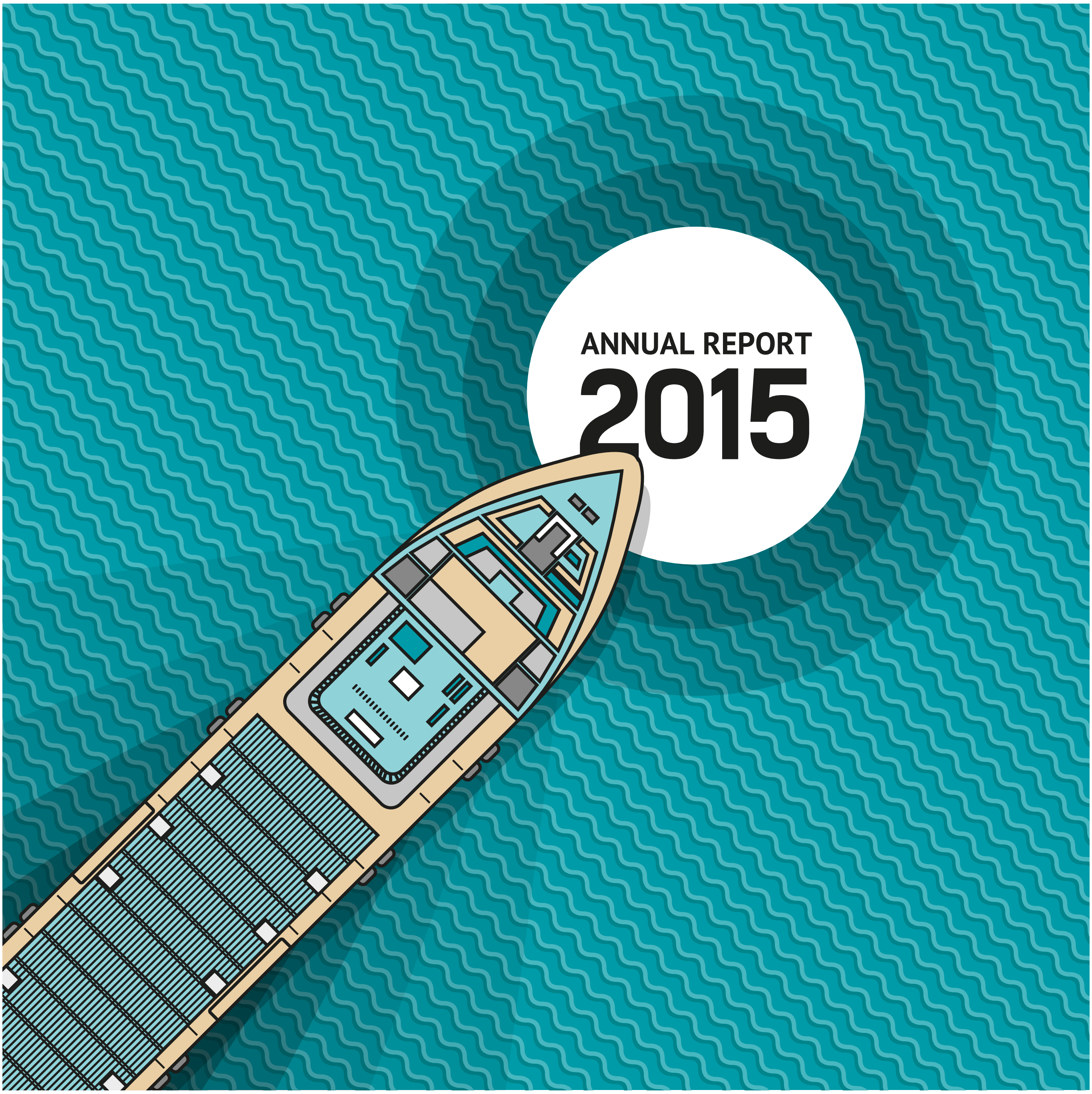
