) by virtue of Section 4 of the Securities and Futures Act (Cap. 289).

(3) Hung Yung Enterprise Sdn. Bhd. is deemed to have an interest in the shares held by S.K. Tiong Enterprise Sdn. Bhd., Tan Sri Datuk Tiong Su Kouk, Puan Sri Datin Wong Bak Hee, United Overseas Bank Nominees (Private) Limited (as nominee) and Philip Securities Pte. Ltd. (as nominee) by virtue of Section 4 of the Securities and Futures Act (Cap. 289).

(4) Puan Sri Datin Wong Bak Hee is deemed to have an interest in the shares held by S.K. Tiong Enterprise Sdn. Bhd., Hung Yung Enterprise Sdn. Bhd. and her husband, Tan Sri Datuk Tiong Su Kouk, 50,000 shares held by Philip Securities Pte. Ltd. (as nominee) and 60,000,000 shares held by United Overseas Bank Nominees (Private) Limited (as nominee), by virtue of Section 4 of the Securities and Futures Act (Cap. 289).

(5) Shares are held with RHB Bank Nominees Pte Ltd on behalf of RHB Bank Berhad.

Percentage of Shareholding in Public Hands

Based on the information available to the Company as at 16 April 2020, approximately 66.71% of the issued ordinary shares of the Company is held by the public hand, therefore, Rule 723 of the Listing Manual issued by the SGX-ST is complied with.

CORPORATE GOVERNANCE

The Board and the Management team of Nam Cheong Limited (the "Company", together with its subsidiaries, the "Group") firmly believe that full commitment to the highest standards of corporate governance is instrumental to the sustainability of the Group's business integrity and professionalism in all activities. The Company has established self-regulating and monitoring mechanisms to ensure that effective corporate governance is practised as a fundamental part of executing its responsibilities to protect and enhance long-term shareholder value and financial performance of the Group.

The Group adheres to the general principles and guidelines set out in the Code of Corporate Governance 2012 (the "Code"). The Company acknowledges the implementation of the revised Code of Corporate Governance 2018 (the "2018 Code") as replacement for the Code and has taken guidance from the 2018 Code in describing its corporate governance practices. Where there have been deviations from the 2018 Code, the Company has sought to provide an appropriate explanation for each deviation in this report.

The following illustrates the Group's corporate governance processes and structures that are in place during the financial year ended 31 December 2019 ("FY2019"), with specific reference to the principles and guidelines of the Code, which forms part of the Continuing Obligations of the Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Manual.

THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: *Board's Leadership and Control*

The Board is collectively responsible for providing overall strategy and direction to the Management and the Group. Directors act in the best interests of the Company and through the Board's leadership. All Directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving issues of conflict.

To ensure the Group's effective and efficient performances, the Company's Board comprises of Directors with extensive and invaluable experiences, skills and qualities in the fields of shipbuilding and vessel chartering, business development, business management, financial, legal and accounting. The diversity of skills, experiences and qualities warrants the Board to be well equipped when dealing with various issues.

The Board adopts a set of well-defined internal controls in the form of the Delegation and Authorisation Limit Policy ("Delegation Policy") for the Management to effectively operate the Group's businesses. Apart from matters that specifically require the Board's approval, such as investments, borrowings, issue of shares, dividend distributions, returns to shareholders, guarantees and indemnities, the Delegation Policy establishes defined limits of authority in relation to all operational matters for the Management, key management personnel and the Board. Transactions exceeding the defined limits in the Delegation Policy are to be approved by the Board.

The principal functions of the Board are as follows:

(a) To decide on matters in relation to the Group's operations which are of a significant nature, including decisions on strategic directions and guidelines and the approval of periodic plans and major investments and divestments;

(b) To oversee the business and affairs of the Company, establish, with Management, the strategies and financial objectives to be implemented by Management, and monitor the performance of Management;

CORPORATE GOVERNANCE

(c) To oversee processes for evaluating the adequacy and effectiveness of internal controls and risk management systems;

(d) To set the Company's values and standards (including ethical standards); and

(e) To consider sustainability issues such as environmental and social factors as part of its strategic formulation.

In addition to its statutory duties, the Board reserves the following key matters for its decision:

(a) Major funding proposals, investments, acquisitions and divestments including the Group's commitment in terms of capital and other resources;

(b) The annual budgets and financial plans of the Group;

(c) Annual and quarterly financial reports;

(d) Internal controls and risk management strategies and execution; and

(e) Appointment of directors and key management staff, including review of their performance and remuneration packages.

The schedule of all the Board and Board Committee meetings as well as the Annual General Meeting ("AGM") for the next calendar year is planned well in advance. The Board meets every quarterly and on special warranted meetings by particular circumstances. To enhance effective participation and communication, Directors who are unable to attend the meeting in person, will participate via tele-conference, electronic or other communication facilities which permits all parties to communicate with each other simultaneously.

The Board has set up and is supported by four Board Committees, which is the Audit Committee ("AC"), the Remuneration Committee ("RC"), the Nominating Committee ("NC") and the Risk Management Committee ("RMC") to assist in the execution of its responsibilities and to strengthen the Board's effectiveness. In line with the 2018 Code, each committee has its own defined terms of reference and operating procedures to undertake its responsibilities more efficiently. The responsibilities of each committee are elaborated under principle 4 for the NC, principle 7 for the RC, principle 11 for the RMC and principle 12 for the AC respectively.

The number of meetings held by the Board and Board Committees and the attendance for during the FY2019 are as follows:

	Board Meting	**Audit Committee**	**Remuneration Committee**	**Nominating Committee**
No. of meetings held	4	4	1	1
	No. of meetings attended			
Tan Sri Datuk Tiong Su Kouk	4	N.A.	N.A.	N.A.
Mr Leong Seng Keat	4	N.A.	N.A.	N.A.
Mr Tiong Chiong Hiiung	4	N.A.	N.A.	1
Mr Ajaib Hari Dass	4	4	1	1
Mr Yee Kit Hong	4	4	1	1
Mr Kan Yut Keong, Benjamin	4	4	1	N.A

CORPORATE GOVERNANCE

Where a new director is appointed to the Board, a formal letter setting out his/her duties, obligations and responsibilities is issued to the newly-appointed Director. The Board ensures that all incoming directors will receive extensive, comprehensive and tailored induction upon joining the Board. These include, but are not limited to, a briefing of his/her duties, obligations and responsibilities and how to effectively and objectively discharge these duties in good faith, as well as a comprehensive orientation program to ensure familiarity with the Group's businesses, financial related matters and governance practices. The Company also works closely with professionals as and when appropriate to provide its Directors with updates in changes to relevant laws, regulations and accounting standards.

Directors are encouraged to attend relevant courses/training conducted by Singapore Institute of Directors, Singapore Exchange Securities Trading Limited, businesses and consultants, as may be relevant to the objectives and effective discharge of their responsibilities, particularly on relevant new laws, regulations and changing commercial risks, at the expense of the Group.

In addition to the Board meetings or special warranted meetings by particular circumstances, whereby Directors are updated on the Group businesses, operational activities and possible changes of business risks, the Group's information policy is to make available to Directors, upon their request, at any time, further and additional explanation, briefing or informal discussion on any aspect of the Group's operations or business issues from the Management. The Directors are issued with a copy of the Company's Code of Dealings as they are privy to price sensitive information.

Directors may, at any time, request for further explanation, briefings or informal discussions on any aspect of the Group's operations or business issues from Management.

As a general rule, board papers are sent to Directors one week in advance in order for Directors to be adequately prepared for the meeting. Senior Management attends Board meetings to answer any query from Directors. Directors also have unrestricted access to the Company Secretary and Management at all times. Directors are entitled to request from Management and provided with such additional information as needed to make informed and timely decisions.

The Company Secretary works closely with the Chairman in setting the agenda for Board meetings. She or, when unavailable, an authorized designate, attends all Board meetings and ensures that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flow within the Board and its Board Committees, and between Management and non-executive Directors. The Company Secretary also organises orientation and training for new Directors, as well as provides updates and advises Directors on all governance matters. The Company's Constitution provides that the appointment and removal of the Company Secretary is subject to the approval of the Board.

Should Directors, whether as a group or individually, need independent professional advice relating to the Company's affairs, the Company Secretary will appoint a professional advisor to render the relevant advice. The cost of such professional advice will be borne by the Company.

CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE

Principle 2: *Independent and Diverse Board*

As at the date of this report, the Board comprises six members of whom three are Independent Directors:

Executive Directors
Tan Sri Datuk Tiong Su Kouk (Executive Chairman)
Mr Tiong Chiong Hiiung (Executive Vice Chairman cum Finance Director)
Mr Leong Seng Keat (Chief Executive Officer ("CEO"))

Independent Directors
Mr Ajaib Hari Dass
Mr Yee Kit Hong
Mr Kan Yut Keong, Benjamin

Directors of the Company are all of high calibre members with wealth of experiences in the Company's business segment. They bring a wide range of invaluable experiences, skills, knowledge, extensive business network and expertise in specialised fields, including but not limited to admiralty matters, shipbuilding and vessel chartering, strategic planning, audit management, taxation, mergers and acquisitions, corporate finance and restructuring, accounting, financing, marketing and business development and legal. The size, composition, range of experience and the varied expertise of current Board members allow discussions on policy, strategy and performance to be critical, informed and effective.

The NC will, in reviewing and assessing the composition of the Board and recommending the appointment of new directors to the Board, consider candidates on merit against the objective criteria set and with due regards for the benefits of diversity on the Board.

The Board and NC are of the view that the current composition of the Board encompasses an appropriate balance and diversity of skills, experience, knowledge and competencies such as accounting, finance, legal, information, business or management experience, industry knowledge and strategic planning experience.

The Board exercises objective and independent judgment on the Group's corporate affairs. No individual or group of individuals dominates the Board's decision-making. In addition, the roles of the Executive Chairman, the Executive Vice Chairman cum Finance Director and the CEO are assumed by different persons.

The Board has a healthy proportion of independent directors, where independent directors comprising half the Board. It ensures that there is effective representation to its shareholders and issues of strategy, performance and resources are fully disclosed and examined to take into account the long-term interests of the shareholders, employees, customers, suppliers and the industries in which the Group conducts its business. To facilitate a more effective check on the Management, the Independent Directors also meet on a need-be basis without the presence of the Management.

The Independent Directors contribute to the Board processes by constructively challenging, developing, monitoring and reviewing the Management's performance against pre-determined goals, strategies and objectives. Their views and opinions provide alternative perspectives to the Group's business and operations. The Independent Directors exercise independent judgment and discretion on the Group's business activities and transactions, particularly in situations involving conflicts of interest and other complexities.

CORPORATE GOVERNANCE

The Board noted that under Principle 2.3 of the 2018 Code, non-executive directors are to make up a majority of the Board. In concurrence with the NC, the Board is of the view that the current size of the Board is appropriate for the nature of the Group's business and the scope of its operations.

The NC reviews annually whether a Director or potential candidate for the Board is considered an independent director bearing in mind the Code's definition of an "independent director" and guidance as to the relationships, the existence of which would deem a Director not to be independent (Principle 2). Under the Code, an independent director is one who is independent in conduct, character and judgment, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers, that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company. Under the SGX-ST Listing Manual a Director will not be deemed independent if he is employed by the Company or its related corporations for the current or any of the past three financial years, or if he has an immediate family member who is employed or has been employed by the Company or its related corporations for the past three financial years, and whose remuneration is determined by the RC. The Company has no known substantial shareholder.

The Directors complete an annual declaration of independence, whereby they are required to assess their independence taking into account the above requirements, which is then put to the NC for review. The Directors are mindful, however, that the relationships identified in the annual confirmation of independence are only indicators of possible situations where independent judgment may be impaired, but are not in themselves conclusive, and they are also required to disclose any relationship with the Company, its related corporations or its officers which may interfere with, the exercise of their independent business judgment in the best interests of the Company, or would otherwise deem them to be not independent.

There is a strong independence element in the Board. The Board and the NC have ascertained that for the period under review, three out of its six Directors are independent.

The Company, adhering to the Code's definition, determines annually on the Independent Directors' independence. The NC has assessed the independence of each Independent Director and considers that Mr Ajaib Hari Dass, Mr Yee Kit Hong and Mr Kan Yut Keong, Benjamin are, and continue to be, independent. Each member of the NC has abstained from deliberations in respect of the assessment on his own independence.

The NC together with the Board noted that Mr Ajaib Hari Dass and Mr Yee Kit Hong who has served for a period of nine years from the date of their first appointment are subject to rigorous review on their independence. In view of the above, the NC is of the view that although Mr Ajaib Hari Dass and Mr Yee Kit Hong has served beyond nine years as an Independent Director since 2011, they continue to express their individual viewpoints, debate issues and objectively and constructively challenge Management's proposals and decisions on business activities and transactions that may involve conflicts of interests and other complexities. The NC has determined that both Mr Ajaib Hari Dass and Mr Yee Kit Hong tenures in office have not affected his independence and ability to bring independent and considered judgment to bear in their discharge of duties as a member of the Board and Board Committees. The Board concurred with the NC's views after having considered the confirmation of independence form submitted by Mr Ajaib Hari Dass and Mr Yee Kit Hong.

Key information regarding the Directors, including directorship and chairmanship both present and those held over the preceding five years in other listed companies, and other principal commitments, are set out in the Board of Directors' section and on pages 14 to 16 which provide further information on them.

CHAIRMAN, VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *Clear division of responsibilities between the leadership of the Board and Management.*

The Executive Chairman and CEO of the Company are separate persons. Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director and Mr Leong Seng Keat, the CEO, are the pillars in propelling the growth of the Group and provide strong leadership and strategic vision for the Company. They undertake the formulation and execution of overall business strategies and policies and charter the corporate direction of the Group.

The role of Executive Chairman includes:

(a) leading the Board to ensure its effectiveness on all aspects of its role;

(b) setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) promoting a culture of transparency at the Board;

(d) ensuring that the Directors receive complete, adequate and timely information;

(e) ensuring effective communication with shareholders;

(f) encouraging constructive relations within the Board and between the Board and the Management;

(g) facilitating the effective contribution of Non-Executive Directors in particular; and

(h) promoting high standards of corporate governance.

The Executive Vice Chairman cum Finance Director is responsible predominantly in corporate strategies planning and financial management, as an assurance to the Group's commitment in business continuity and growth.

The CEO is responsible primarily in the management and operation of the Group in accordance with Group's pre-determined goals, strategies and objectives.

All strategic and major decisions made by the Executive Chairman, Executive Vice Chairman cum Finance Director and CEO are reviewed and approved by the Board. The roles of the Chairman and the CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

Mr Ajaib Hari Dass, the Lead Independent Director of the Company is responsible for co-ordinating and leading the Independent Directors, providing non-executive perspectives and contributing well balanced viewpoints, to enable the Board to exercise independent decision making and to further ensure that an appropriate balance of power and authority in the spirit of good corporate governance are executed.

Mr Ajaib Hari Dass is also available to the shareholders should they require alternative advices apart from contacts with the Executive Chairman, Executive Vice Chairman cum Finance Director or the CEO.

CORPORATE GOVERNANCE

The Independent Directors, led by the Lead Independent Director also meets amongst themselves without the presence of the other Directors where necessary and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings, where appropriate. This includes a continual review of the performance and effectiveness of Management in meeting agreed goals and objectives, and succession planning and leadership development.

BOARD MEMBERSHIP

Principle 4: *There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.*

The NC is regulated by a set of written terms of reference endorsed by the Board. The NC comprises three members, a majority of whom are independent, including the Chairman of the NC who is not associated in any way with the substantial shareholders of the Company. The Lead Independent Director is the Chairman of the NC.

The members of the NC as at the date of this Report are:

Mr Ajaib Hari Dass (Chairman)
Mr Yee Kit Hong
Mr Tiong Chiong Hiiung

The functions of the NC include the following:

(a) To identify candidates for nomination and make recommendations to the Board on all board appointments;

(b) To re-nominate directors, having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director;

(c) To determine annually whether a director is independent;

(d) To review the balance and diversity of skills, experience, gender, knowledge and competencies of the Board, and its size and composition;

(e) To develop and recommend to the Board a process for evaluation of the performance of the Board, Board Committees and directors;

(f) To assess the effectiveness of the Board, the Board Committees and the contribution by each individual director to the effectiveness of the Board;

(g) To review and recommend to the Board the succession plans for directors, in particular, the Chairman and the Chief Executive Officer;

(h) To review and recommend the training and professional development programmes for the Board; and

(i) To review the succession plans and the development programmes for key executive/editorial positions.

CORPORATE GOVERNANCE

The NC shortlists candidates with the appropriate profile for nomination or re-nomination and recommends them to the Board for approval. It looks out for suitable candidates to ensure continuity of Board talent. Some of the selection criteria used are integrity, independent-mindedness, diversity, ability to commit time and effort to the Board, track record of good decision-making, experience in high-performing companies and financial literacy. The Committee may seek advice from external search consultants where necessary.

The NC has adopted internal guidelines addressing competing time commitments that arise when Directors serve on multiple boards and have other principal commitments. As a guide, a Director should not have more than six listed company board representations and other principal commitments.

The NC monitors and assesses annually whether Directors who have multiple board representations and other principal commitments, are able to give sufficient time and attention to the affairs of the Company and diligently discharge his duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual Director, his actual conduct on the Board and Board Committees, and his attendance record at meetings, in making this determination.

The NC is satisfied that in FY2019, despite their other listed company board representations and other principal commitments, each of the Directors was able to give sufficient time and attention to the affairs of the Company, and was able to adequately carry out his duties as a Director of the Company.

All Directors are required to submit themselves for re-nomination and re-election at regular intervals, and at least once every three years. Article 116 of the Company's Bye-Laws requires one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third, to retire by rotation at every annual general meeting ("AGM"). These Directors may offer themselves for re-election, if eligible. The NC has reviewed and recommended the re-election of Mr Yee Kit Hong and Mr Kan Yut Keong, Benjamin who are retiring under the Company's Bye-Law 86(1) at the forthcoming AGM. The Board has accepted the recommendation and the retiring Directors will be offering themselves for re-election. The additional information of the re-election Directors, Mr Yee Kit Hong and Mr Kan Yut Keong, Benjamin, are set out on pages 130 to 134 of this Annual Report.

The NC regards succession planning as an important part of corporate governance and has an internal process of succession planning for the Chairman, Directors, the CEO and senior Management, to ensure the progressive and orderly renewal of the Board and key executives.

CORPORATE GOVERNANCE

BOARD PERFORMANCE

Principle 5: *Formal annual assessment of the effectiveness of the Board, Board Committees and each Director*

The NC reviews the performance of the Board on an annual basis, based on performance criteria as agreed by the Board, and decides how this may be evaluated. The Board has a process for assessing the effectiveness of the Board as a whole.

The Board evaluation process involves having Directors complete a Questionnaire seeking their views on various aspects of the performance of the Board and Board Committees, such as Board composition, information, process and accountability. The Company Secretary compiles Directors' responses to the Questionnaire into a consolidated report. The report is discussed at the NC meeting and also shared with the Board. The NC assessed the performance of the Board as a whole, based on performance criteria (determined by the NC and approved by the Board), such as the Board's composition and size, the Board's access to information, Board processes, Board accountability, standard of conduct and performance of the Board's principal functions and fiduciary duties, and guidance to and communication with Management and stakeholders. The performance criteria do not change from year to year, unless the NC is of the view that it is necessary to change the performance criteria, for example, in order to align with any changes to the Code.

During FY2019, the NC had conducted a performance evaluation of the Board on areas including board composition, board information, board process, internal control and risk management, board accountability, CEO and top management's performances and standard of conduct. The NC confirms that all Directors have effectively contributed to the performance evaluation of the Board. No external facilitator had been engaged by the Board for this purpose.

REMUNERATION MATTERS

Principle 6: *Formal and transparent procedure for director and executive remuneration*

The RC is regulated by a set of written terms of reference endorsed by the Board. The RC comprises the three members and all three are independent including the Chairman.

