
**Second Quarter And Half Year Ended 30 June 2015 Financial Statements
and Related Announcement**

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1. Unaudited Financial Statements

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

	2nd Quarter ended 30.6.2015 RM'000	2nd Quarter ended 30.6.2014 RM'000	Change %	Half year ended 30.6.2015 RM'000	Half year ended 30.6.2014 RM'000	Change %
Revenue	192,663	378,812	(49%)	518,914	786,064	(34%)
Cost of sales	(162,080)	(311,858)	(48%)	(420,008)	(632,827)	(34%)
Gross profit	<u>30,583</u>	<u>66,954</u>	(54%)	<u>98,906</u>	<u>153,237</u>	(35%)
Other income	13,807	7,623	81%	12,891	14,115	(9%)
Selling and administrative expenses	(25,829)	(8,897)	>100%	(46,788)	(27,237)	72%
Operating profit	<u>18,561</u>	<u>65,680</u>	(72%)	<u>65,009</u>	<u>140,115</u>	(54%)
Finance costs	(6,257)	(3,847)	63%	(13,210)	(7,422)	78%
Share of post-tax (loss) / profit of equity accounted associate and jointly controlled entities	(223)	2,336	>100%	(398)	3,051	>100%
Profit before tax	<u>12,081</u>	<u>64,169</u>	(81%)	<u>51,401</u>	<u>135,744</u>	(62%)
Income tax expense	(1,598)	(1,133)	41%	(1,594)	(1,378)	16%
Profit for the financial period	<u>10,483</u>	<u>63,036</u>	(83%)	<u>49,807</u>	<u>134,366</u>	(63%)
Profit attributable to :						
Owners of the parent	10,679	63,299	(83%)	49,975	134,392	(63%)
Non-controlling interest	(196)	(263)	(25%)	(168)	(26)	>100%
Profit for the financial period	<u>10,483</u>	<u>63,036</u>		<u>49,807</u>	<u>134,366</u>	

1. Unaudited Financial Statements

1(a)(i) Statements of Comprehensive Income (Group) (Contd.)

	2nd Quarter ended 30.6.2015 RM'000	2nd Quarter ended 30.6.2014 RM'000	Change %	Half year ended 30.6.2015 RM'000	Half year ended 30.6.2014 RM'000	Change %
Other comprehensive income						
Exchange differences on translating foreign operations	(24,916)	(14,968)	>100%	67,742	(18,135)	>100%
Net change in fair value of cash flow hedges	18,001	3,070	>100%	(13,965)	3,070	>100%
Other comprehensive income for the financial period, net of tax	<u>(6,915)</u>	<u>(11,898)</u>	>100%	<u>53,777</u>	<u>(15,065)</u>	>100%
Total comprehensive income for the financial period	<u>3,568</u>	<u>51,138</u>	(93%)	<u>103,584</u>	<u>119,301</u>	(13%)
Total comprehensive income attributable to:						
Owners of the parent	3,764	51,401	(93%)	103,752	119,327	(13%)
Non-controlling interest	(196)	(263)	(25%)	(168)	(26)	>100%
Total comprehensive income for the financial period	<u>3,568</u>	<u>51,138</u>	(93%)	<u>103,584</u>	<u>119,301</u>	(13%)

1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.6.2015 RM'000	2nd Quarter ended 30.6.2014 RM'000	Change %	Half year ended 30.6.2015 RM'000	Half year ended 30.6.2014 RM'000	Change %
Other income						
Interest income	2,081	343	>100%	3,588	526	>100%
Miscellaneous	71	141	(50%)	840	630	33%
Net fair value gain on derivatives	10,893	1,677	>100%	7,116	7,481	(5%)
Gain on disposal of property, plant and equipment	68	10	>100%	68	10	>100%
Rental income	694	673	3%	1,279	1,352	(5%)
Net foreign exchange gain	-	4,779	n.m.	-	4,116	n.m.
	<u>13,807</u>	<u>7,623</u>	81%	<u>12,891</u>	<u>14,115</u>	(9%)