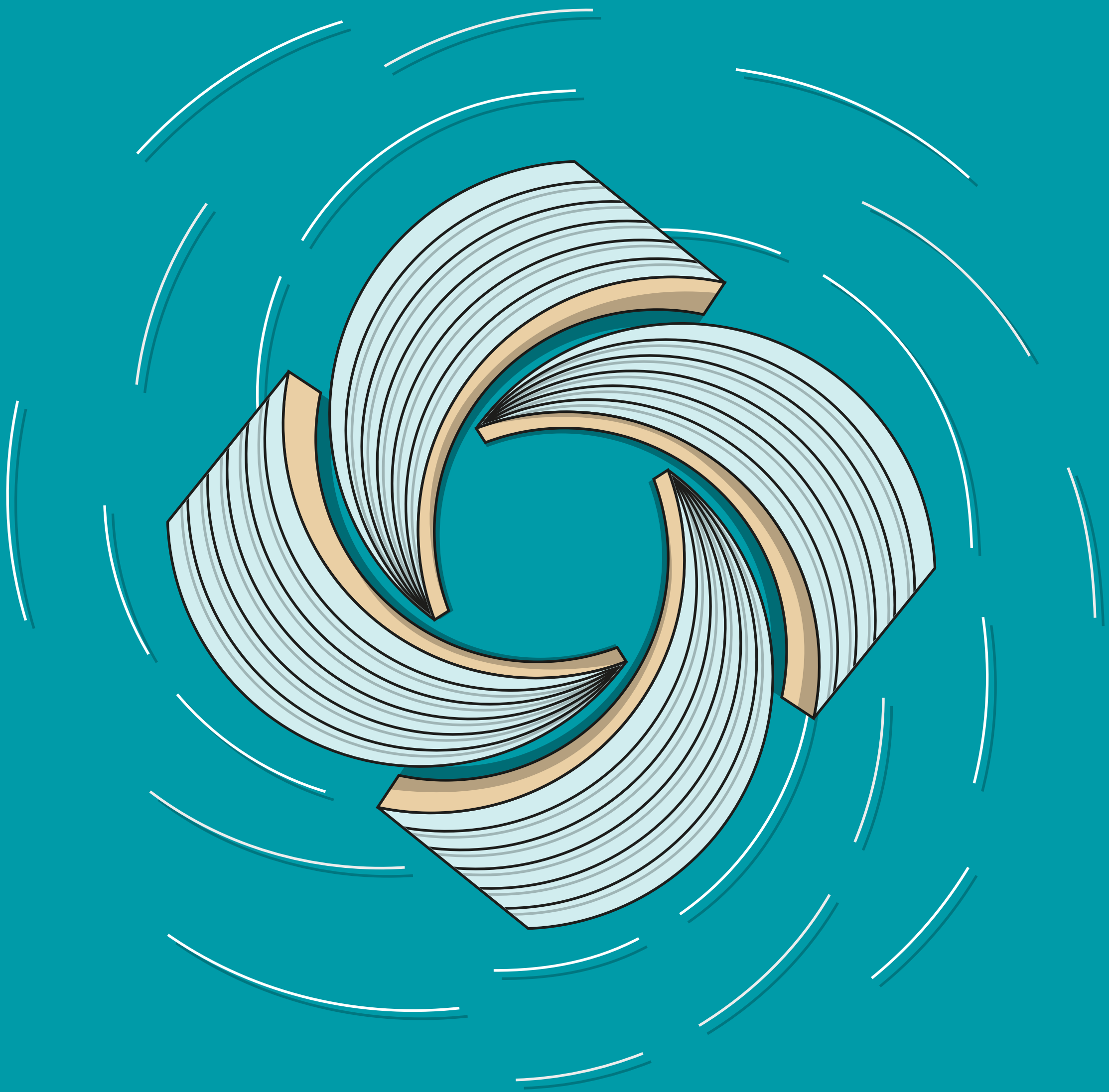
NamCheong®