The members of the RC as at the date of this report are:

Mr Ajaib Hari Dass (Chairman)
Mr Yee Kit Hong
Mr Kan Yut Keong, Benjamin

The functions of the RC include the following:

(a) To review and recommend to the Board of Directors a framework of remuneration for the Board, Chief Executive Officer ("CEO") and key executives;

(b) To review and recommend to the Board the specific remuneration packages for each director, the CEO and key executives;

CORPORATE GOVERNANCE

(c) To review all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, share-based incentives and awards, benefits in kind and termination payments;

(d) To review and administer the share and other incentive scheme(s) adopted by the Group and to decide on the allocations to eligible participants under the said scheme(s); and

(e) To review the Company's obligations arising in the event of termination of the executive directors' and key executives' contracts of service, so as to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The recommendations of the RC would be submitted for review and approval by the entire Board. To ensure the RC's ability to exercise unbiased judgment in its deliberations and act in the best interests of the Group as well as the shareholders, each member of the RC shall abstain from voting on any resolutions in respect of his or his associates' remuneration package. No individual Director shall be involved in deciding his own remuneration.

The RC also reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC may seek expert advice inside and/or outside of the Company on remuneration of Directors and staff. During FY2019, the RC did not require the service of an external remuneration consultant.

LEVEL AND MIX OF REMUNERATION

Principle 7: *Level and structure of remuneration of the Board and key management personnel*

The RC and the Board in determining the level and structure of remuneration of the Board and senior management will ensure that they are appropriate and proportionate to the sustained performance and value creation of the Group, taking into account its strategic objectives, its long term interests and risk policies. In designing the remuneration packages, the RC ensure that the level and mix remuneration is competitive, relevant and appropriate to strike a balance in remunerating the Board, the Company and the key management personnel. The RC takes into consideration the salary payment and employment experiences within the same industry, in comparable companies, the performance of the Group and the performance of the relevant individual. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes, and the time horizon of risks.

The remuneration framework for Directors, CEO and key management personnel is aligned with the interest of shareholders and relevant stakeholders and appropriate to attract, retain and motivate them for the long term success of the Group.

Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director and Mr Leong Seng Keat, the CEO are paid based on their respective service agreements with the Group. The service agreements are for an initial period of three years each, with an automatic renewal for a further three years on the same terms and conditions, unless terminated prior to the renewal by either party giving six months' written notice.

CORPORATE GOVERNANCE

The remuneration package of the Executive Directors includes a variable or performance related bonus which is based on the performance of the Company and the relevant individual, and have been designed to align their interests with those of shareholders and to promote the long-term success of the Group. Directors' fees are tabled annually for shareholders' approval at the AGM.

The Non-Executive and Independent Directors do not have any service agreements with the Company. They are paid with Directors' fees, which are determined by the Board, appropriate to the level of their contribution, taking into consideration factors such as the responsibilities, effort and time spent for serving the Board and Board Committees. Non-Executive Directors' fees comprise of a basic fee, fees in respect of service on Board Committees and attendance fees, and are subject to the approval of shareholders at the AGM. Other than the Directors' fees, the Non-Executive Directors and Independent Directors do not receive any other remuneration from the Company.

The Group adopts a remuneration policy for the CEO, Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable allowance, bonus and benefits-in-kind that is linked to the Group and based on each individual's performance.

Having reviewed and considered the variable component of the Executive Directors and the key management personnel, the RC is of the view that there is no requirement to institute contractual provisions to allow the Group to reclaim incentive components of their remuneration paid in prior years in exception circumstance of misstatement of financial results, or of misconduct resulting in financial loss. In addition, the Executive Directors owe a fiduciary duty to the Company. The Group should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Shareholders approved Nam Cheong Management Incentive Plan ("the Plan") during the special general meeting held on 20 August 2018. The objectives of the Plan are to attract, retain, incentivise and motivate the Company's employees' performance and contribution, to attract skilled employees to contribute to the Group and create value for shareholders.

Shareholders also approved the termination of the Nam Cheong Group 2013 Share Grant Plan.

DISCLOSURE OF REMUNERATION

Principle 8: *Clear disclosure on remuneration policy, level and mix*

For the period under review, the Executive Directors and the CEO's remuneration package includes a variable bonus element and performance share grant, which are based on the Company's and individual performance and have been designed to align their interests with those of shareholders. The Executive Directors and CEO do not receive Directors' fees.

Non-executive Independent Directors are paid Directors' fees, subject to the approval of shareholders at the AGM. Directors' fees comprise a basic retainer fee, fees in respect of service on Board Committees, attendance fees, and, where appropriate, fees for participation in special projects, adhoc committees and subsidiary boards. The Directors' fees are appropriate to the level of contribution, taking into account factors such as effort and time spent, and the responsibilities of the Directors, such that the independence of the non-executive Directors is not compromised by their compensation.

CORPORATE GOVERNANCE

A breakdown showing the level and mix of each Director's remuneration payable for FY 2019 is as follows:

Remuneration	Salary SGD	Director's Fees & Meeting Allowances SGD	Variable or Performance Related Income/ Bonus and Benefits-In-Kind SGD	Total Compensation SGD
Directors				
Tan Sri Datuk Tiong Su Kouk	576,000	5,000	43,011	624,011
Mr Tiong Chiong Hiiung	288,000	6,000	24,000	318,000
Mr Leong Seng Keat	441,600	5,000	312,800	759,400
Mr Ajaib Hari Dass	–	104,200	–	104,200
Mr Yee Kit Hong	–	103,400	–	103,400
Mr Kan Yut Keong, Benjamin	–	88,800	–	88,800

The RC has recommended to the Board an amount of S$312,400 per year as Directors' Fees for FY2019. These recommendations have been endorsed by the Board and would be tabled at the forthcoming AGM for shareholders' approval. The Board concurred with the RC that the proposed Director's Fees for FY2019 are appropriate and not excessive, taking into consideration the level of contributions by the Directors and factors such as the responsibilities, effort and time spent for serving the Board and Board Committees. No Director was involved in deciding his own remuneration.

For FY 2019, the remuneration of the top 5 key management personnel (who are not also directors or the CEO) of the Group is disclosed as follows in the respective bands:

Key Management Personnel	Salary %	Variable or Performance Related Income/ Bonus and Benefits-In-Kind %	Total Compensation %
S$250,001 and above			
Tiong Chiong Soon (Joseph)	92.31	7.69	100
Kwan Seng Fatt	81.96	18.04	100
S$250,000 and below			
Gregory John Flint	91.94	8.06	100
Lee Boon Chye	92.81	7.19	100
Leong Juin Zer Jonathan	84.61	15.39	100

The Company has not disclosed the upper limits for the higher remuneration bands, given the confidentiality and commercial sensitivity attached to remuneration matters, and the competition for talent in the job market in relation to the skillsets of these personnel in the industry.

CORPORATE GOVERNANCE

For FY2019, the aggregate total remuneration for the key management personnel (who are not also Directors or the CEO) amounted to S$1,156,896.84.

The RC ensures the remuneration paid to the CEO, Directors, and key management personnel are clearly linked to the achievement of their individual performance targets. The performance targets, as determined by the RC, are meant to motivate a high degree of business performance, while the remuneration remains at a practical level. The individual performance target is aligned to the overall strategic, financial, and operational goals of the Group, ensuring that the Group and its people grow together. The performance target, while differs individually, is based on the same criteria. Actual performance is measured against pre-agreed performance targets, which includes financial and non-financial performance indicators and all other actions and performances that support the Group's long-term financial soundness, risk management framework, internal controls to safeguard the shareholders' interests and the Group's assets.

Save for Mr Tiong Chiong Soon (Joseph) and Mr Leong Juin Zer, Jonathan, there is no other employees of the Company who are the immediate family of any Director or the CEO of the Company, whose remuneration exceed S$100,000 for FY2019. Mr Tiong Chiong Soon (Joseph) is the son of Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, the brother of Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director, and the brother-in-law of Mr Leong Seng Keat, the CEO. Mr Leong Juin Zer, Jonathan is the grandson of Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, the nephew of Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director, and the son of Mr Leong Seng Keat, the CEO.

The above remuneration bands include performance shares granted to staff under the Nam Cheong Management Incentive Plan ("the Plan"). The Plan is administered by the RC.

Staff who participate in the Plan are a selected group of employees of such rank and service period as the RC may determine or as selected by the RC. Further details on the Plan and the incentives issued, can be found in the Directors' Statement and Notes to the Financial Statements.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: *Sound system of risk governance and internal controls*

The Risk Management Committee ("RMC") oversees the risk governance in the Group to ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets.

The RMC monitors and assists the Board in determining the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

The RMC is led by the CEO, Mr Leong Seng Keat together with Mr Tiong Chiong Hiiung (Executive Vice Chairman cum Finance Director), Mr Tiong Chiong Soon (Joseph) (Executive Director (Operations)), Mr Kwan Seng Fatt (General Manager (New Building)), Mr Chong Chung Fen (Chief Financial Officer), being members of the RMC. The RMC reviews regularly the Group's policies and procedures, business and operational activities, to identify areas of significant risks as well as to determine appropriate measures to control and mitigate these risks and subsequently report these findings to the Board and the AC.

CORPORATE GOVERNANCE

The Risk Management exercise is conducted by an external advisor, an independent advisory firm, Axcelasia Columbus Sdn Bhd ("Axcelasia Columbus") to monitor and manage the risks across the Group via an Enterprise Risk Management ("ERM") framework. Axcelasia Columbus is a wholly-owned subsidiary of Axcelasia Inc., a company incorporated in Malaysia and listed on the Singapore Exchange.

Axcelasia Columbus has recommended a risk reporting structure, together with reporting frequency and roles and responsibilities for implementation by the Group. Key risks were assessed and risk action plans were developed for the top risks of the Group. This ERM framework and risk management activities is reviewed, updated and improved regularly to enhance the Group's capability in risks identification, assessment and management in the light of challenging business environment.

The Board acknowledged the recommendations and is committed to continuously implementing a suitable ERM framework for the Group. During the year, follow-up was performed internally on the risk action plans implementation status. Results of the follow-up were reported to the AC. Risk ratings were also re-assessed during the financial year to communicate and reflect the Management's views on the challenges expected ahead based on available information.

Separately, in performing the audit of the financial statements of the Group, the external auditors perform test over the operating effectiveness of certain controls that they intend to rely on, that are relevant to the preparation of its financial statements. Material non-compliance and internal control weaknesses and recommendations for improvements are noted in their audit report to the AC. The AC has reviewed the effectiveness of the action taken by Management on the recommendations made by the internal and external auditors in this respect.

Based on the internal controls established and maintained by the Group, work performance by the internal and external auditors, and reviews performed by Company and the Board, the Board, with the concurrence of the AC, are of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls and risks management systems were adequate and effective as at 31 December 2019.

The CEO and Chief Financial Officer, as well as relevant key management personnel, at the financial year-end, have provided assurances that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Company's internal controls and risk management systems were adequate and effective as at the end of the financial year.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and regular reviews performed by Management, the Board, the AC and the RMC, the Board is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2019 to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations. The AC concurs with the Board's comments.

The Board will, on a continuing basis, endeavour to further enhance and improve the Group's system of internal controls and risk management policies. However, the Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen and mitigated against as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

CORPORATE GOVERNANCE

The Board is accountable to all shareholders for the management of the Group and to provide a balanced and understandable assessment of the Group's performance, position and prospects which extends to interim and other price sensitive public reports. The Board updates shareholders on the operations and financial position of the Group through quarterly and full year results announcements in addition to the timely announcements of other matters as prescribed by the relevant rules and regulations.

The Board has also undertaken adequate steps to ensure compliance with regulatory requirements, including requirements under the SGX-ST Listing Manual, by establishing written policies where appropriate.

To ensure the Board fulfils its responsibilities, the Company is accountable to the Board by providing the Board with the necessary updates in relation to the performance of the Group. The Board emphasize on transparency in the conduct of the Company's affairs, whilst preserving the Company's commercial interests.

Management provides the Board with information including management accounts, which the Board may require from time to time, in the discharge of its duties, to make a balanced and informed assessment of the Company's performance, position and prospects.

AUDIT COMMITTEE

Principle 10: *Establishment of Audit Committee*

The AC is regulated by a set of written terms of reference, which sets out their authority, duties and responsibilities. The AC comprises three Non-Executive Directors, all of whom are Independent Directors.

The members of the AC as at the date of this Annual Report are:

Mr Yee Kit Hong (Chairman)
Mr Ajaib Hari Dass
Mr Kan Yut Keong, Benjamin

The members of the AC bring with them invaluable experience and professional expertise in the financial, legal, consultancy and administration fields. The Board is of the view that the Chairman and members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the AC Chairman, have relevant accounting or related financial management expertise or experience, as determined by the Board in its business judgment.

The AC performs the functions as set out in the Code including the following:

(a) To review the annual audit plans and audit reports of external and internal auditors;

(b) To review the balance sheet and profit and loss accounts of the Company and the consolidated balance sheet and profit and loss accounts of the Group before they are submitted to the Board for approval;

(c) To review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(d) To review the auditors' evaluation of the system of internal accounting controls;

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(e) To review the adequacy and effectiveness of the Company's internal controls;

(f) To review the scope, results and effectiveness of the internal audit function;

(g) To review the scope, results and effectiveness of the external audit, and the independence and objectivity of the external auditors annually, and the nature and extent of non-audit services supplied by the external auditors so as to maintain objectivity;

(h) To make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(i) To review the Company's whistle-blowing policy, and to ensure that arrangements are in place for concerns about possible improprieties in matters of financial reporting or other matters to be raised and independently investigated, and for appropriate follow-up action to be taken;

(j) To oversee any internal investigation into cases of fraud and irregularities;

(k) To review any interested person transaction;

(l) To approve the hiring, removal, evaluation and compensation of the head of the internal audit function; and

(m) To ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

Apart from the above functions, the AC shall commission and review the findings of internal assessments, review and discuss on matters with the external auditors where there is any suspected fraud or irregularity, failure of internal controls, or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on the operating results or the financial position of the Company. The AC will also ensure that the appropriate follow-up and necessary actions are taken. In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

The AC has the explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management, and full discretion to invite any Director or executive officer to attend its meetings and reasonable resources to enable it to discharge its function properly. It has also set in place arrangements to ensure independent investigation of matters such as improprieties in financial reporting.

Where necessary, the AC meets with the internal auditors and the external auditors without the presence of the Management, at least once a year. The audit partner of the external auditors is rotated every five years, in accordance with the requirements of the SGX-ST Listing Manual.

Quarterly financial statements and the accompanying announcements are reviewed by the AC before presentation to the Board for approval, to ensure the integrity of information to be released.

During the financial year, the AC reviewed the quarterly financial statements prior to approving or recommending their release to the Board, as applicable; the auditors' evaluation of the system of internal accounting controls; the adequacy and effectiveness of the Company's internal controls; the annual audit plan of the external and internal auditors and the results of the audits performed by them; and potential interested person transactions. It also reviewed the scope, results and effectiveness of the internal audit and external audit functions; the independence and objectivity of the external auditors and the non-audit services rendered by them; and the re-appointment of the external auditors and their remuneration. Management's assessment of fraud risks, adequacy of the whistle-blowing arrangements and whistle-blowing complaints are reviewed by the AC.

CORPORATE GOVERNANCE

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with training conducted by professionals or external consultants.

The AC has conducted an annual review of the performance of the external auditor taking into consideration the Audit Quality Indicators Disclosure Framework recommended by ACRA as reference. It has also reviewed the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, before confirming their re-nomination. Details of the aggregate amount of fees paid to the external auditors for FY2019, and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found on page 110.

The Company confirms that the appointment of the external auditors is in accordance with Rules 712, 715 and 716 of the SGX-ST Listing Manual.

None of the AC members is a former partner of the Group's existing auditing firm.

The Group has outsourced its internal audit functions to Axcelasia Columbus to conduct a full review of the Group's internal control and risk management system. The audit work carried out by Axcelasia Columbus is guided by the International Standards for the Professional Practice of Internal Auditors laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.

The hiring, removal, evaluation and compensation of Axcelasia Columbus is recommended by the Company and approved by the AC.

The Board recognises that it is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the IA is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas.

Axcelasia Columbus carries out their functions under the direction of the AC and reports their findings and makes recommendations to the AC and administratively to the CEO. The reports of Axcelasia Columbus are submitted to the AC for deliberation and their findings and recommendations are discussed at the AC meetings. To ensure timely and adequate closure of audit findings, the status of the implementation of the actions agreed by management of the Company is tracked and discussed with the AC. Annually, the AC will review the adequacy and effectiveness of the internal auditors to ensure that it is sufficiently resourced and able to perform its functions effectively and objectively.

During the period of audit, Axcelasia Columbus has full access to all of the Group's documents, records, properties and personnel, including access to the AC and carries out its function in accordance with the standards set by international recognised professional bodies.

The AC is satisfied that the Group's internal audit function is adequately resourced to perform its function effectively, and in addition, is staffed by suitably qualified and experienced professionals with the relevant experience and has appropriate standing within the Group.

Axcelasia Columbus provides an annual audit plan, which focuses on material internal control systems including financial, operational, IT and compliance controls, and the risk management processes. Axcelasia Columbus also provides advice on security and control in new systems development, recommends improvements to effectiveness and economy of operations, and contributes to risk management and corporate governance processes. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the AC.

CORPORATE GOVERNANCE

Based on the audit reports and management controls in place, the AC is satisfied that the internal control systems (including financial, operational, compliance and information technology controls) provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained and financial statements are reliable. In the course of their statutory audit, the Company's external auditors will highlight any material internal control weaknesses which have come to their attention in carrying out their normal audit, which is designed primarily to enable them to express their opinion on the financial statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the AC.

The Group has put in place a whistle-blowing policy, endorsed by the AC, where employees of the Group and any other persons may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. The whistle-blowing policy is clearly cascaded to each employee upon joining the Group and the policy is makes an integral part of the employees' handbook of the Group.

The Company has adopted an internal policy, which is in line with Rule 1207(19) of the SGX-ST Listing Manual, with respect to dealings in securities of the Company.

The Company and its officers are prohibited from dealing in the securities of the Company at least two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and one month before the announcement of the Company's full year financial results, and ending on the date of the announcement of the relevant results or when they are in possession of any unpublished price sensitive information of the Group. In compliance with Rule 1207(19) of the SGX-ST Listing Manual, quarterly reminders of the restrictions in dealing in the securities of the Company are issued to all Directors and officers of the Company.

In addition, Directors and officers are reminded not to deal with the Company's securities for a short-term considerations and are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading period.

The Directors and the officers are required to notify their dealings in the Company's shares within two business days of the transaction.

The Company has complied with Rule 1207(19) of the SGX-ST Listing Manual.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: *Shareholder rights and conduct of general meetings*

The Group encourages shareholder participation, and ensures that shareholders have the opportunity to participate effectively at general meetings.

The general meeting procedures allow shareholders to raise questions relation to each resolution tabled for approval, and to participate, engage and openly communicate their views on matters relating to the Group.

The Bye-Laws of the Company currently does not allow a shareholder to vote in absentia at general meetings, except through the appointment of a proxy, attorney or in the case of a corporation, a corporate representative, to cast their vote in their stead.

CORPORATE GOVERNANCE

At general meetings, each distinct issue is proposed as a separate resolution. All resolutions are put to the vote by electronic poll voting. Independent scrutineers are appointed to conduct the voting process and verify votes after each resolution. The results of the electronic poll voting are announced instantaneously at the meeting. The outcome of the general meeting is promptly announced on SGXNET after the general meeting.

The Company prepares minutes of general meetings which incorporate substantial and relevant comments or queries from shareholders, and responses from Board and Management, and publishes these on its corporate website.