1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.6.2015 RM'000	2nd Quarter ended 30.6.2014 RM'000	Change %	Half year ended 30.6.2015 RM'000	Half year ended 30.6.2014 RM'000	Change %
Profit before tax						
The following amounts have been included in arriving at profit before tax:						
Amortisation of prepaid land lease payments	27	27	n.m.	54	54	n.m.
Depreciation of property, plant and equipment	4,445	3,919	13%	8,818	7,877	12%
Depreciation of investment properties	292	270	8%	572	542	6%
Net foreign exchange loss	7,433	-	n.m.	9,931	-	n.m.
Property, plant and equipment written off	-	50	n.m.	-	50	n.m.
Share grant plan expenses	77	(540)	(114%)	683	2,933	(77%)
Income tax expense						
Current income tax	1,598	59	>100%	1,594	304	>100%
Deferred tax	-	1,074	n.m.	-	1,074	n.m.
	<u>1,598</u>	<u>1,133</u>	41%	<u>1,594</u>	<u>1,378</u>	16%

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(b)(i) Statements of Financial Position

	Group		Company	
	30.6.2015 RM'000	31.12.2014 RM'000	30.6.2015 RM'000	31.12.2014 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	331,890	282,157	-	-
Prepaid land lease payments	7,808	7,943	-	-
Investment properties	85,658	81,444	-	-
Investment in subsidiaries	-	-	1,390,605	1,790,099
Investment in joint ventures	6,920	5,686	-	-
Investment in an associate	99,846	110,400	-	-
Held-to-maturity financial assets	106,823	115,669	-	-
	<u>638,945</u>	<u>603,299</u>	<u>1,390,605</u>	<u>1,790,099</u>
Current assets				
Held-to-maturity financial assets	15,120	-	-	-
Inventories	1,385,909	1,040,666	-	-
Trade and other receivables	172,217	230,195	888,015	196,551
Prepayments	146,298	159,969	253	246
Tax recoverable	4,509	4,908	-	-
Due from customers on contracts	508,824	413,250	-	-
Derivatives	483	22	-	-
Cash and cash equivalents	571,086	800,098	141,614	354,026
	<u>2,804,446</u>	<u>2,649,108</u>	<u>1,029,882</u>	<u>550,823</u>
TOTAL ASSETS	<u>3,443,391</u>	<u>3,252,407</u>	<u>2,420,487</u>	<u>2,340,922</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	405,962	405,962	405,962	405,962
Share premium	82,347	82,347	82,347	82,347
Treasury shares	(1,805)	(7,090)	(1,805)	(7,090)
Other reserves	131,512	80,560	778,608	781,433
Retained earnings	620,287	656,985	20,391	8,523
	<u>1,238,303</u>	<u>1,218,764</u>	<u>1,285,503</u>	<u>1,271,175</u>
Non-controlling interest	<u>400</u>	<u>568</u>	<u>-</u>	<u>-</u>
Total equity	<u>1,238,703</u>	<u>1,219,332</u>	<u>1,285,503</u>	<u>1,271,175</u>
Non-current liabilities				
Loans and borrowings	786,245	753,136	809,455	763,553
Deferred tax liabilities	1,350	1,344	-	-
Trade and other payables	1,378	2,756	-	-
	<u>788,973</u>	<u>757,236</u>	<u>809,455</u>	<u>763,553</u>

1. Unaudited Financial Statements (Contd.)

1(b)(i) Statements of Financial Position (contd.)

	Group		Company	
	30.6.2015 RM'000	31.12.2014 RM'000	30.6.2015 RM'000	31.12.2014 RM'000
Current liabilities				
Due to customers on contracts	19,622	35,092	-	-
Derivatives	55,057	47,747	-	-
Loans and borrowings	814,819	556,200	322,705	303,484
Trade and other payables	526,017	636,600	2,824	2,710
Provisions	200	200	-	-
	<u>1,415,715</u>	<u>1,275,839</u>	<u>325,529</u>	<u>306,194</u>
Total liabilities	<u>2,204,688</u>	<u>2,033,075</u>	<u>1,134,984</u>	<u>1,069,747</u>
TOTAL EQUITY AND LIABILITIES	<u>3,443,391</u>	<u>3,252,407</u>	<u>2,420,487</u>	<u>2,340,922</u>

1. Unaudited Financial Statements (Contd.)

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

	30.6.2015		31.12.2014	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount repayable in one year or less, or on demand	504,438	310,381	263,966	292,234
Amount repayable after one year	19,371	766,874	29,290	723,846

Details of any collaterals

The Group borrowings are primarily secured by fixed deposits, proceeds from sale of vessels, and charges over certain properties and assets.