www.namcheong.com.my





CONTENTS

VISION

To be the number ONE global OSV provider by 2017.

MISSION

Timely delivery of reliable vessels and chartering services to our customers, thus saving them invaluable time and enhancing their operations.

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

QUALITY, RELIABILITY, AND 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.

CORPORATE PROFILE

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. As at 31 December 2015, the Group owns and operates 17 vessels, in its vessel chartering business.

SHIPBUILDING

The Group's shipbuilding were conducted solely in its 12.6-hectare Miri shipyard located in Kuala Baram, Sarawak, Malaysia, 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 favourable. 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 vessel types of standard proven designs with widely accepted vessel designs and specifications that are able to meet the requirements of its customers. However, it also has the flexibility to execute multiple modifications in the specifications requested by its customers during construction, enabling it to provide customised, reliable and high quality vessels to 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)

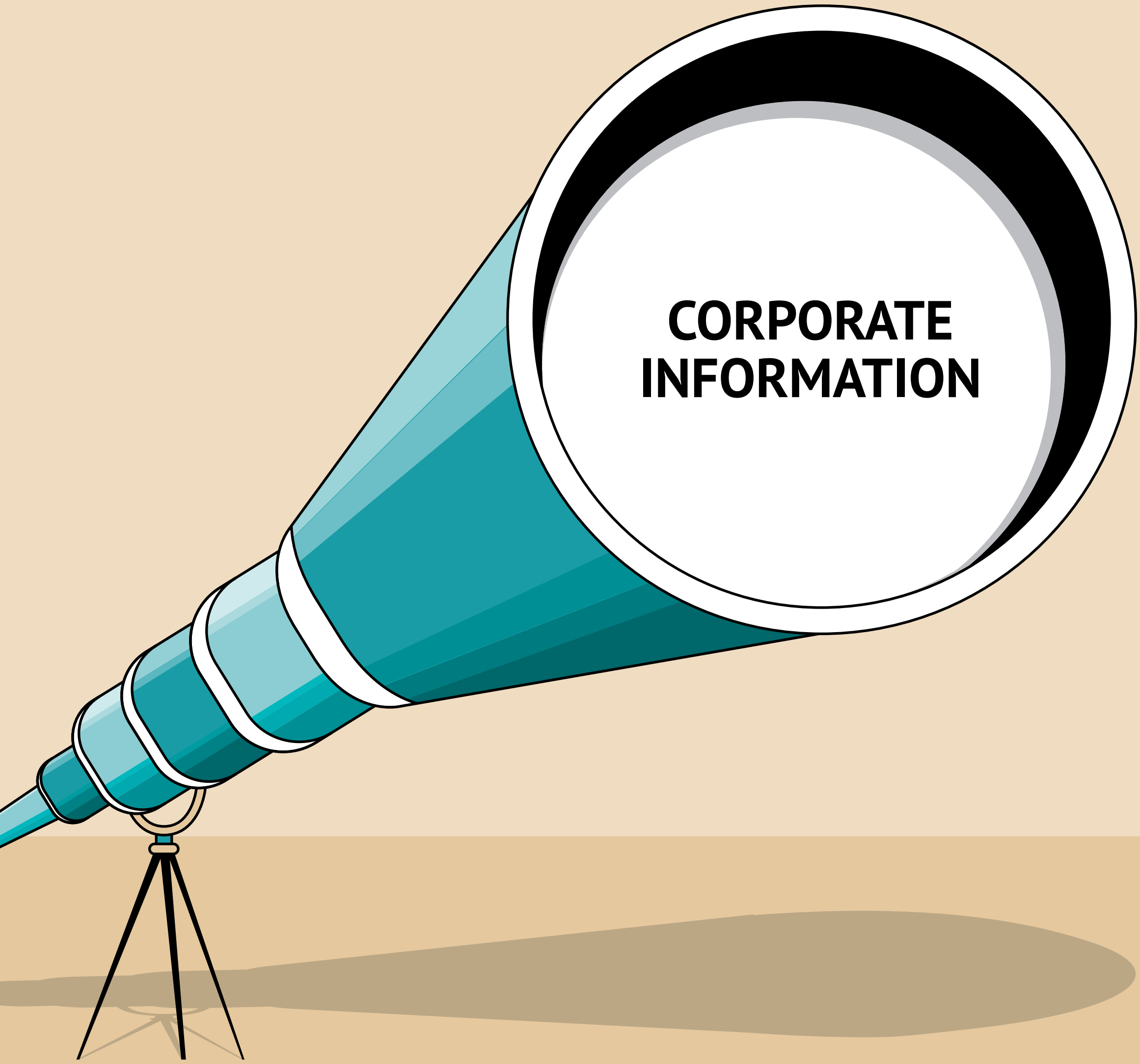
PSV are designed for the transportation of supplies and equipment to and from offshore oil and gas support production platforms, offshore drilling rigs and other types of offshore vessels and installations. The Group's PSVs measure up to 90 metres in length and have a speed of up to 15 knots. Typically,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

In addition, the Group also builds vessels for its vessel chartering operations.