All Directors, including the chairmen of the AC, NC, RC and RMC, and senior Management, are in attendance at the AGMs and Special General Meetings to allow shareholders the opportunity to air their views and ask Directors or Management questions regarding the Company. The external auditors also attend the AGMs to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditors' report. The AGM is held four months after the close of the financial year.

All shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights.

The Company does not have a formal dividend policy. The Board considers the Company's capital structure, cash requirements and future plans in deciding whether to declare dividends or not. The Company did not declare and pay any dividends for FY2019.

The Company practises fair and equitable treatment to all shareholders and stakeholders and to facilitate the exercise of ownership rights, the Company provides all material information which would materially affect the price or value of the Company's shares in an accurate and timely manner via SGXNET, so as to enable shareholders to make informed decisions.

COMMUNICATION WITH SHAREHOLDERS

Principle 12: *Engagement with shareholders*

The Company did not have an investor relations policy at the moment.

The Company is fully committed in maintaining and improving its level of corporate transparency of financial results and other pertinent information. Other than the routine announcements made via SGXNET in accordance with the requirements of the SGX-ST Listing Manual, the Group has issued additional announcements and press releases to update shareholders on the activities of the Company so as to ensure that all shareholders have access to material information at the same time. In addition, shareholders can access to the Company's website at www.namcheong.com.my for more information of the Group, including the corporate profile and financial information of the Company, research house reports, stock information, announcements, press releases, and other salient information about the Company. The Group provides descriptive and detailed disclosure whenever possible and avoids boilerplate disclosure.

The Group does not practise selective disclosure. Price-sensitive information is first publicly released before the Group meets with any group of investors or analysts. Results and annual reports are announced or issued within the mandatory period (and where this is not possible, relevant extensions of time are sought in accordance with applicable laws, regulations and rules). Subsequent to the release of the results, investor relations personnel are available by e-mail or telephone to answer questions from shareholders and the media as long as the information requested does not conflict with SGX-ST's rules of fair disclosure. In the event where there is inadvertent disclosure made to a select group, the Company endeavours to made the same disclosure publicly to all others as promptly as possible.

CORPORATE GOVERNANCE

ENGAGEMENT WITH SHAREHOLDERS

Principle 13: *Balancing needs and interests of material stakeholders*

The Board adopts a balanced approach towards the needs and interests of key stakeholders, taking into account the best interests of the Company.

To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET. Shareholders are also informed of rules, including voting procedures that govern the general meeting. The Company maintains a current corporate website to communicate and engage with stakeholders.

Interested Person Transactions

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of any interested person transactions.

All interested person transactions are subject to review by the AC to ensure that such transactions are carried out on normal commercial terms or entered into on an arm's length basis and are not prejudicial to the interests of the Group and its minority shareholders.

For FY2019, the Group has carried out interested person transactions with the following company/persons:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920
S.K. Tiong Properties Sdn Bhd[1]	S$212,781	Not applicable

Notes on nature of relationship:

(1) Tan Sri Datuk Tiong Su Kouk, the Executive Chairman of the Company and the father of Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director, holds shares representing more than 30% of the issued capital in S.K. Tiong Properties Sdn Bhd ("SKTP"). During the period under review, Nam Cheong Dockyard Sdn Bhd, a wholly-owned subsidiary of the Company, and SKOM Sdn Bhd, an indirect wholly-owned subsidiary of the Company, had rented office space from SKTP in the amount of S$212,781.

The Group does not have a general mandate for recurrent interested person transactions.

Material Contracts

Save as disclosed in the Report of the Directors and Financial Statements, the service agreements between the Executive Directors and the Company, and above, there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the CEO, any directors or controlling shareholders which are either still subsisting as at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.

CORPORATE GOVERNANCE

Use of Proceeds

As at the date of this Report, the entire net proceeds of S$22.0 million from the Rights Issue have been fully utilised as follows:

Application of Rights Issue Net Proceeds	Amount (S$ million)
Net proceeds	22.0
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	(18.7)
Balance as at the date of this report	–

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.

Explanatory Notes:

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.

2 Unless otherwise defined, all capitalised terms used shall bear the same meanings as ascribed to them in the Offer Information Statement dated 3 September 2018.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors submit this annual report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and statement of financial position of the Company as at 31 December 2019.

In the opinion of the directors:

(a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with International Financial Reporting Standards; and

(b) at the date of this report, after considering the matters as described in Note 2(e) to the financial statements with respect to the Group's and the Company's ability to continue as going concern, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this report, authorised these financial statements for issue.

Names of directors

The directors in office at the date of this report are:

Tan Sri Datuk Tiong Su Kouk	Executive Chairman
Tiong Chiong Hiiung	Executive Vice Chairman
Leong Seng Keat	Chief Executive Officer
Ajaib Hari Dass	Lead Independent Director
Yee Kit Hong	Independent Director
Kan Yut Keong, Benjamin	Independent Director

In accordance with Bye-Law 86(1) of the Company's Bye-Laws, Tiong Chiong Hiiung and Leong Seng Keat retire and being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares or debentures

Except as disclosed under this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Directors' interests in shares or debentures

None of the directors who held office at the end of the financial year was interested in shares or debentures of the Company and its related corporations, except as follows:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2019	**As at 31.12.2019 #**	As at 1.1.2019	**As at 31.12.2019 #**
The Company - Nam Cheong Limited	Number of ordinary shares			
Tan Sri Datuk Tiong Su Kouk	376,168,263	**376,168,263**	1,879,486,230	**1,879,486,230**
Tiong Chiong Hiiung	14,259,240	**14,259,240**	9,629,881	**9,629,881**
Leong Seng Keat	16,815,790	**2,915,790**	94,117,527	**94,117,527**

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

Share plan

Pursuant to a resolution passed in the special general meeting on 20 August 2018, the Nam Cheong Group 2013 Share Grant Plan ("2013 Plan") was terminated and replaced with Nam Cheong Management Incentive Plan ("NCMI Plan"). There will be no further awards shall be granted under the 2013 Plan upon its termination.

The NCMI Plan is administered by the Remuneration Committee. The committee members are duly authorised and appointed by the Board of directors. The members of the Remuneration Committee as at the date of the report are Mr Ajaib Hari Dass, Mr Yee Kit Hong and Mr Kan Yut Keong, Benjamin.

The salient features of the NCMI Plan is as follows:

- The NCMI Plan is a share incentive plan.
- The NCMI Plan is proposed on the basis that it is important to attract, retain and incentivise Participants whose contributions are essential to the successful implementation of the Scheme, the long-term growth, well-being and prosperity of the Group.
- The NCMI Plan will give Participants an opportunity to have a personal equity interest in the Group and will help to achieve better and long-term performance.

The purpose of adopting the NCMI Plan is to align the interests of directors, employee, especially key executives, with the interests of shareholders.

Share plan (cont'd)

(i) Eligibility

Employees (including executive directors) of Group Companies and Associated Companies, as the case may be, whose employment have been confirmed and who have attained the age of 21 years, provided that such persons are not undischarged bankrupts and have not entered into compositions with their respective creditors at the relevant time, may be eligible to participate in the Plan at the absolute discretion of the Committee.

Controlling Shareholders and their Associates are also eligible to participate in the Plan provided that they meet the aforesaid eligibility criteria and that all conditions for their participation in the Plan as may be required by the Listing Rules from time to time, including but not limited to obtaining the necessary approvals of independent Shareholders for such participation, are satisfied.

Directors and employees of an Associated Company may also be eligible to participate in the Plan at the discretion of the Committee, where the Committee considers that such persons have the ability to contribute significantly to the overall performance and prosperity of the Group. The Company believes that extending the Plan to include such persons is an appropriate and efficient means of further aligning their interests with those of the Shareholders and would serve to incentivise their further and continued contribution to the Group.

There shall be no restriction on the eligibility of any Participant to participate in any other share option schemes or share schemes implemented or to be implemented by the Company or any other Group Company.

(ii) Grant of awards

Awards may be granted at any time during the period when the NCMI Plan is in force. The selection of a Participant and the quantum of the Award shall be determined at the absolute discretion of the Committee. Awards shall be time-based and/or performance-based and released in tranches over such number of years as may be determined by the Committee in its absolute discretion.

Awards are personal to the selected Participant and shall not be transferred, assigned, charged, pledged or otherwise disposed of, in whole or in part, unless with the approval of the Committee.

Awards are granted to the Participants in consideration for their performance and contribution to the Company.

(iii) Size and duration

The NCMI Plan shall continue in force at the discretion of the Committee, subject to a maximum period of ten years commencing on the date on which the NCMI Plan is adopted by the Company in general meeting, provided always that the NCMI Plan may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The NCMI Plan may be terminated at any time by the Committee or by resolution of the Company in general meeting, subject to all relevant approvals which may be required, and if the NCMI Plan is terminated, no further grants of Shares shall be made by the Company.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Share plan (cont'd)

(iii) Size and duration (cont'd)

Notwithstanding the expiry or termination of the NCMI Plan, any Awards which have been granted in accordance with the NCMI Plan will continue to remain valid.

The total number of Shares (and cash equivalents) to be issued and/or transferred under the NCMI Plan and any other share-based incentive schemes of the Company will be subject to a maximum limit of 15 per cent (15%) of the Company's total issued Shares (excluding treasury shares) from time to time.

(iv) Events prior to vesting

An Award, to the extent not yet released, shall forthwith become void and cease to have effect on the occurrence of any of the following events:

(a) a Participant, ceasing for any reason whatsoever (including but not limited to retirement, redundancy, ill health, injury, disability or death), to be in the employment of the Group or in the event the Company by which the Participant is employed ceases to be a company in the Group;
(b) upon the bankruptcy of the Participant or the happening of any other event which results in him being deprived of the legal or beneficial ownership of or interest in such Award;
(c) a Participant commits any breach of any of the terms of his Award;
(d) misconduct on the part of a Participant as determined by the Committee in its discretion; and/or
(e) a take-over, winding-up or reconstruction of the Company.

The conditional shares awarded under the NCMI Plan to the selected management staff are described below:

Plan description:	Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a one-year performance period.
Date of grant:	4 March 2019
Performance period:	1 January 2018 to 31 December 2018
Vesting condition:	Based on meeting stated performance conditions over a one-year performance period, 50% of award will vest. Balance will vest over the subsequent one year with fulfilment of service requirements.
Payout:	0% - 100% depending on the achievement of pre-set performance targets over the performance period.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Share plan (cont'd)

The details of shares awarded during the financial year pursuant to the NCMI Plan are as follows:

Grant date	At grant date	At the beginning of the financial year	Shares released during the financial year	Shares lapsed during the financial year	At the end of the financial year
NCMI Plan					
4 March 2019					
For management of the Group	up to 21,053,820	-	-	-	-
For executive director	up to 42,107,648	-	-	-	-
For controlling shareholders of the Company (and their associates)	7,017,940	-	-	-	-

Audit Committee

The Audit Committee comprises the following members:

Yee Kit Hong (Chairman)
Ajaib Hari Dass
Kan Yut Keong, Benjamin

The Audit Committee has met four times since the last Annual General Meeting and has carried out its functions in accordance with the Singapore Exchange Securities Trading Limited Listing Manual and the Code of Corporate Governance, including reviewing the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Company's and the Group's financial and operating results and accounting policies;

(c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditors' report on those financial statements before their submission to the directors of the Company;

(d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the cooperation and assistance given by the management to the Company's internal and external auditors;

(f) the re-appointment of the external auditors of the Company;

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Audit Committee (cont'd)

(g) the adequacy and effectiveness of the Group's risk management process and internal controls, including financial, operational, compliance and information technology controls, via reviews carried out by the internal auditors;

(h) interested person transactions; and

(i) the whistle blowing policy.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

....
TAN SRI DATUK TIONG SU KOUK

....
LEONG SENG KEAT

Dated: 13 April 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NAM CHEONG LIMITED

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Nam Cheong Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Liabilities and going concern

As discussed in Note 2(e) to the financial statements, the Group recorded a net profit of RM65,218,000 (2018: RM1,036,657,000) for the financial year ended 31 December 2019, mainly arising from other non-cash income amounting to RM57,002,000 (2018: RM1,013,682,000), comprising the extinguishment and waiver of debts and the resultant relief from financial guarantee. The Group continued to incur net operating cash outflows of RM4,818,000 (2018: RM52,027,000) for the financial year ended 31 December 2019. In addition, the Group had net current liabilities of RM104,009,000 (2018: net current assets of RM48,959,000) as at 31 December 2019, mainly due to the Bilateral Facilities Debt of RM96,036,000 (2018: RM100,870,000) (Note 16) which is to be repaid by 31 December 2020, notwithstanding that the restructured Term Loan of RM904,005,000 (2018: RM908,646,000) is repayable from 2021 to 2024, and the Group remained in net capital deficit of RM364,220,000 (2018: RM458,464,000) as at 31 December 2019. The Company also had net current liabilities and net liabilities of RM54,509,000 (2018: RM33,117,000) and RM725,974,000 (2018: RM703,340,000), respectively, as at 31 December 2019.

The financial statements have been prepared by management on a going concern basis, the validity of which is premised on a cash flows forecast of the Group prepared for at least the next 12 months from the end of the reporting period. A key assumption made in the cash flows forecast was the Group was not exposed to any additional liabilities in respect of its suspension of the remaining ten shipbuilding contracts (the "Contracts") awarded to the Non-Fujian Group Shipyards.

As at 31 December 2019, the aggregate contract sum of the Contracts was US$121.1 million, of which payments of US$16.3 million had been made. Based on the contract sums and payments made by the Group, the outstanding exposure to the Non-Fujian Group Shipyards under the Contracts is approximately US$104.8 million. An amount of US$24.7 million had been recorded in liabilities based on contractual milestones. Management had represented that the Group had reached an understanding without a written agreement with the Non-Fujian Group Shipyards to suspend construction or delivery of the vessels, with a view to extend the delivery period or terminate the Contracts to minimise any financial exposure.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NAM CHEONG LIMITED

Basis for Disclaimer of Opinion (cont'd)

Liabilities and going concern (cont'd)

No independently verifiable supporting evidence was available to corroborate management's representation that the balance sum of the Contracts had not been incurred and all liabilities related to the Contracts had been accounted for as at 31 December 2019. We were unable to assess the financial impact of any provision for onerous contracts and/or contingent liabilities that may arise from the default on contractual obligations.

There were no alternative audit procedures that we could perform to satisfy ourselves by alternative means concerning the Group's liabilities in respect of the work performed on the Contracts as at 31 December 2019 and potential contingent liabilities that may arise from the default on contractual obligations.

Any adjustment that would be required may have a consequential significant effect on the cash flows forecast, net liabilities of the Group as at 31 December 2019 and the profit or loss attributable to the owners for the year then ended and the related disclosures thereof in the financial statements.

Given these circumstances, which are more fully described in Note 2(e), there were no practicable audit procedures that we could perform to form an opinion on whether management has considered all relevant events and conditions when making assessment on the Group's and the Company's ability to continue as going concern.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

The engagement partner on the audit resulting in this independent auditor's report is Chin Sin Beng.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants
Singapore

13 April 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		The Group		The Company	
	Note	**2019 RM'000**	2018 RM'000	**2019 RM'000**	2018 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	**809,978**	613,249	**-**	-
Prepaid land lease payments	4	**-**	6,863	**-**	-
Subsidiaries	5	**-**	-	**-**	-
Associate	6	**18,501**	22,888	**-**	-
Joint ventures	7	**4,970**	3,024	**-**	-
		833,449	646,024	**-**	-
Current Assets					
Inventories	8	**123,541**	147,284	**-**	-
Trade and other receivables	9	**146,333**	86,742	**-**	-
Prepayments	10	**5,382**	11,459	**23**	53
Cash and bank balances	11	**46,490**	68,808	**95**	318
Fixed deposits	11	**988**	40,872	**-**	-
		322,734	355,165	**118**	371
Total assets		**1,156,183**	1,001,189	**118**	371
EQUITY					
Capital and Reserves					
Share capital	12	**3,484**	3,417	**3,484**	3,417
Share premium	12	**300,417**	297,796	**300,417**	297,796
Treasury shares	13	**(4,097)**	(4,097)	**(4,097)**	(4,097)
Reserves	14	**312,174**	286,595	**778,608**	778,608
Accumulated losses		**(982,260)**	(1,047,372)	**(1,804,386)**	(1,779,064)
Equity attributable to owners of the Company		**(370,282)**	(463,661)	**(725,974)**	(703,340)
Non-controlling interests		**6,062**	5,197	**-**	-
Total equity		**(364,220)**	(458,464)	**(725,974)**	(703,340)
Non-Current Liabilities					
Deferred tax liabilities	15	**592**	220	**-**	-
Borrowings	16	**905,072**	1,009,516	**671,465**	670,223
Trade and other payables	17	**187,996**	143,711	**-**	-
		1,093,660	1,153,447	**671,465**	670,223
Current Liabilities					
Borrowings	16	**96,208**	-	**-**	-
Trade and other payables	17	**328,325**	306,206	**54,625**	33,488
Current tax payable		**2,210**	-	**2**	-
		426,743	306,206	**54,627**	33,488
Total liabilities		**1,520,403**	1,459,653	**726,092**	703,711
Total equity and liabilities		**1,156,183**	1,001,189	**118**	371

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Revenue	18	**285,362**	329,862
Cost of sales		**(194,006)**	(248,604)
Gross profit		**91,356**	81,258
Other income	19	**75,804**	1,074,141
Administrative expenses		**(39,354)**	(32,022)
Impairment losses on trade and other receivables reversed/(made)		**887**	(18,524)
Other operating expenses		**(16,820)**	(31,429)
Finance costs	20	**(41,099)**	(25,803)
Share of results of associate, net of tax		**(4,387)**	(9,634)
Share of results of joint ventures, net of tax		**1,942**	(1,016)
Profit before taxation	21	**68,329**	1,036,971
Taxation	22	**(3,111)**	(314)
Profit for the year		**65,218**	1,036,657
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation gain/(loss) on consolidation		**25,579**	(30,986)
Fair value loss on financial assets at fair value through other comprehensive income		**-**	(2,029)
Other comprehensive income/(loss) for the year, net of tax of nil		**25,579**	(33,015)
Total comprehensive income for the year		**90,797**	1,003,642
Profit attributable to:			
Owners of the Company		**64,353**	1,032,956
Non-controlling interests		**865**	3,701
		65,218	1,036,657
Total comprehensive income attributable to:			
Owners of the Company		**89,932**	999,941
Non-controlling interests		**865**	3,701
		90,797	1,003,642
Earnings per share			
- Basic (Malaysia sen)	23	**0.90**	30.34
- Diluted (Malaysia sen)	23	**0.89**	30.34