1. Unaudited Financial Statements (Contd.)

1(c) Statements of Cash Flows (Group)

	2nd Quarter ended 30.6.2015 RM'000	2nd Quarter ended 30.6.2014 RM'000	Half year ended 30.6.2015 RM'000	Half year ended 30.6.2014 RM'000
Operating activities				
Profit before tax	12,081	64,169	51,401	135,744
Adjustments for:				
Amortisation of prepaid land lease payments	27	27	54	54
Amortisation of transaction cost for medium term notes	-	92	-	92
Depreciation of property, plant and equipment	4,445	3,919	8,818	7,877
Depreciation of investment properties	292	270	572	542
Interest expense	6,257	3,847	13,210	7,422
Interest income	(2,081)	(343)	(3,588)	(526)
Gain on disposal of property, plant and equipment	(68)	(10)	(68)	(10)
Net fair value gain on derivatives	(10,893)	(1,677)	(7,116)	(7,481)
Property, plant and equipment written off	-	50	-	50
Share of post-tax loss / (profit) of equity accounted associate and jointly controlled entities	223	(2,336)	398	(3,051)
Share grant expenses, net	77	(540)	683	2,933
Unrealised loss / (gain) on foreign exchange	31,942	(3,029)	39,030	(3,088)
Total adjustments	30,221	270	51,993	4,814
Operating cash flows before working capital changes	42,302	64,439	103,394	140,558
Changes in working capital:				
Increase in inventories	(171,398)	(171,355)	(383,698)	(153,873)
Decrease / (Increase) in receivables	53,517	(90,337)	332,904	(61,650)
(Increase) / Decrease in prepayments	(12,632)	(12,044)	20,483	(16,052)
Increase in amount due from customers on contracts	(222,710)	(152,709)	(81,601)	(64,719)
Increase / (Decrease) in payables	37,767	203,035	(315,373)	137,566
Decrease in amount due to customers on contracts	(6,310)	(17,515)	(15,470)	(4,776)
Total changes in working capital	(321,766)	(240,925)	(442,755)	(163,504)
Cash flows used in operations	(279,464)	(176,486)	(339,361)	(22,946)
Interest paid	(16,874)	(10,239)	(34,709)	(20,489)
Taxes paid, net of refund	80	(481)	(1,195)	(1,538)
Net cash flows used in operating activities	(296,258)	(187,206)	(375,265)	(44,973)

1. Unaudited Financial Statements (Contd.)

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

	2nd Quarter ended 30.6.2015 RM'000	2nd Quarter ended 30.6.2014 RM'000	Half year ended 30.6.2015 RM'000	Half year ended 30.6.2014 RM'000
Investing activities				
Acquisition of property, plant and equipment	(440)	(360)	(1,122)	(3,408)
Interest received	2,081	343	3,588	526
Proceeds from disposal of plant and equipment	85	40	85	40
Net cash flows from / (used in) investing activities	1,726	23	2,551	(2,842)
Financing activities				
Dividends paid	(84,896)	(54,675)	(84,896)	(54,675)
Proceeds from bank borrowings	135,699	50,739	274,716	54,326
Repayments of bank borrowings	(46,998)	(40,637)	(61,267)	(92,719)
Placement of fixed deposits	-	(25)	-	(25)
Purchase of treasury shares	-	(5,404)	-	(5,404)
Net cash flows from / (used in) financing activities	3,805	(50,002)	128,553	(98,497)
Net decrease in cash and cash equivalents	(290,727)	(237,185)	(244,161)	(146,312)
Effects of foreign exchange rate changes	(747)	(4,559)	15,149	(6,111)
Cash and cash equivalents at 1 April / 1 January	862,362	448,099	799,900	358,778
Cash and cash equivalents at 30 June	570,888	206,355	570,888	206,355

Cash and cash equivalents in the statement of cash flows (Group) comprise the following balance sheet amounts:

Fixed deposits with licensed banks	135,021	12,354	135,021	12,354
Cash and bank balances	436,065	194,199	436,065	194,199
Cash and cash equivalents in statements of financial position	571,086	206,553	571,086	206,553
Less: Restricted fixed deposits with licensed banks	(198)	(198)	(198)	(198)
Cash and cash equivalents in statements of cash flows (Group)	570,888	206,355	570,888	206,355

1. Unaudited Financial Statements (Contd.)

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

Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Cash flow hedge reserve RM'000	Share grant reserve RM'000	Retained earnings RM'000	Equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2014	405,962	82,347	-	36,203	-	2,315	411,164	937,991	643	938,634
Profit for the period	-	-	-	-	-	-	71,093	71,093	237	71,330
Other comprehensive income	-	-	-	(3,167)	-	-	-	(3,167)	-	(3,167)
Contributions by and distributions to owners:										
Share grant plan expenses	-	-	-	-	-	3,473	-	3,473	-	3,473
At 31 March 2014	405,962	82,347	-	33,036	-	5,788	482,257	1,009,390	880	1,010,270
Profit for the period	-	-	-	-	-	-	63,299	63,299	(263)	63,036
Other comprehensive income	-	-	-	(14,968)	3,070	-	-	(11,898)	-	(11,898)
Contributions by and distributions to owners:										
Dividend paid	-	-	-	-	-	-	(54,675)	(54,675)	-	(54,675)
Share grant plan expenses	-	-	-	-	-	(4,174)	-	(4,174)	-	(4,174)
Treasury share expenses	-	-	(483)	-	-	-	(1,287)	(1,770)	-	(1,770)
At 30 June 2014	405,962	82,347	(483)	18,068	3,070	1,614	489,594	1,000,172	617	1,000,789

1. Unaudited Financial Statements (Contd.)

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

Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Cash flow hedge reserve RM'000	Share grant reserve RM'000	Retained earnings RM'000	Equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2015	405,962	82,347	(7,090)	115,780	(38,045)	2,825	656,985	1,218,764	568	1,219,332
Profit for the period	-	-	-	-	-	-	39,296	39,296	28	39,324
Other comprehensive income	-	-	-	92,658	(31,966)	-	-	60,692	-	60,692
<i>Contributions by and distributions to owners:</i>										
Share grant plan expenses	-	-	-	-	-	606	-	606	-	606
At 31 March 2015	405,962	82,347	(7,090)	208,438	(70,011)	3,431	696,281	1,319,358	596	1,319,954
Profit for the period	-	-	-	-	-	-	10,679	10,679	(196)	10,483
Other comprehensive income	-	-	-	(24,916)	18,001	-	-	(6,915)	-	(6,915)
<i>Contributions by and distributions to owners:</i>										
Dividend paid	-	-	-	-	-	-	(84,896)	(84,896)	-	(84,896)
Share grant plan expenses	-	-	-	-	-	77	-	77	-	77
Treasury shares re-issued for share awards vested	-	-	5,285	-	-	(3,508)	(1,777)	-	-	-
At 30 June 2015	405,962	82,347	(1,805)	183,522	(52,010)	-	620,287	1,238,303	400	1,238,703

1. Unaudited Financial Statements (Contd.)

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

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Share grant reserve RM'000	Contributed surplus RM'000	(Accumulated losses) / Retained profit RM'000	Equity attributable to owners of the parent RM'000
Company							
At 1 January 2014	405,962	82,347	-	2,315	778,608	(8,864)	1,260,368
Loss for the period	-	-	-	-	-	(4,650)	(4,650)
<i>Contributions by and distributions to owners:</i>							
Share grant plan expenses	-	-	-	3,473	-	-	3,473
At 31 March 2014	405,962	82,347	-	5,788	778,608	(13,514)	1,259,191
Profit for the period	-	-	-	-	-	69,637	69,637
<i>Contributions by and distributions to owners:</i>							
Dividend paid	-	-	-	-	-	(54,675)	(54,675)
Share grant plan expenses	-	-	-	(4,174)	-	-	(4,174)
Treasury share expenses	-	-	(483)	-	-	(1,287)	(1,770)
At 30 June 2014	405,962	82,347	(483)	1,614	778,608	161	1,268,209