VESSEL CHARTERING

The Group commenced its vessel chartering operations in 2007. As at 31 December 2015, the Group owns and operates 17 vessels, comprising nine SSVs, three landing crafts, four AHTS vessel and one PSV vessel. The vessels were initially chartered out by way of bareboat charter contracts. Under a bareboat charter contract, the charterer is responsible for operating and maintaining the vessel and for all expenses, including the costs of maintaining a crew on board a vessel. Since the beginning of 2009, the Group has entered into time charter contracts with various charterers. In contrast to bareboat charter contracts, the Group provides officers and a crew who operate and manage the vessel for the length of a time charter contract.

CORPORATE INFORMATION



BOARD OF DIRECTORS

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)

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

Codan Services Limited

REGISTERED OFFICE

Clarendon House 2 Church Street
Hamilton HM 11 Bermuda
Tel: (441) 295 5950 Fax: (441) 292 4720

PRINCIPAL PLACE OF BUSINESS

146B Paya Lebar Road
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BERMUDA REGISTRAR AND SHARE TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building, 69 Pitts Bay Road
Pembroke HM08, Bermuda

SINGAPORE SHARE TRANSFER AGENT

RHT Corporate Advisory Pte. Ltd.
Six Battery Road #10-01
Singapore 049909
Tel: (65) 6381 6966 Fax: (65) 6381 6967

AUDITOR

BDO LLP
21 Merchant Road #05-01 Singapore 058267
Tel: (65) 6828 9118 Fax: (65) 6828 9111

AUDIT PARTNER-IN-CHARGE

Leong Hon Mun Peter
(appointed since the financial year ended 31 December 2013)

FINANCIAL HIGHLIGHTS

GROUP INCOME STATEMENTS
(RM'000)

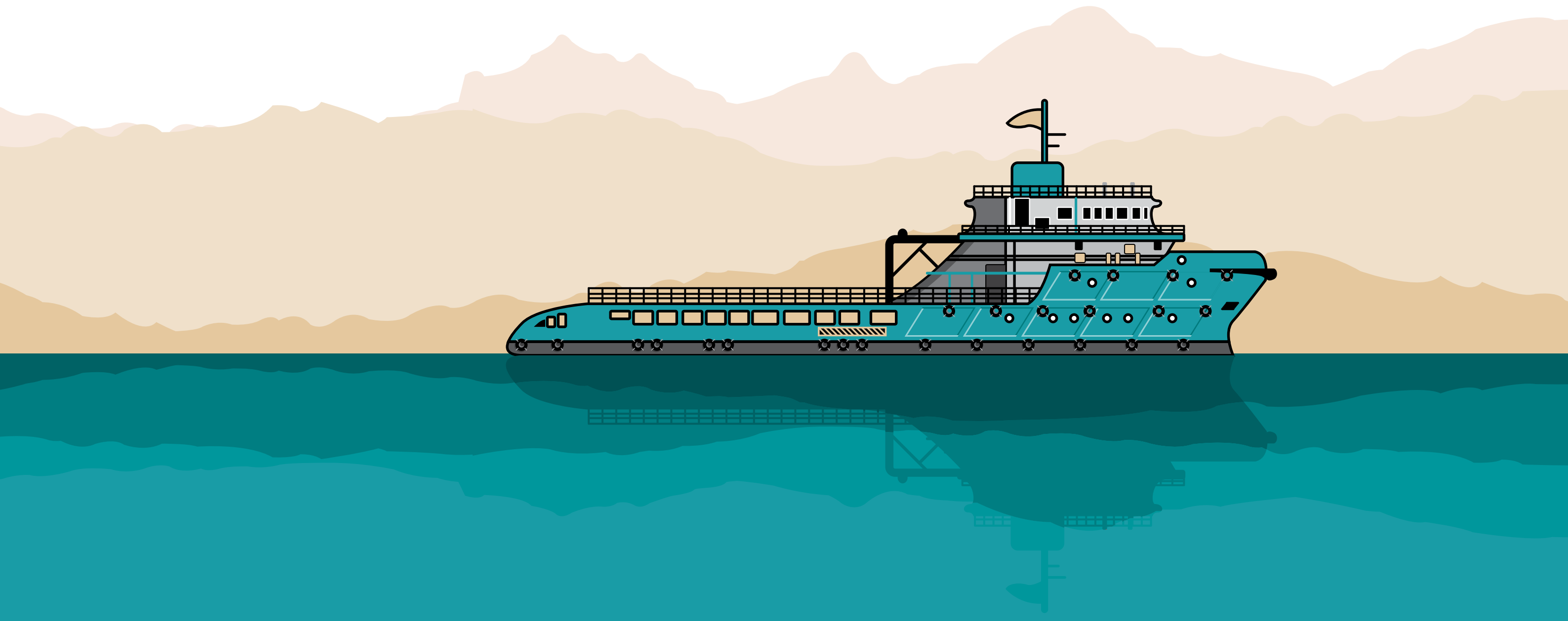
	2015	2014	%CHANGES
Revenue	950,030	1,928,601	(51%)
EBITDA	76,971	337,406	(77%)
Operating Profit	80,410	308,927	(74%)
Profit Before Tax	30,954	303,287	(90%)
Net Profit After Tax	27,925	302,158	(91%)