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 1 January 2019	3,417	297,796	(4,097)	290,996	(4,401)	(1,047,372)	(463,661)	5,197	(458,464)
Profit for the year	-	-	-	-	-	**64,353**	**64,353**	**865**	**65,218**
Other comprehensive income for the year									
- Foreign currency translation differences	-	-	-	**25,579**	-	-	**25,579**	-	**25,579**
Total other comprehensive income for the year	-	-	-	**25,579**	-	-	**25,579**	-	**25,579**
Total comprehensive income for the year	-	-	-	**25,579**	-	**64,353**	**89,932**	**865**	**90,797**
Contributions by and distributions to owners									
- Issuance of term loan shares (Note 12)	**67**	**2,621**	-	-	-	-	**2,688**	-	**2,688**
- Share grant expense	-	-	-	-	-	**759**	**759**	-	**759**
Transactions with owners in their capacity as owners	**67**	**2,621**	-	-	-	**759**	**3,447**	-	**3,447**
Balance at 31 December 2019	**3,484**	**300,417**	**(4,097)**	**316,575**	**(4,401)**	**(982,260)**	**(370,282)**	**6,062**	**(364,220)**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total Equity RM'000
Balance at 1 January 2018	81,192	82,347	(4,097)	321,982	(2,372)	(2,157,837)	(1,678,785)	1,496	(1,677,289)
Profit for the year	-	-	-	-	-	1,032,956	1,032,956	3,701	1,036,657
Other comprehensive income for the year									
- Foreign currency translation differences	-	-	-	(30,986)	-	-	(30,986)	-	(30,986)
- Fair value loss on financial assets through other comprehensive income	-	-	-	-	(2,029)	-	(2,029)	-	(2,029)
Total other comprehensive loss for the year	-	-	-	(30,986)	(2,029)	-	(33,015)	-	(33,015)
Total comprehensive (loss)/income for the year	-	-	-	(30,986)	(2,029)	1,032,956	999,941	3,701	1,003,642
Contributions by and distributions to owners									
- Capital reorganisation (Note 12)	(80,380)	-	-	-	-	80,380	-	-	-
- Issuance of non-sustainable debt shares	1,772	150,277	-	-	-	-	152,049	-	152,049
- Issuance of rights shares	833	65,172	-	-	-	-	66,005	-	66,005
- Share grant expense	-	-	-	-	-	592	592	-	592
Changes in ownership interests in subsidiaries									
- Loss of control of a subsidiary	-	-	-	-	-	(3,463)	(3,463)	-	(3,463)
Transactions with owners in their capacity as owners	(77,775)	215,449	-	-	-	77,509	215,183	-	215,183
Balance at 31 December 2018	3,417	297,796	(4,097)	290,996	(4,401)	(1,047,372)	(463,661)	5,197	(458,464)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	**2019 RM'000**	2018 RM'000
Cash Flows from Operating Activities			
Profit before taxation		**68,329**	1,036,971
Adjustments for:			
Amortisation of prepaid land lease payments	4	**-**	270
Depreciation of property, plant and equipment	3	**30,107**	17,370
Gain on extinguishment of debts	19	**-**	(348,378)
Gain on waiver of debts	19	**(57,002)**	(632,924)
Impairment loss on associate reversed	6	**-**	(8,682)
Impairment losses on other investments		**-**	2,707
Impairment losses on property, plant and equipment	3	**-**	15,287
Impairment losses on trade and other receivables (reversed)/made		**(887)**	18,524
Interest expense	20	**41,099**	25,803
Interest income	19	**(3,112)**	(1,845)
Loss on disposal of property, plant and equipment	21	**-**	5
Plant and equipment written off	21	**12**	363
Prepayments written off	21	**878**	4,166
Share grant expense	21	**759**	592
Share of post-tax results of equity-accounted joint ventures		**(1,942)**	1,016
Share of post-tax results of equity-accounted associate		**4,387**	9,634
Write-down on inventories (reversed)/made	19/21	**(11,921)**	403
Operating profit before working capital changes		**70,707**	141,282
Changes in inventories		**1,207**	(134,684)
Changes in trade and other receivables		**(11,127)**	18,123
Changes in prepayments		**5,735**	(15,174)
Changes in contract assets		**-**	23,170
Changes in trade and other payables		**(34,133)**	(21,440)
Changes in provision		**-**	(45,212)
Changes in contract liabilities		**-**	(975)
Cash generated from/(used in) operations		**32,389**	(34,910)
Interest paid		**(34,931)**	(17,265)
Income taxes (paid)/refunded		**(2,276)**	148
Net cash used in operating activities		**(4,818)**	(52,027)
Cash Flows from Investing Activities			
Interest received		**3,112**	1,845
Investment in a joint venture		**(2)**	-
Proceeds from disposal of property, plant and equipment		**39**	4
Purchase of property, plant and equipment	3	**(58,853)**	(90,384)
Net cash used in investing activities		**(55,704)**	(88,535)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Cash Flows from Financing Activities			
Fixed deposits pledged		**2,700**	20,206
Payment of lease liability		**(53)**	-
Proceeds from issuance of shares		**-**	66,005
Repayment of medium-term notes		**-**	(9,825)
Repayment of bilateral facilities debt		**(3,576)**	(3,466)
Repayment of term loan		**-**	(7,350)
Net cash (used in)/generated from financing activities		**(929)**	65,570
Net decrease in cash and cash equivalents		**(61,451)**	(74,992)
Cash and cash equivalents at beginning of year		**106,709**	183,023
Effect of exchange fluctuations on cash and cash equivalents		**1,949**	(1,322)
Cash and cash equivalents at end of year	11	**47,207**	106,709

Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 January 2019 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31 December 2019 RM'000
Fixed deposits pledged	(2,971)	**2,700**	**-**	**(271)**
Bilateral facilities debt	100,870	**(3,576)**	**(1,258)**	**96,036**
Term loan	908,646	**-**	**(4,641)**	**904,005**
Lease liability	-	**(53)**	**1,292**	**1,239**

	At 1 January 2018 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31 December 2018 RM'000
Fixed deposits pledged	(23,177)	20,206	-	(2,971)
Medium term notes	1,068,307	(9,825)	(1,058,482)	-
Project invoice financing	22,756	-	(22,756)	-
Revolving credit	482,342	-	(482,342)	-
Bilateral facilities debt	-	(3,466)	104,336	100,870
Term loan	47,625	(7,350)	868,371	908,646

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1 General information

The financial statements of Nam Cheong Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Report.

The Company is incorporated as a limited liability company and domiciled in Bermuda. The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 140 Paya Lebar Road, #07-02 AZ@Paya Lebar, Singapore 409015.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

The ultimate controlling party is Tan Sri Datuk Tiong Su Kouk.

2(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including related Interpretations promulgated by the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Malaysia ringgit ("RM") which is the Company's functional currency. All financial information is presented in RM and rounded to the nearest thousand, unless otherwise stated.

<u>Significant accounting estimates and judgements</u>

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

2(a) Basis of preparation (cont'd)

Significant judgements in applying accounting policies

Determination of functional currency
The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

Income taxes
The Group has exposure to income taxes in various jurisdictions. Significant judgement and estimates are involved in determining group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's deferred taxation at the end of the reporting period and the Group's income taxes for the year are disclosed in Note 15 and Note 22 to the financial statements, respectively.

Significant accounting estimates and assumptions used in applying accounting policies

Depreciation of property, plant and equipment
The costs of property, plant and equipment are depreciated on a straight-line basis over the estimated economic useful lives of the assets. The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to profit or loss. Management estimates the useful lives of property, plant and equipment to be within 5 to 60 years. In particular, management estimates the useful life of vessels to be 25 years. The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 3 to the financial statements. The estimation of useful lives is based on assumptions about wear and tear, ageing, changes in demand and the Group's historical experience with similar assets. The Group performs annual reviews on whether the assumptions made on useful lives continue to be valid. As changes in the expected level of usage, maintenance programmes and technological developments could affect the economic useful lives and the residual values of these assets, future depreciation charges could be revised. If depreciation on the Group's property, plant and equipment increases/decreases by 10% from management's estimates, the Group's results for the year will decrease/increase by RM3,011,000 (2018: RM1,737,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(a) Basis of preparation (cont'd)

Significant accounting estimates and assumptions used in applying accounting policies (cont'd)

Impairment of property, plant and equipment
Property, plant and equipment are assessed at the end of each reporting period whether there is any indication of impairment or that an impairment loss recognised in prior periods no longer exists or may have decreased. If any such indication exists, the recoverable amounts of the assets are estimated to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Such impairment loss is recognised in profit or loss.

Significant judgement and estimates by management are required in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by its market value based on comparable assets or the net present value of future cash flows which are estimated based on the continued use of the asset in the business; and (iii) the appropriate valuation techniques and inputs used in fair value measurement and the key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are extrapolated using a suitable growth rate and then discounted using an appropriate discount rate. Changing the assumptions selected by management to determine the level of impairment could materially affect the recoverable amount determined in the impairment test and as a result may potentially affect the Group's results. The carrying amount of the Group's property, plant and equipment at the end of the reporting period and the basis used to determine the recoverable amount are disclosed in Note 3 to the financial statements.

The recoverable amount of chartering vessels is based on fair value less costs of disposal, as assessed by independent professional valuers, which is higher than value in use. The determination of fair values includes use of unobservable inputs. Because of the inherent valuation uncertainty, those estimated fair values may differ significantly from actual results, and those differences could be material. The fair value hierarchy is classified as Level 3.

Impairment of investments in subsidiaries, associate and joint ventures
The Group and the Company assess at the end of each reporting period whether there is any indication that the investments in subsidiaries, associate and joint ventures may be impaired. If any indication exists, the investment in subsidiary, associate or joint venture is tested for impairment. The determination of the recoverable amount requires an estimation of the fair value less costs of disposal of the underlying assets or the value in use of the cash-generating units. Estimating the fair value less costs of disposal requires the Group and the Company to make an estimate of the expected selling prices of the underlying assets and the estimated cash outflows to settle the obligations in respect of the underlying liabilities. Estimating the value in use requires the Group and the Company to make an estimate of the expected future cash flows from the cash-generating units, a suitable growth rate to extrapolate the future cash flows, and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of the Group's and the Company's investments in subsidiaries, associate and joint ventures at the end of the reporting period are disclosed in Note 5, Note 6 and Note 7 to the financial statements, respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(a) Basis of preparation (cont'd)

Significant accounting estimates and assumptions used in applying accounting policies (cont'd)

Net realisable value of inventories
The Group reviews the net realisable value of inventories at the end of each reporting period, and applies judgement and makes allowance for inventories, in particular, vessels for which selling prices may have declined due to business environment and market conditions. Management estimates the net realisable value of the vessels based on assessment of projected timing of sales, prevailing customer demand, committed sales prices, estimated future pricing, recent sales activities and market positioning of the vessels. The net realisable value of the vessels is based on the valuations performed by independent professional valuers. The estimated selling price may differ from the price at which the Group's assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 8 to the financial statements. If the net realisable values of the inventories decrease/increase by 10% below cost from management's estimates, the Group's results for the year will decrease/increase by RM12,354,000 (2018: RM14,728,000).

Provision for expected credit losses of trade receivables
The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At the end of each reporting period, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information relating to ECLs on the Group's trade receivables is disclosed in Note 28.1.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements, except as explained in Note 2(b), which addresses changes in accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(b) Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group adopted the following IFRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS.

Reference	Description
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to IFRSs 2015-2017 Cycle:	
- Amendments to IFRS 3 and IFRS 11	Previously Held Interest in a Joint Operation
- Amendments to IAS 12	Income Tax Consequences of Payments on Financial Instruments Classified as Equity
- Amendments to IAS 23	Borrowing Costs Eligible for Capitalisation

The adoption of these new and amended IFRS did not result in substantial changes to the Group's accounting policies nor any significant impact on these financial statements except for the following:

IFRS 16 *Leases*

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in IFRS 16.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

The Group leases properties as a lessee. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases, i.e. these leases are on-balance sheet.

The Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

For short-term leases and leases of low-value assets, the Group has elected for exemption under IFRS 16 from recognising its right-of-use assets and lease liabilities, and to report its lease expenses in profit or loss on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(b) Interpretations and amendments to published standards effective in 2019 (cont'd)

IFRS 16 *Leases* (cont'd)

Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

<u>As a lessor</u>

The Group leases out its vessels under bareboat charter. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

<u>Impact on financial statements</u>

Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets relating to prepaid land lease payments. The impact on transition is summarised below.

The Group	1 January 2019 RM'000
Right-of-use assets - property, plant and equipment	6,863

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(b) Interpretations and amendments to published standards effective in 2019 (cont'd)

IFRS 16 *Leases* (cont'd)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the applicable incremental borrowing rate at 1 January 2019. The rate applied is 5.5%.

The Group	1 January 2019 RM'000
Operating lease commitments as at 31 December 2018 as disclosed under IAS 17 in the financial statements (Note 26)	75
Discounted using the incremental borrowing rate at 1 January 2019	71
Less: Recognition exemption for leases with less than 12 months of lease term at transition	(71)
Lease liabilities recognised at 1 January 2019	-

IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 *Income Taxes*. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

An entity applies the interpretation for annual reporting periods beginning on or after 1 January 2019. The requirements are applied by recognising the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(c) IFRS not yet effective

The following are the new or amended IFRS and IFRIC issued that are not yet effective:

Reference	Description	Effective date (Annual periods beginning on or after)
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendment to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2022
Amendments to IFRS 3	Definition of a Business	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Various	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

Management does not anticipate that the adoption of the above IFRS in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except for the following:

Amendments to IAS 1 and IAS 8 *Definition of Material*
The amendments clarify the definition of material and how it should be applied by including in the definition guidance. The new definition of material states that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interests even if that results in a deficit balance.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group controls an investee if and only if the Group has all of the following:

(i) power over the investee;
(ii) exposure, or rights or variable returns from its involvement with the investee; and
(iii) the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS. The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under IFRS 9, or where applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

2(d) Summary of significant accounting policies (cont'd)

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Leasehold land	60 years
Buildings	50 years
Launching ways, plant and machinery	10 years
Furniture, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years
Vessels	25 years
Renovations	10 years

No depreciation is provided for construction-in-progress.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits in excess of the standard of performance of the asset before the expenditure was made will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is recognised in profit or loss from the month that the property, plant and equipment are installed and are available for use, and to the month of disposal, respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period as a change in estimates.

Prepaid land lease payments
Prepaid land lease payments, which form part of the Group's right-of-use assets from 1 January 2019, are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation. The prepaid land lease payments are amortised on a straight-line basis over their lease terms as follows:

Lot 1 and 2	11.5 to 14.5 years
Lot 3 and 4	54 to 60 years

Subsidiaries
In the Company's separate statement of financial position, subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Summary of significant accounting policies (cont'd)

Associate
An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group accounts for its investment in associate using the equity method from the date on which they become an associate.

Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. The profit or loss reflects the share of results of operations of the associate. Distributions received from associate reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and loss resulting from transaction between the Group and the associate are eliminated to the extent of the interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise additional impairment losses on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any indication that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount, and recognises the amount in profit or loss.

Joint ventures
The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:
- Joint ventures: where the group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:
- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Summary of significant accounting policies (cont'd)

Joint ventures (cont'd)
The Group's interest in joint ventures are accounted for using the equity method. Under the equity method, the investment in joint ventures are carried in the statements of financial position at cost plus post-acquisition changes in the Group's share in net assets of the joint ventures. The share of results of the joint ventures are recognised in profit or loss. Where there have been a change recognised directly to equity of the joint ventures, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint ventures.

The Group's share of results and reserves of joint ventures acquired or disposed of are included in the financial statements from the date of acquisition up to the date of disposal or cessation of joint control over the relevant activities of the arrangements.

Financial assets
Initial recognition and measurement
Financial assets are recognised when, only when the entity becomes party to the contractual provisions of the instruments. Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets, at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition. Refer to the accounting policy on "Revenue from contracts with customers".

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Group does not hold any financial assets at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Summary of significant accounting policies (cont'd)

Financial assets (cont'd)

Financial assets at amortised cost (debt instruments)

Subsequent measurement of debt instruments depends on the Group's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal and interest on the principal amount outstanding the asset.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

The Group's financial assets at amortised cost comprise trade and other receivables, cash and bank balances and fixed deposits.

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Financial assets at FVOCI

Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method which are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

The Group's debt instruments at FVOCI comprise investments in unquoted debt instruments classified as non-current assets.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECLs") associated with its debt instrument assets carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs).

NOTES TO THE FINANCIAL STATEMENTS

2(d) Summary of significant accounting policies (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

For trade and other receivables, the Group measures the loss allowance at an amount equal to lifetime ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At the end of each reporting period, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In marking that evaluation, the Group reassess that internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise unquoted bonds that are considered to be low risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Moody Corporation both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

At the end of each reporting period, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Summary of significant accounting policies (cont'd)

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

The Group's financial liabilities comprise borrowings and trade and other payables.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss, such as interest-bearing borrowings, are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Classification

Borrowings which are due to be settled more than 12 months after the end of the reporting period are included in current borrowings in the statement of financial position if the loan facility agreements include an overriding repayment on demand clause which gives the lender the right to demand repayment at any time at its sole discretion and irrespective of whether a default event has occurred, or when the Group has defaulted or breached a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the borrowings become payable on demand, even if the lender agreed after the reporting period and before the authorisation of the financial statements for issue not to demand payment as a consequence of the breach. These borrowings are classified as current because, at the end of the reporting period, the Group does not have an unconditional right to defer its settlement for at least twelve months after that date.

However, those borrowings with breaches or defaults of loan agreement terms are classified as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the Group can rectify the breach and/or during which the lender cannot demand immediate repayment. Other borrowings due to be settled more than 12 months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Summary of significant accounting policies (cont'd)

Inventories
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: Purchase cost on weighted-average basis; and
- Work in progress: Costs that are directly attributable to the construction of built-to-stock vessels, which comprise, costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance.

Net realisable value is the estimated selling price at which inventories can be realised in the ordinary course of business, less estimated costs of completion and costs incurred in marketing and distribution. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying value of those inventories to the lower of cost and net realisable value.

Cash and cash equivalents
Cash and cash equivalents comprise cash and bank balances and fixed deposits with maturity of less than three months.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of fixed deposits pledged and bank overdrafts which are repayable on demand and which form an integral part of cash management.

Share capital and share premium
Ordinary shares are classified as equity. Share capital is determined using the nominal value of new ordinary shares that have been issued. Share premium is the amount subscribed for ordinary shares in the capital of the Company in excess of the nominal value. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share premium.

Treasury shares
When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently sold, the cost of treasury shares is reversed from the treasury shares account, and the realised gain or loss on sale, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Dividends
Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because of the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Summary of significant accounting policies (cont'd)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The Group reviews the provisions annually and where in its opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

   (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
   (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

2(d) Summary of significant accounting policies (cont'd)

Leases

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Summary of significant accounting policies (cont'd)

Leases (cont'd)
Policy applicable from 1 January 2019 (cont'd)
As a lessee (cont'd)
The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor
At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received from vessels under operating leases as income on a straight-line basis over the lease term as part of revenue.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before 1 January 2019
For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

2(d) Summary of significant accounting policies (cont'd)

Leases (cont'd)
Policy applicable before 1 January 2019 (cont'd)
As a lessee
In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor
When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Chartering income from vessels is recognised as revenue on a straight-line basis over the term of the lease.

Income taxes
Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Summary of significant accounting policies (cont'd)

Income taxes (cont'd)
Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity.

Employee benefits
Pension obligations
The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. Pension contributions are provided at rates stipulated by the regulations and are contributed to pension funds managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. The subsidiaries in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund, while the Singapore incorporated subsidiaries make contributions to the Central Provident Fund, a defined contribution pension scheme regulated and managed by the Government of Singapore.

A defined contribution national pension scheme is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to national pension schemes are charged to profit or loss in the period to which the contributions relate.

Employee leave entitlements
Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Share-based payment
The Group's Share Grant Plan is accounted for as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant. The share-based payment expense is amortised and recognised in profit or loss on a straight-line basis over the vesting period. At the end of each reporting period, the Group revises its estimates of the number of shares that the participating employees and directors are expected to receive based on non-market vesting conditions. The difference is charged or credited to profit or loss, with a corresponding adjustment to equity over the remaining vesting period.

2(d) Summary of significant accounting policies (cont'd)

Related parties
A related party is defined as follows:

a) A person or a close member of that person's family is related to the Group and the Company if that person:
   (i) has control or joint control over the Company;
   (ii) has significant influence over the Company; or
   (iii) is a member of the key management personnel of the Group or the Company or of a parent of the Company.

b) An entity is related to the Group and the Company if any of the following conditions applies:
   (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) both entities are joint ventures of the same third party.
   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
   (vi) the entity is controlled or jointly controlled by a person identified in (a).
   (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel
Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management executives are considered key management personnel.

Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Summary of significant accounting policies (cont'd)

Impairment of non-financial assets (cont'd)
An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal and value in use, based on an internal discounted cash flow evaluation. Impairment loss recognised for a cash-generating unit is charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is recognised as income in profit or loss.