1. Unaudited Financial Statements (Contd.)

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

Company	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Share grant reserve RM'000	Contributed surplus RM'000	Retained profit RM'000	Equity attributable to owners of the parent RM'000
At 1 January 2015	405,962	82,347	(7,090)	2,825	778,608	8,523	1,271,175
Loss for the period	-	-	-	-	-	(2,687)	(2,687)
<i>Contributions by and distributions to owners:</i>							
Share grant plan expenses	-	-	-	606	-	-	606
At 31 March 2015	405,962	82,347	(7,090)	3,431	778,608	5,836	1,269,094
Profit for the period	-	-	-	-	-	101,228	101,228
<i>Contributions by and distributions to owners:</i>							
Dividend paid	-	-	-	-	-	(84,896)	(84,896)
Share grant plan expenses	-	-	-	77	-	-	77
Treasury share expenses	-	-	5,285	(3,508)	-	(1,777)	-
At 30 June 2015	405,962	82,347	(1,805)	-	778,608	20,391	1,285,503

Notes:

(a) There were no shares granted in 2Q 2015 under the Nam Cheong Group 2013 Share Grant Plan ("2013 Share Grant Plan"). During 2Q 2015, 4,838,560 (2Q 2014: 5,010,843) shares were released under the 2013 Share Grant Plan and 172,283 (2Q 2014: 4,346,314) shares of the grant lapsed.

1. Unaudited Financial Statements (Contd.)

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital during the financial period under review.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and corresponding period of immediately preceding year.

As at 30 June 2015 and 30 June 2014, the total number of issued shares excluding treasury shares was 2,101,093,885 and 2,102,655,325 respectively.

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

During 2Q 2015, there were no additional treasury shares being acquired. Whilst, 4,838,560 treasury shares were re-issued pursuant to the 2013 Share Grant Plan.

As at 30 June 2015, 2,050,597 shares was held as treasury shares by the Company.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

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

The accounting policies and methods of computation for the current reporting period adopted are consistent with those stated in the Annual Report for the financial year ended 31 December 2014.

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

The accounting policies and methods of computation for the current reporting period adopted are consistent with those stated in the Annual Report for the financial year ended 31 December 2014.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group		Group	
	2nd Quarter ended 30.6.2015	2nd Quarter ended 30.6.2014	Half year ended 30.6.2015	Half year ended 30.6.2014
Earnings per ordinary shares of the Group for the financial period based on net profit attributable to shareholders:				
(i) Based on weighted average number of ordinary shares in issue (Sen)	0.51	3.01	2.38	6.39
Weighted average number of shares	2,101,930,673	2,103,144,482	2,098,260,253	2,102,534,224
(ii) On a fully diluted basis (Sen)	0.51	3.00	2.38	6.36
Adjusted weighted average number of shares	2,101,124,177	2,111,732,102	2,101,194,780	2,112,445,174

7. Net asset value (for the Issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group		Company	
	As at 30.6.2015	As at 31.12.2014	As at 30.6.2015	As at 31.12.2014
Net asset value per ordinary share (Sen)	58.9	58.2	61.2	60.6
Ordinary shares in issue	2,101,093,885	2,096,255,325	2,101,093,885	2,096,255,325

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review of Group Performance

(a) Statements of comprehensive income (Group)

1H 2015 vs 1H 2014

	1H 2015				1H 2014				Variance			
	Revenue		Gross Profit	Gross Profit Margin	Revenue		Gross Profit	Gross Profit Margin	Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	489,836	94%	89,607	18%	738,783	94%	137,637	19%	(248,947)	(34%)	(48,030)	(35%)
Vessel Chartering	29,078	6%	9,299	32%	47,281	6%	15,600	33%	(18,203)	(38%)	(6,301)	(40%)
Total	518,914	100%	98,906	19%	786,064	100%	153,237	19%	(267,150)	(34%)	(54,331)	(35%)

Revenue for six months ended 30 June 2015 ("1H 2015") of RM518.9 million was RM267.2 million, or 34%, lower as compared to RM786.1 million achieved during the previous year corresponding six months ended 30 June 2014 ("1H 2014"). The shipbuilding segment recorded revenue of RM489.8 million for 1H 2015, representing a decrease of 34% as compared to RM738.8 million recorded for 1H 2014. The reduction in shipbuilding revenue was mainly due to the completion and delivery of seven (7) units of vessels during this period as compared to twelve (12) units of vessels in 1H 2014.