GROUP BALANCE SHEETS
(RM'000)

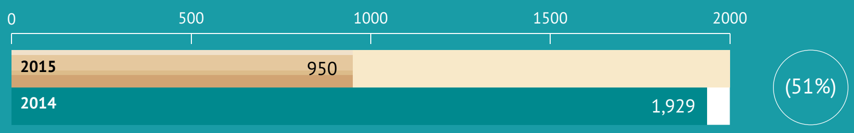
	2015	2014	%CHANGES
Total Assets	3,950,903	3,252,407	21%
Total Liabilities	2,573,787	2,033,075	27%
Shareholders' Funds	1,377,139	1,218,764	13%
Fixed Deposits, Cash and Bank Balance	506,060	800,098	(37%)
Loans and Borrowings	1,809,207	1,309,336	38%

FINANCIAL RATIOS

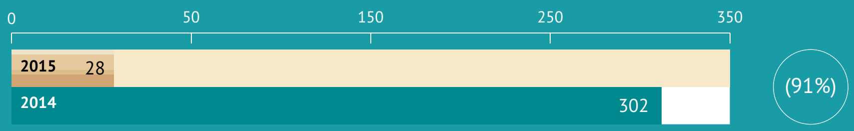
	2015	2014
Earning Per Share		
Basic (sen)	1.36	14.36
Diluted (sen)	1.36	14.31
Net Profit Margin (%)	2.94	15.67
Net Asset Value Per Share (sen)	65.70	58.20
Net Gearing Ratio (times)	0.95	0.42



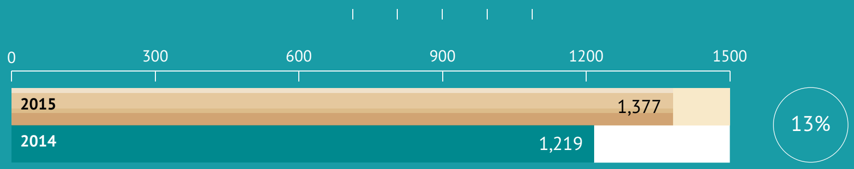
REVENUE
RM' mil



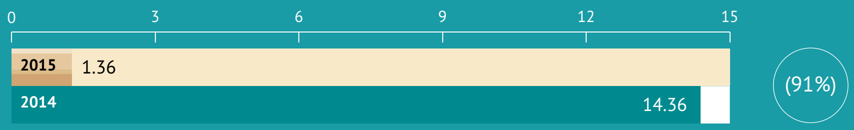
NET PROFIT AFTER TAX
RM' mil



SHAREHOLDERS' FUNDS
RM' mil



BASIC EARNINGS PER SHARE
SEN



CHAIRMAN'S STATEMENT

DATUK TIONG SU KOUK
Executive Chairman

With a healthy cash position, a well-spaced maturity debt profile, sizeable undrawn committed bank lines, and strong support from banks and bondholders, we are financially resilient to withstand the current downturn.

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report for the full year ended December 31, 2015 ("FY2015").

2015 was a very challenging year. Globally the world was shaken by the Greek impasse, which threatened the stability of the European Monetary Union, after the election of an anti-austerity party into government. The stock market crash in China and subsequent depreciation of the Renminbi further roiled financial markets globally. The US Federal Reserve hiked rate for the first time in almost a decade, which led to a round of rising short-term interest rate around the world. For the oil and gas sector, the collapse in oil prices as a result of oversupply caused by the shale oil boom in the US incited more fears as the market grappled with the questions of the financial standing of oil producing countries and oil companies.

FINANCIAL RESILIENCE AMIDST MACRO VOLATILITIES

During the year under review, we were affected by the ferocity of the global downcycle in oil prices as with the rest of the industry players. This can be seen from the lower order flow of vessels over the past year and the adverse impact to our FY2015 financials.