Revenue recognition
Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Sale of vessels
Revenue from sale of vessels is recognised at a point in time when the vessel is delivered to the customer, all criteria for acceptance have been satisfied, and the customer obtains control of the vessel, including the legal title to the vessel and the significant risks and rewards of ownership of the vessel.

Chartering income
Revenue from vessels under time charter is recognised over time as services are rendered. Income from bareboat charter, which comprise short-term operating leases, is recognised on a straight-line basis over the period of the charter.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Summary of significant accounting policies (cont'd)

Other income
Rental income is recognised on a straight-line basis over the term of the relevant lease.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Functional currencies
Functional and presentation currency
Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Malaysia ringgit, which is also the functional currency of the Company.

Conversion of foreign currencies
Transactions and balances
Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either other income or other expenses depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

Group entities
The results and financial positions of all the entities (none of which has the currency of a hyperinflationary economy) within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the end of each reporting period;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and

(iii) All resulting currency translation differences are recognised as other comprehensive income in the consolidated statement of profit or loss and other comprehensive income, and accumulated in the currency translation reserve in the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Summary of significant accounting policies (cont'd)

Operating segments
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's executive directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 27 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the executive directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

Earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share awards granted to employees.

2(e) Going concern

Schemes of Arrangement
During the financial year ended 31 December 2018, the Group concluded the debt restructuring exercise via Schemes of Arrangement. The Group and the Company obtained creditors' approval for the Schemes on 22 January 2018 and 24 January 2018, respectively, upon which the Group and the Company applied to The High Court of the Republic of Singapore and The High Court of Malaya for the sanction of the Schemes. The NCD Scheme and NCI Scheme were sanctioned by the Malaysia Court on 12 July 2018, subsequent to which the NCL Scheme was sanctioned by the Singapore Court on 3 August 2018. On 20 August 2018, the NCL Scheme was approved by the Company's shareholders at a Special General Meeting for *inter alia* the issuance of new shares pursuant to the restructuring.

Following the issuance and allotment of the Rights Shares and Non-sustainable Debt Shares by the Company on 26 September 2018, and together with the payment by the Company under the Cash Out Option to eligible creditors pursuant to the Schemes on 28 September 2018, the Group and the Company have fulfilled the necessary steps to implement the Schemes.

Bilateral Facilities Debt
The Bilateral Facilities Debt is excluded from the Schemes. The maturity date of the Bilateral Facilities Debt is 31 December 2020. The Bilateral Facilities Debt amounted to RM96,036,000 as at 31 December 2019.

Non-sustainable Debt
Each Non-sustainable Debt Share is allotted and issued at a conversion price of S$0.045. Pursuant to the Schemes, an aggregate of 3,348,250,793 Non-Sustainable Debt Shares were allotted and issued. Based on the market price of the Company's shares of S$0.015 per share, a gain on extinguishment of debt of RM348,378,000 was recognised in profit or loss for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(e) Going concern (cont'd)

Sustainable Debt
US$221,619,000 of the Sustainable Debt was restructured as the Term Loan. The tenure of the Term Loan is from 1 January 2018 to 31 December 2024. Interest is charged at 4% per annum. There will be no repayment of the principal from 2018 to 2020. The principal shall be repaid in eight half-yearly instalments from 2021 to 2024 in the percentage of 10%, 20%, 30% and 40%, respectively. As the Term Loan is repayable from 2021 to 2024, with no repayment on demand clauses, the amount is classified as non-current liabilities.

Fujian Group Shipyards
On 7 February 2018, the Group entered into a Master Framework Agreement ("MFA") with Fujian Group Shipyards to terminate shipbuilding contracts and restructure its debt settlement arrangement. Pursuant to the MFA, the Group took delivery of seven vessels over the next two years for an aggregate consideration of approximately US$62.7 million on a credit basis, mostly for a period of five years. The shipbuilding contracts for all the remaining 31 vessels were mutually terminated. Arising from the settlement with the Fujian Group Shipyards, the trade payables were waived and accruals were reversed, resulting in a gain on waiver of debts amounting to US$156,566,000 (RM632,924,000) recognised in profit or loss for the financial year ended 31 December 2018.

Non-Fujian Group Shipyards
For the Non-Fujian Group Shipyards, at 31 December 2019, seven shipbuilding contracts had been mutually terminated, while the shipbuilding contracts for another five vessels had been fully settled. The Group has reached an understanding without a written agreement with the Non-Fujian Group Shipyards in relation to the remaining ten shipbuilding contracts to delay construction or delivery of the vessels, with a view to extend the contract period or terminate the shipbuilding contracts to minimise any financial exposure. Based on the contract sums and payments made by the Group, the outstanding exposure to the Non-Fujian Group Shipyards under the remaining ten shipbuilding contracts is approximately US$104.8 million.

Assessment of the Group's and the Company's ability to continue as going concern
For the financial year ended 31 December 2019, the Group recorded a net profit of RM65,218,000 (2018: RM1,036,657,000), mainly arising from other non-cash income amounting to RM57,002,000 (2018: RM1,013,682,000), comprising the waiver of debts. The Group continued to incur net operating cash outflows of RM4,818,000 (2018: RM52,027,000). In addition, the Group had net current liabilities of RM104,009,000 (2018: net current assets of RM48,959,000), mainly due to the Bilateral Facilities Debt of RM96,036,000 which is to be repaid by 31 December 2020, notwithstanding that the restructured Term Loan is repayable from 2021 to 2024 (Note 16), and the Group remained in net capital deficit of RM364,220,000 (2018: RM458,464,000) as at 31 December 2019. The Company also had net current liabilities and net liabilities of RM54,509,000 (2018: RM33,117,000) and RM725,974,000 (2018: RM703,340,000), respectively, as at 31 December 2019.

In assessing whether the Group and the Company can meet their debt obligations for at least 12 months from the end of the reporting period, management has prepared cash flows forecast for the financial year ending 31 December 2020. The key assumptions include (i) sufficient cash inflows are generated by the Group's chartering segment, based on reasonable expectations of daily charter rates, vessel utilisation and low default rates by its customers, to generate sufficient operating cash inflows; (ii) sufficient proceeds from the sale of certain completed vessels held by the Group for repayment of certain borrowings which are due by 31 December 2020; (iii) no material claims from creditors, particularly those subcontracted shipyards, which the Group has yet to terminate the contracts or restructure the debts owing to such subcontracted shipyards, that are reasonably likely to have a material effect on the Group's financial conditions and operations are brought against the Group; and (iv) the offshore activities continue to keep steady in Malaysia, and the Group's vessels continue to be in demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(e) Going concern (cont'd)

Assessment of the Group's and the Company's ability to continue as going concern (cont'd)
Based on the cash flows forecast and barring any further unforeseen adverse, macroeconomic and industry-wide circumstances, the directors believe that the Group and the Company will have sufficient working capital and financial resources to meet their obligations as and when they fall due for at least the next twelve months from the end of the reporting period, and are of the view that the going concern assumption is appropriate for the preparation of these financial statements. As at the date of the financial statements, the Group is not able to ascertain the magnitude of the possible impact to the offshore and marine industry arising from COVID-19 and recent plunge in oil prices but will continually assess as the situation develops.

If the Group and the Company were unable to continue their operational existence or their capabilities to do so were significantly impaired, for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to the financial statements.

3 Property, plant and equipment

The Group	Leasehold land RM'000	Buildings RM'000	Launching ways, plant and machinery RM'000	Furniture, fixtures and office equipment RM'000	Motor vehicles RM'000	Vessels RM'000	Renovations RM'000	Construction in progress RM'000	Total RM'000
Cost									
At 1 January 2018	8,088	29,478	35,818	5,997	7,091	639,593	715	2,548	729,328
Transfers from inventories	-	-	-	-	-	132,442	-	-	132,442
Additions	-	-	-	1,533	-	260,702	1,031	-	263,266
Disposals	-	-	-	(92)	-	-	-	-	(92)
Write-offs	-	-	-	(1,102)	-	-	-	-	(1,102)
Loss of control in a subsidiary	-	-	-	-	-	(53,467)	-	-	(53,467)
Exchange differences	-	-	-	8	2	4,468	-	-	4,478
At 31 December 2018	8,088	29,478	35,818	6,344	7,093	983,738	1,746	2,548	1,074,853
At 1 January 2019	8,088	29,478	35,818	6,344	7,093	983,738	1,746	2,548	1,074,853
Recognition of right-of-use assets on initial application of IFRS 16	**10,352**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,352**
Adjusted balance at 1 January 2019	**18,440**	**29,478**	**35,818**	**6,344**	**7,093**	**983,738**	**1,746**	**2,548**	**1,085,205**
Transfers from inventories	**-**	**-**	**-**	**-**	**-**	**144,384**	**-**	**-**	**144,384**
Additions	**-**	**1,292**	**21**	**581**	**-**	**79,647**	**445**	**-**	**81,986**
Disposals	**-**	**-**	**-**	**(17)**	**-**	**-**	**(49)**	**-**	**(66)**
Write-offs	**-**	**-**	**-**	**(63)**	**-**	**-**	**-**	**-**	**(63)**
Exchange differences	**-**	**-**	**-**	**-**	**7**	**(10,201)**	**-**	**-**	**(10,194)**
At 31 December 2019	**18,440**	**30,770**	**35,839**	**6,845**	**7,100**	**1,197,568**	**2,142**	**2,548**	**1,301,252**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Property, plant and equipment (cont'd)

The Group	Leasehold land RM'000	Buildings RM'000	Launching ways, plant and machinery RM'000	Furniture, fixtures and office equipment RM'000	Motor vehicles RM'000	Vessels RM'000	Renovations RM'000	Construction in progress RM'000	Total RM'000
Accumulated depreciation and impairment losses									
At 1 January 2018	709	5,282	33,768	5,294	6,074	406,849	610	2,039	460,625
Depreciation	132	605	648	337	807	14,796	45	-	17,370
Disposals	-	-	-	(83)	-	-	-	-	(83)
Write-offs	-	-	-	(739)	-	-	-	-	(739)
Loss of control in a subsidiary	-	-	-	-	-	(40,987)	-	-	(40,987)
Impairment losses	-	-	-	-	-	15,287	-	-	15,287
Exchange differences	-	-	-	(1)	17	10,115	-	-	10,131
At 31 December 2018	841	5,887	34,416	4,808	6,898	406,060	655	2,039	461,604
At 1 January 2019	841	5,887	34,416	4,808	6,898	406,060	655	2,039	461,604
Recognition of right-of-use assets on initial application of IFRS 16	**3,489**	-	-	-	-	-	-	-	**3,489**
Adjusted balance at 1 January 2019	**4,330**	**5,887**	**34,416**	**4,808**	**6,898**	**406,060**	**655**	**2,039**	**465,093**
Depreciation	**405**	**682**	**434**	**413**	**203**	**27,840**	**130**	-	**30,107**
Disposals	-	-	-	**(17)**	-	-	**(10)**	-	**(27)**
Write-offs	-	-	-	**(51)**	-	-	-	-	**(51)**
Exchange differences	-	-	-	-	**(1)**	**(3,847)**	-	-	**(3,848)**
At 31 December 2019	**4,735**	**6,569**	**34,850**	**5,153**	**7,100**	**430,053**	**775**	**2,039**	**491,274**
Carrying amount									
At 31 December 2019	**13,705**	**24,201**	**989**	**1,692**	-	**767,515**	**1,367**	**509**	**809,978**
At 31 December 2018	7,247	23,591	1,402	1,536	195	577,678	1,091	509	613,249

Property, plant and equipment include right-of-use assets with carrying amount of RM6,593,000 and RM1,217,000 as at 31 December 2019 related to leasehold land and buildings, respectively.

Property, plant and equipment pledged as security for borrowings at the end of the reporting period comprise leasehold land, buildings and vessels with carrying amount of RM6,140,000 (2018: RM nil), RM1,217,000 (2018: RM nil) and RM82,229,000 (2018: RM87,643,000), respectively (Note 16).

NOTES TO THE FINANCIAL STATEMENTS

3 Property, plant and equipment (cont'd)

For the financial year ended 31 December 2019, additions to property, plant and equipment (excluding right-of-use assets) amount to RM80,694,000 (2018: RM263,266,000), of which RM58,853,000 (2018: RM90,384,000) has been paid and RM21,841,000 (2018: RM172,882,000) outstanding is recorded under trade and other payables.

Conditions and restrictions on the Group's leasehold land are as follows:

(i) the land shall be used only for industrial purposes;
(ii) the industrial activity to be carried out as prescribed under the Natural Resource Environment Order 1994;
(iii) the development or redevelopment and use of the land shall be in accordance with plans, sections and elevations approved by the Government;
(iv) no residential accommodation other than accommodation for a watchman;
(v) no transfer affecting the land may be effected without the consent; and
(vi) no sublease affecting the land may be effected without the consent.

Impairment testing

For the financial years ended 31 December 2018 and 2019, the Group incurred significant cash outflows from operations. Accordingly, management assessed that there were indications of impairment of the Group's property, plant and equipment, and they were tested for impairment. The Group engaged an independent valuation firm to determine the market values of the chartering vessels. The valuation of the vessels was based on "as is, where is" sales at their current locations, between a willing buyer and a willing seller. The review led to the recognition of an impairment loss of RM15,287,000 in the Group's profit or loss for the financial year ended 31 December 2018. No impairment losses were made or reversed for the financial year ended 31 December 2019 as there were no material differences between the recoverable amounts and carrying amounts of the vessels.

As at 31 December 2018 and 2019, the valuation of the vessels was based on the direct comparison method which involves the analysis of comparable sales of similar vessels and adjusting the sale prices to that reflective of the subject vessels. The estimates of fair value of vessels involves consideration of items such as actual recent sales of similar vessels, the vessel's age, market conditions, among others, which are unobservable inputs. The fair value measurement is categorised as Level 3 under the fair value hierarchy.

The Group also carried out an assessment of the recoverable amount of the other property, plant and equipment as at 31 December 2018 and 2019. The recoverable amount of the leasehold land was based on the fair value less costs of disposal (Level 3 valuation). The fair value was based on the market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller. The valuation was based on the direct comparison method which involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the subject properties. The fair value less costs of disposal of the buildings (Level 3 valuation) was determined using the cost approach. The cost approach is based on the cost to reproduce or replace under new condition with current market prices for similar assets, with allowance for accrued depreciation arising from the conditions, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history. No impairment losses were recognised for the financial years ended 31 December 2018 and 2019 as the recoverable amounts were higher than the carrying amounts of the leasehold land and buildings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 Prepaid land lease payments

The Group	Leasehold land RM'000
Cost	
At 1 January 2018 and 31 December 2018	10,352
Transfer to right-of-use assets on initial application of IFRS 16	(10,352)
At 1 January 2019 and 31 December 2019	**-**
Accumulated amortisation	
At 1 January 2018	3,219
Amortisation	270
At 31 December 2018	3,489
Transfer to right-of-use assets on initial recognition of IFRS 16	**(3,489)**
At 1 January 2019 and 31 December 2019	**-**
Carrying amount	
At 31 December 2019	**-**
At 31 December 2018	6,863

The Group has land use rights over four plots of state-owned land in Malaysia where the Group's operations reside. The land use rights are not transferable and have a remaining tenure of 3 to 45 years (2018: 4 to 46 years).

As at 31 December 2018, prepaid land lease payments with an aggregate carrying amount of RM6,300,000 were pledged for the Group's borrowings (Note 16).

5 Subsidiaries

The Company	**2019 RM'000**	2018 RM'000
Unquoted equity investments, at cost	**1,143,476**	1,143,476
Employee share grants, at cost	**754**	450
Less: Allowance for impairment losses	**(1,144,230)**	(1,143,926)
	-	-
Amount due from a subsidiary (non-trade)	**1,385,198**	1,384,032
Allowance for impairment loss	**(1,385,198)**	(1,384,032)
	-	-
Carrying amount	**-**	-

The non-trade amount due from a subsidiary is unsecured and bears interest ranging from 5% to 6.5% (2018: 5% to 6.5%) per annum. The settlement is neither planned nor likely to occur in the foreseeable future. As the amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5 Subsidiaries (cont'd)

Loss of control in a subsidiary of the Group

On 11 April 2018, Nam Cheong (Labuan) Ltd. ("NCLL"), the Company's indirect wholly-owned subsidiary through Nam Cheong International Ltd., completed a placement share of an aggregate of 10,000 new ordinary shares at an issue price of US$1 for each placement share to three subscribers. The proceeds from the placement had been applied towards to partial repayment of the outstanding amount under a credit facility granted by a bank to NCLL. Upon the completion of the placement, the Group's equity interest in NCLL was diluted from 100% to approximately 0.01%, and NCLL ceased to be a subsidiary of the Group.

Incorporation of a subsidiary in the Group

On 11 December 2018, the Company's indirect wholly-owned subsidiary, SK Global Ltd., incorporated a wholly-owned subsidiary, SK Majestic Ltd., in Federal Territory of Labuan, Malaysia, with a cash consideration of US$1.

Acquisition of a subsidiary in the Group

On 11 December 2019, the Company's indirect subsidiary, SKOSV Sdn Bhd., has acquired a 100% equity interest in Nam Cheong Marine Sdn Bhd. ("NCMSB") by the purchase of all shares issued in NCMSB at a cash consideration of RM2.

Impairment testing

Movement in the allowance for impairment of subsidiaries is as follows:

The Company	2019 RM'000	2018 RM'000
At 1 January	**2,527,958**	2,371,818
Impairment losses recognised	**1,470**	156,140
At 31 December	**2,529,428**	2,527,958

At the end of the reporting period, the Company carried out a review of the recoverable amount of its investments in subsidiaries, primarily Nam Cheong Dockyard Sdn. Bhd., due to the significant cash outflows from operations incurred by the Group. The review led to the recognition of an impairment loss of RM1,470,000 (2018: RM156,140,000) in the Company's profit or loss.

The recoverable amount was determined based on fair value less costs of disposal, which was based on the revalued net assets of the subsidiaries. In deriving the revalued net assets of the subsidiaries, the fair values of the underlying assets are estimated based on their expected selling prices, and the fair values of the underlying liabilities are based on the estimated cash outflows to settle the obligations. The fair value measurement is categorised as Level 3 under the fair value hierarchy. In view that the subsidiaries had significant net liabilities, management has determined that the recoverable amount which is based on fair value less costs of disposal to be nil.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5 Subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of effective equity held	
			2019 %	2018 %
Nam Cheong Dockyard Sdn. Bhd. (2)	Shipbuilding	Malaysia	**100**	100
Nam Cheong Offshore Pte. Ltd. (1)	Shipbuilding	Singapore	**100**	100
Nam Cheong Capital Pte. Ltd. (3)	Dormant	Singapore	**100**	100
Nam Cheong International Ltd. (2)	Shipbuilding	Federal Territory of Labuan, Malaysia	**100**	100
S.K. Marine Sdn. Bhd. (2)	Vessel chartering	Malaysia	**100**	100
Nam Cheong Marine Ltd. (3)	Dormant	The Republic of the Marshall Islands	**100**	100
Nam Cheong Marine Pte. Ltd. (1)	Vessel chartering	Singapore	**100**	100
Nam Cheong Marine Sdn. Bhd. (3)	Vessel chartering	Malaysia	**70**	-
NC Design Pte. Ltd. (1)	Design services	Singapore	**100**	100
Nam Cheong Pioneer Sdn. Bhd. (2)	Investment holding	Malaysia	**100**	100
SKOSV Sdn. Bhd. (2)	Vessel chartering	Malaysia	**70**	70
Nam Cheong OSV Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
Nam Cheong Venture Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Venture Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Machines Ltd. (2)	Trading	Federal Territory of Labuan, Malaysia	**100**	100
Nam Cheong Property Pte. Ltd. (3)	Dormant	Singapore	**100**	100
SK Global Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5 Subsidiaries (cont'd)

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of effective equity held	
			2019 **%**	2018 %
SK Pride Ltd. [(2)]	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Patriot Ltd. [(2)]	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Power Ltd. [(2)]	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Precious Ltd. [(2)]	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Prudence Ltd. [(2)]	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SKOM Sdn. Bhd. (formerly known as SK Offshore & Marine Sdn. Bhd.) [(2)]	Vessel chartering	Malaysia	**100**	100
SK Capital Ltd. [(2)]	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SKOM Ltd. [(2)]	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Majestic Ltd. [(2)]	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100

(1) Audited by Foo Kon Tan LLP, Singapore.
(2) Audited by HLB Ler Lum, Malaysia.
(3) Not required to be audited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5 Subsidiaries (cont'd)

Summarised financial information of subsidiaries with material non-controlling interests

Summarised financial information in respect of the subsidiary, SKOSV Sdn. Bhd., which has material non-controlling interests, is set out below. The summarised financial information below represents amounts before intra-group eliminations, and for profit or loss, the amounts included in the Group's results after acquisition.