The vessel chartering segment also registered a decrease in revenue of RM18.2 million, or 38%, from RM47.3 million for 1H 2014 to RM29.1 million for 1H 2015, mainly due to lower utilisation rate in 1H 2015.

8. (contd.)

Review of Group Performance (Contd.)

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

1H 2015 vs 1H 2014

Gross profit decreased by 35%, from RM153.2 million for 1H 2014 to RM98.9 million recorded for 1H 2015, which is in tandem with lower revenue recorded. However the gross profit margins for shipbuilding segment was maintained at the range of 18% to 19%, whilst gross profit margin for vessel chartering was maintained within the range of 32% to 33%. As a result, the overall gross profit margin was consistent at 19%.

Other income for 1H 2015 of RM12.9 million was marginally lower than RM14.1 million recorded in 1H 2014 mainly due to the decrease in gain on foreign exchange of RM4.1 million which was partially offset by the interest income received of RM3.6 million in 1H 2015.

Selling and administrative expenses increased by RM19.6 million in 1H 2015 due mainly to the net foreign exchange loss of RM9.9 million in 1H 2015 and increase in marketing expenses of RM4.6 million.

Finance cost increased by RM5.8 million in 1H 2015 over 1H 2014 due to the issuance of additional Medium Term Notes ("MTNs") in 3Q 2014.

Share of profit in jointly controlled entities recorded a gain of RM4.1 million in 1H 2015 as more assets have been deployed by the jointly controlled entities. However, the gain was offset by the share of loss in associate of RM4.5 million in 1H 2015 due to lower vessel utilisation rate.

2Q 2015 vs 2Q 2014

	2Q 2015				2Q 2014				Variance			
	Revenue		Gross Profit	Gross Profit Margin	Revenue		Gross Profit	Gross Profit Margin	Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	179,179	93%	27,452	15%	355,581	94%	60,428	17%	(176,402)	(50%)	(32,976)	(55%)
Vessel Chartering	13,484	7%	3,131	23%	23,231	6%	6,526	28%	(9,747)	(42%)	(3,395)	(52%)
Total	192,663	100%	30,583	16%	378,812	100%	66,954	18%	(186,149)	(49%)	(36,371)	(54%)

8. (contd.)

Review of Group Performance (contd.)

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

2Q 2015 vs 2Q 2014 (contd.)

Revenue for the three months ended 30 June 2015 ("2Q 2015") of RM192.7 million was RM186.1 million, or 49%, lower as compared to RM378.8 million recorded during the previous year corresponding three months ended 30 June 2014 ("2Q 2014"). Revenue from the shipbuilding segment decreased by 50% to RM179.2 million for 2Q 2015 from RM355.6 million recorded for 2Q 2014. The reduction in shipbuilding revenue was mainly due to the lower progressive recognition of revenue from the sale of PSVs which contributed RM94.4 million for 2Q 2015 as compared to RM228.5 million for 2Q 2014. The vessel chartering revenue also recorded a decrease of 42% from RM23.2 million for 2Q 2014 to RM13.5 million for 2Q 2015, mainly due to lower utilisation rate in 2Q 2015.

Gross profit decreased by 54% from RM67.0 million in 2Q 2014 to RM30.6 million in 2Q 2015, in tandem with lower revenue. Gross profit margins for 2Q 2014 and 2Q 2015 were maintained at the range of 16% to 18%. The shipbuilding segment's gross profit margin is lower at 15% mainly due to higher contribution from build-to-order vessels. The gross profit margin for the chartering segment in 2Q 2015 was lower due to lower utilisation rate of vessels.

Other income was higher for 2Q 2015 as compared to 2Q 2014 due to net fair value gain on derivatives of RM10.9 million. Selling and administrative expenses increased by RM16.9 million in 2Q 2015 mainly due to the net foreign exchange loss of RM7.4 million in 2Q 2015 and increase in marketing expenses of RM6.6 million.

Finance cost increased to RM6.3 million in 2Q 2015 as compared to RM3.8 million in 2Q 2014 due to the issuance of additional Medium Term Notes ("MTNs") in 3Q 2014.