With a slowdown in market momentum, our topline decreased 51% to RM950.0 million in FY2015, from RM1.9 billion in FY2014, due mainly to a reduction in our shipbuilding business segment's revenue as we completed and delivered a lower number of vessels. The vessel chartering business segment's revenue declined by 50% to RM44.4 million in FY2015 from RM88.1 million in FY2014, due primarily to a lower utilisation rate during the year.

Our gross profit correspondingly dipped by 60% to RM150.0 million during the year, in line with the lower revenue, while gross profit margin was 16% as compared to 20% in FY2014.

Consequently, Nam Cheong's net profit after tax in FY2015 decreased to RM27.9 million from RM302.2 million in FY2014.

Net asset value per share grew by 12.9% from the previous corresponding year to 65.7 sen whilst shareholders' equity rose by RM157.8 million to RM1.4 billion as at December 31, 2015.

Our gross order book of approximately RM1.2 billion as at December 31, 2015 comprises a mix of OSVs that are due for deliveries from 2016 till 2018.

With a healthy cash position, a well-spaced maturity debt profile, sizeable undrawn committed bank lines, and strong support from banks and bondholders, we are financially resilient to withstand the current downturn. Further, in July 2015, we bolstered our balance sheet by raising S$75 million under our S$600 million Multicurrency Medium Term Note Programme as part of our refinancing efforts. This places us in a good position to cope with further fluctuations in the market.

CHAIRMAN'S STATEMENT
(CONTINUED)

STRATEGIES TO SOLDIER ON THROUGH THE WINTER

National and international oil companies have announced plans to further reduce their capital and operating expenditures, along with the deferment of projects. Closer to home, Petronas has announced further spending cuts by an additional RM15 – 20 billion in capital and operating expenditures in 2016[(1)] as it braces itself from the drop in earnings, battered by the slump in crude prices that is also pressuring its global peers.

We have expanded our presence globally in the years before, and managed to reduce our reliance on revenue from Malaysia. This strategy of geographical diversification and a larger footprint across the world has contributed to a certain level of business stability and wider customer base. Our proposition of being a partner to our customers by providing them with quality vessels driven by cost and fuel efficiencies is more pertinent than ever before. By doing so, we seek to improve the bidding competitiveness for charter contracts by our customers. This places us in a mutually beneficial relationship to potentially secure additional contracts from our customers in the future, when the tide of uncertainties in this industry turns. At the same time, we took advantage of our operational flexibility by deferring the schedule of vessel deliveries that are currently under construction, at the request of our customers and at our own initiative, to help ride out the storm together.

Meanwhile, we continued to gather market intelligence from wide sources – operators, shipbrokers and oil majors – to prime ourselves for business opportunities globally to potentially seize them in a prudent manner when they arise. Amidst the market turbulence, we have received encouraging enquiries from customers in countries such as Thailand, India, the Middle East, Africa and Mexico, in addition to Malaysia and Brunei. Top on our priority is to focus on developing strategic partnerships with regional players to collectively capitalise on business prospects.

At Nam Cheong, we operate on the assumption of a sustained low oil price environment and this continues to be our guiding business strategy. Indeed, we have gone through many such similar cycles over the past four decades and have in place time-tested strategies that will help mitigate the effects of the downcycle. In particular, we have an asset-light strategy through the outsourcing of vessel construction to reputable shipyards which are financially sound in China. This business model drives cost efficiencies and has allowed us to avoid excess capacity during difficult periods.

We believe this industry cycle will inevitably prune competition, leading to a leaner environment going forward. As such, it benefits players like us, given our global market position as a cost leader in the offshore marine sector as well as our strong track record of building a sustainable business and in deploying capital prudently. We will continue to calibrate our cost, optimise financial flexibility and maintain a sound financial structure. With a balance sheet that is not overly stretched and our farsightedness in raising additional funds in the recent past when times were buoyant, we believe this will enable us to weather the volatility.

With all these strategies in place, we remain optimistic that Nam Cheong will emerge stronger and secure greater market share once the cold wind of macroeconomic uncertainties blows over.