Summarised statement of financial position

	2019 RM'000	2018 RM'000
Current assets	**139,352**	375,860
Non-current assets	**30**	9
Current liabilities	**47,919**	358,489
Non-current liabilities	**60**	60
Equity attributable to owners of the Company	**85,341**	12,123
Non-controlling interests	**6,062**	5,197

Summarised statement of profit or loss and other comprehensive income

	2019 RM'000	2018 RM'000
Revenue	**275,824**	126,894
Expenses	**(191,539)**	(114,558)
Profit for the year	**84,285**	12,336
Total comprehensive income for the year	**84,285**	12,336
Attributable to:		
- owners of the Company	**83,420**	8,635
- non-controlling interests	**865**	3,701
	84,285	12,336

Other summarised financial information

	2019 RM'000	2018 RM'000
Net cash (outflow)/inflow from operating activities	**(32,669)**	124,301
Net cash inflow/(outflow) from investing activities	**656**	(75,840)
Net cash (outflow)/inflow for the year	**(32,013)**	48,461

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6 Associate

The Group	2019 RM'000	2018 RM'000
Quoted equity investment, at cost	**110,400**	110,400
Share of post-acquisition results	**(91,899)**	(87,512)
	18,501	22,888

Movement in the allowance for impairment of associate is as follows:

The Group	2019 RM'000	2018 RM'000
At 1 January	**-**	8,682
Impairment loss reversed	**-**	(8,682)
At 31 December	**-**	-

The Group carried out a review of the recoverable amount of the investment in the associate due to persistent operating losses and cash outflows incurred by the associate. The associate is listed on the Bursa Efek Indonesia (Indonesia Stock Exchange). The recoverable amount was based on fair value less costs of disposal, which was determined to be the quoted market price of RM23,600,000 (2018: RM24,000,000). The review led to a reversal of impairment loss of RM8,682,000 in the Group's profit or loss for the financial year ended 31 December 2018. The fair value measurement is classified within Level 1 of the fair value hierarchy.

Details of the associate are as follows:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of effective equity held	
			2019 %	2018 %
P.T. Pelayaran Nasional Bina Buana Raya Tbk	Vessel chartering	Indonesia	**30**	30

* Audited by Hertanto, Grace & Karunawan, Indonesia.

The principal activities of the associate are in line with the Group's strategy to expand the vessel chartering business.

The financial information of the associate is summarised below. There have been no dividends received from the associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6 Associate (cont'd)

Statement of financial position

	2019 RM'000	2018 RM'000
Assets and liabilities		
Current assets	**27,430**	30,267
Non-current assets	**287,713**	324,161
Total assets	**315,143**	354,428
Current liabilities	**(235,941)**	(36,611)
Non-current liabilities	**(1,213)**	(211,187)
Total liabilities	**(237,154)**	(247,798)
Net assets	**77,989**	106,630
Proportion of the Group's ownership	**30%**	30%
Share of net assets	**23,397**	31,989

Statement of profit or loss and other comprehensive income

	2019 RM'000	2018 RM'000
Income and expenses		
Revenue	**67,887**	83,563
Operating expenses	**(44,115)**	(93,559)
Depreciation and amortisation	**(28,529)**	(8,055)
Interest income	**354**	137
Interest expense	**(9,588)**	(13,218)
Loss before taxation	**(13,991)**	(31,132)
Taxation	**(634)**	(981)
Loss for the year	**(14,625)**	(32,113)
Proportion of the Group's ownership	**30%**	30%
Share of post-tax losses	**(4,387)**	(9,634)

Reconciliation of summarised financial information presented to the carrying amount of the Group's investment in the associate is as follows:

	2019 RM'000	2018 RM'000
Share of net assets		
At 1 January	**31,989**	41,623
Loss for the year	**(4,387)**	(9,634)
At 31 December	**27,602**	31,989
Effect of realisation of profits	**1,093**	1,093
Effect of unrealised profits	**(10,194)**	(10,194)
Carrying amount of the Group's investment in associate	**18,501**	22,888

The investment in associate had no contingent liabilities and capital commitments at 31 December 2019 and 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7 Joint ventures

The Group	2019 RM'000	2018 RM'000
Unquoted equity investments, at cost	**13,466**	13,464
Share of post-acquisition results	**(8,496)**	(10,440)
	4,970	3,024

The Group has interest in joint ventures through separate structure vehicles incorporated and operating in Malaysia and Indonesia. The contractual arrangements provide the Group with only the rights to the net assets of the joint arrangements. Under IFRS 11 *Joint Arrangements*, these joint arrangements are classified as joint ventures and have been accounted for in the consolidated financial statements using the equity method.

On 17 January 2019, the Group's wholly-owned subsidiary, SK Global Ltd., incorporated a 51% owned joint venture, Pelayaran New Era (L) Berhad ("PNEL"), in the Federal Territory of Labuan, Malaysia. PNEL has an issued and paid-up capital of US$1,000. The principal activity of PNEL is chartering of vessel.

On 3 April 2019, PNEL incorporated a new wholly-owned subsidiary, Pelayaran Era Sdn Bhd ("PESB") which has an issued and paid-up capital of RM1,000. The principal activity of PESB is chartering of vessel.

Details of the joint ventures are as follows:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of effective equity held	
			2019 %	2018 %
Synergy Kenyalang Offshore Sdn. Bhd. ("SKO") (1)	Vessel chartering	Malaysia	**40**	40
P.T. Bahtera Niaga Indonesia ("BNI") (2)	Vessel chartering	Indonesia	**49**	49
Marco Polo Offshore (IV) Pte Ltd ("MPO") (2)	Vessel chartering	Singapore	**50**	50
SK Marco Polo Sdn. Bhd. ("SKMP") (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**50**	50
Pelayaran New Era (L) Bhd. ("PNEL") (1)	Vessel chartering	Federal Territory of Labuan, Malaysia	**51**	-
Pelayaran Era Sdn. Bhd. ("PESB") (1)	Vessel chartering	Federal Territory of Labuan, Malaysia	**51**	-

(1) Audited by HLB Ler Lum, Malaysia.
(2) Reviewed by HLB Ler Lum, Malaysia.

The principal activities of the joint ventures are in line with the Group's strategy to expand the vessel chartering business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7 Joint ventures (cont'd)

The financial information of the material joint ventures is summarised below.

Statement of financial position

	MPO		SKO		PNEL		Total	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000	**2019 RM'000**	2018 RM'000	**2019 RM'000**	2018 RM'000
Assets and liabilities								
Cash and cash equivalents	**255**	334	**5,420**	16,383	**32**	-	**5,707**	16,717
Trade receivables	**11,083**	17,053	**11,221**	5,876	**9,064**	-	**31,368**	22,929
Current assets	**11,338**	17,387	**16,641**	22,259	**9,096**	-	**37,075**	39,646
Non-current assets	**22,696**	24,322	**51,252**	55,795	**45,445**	-	**119,393**	80,117
Total assets	**34,034**	41,709	**67,893**	78,054	**54,541**	-	**156,468**	119,763
Current liabilities	**(36,589)**	(38,063)	**(28,670)**	(29,061)	**(11,095)**	-	**(76,354)**	(67,124)
Non-current liabilities	**(62,009)**	(64,638)	**(9,977)**	(19,459)	**(48,673)**	-	**(120,659)**	(84,097)
Total liabilities	**(98,598)**	(102,701)	**(38,647)**	(48,520)	**(59,768)**	-	**(197,013)**	(151,221)
Net (liabilities)/assets	**(64,564)**	(60,992)	**29,246**	29,534	**(5,227)**	-	**(40,545)**	(31,458)
Proportion of the Group's ownership	**50%**	50%	**40%**	40%	**51%**	-		
Share of net (liabilities)/assets	**(32,282)**	(30,496)	**11,698**	11,814	**(2,666)**	-	**(23,250)**	(18,682)
Joint venture's losses in excess of equity interest	**32,282**	30,496	**-**	-	**-**	-	**32,282**	30,496
	-	-	**11,698**	11,814	**(2,666)**	-	**9,032**	11,814

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7 Joint ventures (cont'd)

Statement of profit or loss and other comprehensive income

	MPO		SKO		PNEL		Total	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000	**2019 RM'000**	2018 RM'000	**2019 RM'000**	2018 RM'000
Income and expenses								
Revenue	**3,697**	3,121	**14,157**	11,242	**5,739**	-	**23,593**	14,363
Operating expenses	**(226)**	(51)	**(9,638)**	(7,186)	**(624)**	-	**(10,488)**	(7,237)
Depreciation and amortisation	**(1,389)**	(339)	**(4,543)**	(4,543)	**(552)**	-	**(6,484)**	(4,882)
Interest income	**-**	-	**315**	10	**-**	-	**315**	10
Interest expense	**(4,126)**	(1,010)	**(703)**	(1,157)	**(435)**	-	**(5,264)**	(2,167)
(Loss)/Profit before taxation	**(2,044)**	1,721	**(412)**	(1,634)	**4,128**	-	**1,672**	87
Taxation	**(1)**	-	**-**	(905)	**-**	-	**(1)**	(905)
(Loss)/Profit for the year	**(2,045)**	1,721	**(412)**	(2,539)	**4,128**	-	**1,671**	(818)
Total comprehensive (loss)/income for the year	**(2,045)**	1,721	**(412)**	(2,539)	**4,128**	-	**1,671**	(818)
Proportion of the Group's ownership	**50%**	50%	**40%**	40%	**51%**	-		
Share of post-tax (losses)/profits	**(1,022)**	861	**(164)**	(1,016)	**2,106**	-	**920**	(155)
Joint venture's losses in excess of equity interest	**1,022**	(861)	**-**	-	**-**	-	**1,022**	(861)
Net share of post-tax (losses)/profits	**-**	-	**(164)**	(1,016)	**2,106**	-	**1,942**	(1,016)

Reconciliation of summarised financial information presented to the carrying amount of the Group's investments in the joint ventures is as follows:

	MPO		SKO		PNEL		Total	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000	**2019 RM'000**	2018 RM'000	**2019 RM'000**	2018 RM'000
Share of net assets								
At 1 January	**19,322**	19,322	**11,221**	12,238	**-**	-	**30,543**	31,560
Investment in joint venture	**-**	-	**-**	-	**2**	-	**2**	-
(Loss)/Profit for the year	**-**	-	**(164)**	(1,016)	**2,106**	-	**1,942**	(1,016)
Exchange differences	**-**	-	**-**	(1)	**2**	-	**2**	(1)
At 31 December	**19,322**	19,322	**11,057**	11,221	**2,110**	-	**32,489**	30,543
Elimination of accumulated unrealised profits	**(19,322)**	(19,322)	**(8,197)**	(8,197)	**-**	-	**(27,519)**	(27,519)
Carrying amount of material joint venture	**-**	-	**2,860**	3,024	**2,110**	-	**4,970**	3,024
Carrying amount of immaterial joint ventures	**-**	-	**-**	-	**-**	-	**-**	-
Carrying amount of the Group's investments in joint ventures	**-**	-	**2,860**	3,024	**2,110**	-	**4,970**	3,024

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7 Joint ventures (cont'd)

The joint ventures had no contingent liabilities and capital commitments as at 31 December 2019 and 31 December 2018.

The Group has not recognised losses relating to MPO and BNI where its share of losses exceeds the Group's carrying amount of its investment in the joint venture. The Group's cumulative share of unrecognised losses were RM2,405,000 (2018: RM1,383,000). The Group has no obligation with respect to these losses.

8 Inventories

The Group	**2019 RM'000**	2018 RM'000
Raw materials	**5,314**	5,578
Work in progress	**118,227**	141,706
	123,541	147,284
Inventories recognised as an expense in cost of sales	**892**	144,052

Work in progress represents costs incurred for unsold vessels under construction.

The net realisable values of the vessels under construction are determined with reference to the valuation report prepared by a firm of independent professional valuers. The fair values are based on "as is, where is" sales at their current locations, between a willing buyer and a willing seller. The valuation is based on direct comparison method which involves the analysis of comparable sales of similar vessels and adjusting the sale prices to that reflective of the subject vessels. The estimates of fair value of vessels involves consideration of items such as actual recent sales of similar vessels, the vessel's age, market conditions, among others, which are unobservable inputs. The fair value measurement is categorised as Level 3 under the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9 Trade and other receivables

	The Group		The Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Non-current				
Trade receivables from a third party	**16,904**	17,081	**-**	-
Less: Allowance for impairment losses	**(16,904)**	(17,081)	**-**	-
	-	-	**-**	-
Current				
Trade receivables from third parties	**102,710**	61,046	**-**	-
Trade receivables from joint ventures	**12,224**	-	**-**	-
Less: Allowance for impairment losses	**(5,669)**	(7,356)	**-**	-
	109,265	53,690	**-**	-
Amounts due from subsidiaries (non-trade)	**-**	-	**123,293**	94,342
Amounts due from joint ventures (non-trade)	**33,425**	23,475	**-**	-
Deposits	**10,452**	20,394	**-**	-
Other receivables	**7,764**	4,746	**-**	-
Less: Allowance for impairment losses				
- amounts due from subsidiaries (non-trade)	**-**	-	**(123,293)**	(94,342)
- amounts due from joint ventures (non-trade)	**(15,616)**	(14,825)	**-**	-
- other receivables	**(1,797)**	(1,802)	**-**	-
	34,228	31,988	**-**	-
Total current	**143,493**	85,678	**-**	-
Financial assets at amortised cost	**143,493**	85,678		
Tax recoverable	**2,840**	1,064	**-**	-
Total trade and other receivables	**146,333**	86,742	**-**	-

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Malaysia ringgit	**140,940**	83,925	**-**	-
Singapore dollar	**92**	69	**-**	-
United States dollar	**5,301**	2,748	**-**	-
	146,333	86,742	**-**	-

The Group's trading terms with its customer are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Current trade receivables with credit period ranges from one to two months (2018: one to two months) are non-interest bearing.

Non-current trade receivables from a third party, which relate to the remaining balances of the selling prices of two vessels to a customer under a credit arrangement, are secured by a personal guarantee of the chairman of the customer, bear interest at a rate of 6% per annum and are to be settled on 1 July 2020. Interest income of RM1,031,000 (2018: RM1,005,000) was recognised for the year ended 31 December 2019. The non-current trade receivables are credit-impaired as at 31 December 2019 and 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9 Trade and other receivables (cont'd)

The non-trade amounts due from subsidiaries, comprising advances to and payments on behalf of the subsidiaries, are unsecured, interest-free and repayable on demand.

The non-trade amounts due from joint ventures, comprising mainly advances to Marco Polo Offshore (IV) Pte Ltd and Synergy Kenyalang Offshore Sdn. Bhd. of RM16,284,280 (2018: RM8,396,000) and RM7,087,029 (2018: RM227,000), respectively, are unsecured, bear interest at 7.25% (2018: 7.25%) per annum, and are repayable on demand.

Trade and other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that have difficulty in settling their debts. Trade and other receivables that are impaired are not secured by any collateral or credit enhancements.

The ageing analysis of trade receivables are as follows:

The Group	2019 RM'000	2018 RM'000
Not impaired:		
Not past due	**31,447**	16,701
Past due 1 to 3 months	**61,252**	35,454
Past due 3 to 6 months	**13,022**	-
Past due more than 6 months	**3,544**	1,535
	109,265	53,690
More than 6 months past due and impaired	**22,573**	24,437
	131,838	78,127

Movement in the allowance for impairment of trade receivables is as follows:

The Group	2019 RM'000	2018 RM'000
Trade receivables – nominal amounts	**22,573**	24,437
Less: Allowance for impairment		
- At 1 January	**(24,437)**	(9,378)
- Impairment losses recognised	**(2,501)**	(21,155)
- Impairment losses reversed	**4,172**	4,433
- Allowance utilised	**-**	1,668
- Exchange differences	**193**	(5)
- At 31 December	**(22,573)**	(24,437)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9 Trade and other receivables (cont'd)

Movement in allowance for impairment of other receivables is as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Other receivables – nominal amounts	**17,413**	16,627	**123,293**	94,342
Less: Allowance for impairment				
- At 1 January	**(16,627)**	(63,992)	**(94,342)**	(23,094)
- Impairment losses recognised	**(789)**	(1,802)	**(28,951)**	(71,248)
- Impairment losses reversed	**5**	-	**-**	-
- Allowance utilised	**-**	49,167	**-**	-
- Exchange differences	**(2)**	-	**-**	-
- At 31 December	**(17,413)**	(16,627)	**(123,293)**	(94,342)
	-	-	**-**	-

10 Prepayments

The prepayments mainly relate to prepaid amounts to suppliers to secure the purchase of inventories and for operating expenses.

During the financial year ended 31 December 2019, prepayments of RM878,000 (2018: RM4,166,000) were written off due to non-fulfilment of intended purchase of raw materials.

11 Cash and bank balances and fixed deposits

	The Group		The Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Cash in banks	**46,406**	68,739	**95**	318
Cash on hand	**84**	69	**-**	-
Cash and bank balances	**46,490**	68,808	**95**	318
Fixed deposits	**988**	40,872	**-**	-
	47,478	109,680	**95**	318

The Group's fixed deposits mature on varying dates between 1 day and 1 month (2018: 1 day and 1 month) from the end of the reporting period. The interest rates on the fixed deposits range from 0.2% to 3.1% (2018: 0.2% to 3.1%) per annum.

As at 31 December 2019, the Group's fixed deposits of RM271,000 (2018: RM2,971,000) were pledged as security for bankers' guarantees granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 Cash and bank balances and fixed deposits (cont'd)

Cash and bank balances and fixed deposits are denominated in the following currencies:

	The Group		The Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Cash and bank balances				
Malaysia ringgit	**35,088**	17,557	**-**	-
Singapore dollar	**2,016**	14,603	**95**	318
United States dollar	**9,298**	36,587	**-**	-
Euro	**52**	21	**-**	-
Japanese yen	**22**	38	**-**	-
Others	**14**	2	**-**	-
	46,490	68,808	**95**	318
Fixed deposits				
Malaysia ringgit	**988**	40,872	**-**	-
	47,478	109,680	**95**	318

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2019	2018
The Group	**RM'000**	RM'000
Cash and bank balances	**46,490**	68,808
Fixed deposits	**988**	40,872
	47,478	109,680
Less: Fixed deposits pledged	**(271)**	(2,971)
	47,207	106,709

12 Share capital and share premium

Share capital

	2019	2018	**2019**	2018
	'000	'000	**RM'000**	RM'000
The Group and the Company	Number of ordinary shares			
Authorised share capital				
Ordinary shares	**12,000,000**	12,000,000	**163,145**	163,145
Issued and fully paid				
At 1 January	**7,024,619**	2,103,144	**3,417**	81,192
Issuance of term loan shares	**126,358**	-	**67**	-
Issuance of non-sustainable debt shares	**-**	3,348,251	**-**	1,772
Issuance of rights shares	**-**	1,573,224	**-**	833
Capital reorganisation	**-**	-	**-**	(80,380)
At 31 December	**7,150,977**	7,024,619	**3,484**	3,417

The ordinary shares of the Company have par value of HK$0.001 each.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 Share capital and share premium (cont'd)

During the financial year ended 31 December 2018, the Company completed:

- a capital reorganisation by reducing the par value of each ordinary share of the Company from HK$0.10 to HK$0.001. The rationale for the capital reorganisation is to provide the Company with greater flexibility to issue new shares in the future for raising fund and facilitate corporate actions which may require the issuance of new shares. The credit amount of RM80,380,000 arising from the capital reorganisation was transferred to the accumulated losses of the Group and the Company;
- a rights issue of 1,573,224,089 new ordinary shares in the capital of the Company at an issue price of S$0.014 for each share, with RM833,000 and RM65,172,000 credited to share capital and share premium, respectively; and
- issuance of 3,348,250,793 new ordinary shares in the capital of the Company at an issue price of S$0.015 for each share in settlement of the non-sustainable debt pursuant to the debt restructuring exercise, with RM1,772,000 and RM150,277,000 credited to share capital and share premium, respectively.