Overall, net profit after taxation for 2Q 2015 decreased to RM10.5 million from RM63.0 million in 2Q 2014, representing a decrease of 83%.

(b) Statements of financial position (Group)

Total Assets

Total assets of the Group increased by RM191.0 million from RM3.25 billion as at 31 December 2014 ("FY2014") to RM3.44 billion as at 30 June 2015 ("PE2015") mainly due to:

- (i) the increase in property, plant and equipment of RM49.7 million which was mainly due to the addition of one vessel to the existing fleet during the period;
- (ii) the increase in inventories by RM345.2 million from RM1.04 billion in FY2014 to RM1.39 billion in PE2015 as a result of progresses of works for its built-to-stock vessels under the shipbuilding programme; and
- (iii) partially offset by the decrease in cash and cash equivalents of RM229.0 million as a result of settlement of trade and other payables.

8. (contd.)

Review of Group Performance (contd.)

(b) Statements of financial position (Group)

Total Liabilities

Total liabilities of the Group increased by RM171.6 million from RM2.03 billion in FY2014 to RM2.20 billion in PE2015 mainly due to an increase in loan and borrowing by RM291.7 million; which was partially offset by the repayment of trade and other payables of RM112.0 million.

The Group's net gearing ratio increased from 0.42 times in FY2014 to 0.83 times in PE2015 mainly due to the decrease in cash and bank balances, coupled with increase in loan and borrowing.

(c) Statements of Cash Flows (Group)

2Q 2015 vs 2Q 2014

Net cash flows used in operating activities increased from RM187.2 million in 2Q 2014 to RM296.3 million in 2Q 2015 mainly due to the increase in inventories by RM171.4 million as a result of the increased shipbuilding activities.

Net cash flows from investing activities for 2Q 2015 was mainly due to net increase of interest received.

Net cash flows from financing activities for 2Q 2015 of RM3.8 million was attributed to the net proceeds from bank borrowings of RM135.7 million, which was partially offset by the payment of final dividend of RM84.9 million and repayment of bank borrowings of RM47.0 million.

1H 2015 vs 1H 2014

Net cash flows used in operating activities increased from RM45.0 million in 1H 2014 to RM375.3 million in 1H 2015 mainly due to the increase in inventories by RM383.7 million as a result of the increased shipbuilding activities.

Net cash flows from investing activities for 1H 2015 was mainly due to net increase of interest received.

Net cash flows from financing activities for 1H 2015 of RM128.6 million was mainly attributed to the net proceeds from bank borrowings of RM274.7 million, which was partially offset by the payment of final dividend of RM84.9 million and repayment of bank borrowings of RM61.3 million.

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

There is no material change from the previous prospect statement.

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

According to OPEC, global oil demand is seen growing at 1.18 million barrels per day (“mb/d”) in 2015, higher than in the previous year’s growth of 0.96 mb/d. Total oil consumption is expected to pick up pace in 2H15, leading to a total oil demand of 92.50 mb/d for 2015. Meanwhile, non-OPEC oil supply in 2015 is projected to grow by 0.68 mb/d, below last year’s strong growth of 2.17 mb/d¹.

Over the next few years, the Group expects an increase in cumulative planned offshore infrastructure development in the shallow water segment as a result of more fields coming on stream than those being decommissioned². The increase is likely to drive demand for modern OSVs. Nam Cheong continues to see demand for AHTS vessels and other offshore vessels, especially in the shallow water region.

The Group has an order book of approximately RM1.5 billion as at June 30, 2015, comprising a mix of OSVs due for deliveries up till 2016.

Sources:

¹ Monthly Oil Market Report - OPEC, June 10, 2015

² IHS Petrodata, July 2015

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared in the period under review.

13. General mandate relating to interested person transactions

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

BY ORDER OF THE BOARD

Datuk Tiong Su Kouk

Executive Chairman

13 August 2015

Confirmation from the Board

We, the undersigned, hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements of the Group and of the Company for the six months ended 30 June 2015 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Datuk Tiong Su Kouk
Executive Chairman

Leong Seng Keat
Chief Executive Officer

Singapore
13 August 2015