On 18 January 2019, pursuant to the terms of the Schemes of Arrangement, an aggregate of 126,358,100 Term Loan Shares were issued and allotted by the Company for Review Year 1 in relation to the Interest Periods from 1 January 2018 to 30 June 2018 and from 1 July 2018 to 31 December 2018.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share without restriction at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Share premium

	The Group		The Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**297,796**	82,347	**297,796**	82,347
Issuance of term loan shares	**2,621**	-	**2,621**	-
Issuance of non-sustainable debt shares	**-**	150,277	**-**	150,277
Issuance of rights shares	**-**	65,172	**-**	65,172
At 31 December	**300,417**	297,796	**300,417**	297,796

Share premium is the amount subscribed for ordinary shares in the capital of the Company in excess of the nominal value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13 Treasury shares

	2019	2018	2019	2018
	'000	'000	RM'000	RM'000
The Group and the Company	Number of ordinary shares			
At 1 January and 31 December	6,678	6,678	4,097	4,097

The Company acquired its own shares for subsequent issue pursuant to grant of share awards granted under the Nam Cheong Group 2013 Share Grant Plan (the "2013 Plan") which was terminated and replaced with Nam Cheong Management Incentive Plan (the "NCMI Plan") in August 2018. As at 31 December 2019 and 31 December 2018, the amount in Treasury Shares relates to the excess of the price paid to acquire treasury shares and the amount reversed from treasury shares upon grant of the share awards.

14 Reserves

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Foreign currency translation reserve	316,575	290,996	-	-
Fair value reserve	(4,401)	(4,401)	-	-
Capital surplus	-	-	778,608	778,608
	312,174	286,595	778,608	778,608

Foreign currency translation reserve
Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations.

Fair value reserve
Fair value reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income until the assets are derecognised or impaired.

Capital surplus
Capital surplus represents the difference arising from the reverse takeover exercise in 2011.

15 Deferred tax liabilities

The Group	2019 RM'000	2018 RM'000
At 1 January	220	220
Recognised in profit or loss (Note 22)	372	-
At 31 December	592	220

The deferred tax liabilities relate to temporary differences on property, plant and equipment.

As at 31 December 2019 and 31 December 2018, there were no undistributed earnings related to subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16 Borrowings

	Year of maturity	Currency	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Bilateral facilities	2020	RM	**46,306**	50,617	**-**	-
debt (secured)		USD	**49,730**	50,253	**-**	-
			96,036	100,870	**-**	-
Term loan	2021 to 2024	RM	**123,530**	123,530	**-**	-
(unsecured)		SGD	**592,218**	594,882	**662,954**	661,623
		USD	**188,257**	190,234	**8,511**	8,600
			904,005	908,646	**671,465**	670,223
Lease liability	2025	RM	**1,239**	-	**-**	-
			1,001,280	1,009,516	**671,465**	670,223
Represented by:						
Non-current			**905,072**	1,009,516	**671,465**	670,223
Current			**96,208**	-	**-**	-
			1,001,280	1,009,516	**671,465**	670,223

Schemes of Arrangement

During the financial year ended 31 December 2018, the Group concluded the debt restructuring exercise via Schemes of Arrangement. The Group and the Company obtained creditors' approval for the Schemes on 22 January 2018 and 24 January 2018, respectively, upon which the Group and the Company applied to The High Court of the Republic of Singapore and The High Court of Malaya for the sanction of the Schemes. The NCD Scheme and NCI Scheme were sanctioned by the Malaysia Court on 12 July 2018, subsequent to which the NCL Scheme was sanctioned by the Singapore Court on 3 August 2018. On 20 August 2018, the NCL Scheme was approved by the Company's shareholders at a Special General Meeting for *inter alia* the issuance of new shares pursuant to the restructuring.

Following the issuance and allotment of the Rights Shares and Non-sustainable Debt Shares by the Company on 26 September 2018, and together with the payment by the Company under the Cash Out Option to eligible creditors pursuant to the Schemes on 28 September 2018, the Group and the Company have fulfilled the necessary steps to implement the Schemes.

Non-sustainable Debt

Each Non-sustainable Debt Share is allotted and issued at a conversion price of S$0.045. Pursuant to the Schemes, an aggregate of 3,348,250,793 Non-Sustainable Debt Shares were allotted and issued. Based on the market price of the Company's shares of S$0.015 per share, a gain on extinguishment of debt of RM348,378,000 was recognised in profit or loss for the financial year ended 31 December 2018 (Note 19).

Sustainable Debt

US$221,619,000 of the Sustainable Debt was restructured as Term Loan. The tenor of the Term Loan is from 1 January 2018 to 31 December 2024. Interest is charged at 4% per annum. There will be no repayment of the principal from 2018 to 2020. The principal shall be repaid in eight half-yearly instalments from 2021 to 2024 in the percentage of 10%, 20%, 30% and 40%, respectively. As the Term Loan is repayable from 2021 to 2024, with no repayment on demand clauses, the amount is classified as non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16 Borrowings (cont'd)

Borrowings are secured by the underlying assets, comprising leasehold land (2018: prepaid land lease payments), buildings and vessels with carrying amount of RM6,140,000 (2018: RM6,300,000), RM1,217,000 (2018: RM nil) and RM82,229,000 (2018: 87,643,000), respectively.

Borrowings bear effective interest rates per annum ranging as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	%	%	**%**	%
Bilateral facilities debt	**4.36 to 6.45**	4.36 to 6.45	**-**	-
Term loan	**4.0**	4.0	**4.0**	4.0
Lease liability	**5.5**	-	**-**	-

The maturities of the borrowings at the end of the reporting period are as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Due not later than one year	**96,208**	-	**-**	-
Due later than one year and not later than two years	**90,610**	100,870	**67,147**	-
Due later than two years and not later than five years	**814,350**	545,188	**604,318**	402,134
Due later than five years	**112**	363,458	**-**	268,089
	1,001,280	1,009,516	**671,465**	670,223

17 Trade and other payables

	The Group		The Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Non-current				
Trade payables - third parties	**185,525**	141,185	**-**	-
Other payable	**2,471**	2,526	**-**	-
	187,996	143,711	**-**	-
Current				
Trade payables - third parties	**261,482**	252,758	**-**	-
Accrued expenses	**4,778**	6,828	**821**	1,036
Deposits received	**16,384**	16,551	**-**	-
Other payables	**8,078**	7,664	**12**	75
Amounts due to subsidiaries (non-trade)	**-**	-	**49,374**	24,293
Amounts due to joint ventures (trade)	**31,195**	13,721	**-**	-
Amounts due to joint ventures (non-trade)	**38**	-	**-**	-
Interest payable	**6,224**	8,538	**4,272**	7,938
	328,179	306,060	**54,479**	33,342
Financial liabilities at amortised cost	**516,175**	449,771	**54,479**	33,342
Dividend payable	**146**	146	**146**	146
	516,321	449,917	**54,625**	33,488
Comprising:				
Non-current	**187,996**	143,711	**-**	-
Current	**328,325**	306,206	**54,625**	33,488
	516,321	449,917	**54,625**	33,488

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17 Trade and other payables (cont'd)

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Malaysia ringgit	**81,817**	56,117	**21,776**	10,426
Singapore dollar	**712**	1,363	**32,665**	22,890
United States dollar	**433,684**	391,787	**184**	172
Euro	**100**	134	**-**	-
Others	**8**	516	**-**	-
	516,321	449,917	**54,625**	33,488

Non-current trade payables bear interest at 6.5% per annum and are due for payment from 1 March 2020 to 21 December 2023.

Current trade payables are non-interest bearing and the trade credit terms granted to the Group range from 30 to 60 days (2018: 30 to 60 days).

Other payables are non-interest bearing and are settled on an average period of six months (2018: six months).

The non-trade amounts due to subsidiaries, comprising advances from and payments made on behalf by the subsidiaries, are unsecured, interest-free and repayable on demand.

The non-current other payable, which constitutes a government grant, is payable to the Government of Malaysia for the Group's leasehold land which may be waived subject to the satisfaction of certain conditions.

18 Revenue

	2019	2018
The Group	**RM'000**	RM'000
Shipbuilding	**-**	195,340
Time chartering	**282,975**	132,513
Bareboat chartering	**2,387**	2,009
	285,362	329,862

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19 Other income

The Group	2019 RM'000	2018 RM'000
Foreign exchange gain, net	-	43,610
Forfeiture deposit received	-	807
Gain on extinguishment of debts	-	348,378
Gain on waiver of debts	**57,002**	632,924
Interest income	**3,112**	1,845
Miscellaneous income	**3,769**	5,137
Rental income from investment properties	-	378
Reversal of impairment loss on associate	-	8,682
Reversal of provision for financial guarantee	-	32,380
Reversal of write-down on inventories	**11,921**	-
	75,804	1,074,141

20 Finance costs

The Group	2019 RM'000	2018 RM'000
Interest expenses		
- Bilateral facilities debt	**2,094**	2,398
- Term loan	**38,982**	23,405
- Lease liability	**23**	-
	41,099	25,803

21 Profit before taxation

The Group	2019 RM'000	2018 RM'000
Profit before taxation is arrived at after charging:		
Audit fees		
- auditor of the Company	**250**	268
- other auditors	**155**	146
Amortisation of prepaid land lease payments (Note 4)	-	270
Depreciation of property, plant and equipment (Note 3)	**30,107**	17,370
Operating lease expense	-	707
Employee benefits expense		
- salaries, wages and other benefits	**17,120**	13,957
- defined contribution plans	**1,228**	944
- share grant expense	**759**	592
Impairment losses on other investments	-	2,707
Impairment losses on property, plant and equipment (Note 3)	-	15,287
Loss on disposal of property, plant and equipment	-	5
Plant and equipment written off	**12**	363
Prepayments written off	**878**	4,166
Restructuring expenses	**1,240**	8,025
Write-down on inventories	-	403

Employee benefits expense includes the remuneration of directors and other key management personnel as disclosed in Note 24 to the financial statements.

22 Taxation

The Group	2019 RM'000	2018 RM'000
Current taxation		
- Current year	**2,336**	314
- Changes in estimates in respect of prior years	**403**	-
	2,739	314
Deferred taxation (Note 15)		
- Current year	**372**	-
	3,111	314

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the applicable rate of income tax on profits as a result of the following:

The Group	2019 RM'000	2018 RM'000
Profit before taxation	**68,329**	1,036,971
Share of results of equity-accounted associate and joint ventures	**2,445**	10,650
	70,774	1,047,621
Tax at statutory rates applicable to different jurisdictions	**672**	85,763
Expenses not deductible for tax purposes	**9,846**	11,613
Income not subject to tax	**(6,752)**	(129,812)
Utilisation of previously unrecognised tax losses	**(2,448)**	-
Deferred tax assets not recognised	**1,254**	32,746
Changes in estimates of current taxation in respect of prior years	**403**	-
Others	**136**	4
	3,111	314

Non-taxable income mainly relates to extinguishment and waiver of debts. Non-deductible expenses mainly relate to depreciation of non-qualifying property, plant and equipment.

Singapore
The corporate income tax rate applicable to the Company and Singapore-incorporated subsidiaries is 17% (2018: 17%) for the financial year ended 31 December 2019.

Malaysia
The corporate income tax rate applicable to the subsidiaries incorporated in Malaysia is 24% (2018: 24%) for the financial year ended 31 December 2019.

The corporate income tax rate applicable to the subsidiaries incorporated in the Federal Territory of Labuan, Malaysia is 3% (2018: 3%) for the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

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22 Taxation (cont'd)

Unrecognised deferred tax assets

The Group	2019 RM'000	2018 RM'000
At 1 January	**78,997**	46,251
Deferred tax assets not recognised	**1,254**	32,746
Utilisation of previously unrecognised deferred tax assets	**(2,448)**	-
At 31 December	**77,803**	78,997

The unrecognised deferred tax assets are attributable to the following temporary differences:

The Group	2019 RM'000	2018 RM'000
Unused tax losses	**72,013**	70,759
Unabsorbed capital allowances	**5,790**	8,238
	77,803	78,997

As at 31 December 2019, the Group has unused tax losses of approximately RM289,854,000 (2018: RM311,076,000) and unabsorbed capital allowances of approximately RM34,326,000 (2018: RM34,326,000). The unused tax losses and unabsorbed capital allowances are allowed to be carried forward and used to offset against future taxable profits of the subsidiaries in which the items arose, subject to agreement by the relevant tax authorities and compliance with the applicable tax regulations in the respective countries in which the Company and its subsidiaries operate. Deferred tax assets have not been recognised in respect of these items due to the uncertainty whether future taxable profits will be available against which the Company and its subsidiaries can utilise the benefits. The unused tax losses and unabsorbed capital allowances have no expiry date.

23 Earnings per share

Basic earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders of RM64,353,000 (2018: RM1,032,956,000), and a weighted average number of ordinary shares outstanding of 7,136,337,000 (2018: 3,404,365,000), calculated as follows:

Weighted average number of ordinary shares

The Group	2019 '000	2018 '000
Issued ordinary shares at beginning of year (Note 12)	**7,024,619**	2,103,144
Effect of ordinary shares issued during the year	**111,718**	1,301,221
Weighted average number of ordinary shares	**7,136,337**	3,404,365

23 Earnings per share (cont'd)

Diluted earnings per share

The calculation of diluted earnings per share was based on the profit attributable to ordinary shareholders of RM64,353,000 (2018: RM1,032,956,000), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 7,264,679,000 (2018: 3,404,365,000), calculated as follows:

Weighted average number of ordinary shares

The Group	2019 '000	2018 '000
Weighted average number of ordinary shares (basic)	**7,136,337**	3,404,365
Effect of contingently issuable shares	**128,342**	-
Weighted average number of ordinary shares (diluted)	**7,264,679**	3,404,365

Contingently issuable shares relate to term loan shares to be issued as interest pursuant to the terms of the Schemes of Arrangement.

24 Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following are transactions with related parties made at terms agreed between the parties:

The Group	2019 RM'000	2018 RM'000
Joint venture		
- interest income	**1,130**	931
Other related parties in which directors and key management have interest		
- purchases *	**448**	177
- rental expense	**919**	565

* Mr Tiong Chiong Soon, a key executive of the Company and the son of Tan Sri Datuk Tiong Su Kouk, has a direct interest of more than 30% in Top Line Works (2008) Sdn. Bhd. ("TLW"). During the financial year, Nam Cheong Dockyard Sdn. Bhd., a subsidiary of the Company, purchased shipbuilding materials from TLW. As at 31 December 2019 and 31 December 2018, there was no outstanding amount due to TLW.

The directors are of the opinion that all the transactions above have been entered in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with third parties.

The remuneration of directors and other members of key management during the financial year are as follows:

The Group	2019 RM'000	2018 RM'000
Short-term employee benefits	**6,772**	6,290
Post-employment benefits	**122**	93
Share grant plan	**455**	414
	7,349	6,797

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24 Significant related party transactions (cont'd)

These include the following directors' remuneration:

The Group	2019 RM'000	2018 RM'000
Directors of the Company	**4,213**	4,389
Directors of subsidiaries	**24**	6
	4,237	4,395

25 Capital commitments

Capital expenditure contracted for at end of the reporting period but not recognised in the financial statements are as follows:

The Group	2019 RM'000	2018 RM'000
Vessel	**150,325**	144,231
Other property, plant and equipment	**-**	3,604
	150,325	147,835

26 Leases

Where the Group is the lessee,

The Group leases office, warehouse and factory facilities. The leases typically run for a period of one to three years, with an option to renew the lease after that date. Lease payments are renegotiated every few years to reflect market rentals. There are no externally imposed covenants on the lease arrangements.

The office, warehouse and factory leases were entered into as leases of buildings. The Group also leases four plots of land which have a remaining tenure of 3 to 45 years (2018: 4 to 46 years). Previously, these leases were classified as operating leases under IAS 17.

The Group leases office equipment with contract terms of one to three years. These leases are short-term or are leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets relate to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 3).

The Group	Leasehold land RM'000	Buildings RM'000
At 1 January 2019	**6,863**	**-**
Additions to right-of-use assets	**-**	**1,292**
Depreciation charge for the year	**(270)**	**(75)**
At 31 December 2019	**6,593**	**1,217**

26 Leases (cont'd)

Where the Group is the lessee, (cont'd)

Amounts recognised in profit or loss under IFRS 16 are as follows:

The Group	2019 RM'000
Interest on lease liability (Note 20)	**23**
Expenses relating to short-term leases	**883**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**43**

At the end of the reporting period, the Group was committed to making the following minimum lease payments in respect of non-cancellable operating lease of office premises:

The Group	2019 RM'000	2018 RM'000
Not later than one year	**234**	75

Where the Group is the lessor,

Operating lease

The Group leases out its vessels under bareboat charter. The Group has classified these leases as operating leases, because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the end of the reporting period.

The Group	RM'000
2019	
Less than one year	**39**
2018	
Less than one year	39

The other leases are primarily for a period of 10 to 30 days with daily extension, for which the lease payments have been fully received or included in trade receivables at the end of the reporting period.

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27 Operating segments

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

(i) Shipbuilding; and
(ii) Vessel chartering.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss before tax. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Income taxes are managed by the management of respective entities within the Group.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense.

Inter segment sales and transfers are carried out on arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and exclude income tax recoverable and deferred tax assets. Segment liabilities comprise operating liabilities and exclude items such as income tax payable and deferred tax liabilities.

Segment additions to non-current assets is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

27 Operating segments (cont'd)

The Group	Shipbuilding 2019 RM'000	Shipbuilding 2018 RM'000	Chartering 2019 RM'000	Chartering 2018 RM'000	Others 2019 RM'000	Others 2018 RM'000	Eliminations 2019 RM'000	Eliminations 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Revenue										
- External revenue	**-**	195,340	**285,362**	134,522	**-**	-	**-**	-	**285,362**	329,862
Results										
Operating profit/(loss)	**39,738**	665,077	**77,532**	14,002	**(5,397)**	394,345	**-**	-	**111,873**	1,073,424
Finance costs	**(31,037)**	(34,379)	**(15,319)**	(5,128)	**(17,659)**	(16,066)	**22,916**	29,770	**(41,099)**	(25,803)
Share of results of associate	**-**	-	**-**	-	**(4,387)**	(9,634)	**-**	-	**(4,387)**	(9,634)
Share of results of joint ventures	**-**	-	**-**	-	**1,942**	(1,016)	**-**	-	**1,942**	(1,016)
Profit/(Loss) before tax	**8,701**	630,698	**62,213**	8,874	**(25,501)**	367,629	**22,916**	29,770	**68,329**	1,036,971
Profit or loss										
Amortisation of prepaid land lease payments	**-**	(162)	**-**	(108)	**-**	-	**-**	-	**-**	(270)
Depreciation of property, plant and equipment	**(1,884)**	(1,662)	**(28,346)**	(15,696)	**(231)**	(760)	**354**	748	**(30,107)**	(17,370)
Gain on extinguishment of debts	**-**	-	**-**	-	**-**	348,378	**-**	-	**-**	348,378
Gain on waiver of debts	**56,973**	632,924	**-**	-	**31,018**	-	**(30,989)**	-	**57,002**	632,924
Impairment loss on associate reversed	**-**	-	**-**	-	**-**	8,682	**-**	-	**-**	8,682
Impairment losses on other investments	**-**	-	**-**	-	**-**	(2,707)	**-**	-	**-**	(2,707)
Impairment losses on property, plant and equipment	**-**	(12,905)	**-**	(2,382)	**-**	-	**-**	-	**-**	(15,287)
Impairment losses on trade and other receivables (made)/reversed	**(423)**	(8,189)	**1,310**	(10,335)	**-**	-	**-**	-	**887**	(18,524)
Interest income	**1,279**	5,164	**1,830**	1,423	**20,552**	29,235	**(20,549)**	(33,977)	**3,112**	1,845
Loss on disposal of property, plant and equipment	**-**	(5)	**-**	-	**-**	-	**-**	-	**-**	(5)
Plant and equipment written off	**(12)**	-	**-**	-	**-**	(363)	**-**	-	**(12)**	(363)
Prepayments written off	**(878)**	(4,166)	**-**	-	**-**	-	**-**	-	**(878)**	(4,166)
Provision for financial guarantee reversed	**-**	-	**-**	-	**-**	32,380	**-**	-	**-**	32,380
Restructuring expenses	**-**	(1,733)	**-**	-	**(1,240)**	(6,292)	**-**	-	**(1,240)**	(8,025)
Write-down on inventories reversed/(made)	**11,921**	(403)	**-**	-	**-**	-	**-**	-	**11,921**	(403)

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27 Operating segments (cont'd)

The Group	Shipbuilding 2019 RM'000	Shipbuilding 2018 RM'000	Chartering 2019 RM'000	Chartering 2018 RM'000	Others 2019 RM'000	Others 2018 RM'000	Eliminations 2019 RM'000	Eliminations 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Assets and liabilities										
Additions to non-current assets	**17**	1,445	**81,957**	260,780	**12**	1,041	**-**	-	**81,986**	263,266
Investment in associate	**-**	-	**-**	-	**18,501**	22,888	**-**	-	**18,501**	22,888
Investments in joint ventures	**-**	-	**-**	-	**4,970**	3,456	**-**	(432)	**4,970**	3,024
Segment assets	**60,790**	585,807	**1,538,348**	887,226	**15,718**	343,779	**(458,673)**	(815,623)	**1,156,183**	1,001,189
Segment liabilities	**2,396,151**	2,617,424	**1,584,427**	890,834	**903,373**	999,107	**(3,363,548)**	(3,047,712)	**1,520,403**	1,459,653

NOTES TO THE FINANCIAL STATEMENTS

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27 Operating segments (cont'd)

For management purposes, revenue and non-current assets are grouped into the country or region that exhibit similar economic environment. Revenue and non-current assets information based on the geographical location of customers and assets respectively is as follows:

The Group	2019 RM'000	2018 RM'000
Revenue		
Malaysia	**285,362**	132,678
Marshall Islands	**-**	96,487
United Kingdom	**-**	100,697
	285,362	329,862

The Group	2019 RM'000	2018 RM'000
Non-current assets		
Malaysia	**832,582**	644,939
Singapore	**867**	1,085
	833,449	646,024

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

The Group	2019 RM'000	2018 RM'000
Property, plant and equipment	**809,978**	613,249
Prepaid land lease payments	**-**	6,863
Associate	**18,501**	22,888
Joint ventures	**4,970**	3,024
	833,449	646,024

Major customers

Details of customers which individually contributed 10 percent or more of the Group's total revenue are as follows:

During the financial year ended 31 December 2018, revenue from two customers in respect of the Group's shipbuilding segment amounted to RM195,340,000. There was no shipbuilding revenue for the financial year ended 31 December 2019.

During the financial year ended 31 December 2019, revenue from one customer (2018: two customers) in respect of the Group's chartering segment amounted to RM118,980,000 (2018: RM90,638,000).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28 Financial risk management

The Group's and the Company's risk management policies set out the overall business strategies and their risk management philosophy. The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risks. Market risk exposures are measured using sensitivity analysis for interest rate risk (Note 28.3) and foreign currency risk (Note 28.4).

The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

28.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group adopts the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made upfront by customers which do not meet the Group's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. Through on-going credit monitoring and existing collection procedures in place, credit risk is mitigated substantially.

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of their creditworthiness and in accordance with the Group's policy.

The Group's trade receivables comprise four major debtors (2018: one major debtor) that represented 51% (2018: 10%) of net trade receivables.

28 Financial risk management (cont'd)

28.1 Credit risk (cont'd)

The Group and the Company have trade and other receivables and cash and bank balances and fixed deposits that are subject to the expected credit loss model. While other receivables and cash and bank balances and fixed deposits are subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECLs") which uses a lifetime ECL allowance for all trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the trade receivables. The Group has identified the GDP and the unemployment rate of the countries in which it operates to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

The Group	Current RM'000	Past due 1 to 90 days RM'000	Past due 91 to 180 days RM'000	Past due more than 180 days RM'000	Total RM'000
2019					
Gross carrying amount	**31,447**	**61,252**	**13,022**	**26,117**	**131,838**
Expected credit loss rate	**-**	**-**	**-**	**86%**	
Loss allowance	**-**	**-**	**-**	**22,573**	**22,573**
2018					
Gross carrying amount	16,701	35,454	-	25,972	78,127
Expected credit loss rate	-	-	-	94%	
Loss allowance	-	-	-	24,437	24,437

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group.

Further details of credit risks on trade and other receivables are disclosed in Note 9.

Other receivables

Loss allowance for other receivables is measured at an amount equal to 12-month ECLs. The ECLs on other receivables are estimated by reference to track record of the counterparties, their business and financial conditions where information is available, and knowledge of any events or circumstances impeding recovery of the amounts. At the end of the reporting period, no loss allowance for other receivables was required.

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28 Financial risk management (cont'd)

28.1 Credit risk (cont'd)

Amounts due from subsidiaries (non-trade)

Non-trade amounts due from subsidiaries have been fully impaired taking into account the finances, business performance, and a forward-looking analysis of the financial performance of the business activities undertaken by the subsidiaries.

Bank balances and fixed deposits

Bank balances and fixed deposits are held with financial institutions of high credit rating for which no material credit losses are expected to be incurred.

Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

28.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

The Group	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000
2019					
Bilateral facilities debt (Note 16)	**96,036**	**101,104**	**101,104**	**-**	**-**
Term loan (Note 16)	**904,005**	**1,039,605**	**36,160**	**1,003,445**	**-**
Lease liability (Note 16)	**1,239**	**1,437**	**234**	**1,088**	**115**
Trade and other payables (Note 17)	**516,175**	**516,175**	**328,179**	**187,996**	**-**
	1,517,455	**1,658,321**	**465,677**	**1,192,529**	**115**
2018					
Bilateral facilities debt (Note 16)	100,870	126,599	5,417	79,209	41,973
Term loan (Note 16)	908,646	1,081,289	36,346	670,581	374,362
Trade and other payables (Note 17)	449,771	449,771	306,060	143,711	-
	1,459,287	1,657,659	347,823	893,501	416,335

28 Financial risk management (cont'd)

28.2 Liquidity risk (cont'd)

The Company	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	Between 1 and 5 years RM'000	Over 5 years RM'000
2019					
Term loan (Note 16)	**671,465**	**772,186**	**26,859**	**745,327**	**-**
Trade and other payables (Note 17)	**54,479**	**54,479**	**54,479**	**-**	**-**
	725,944	**826,665**	**81,338**	**745,327**	**-**
2018					
Term loan (Note 16)	670,223	797,565	26,809	494,624	276,132
Trade and other payables (Note 17)	33,342	33,342	33,342	-	-
	703,565	830,907	60,151	494,624	276,132

As disclosed in Note 2(e) to the financial statements, the directors are satisfied that the Group and the Company will have sufficient working capital and financial resources to meet their obligations as and when they fall due for the next twelve months from the end of the reporting period.

28.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from bilateral facilities debt and bank balances at floating rates. Term loan, lease liability and fixed deposits bear interest at fixed rates. All other financial assets and liabilities are interest-free.

At the end of the reporting period, the carrying amount of the interest-bearing financial instruments is as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Fixed rate instruments				
Financial assets				
- fixed deposits	**988**	40,872	**-**	-
Financial liabilities				
- term loan	**(904,005)**	(908,646)	**(671,465)**	(670,223)
- lease liability	**(1,239)**	-	**-**	-
	(905,244)	(908,646)	**(671,465)**	(670,223)
	(904,256)	(867,774)	**(671,465)**	(670,223)
Variable rate instruments				
Financial assets				
- bank balances	**46,406**	68,739	**95**	318
Financial liabilities				
- bilateral facilities debt	**(96,036)**	(100,870)	**-**	-
	(49,630)	(32,131)	**95**	318

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28 Financial risk management (cont'd)

28.3 Interest rate risk (cont'd)

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At the end of the reporting period, if interest rates on variable rate borrowings had been 50 (2018: 50) basis points higher/lower with all other variables held constant, the Group's profit net of tax and equity would have been RM248,000 (2018: RM161,000) lower/higher, arising mainly as a result of higher/lower interest expenses on floating rate bilateral facilities debt, offset by higher/lower interest income from floating rate bank balances.

The magnitude represents management's assessment of the likely movement in interest rates under normal economic conditions. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

28.4 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies.

The Group and the Company have transactional currency exposures arising from transactions that are denominated in a currency other than the respective functional currencies of group entities, primarily Malaysia ringgit and United States dollar. The foreign currency in which these transactions are denominated is primarily Singapore dollar. Consequently, the Group is exposed to movements in foreign currency exchange rates.

The Group's and the Company's exposures in financial instruments to Singapore dollar (excluding those group entities which have Singapore dollar as functional currency) are mainly as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Trade and other receivables	**3**	3	**-**	-
Cash and bank balances	**1,439**	13,240	**95**	318
Borrowings	**(592,218)**	(594,882)	**(662,954)**	(661,623)
Trade and other payables	**(304)**	(879)	**(32,665)**	(22,890)
Net exposure	**(591,080)**	(582,518)	**(695,524)**	(684,195)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28 Financial risk management (cont'd)

28.4 Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Singapore dollar ("SGD") exchange rate (against Malaysia ringgit), with all other variables held constant, of the Group's profit net of tax and equity.

		2019 RM'000	2018 RM'000
The Group			
SGD	- strengthened 5% (2018: 5%)	**(29,554)**	(29,126)
	- weakened 5% (2018: 5%)	**29,554**	29,126
The Company			
SGD	- strengthened 5% (2018: 5%)	**(34,776)**	(34,210)
	- weakened 5% (2018: 5%)	**34,776**	34,210

29 Capital management

The Group's and the Company's objectives when managing capital are:

(a) To safeguard the Group's and the Company's ability to continue as going concern;
(b) To support the Group's and the Company's stability and growth;
(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
(d) To provide an adequate return to shareholders.

The Group and the Company review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company, and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Group and the Company are not subject to externally imposed capital requirements.

No gearing ratio has been presented as the Group and the Company had a deficit in shareholders' funds at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30 Financial instruments

Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

The Group	Amortised cost RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2019			
Financial assets			
Trade and other receivables (Note 9)	**143,493**	**-**	**143,493**
Cash and bank balances and fixed deposits (Note 11)	**47,478**	**-**	**47,478**
	190,971	**-**	**190,971**
Financial liabilities			
Bilateral facilities debt (Note 16)	**-**	**96,036**	**96,036**
Term loan (Note 16)	**-**	**904,005**	**904,005**
Lease liability (Note 16)	**-**	**1,239**	**1,239**
Trade and other payables (Note 17)	**-**	**516,175**	**516,175**
	-	**1,517,455**	**1,517,455**
2018			
Financial assets			
Trade and other receivables (Note 9)	85,678	-	85,678
Cash and bank balances and fixed deposits (Note 11)	109,680	-	109,680
	195,358	-	195,358
Financial liabilities			
Bilateral facilities debt (Note 16)	-	100,870	100,870
Term loan (Note 16)	-	908,646	908,646
Trade and other payables (Note 17)	-	449,771	449,771
	-	1,459,287	1,459,287

The Company	Amortised cost RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2019			
Financial assets			
Cash and bank balances and fixed deposits (Note 11)	**95**	**-**	**95**
Financial liabilities			
Term loan (Note 16)	**-**	**671,465**	**671,465**
Trade and other payables (Note 17)	**-**	**54,479**	**54,479**
	-	**725,944**	**725,944**
2018			
Financial assets			
Cash and bank balances and fixed deposits (Note 11)	318	-	318
Financial liabilities			
Term loan (Note 16)	-	670,223	670,223
Trade and other payables (Note 17)	-	33,342	33,342
	-	703,565	703,565

30 Financial instruments (cont'd)

Fair values
The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

However, the Group and the Company do not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, comprising trade and other receivables, cash and bank balances and fixed deposits, bilateral facilities debt, and trade and other payables, are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group and the Company for similar financial instruments.

Fair value hierarchy
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

<u>Financial liabilities not measured at fair value but for which fair values are disclosed *</u>

The Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
2019					
Bilateral facilities debt	**-**	**-**	**86,617**	**86,617**	**96,036**
Term loan	**-**	**-**	**606,001**	**606,001**	**904,005**
	-	**-**	**692,618**	**692,618**	**1,000,041**
2018					
Bilateral facilities debt	-	-	65,797	65,797	100,870
Term loan	-	-	553,109	553,109	908,646
	-	-	618,906	618,906	1,009,516
The Company					
2019					
Term loan	**-**	**-**	**450,118**	**450,118**	**671,465**
2018					
Term loan	-	-	407,977	407,977	670,223

* Exclude financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term or repayable on demand nature and where the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30 Financial instruments (cont'd)

Impairment testing of non-financial assets based on fair value less costs of disposal

The following table shows the valuation technique and significant unobservable inputs used in measuring the fair value less costs of disposal of leasehold land, buildings and vessels classified as property, plant and equipment and inventories (work in progress).

	Valuation technique	**Inter-relationship between key unobservable inputs and fair value measurement**	**Significant unobservable inputs**
Vessels	Direct comparison method	The estimated fair value would increase/(decrease) if prices of comparable vessels were higher/(lower).	Prices of comparable vessels
Leasehold land	Direct comparison method	The estimated fair value would increase/(decrease) if price per square metre of comparable land was higher/(lower).	Price per square metre of comparable land
Buildings	Cost approach	- Price trend indexes - Obsolescence factor	The estimated fair value would increase/(decrease) if: - price trend indexes were higher/(lower); or - obsolescence factor was lower/(higher)

31 Events after the reporting period

On 3 January 2020, the Company announced that Nam Cheong Dockyard Sdn. Bhd. ("NCD"), a direct wholly-owned subsidiary of the Company, increased the issued and paid-up capital in a wholly-owned subsidiary, SKOM Sdn. Bhd., from RM2 to RM1,000,000.

Pursuant to the terms of the Schemes of Arrangement, an aggregate of 128,341,762 Term Loan Shares were issued and allotted by the Company on 12 February 2020 for Review Year 2 in relation to the Interest Periods from 1 January 2019 to 30 June 2019 and from 1 July 2019 to 31 December 2019. Following the allotment and issuance of the Term Loan Shares, the number of issued shares in the Company was increased from 7,144,298,867 to 7,272,640,629 shares (excluding 6,678,597 shares held in treasury).

On 9 March 2020, the Company granted 70,179,408 share awards to eligible employees of the Group under the NCMI Plan. 35,089,704 shares (representing 50%) shall vest on the date of the announcement of the audited financial statements for financial year ended 31 December 2019, and 35,089,704 shares (representing 50%) shall vest on the first anniversary of the announcement.

31 Events after the reporting period (cont'd)

On 10 March 2020, the Company announced that NCD acquired a 49% equity interest comprising 49,000 ordinary shares in SK Hull Sdn Bhd ("SKHull") from an individual who is a related party and interested person, for a total cash consideration of RM49,000. The objective of the acquisition is to enable the Group to explore and diversify into the provision of services related to Engineering Procurement Construction Installation and Commissioning within the Offshore and Marine sector. Subsequent to the acquisition, SKHull increased its registered capital to RM1,000,000 by way of rights issue, in which NCD subscribed for additional 441,000 shares for a total consideration of RM441,000 to maintain its equity interest in SKHull

As of the date of authorisation of these financial statements, the outbreak of COVID-19 (Coronavirus Disease 2019) has spread to most regions around the world, including Asia, Australia, Europe, Middle East and the United States of America. The Group primarily operates in Malaysia which is also affected by the outbreak. In addition, the Group operates in the Offshore and Marine sector which is affected by the plunge in oil prices. While the full impact to the Group cannot be quantified reliably, the Group's performance subsequent to the end of the reporting period is likely to be negatively impacted.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Yee Kit Hong and Mr Kan Yut Keong, Benjamin are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR YEE KIT HONG	MR KAN YUT KEONG, BENJAMIN
Date of Appointment	28 April 2011	1 October 2014
Date of last re-appointment	24 April 2017	24 April 2017
Age	71	64
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Yee Kit Hong for re-appointment as an Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Yee Kit Hong possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Kan Yut Keong, Benjamin for re-appointment as an Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Kan Yut Keong, Benjamin possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Independent Non-Executive Director	Independent Non-Executive Director
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chairman of Audit Committee and a member of Remuneration Committee and Nominating Committee	A member of Audit Committee and Remuneration Committee
Professional qualifications	Bachelor of Accountancy – University of Singapore Fellow of Singapore Institute of Chartered Accountants and the Institute of Chartered Accountants England and Wales	B.Sc. Economics (Hons) – University of Hull Member of Singapore Institute of Chartered Accountants, the Institute of Chartered Accountants England and Wales and Malaysian Institute of Accountants

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR YEE KIT HONG	MR KAN YUT KEONG, BENJAMIN
Working experience and occupation(s) during the past 10 years	Mr Yee Kit Hong started Kit Yee & Co, a public accounting firm in Singapore in 1989 and is a Senior Partner of the firm today. He is also a Director of Chartwell Investment Pte Limited since 2016 and a Partner of JH Tan & Associates Partner since 2017.	Mr Kan Yut Keong, Benjamin joined PricewaterhouseCoopers, Singapore and was a Managing Director of PricewaterhouseCoopers Corporate Finance Pte Ltd until his retirement in June 2014. Since then he has been providing general corporate advisory services and is serving on the Board of several organizations in various capacity, including the Competition and Consumer Commission of Singapore, the Securities Industry Council and PropNex Limited.
Shareholding interest in the listed issuer and its subsidiaries	NIL	NIL
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships#		
Past (for the last 5 years)	Past Directorship Yinda Infocomm Ltd	Past Directorship NIL
Present	Present Directorships • Kit Yee & Co Partner • Chartwell Investment Pte Limited • JH Tan & Associates Partner • Global Palm Resources Holdings Limited • Acromec Limited • Koon Holdings Limited	Present Directorships • Cornerstone Advisors Pte Ltd • PropNex Limited • Competition and Consumer Commission of Singapore • Securities Industry Council

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR YEE KIT HONG	MR KAN YUT KEONG, BENJAMIN
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR YEE KIT HONG	MR KAN YUT KEONG, BENJAMIN
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR YEE KIT HONG	MR KAN YUT KEONG, BENJAMIN
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Mr Yee Kit Hong is the Lead Independent Director for two companies, Global Palm Resources Holdings Limited and Acromec Limited. He is also an Independent Director of Nam Cheong Limited and Koon Holdings Limited. All four companies are listed in Singapore.	Mr Kan Yut Keong, Benjamin is the Independent Director of Nam Cheong Limited and Propnex Limited. Both companies are listed in Singapore.

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