OPPORTUNITIES FOR LONG-TERM SUSTAINABILITY

The International Oil Agency expects the oversupply in oil to begin rebalancing in 2017, with oil prices gradually rising and for global oil demand to grow at an average rate of 1.2 million barrels per day through 2021[(2)]. As such, we anticipate the prospects for the OSV market to remain encouraging over the mid to longer-term. Our view is also premised on the following two key factors. Firstly, oil demand is expected to grow in tandem with the growth in world population. Secondly, the world has a finite supply of oil, suggesting that the current environment of oversupply will not continue indefinitely.

Meanwhile, we will have to patiently wait for the cycle to return whilst staying firmly focused on our asset-light strategies, a constant attention to driving cost efficiencies and a measured approach towards pursuing growth opportunities.

(1) Petronas to cut capital, operational expenditure by up to RM20b in 2016 – The Business Times, March 1, 2016
(2) Global oil supply growth plunging, with US taking biggest hit for now – International Energy Agency, February 22, 2016

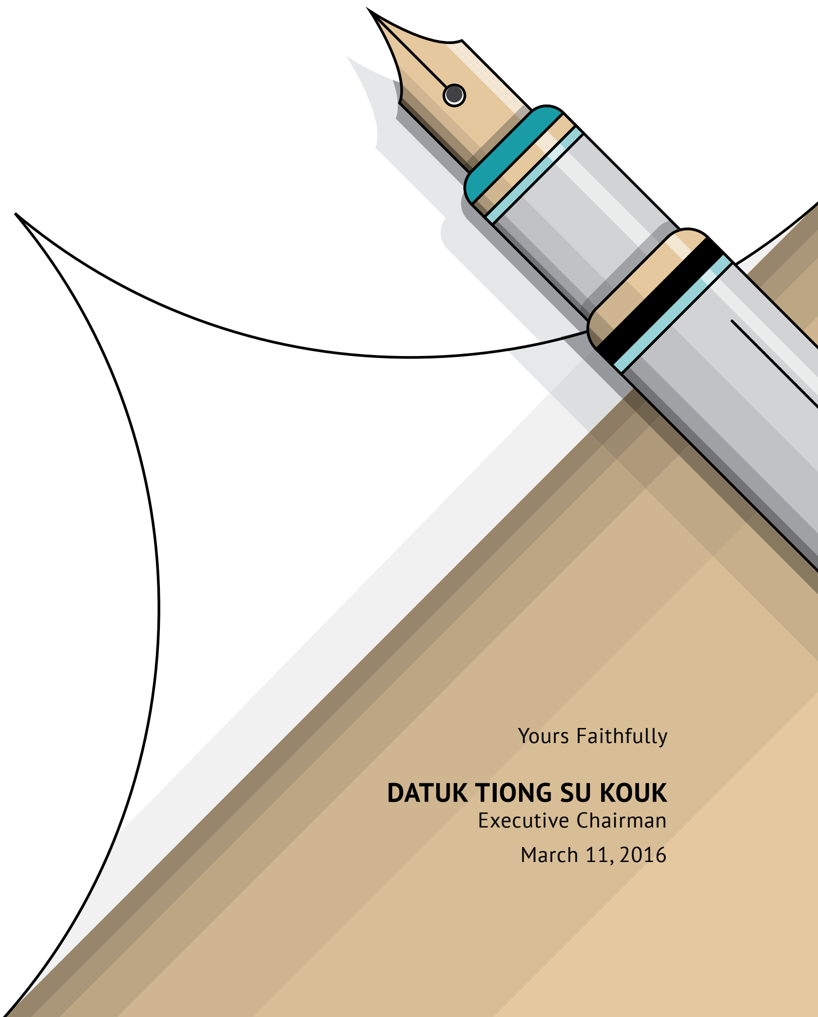
WORDS OF APPRECIATION

In closing, I would like to thank our Board of Directors for their wise counsel in guiding us along this difficult period in the past year.

I would like to thank all loyal shareholders for their patience and understanding of our decision to put the dividend distribution on hold temporarily for FY2015 in order to conserve cash for Nam Cheong to maintain financial flexibility. Whilst we do not have a formal dividend policy, since our listing in 2011, we have consistently distributed dividends to our shareholders to show our deep appreciation for their continuous support. It is our intention to revisit this matter and reward loyal shareholders once the industry is on a surer footing.

I would also like to thank the management and staff for their immeasurable contribution towards Nam Cheong. Last but not least, to our customers, bankers, consultants, suppliers, partners and business associates, I would like to convey my sincere appreciation for the strong support through good and challenging times.

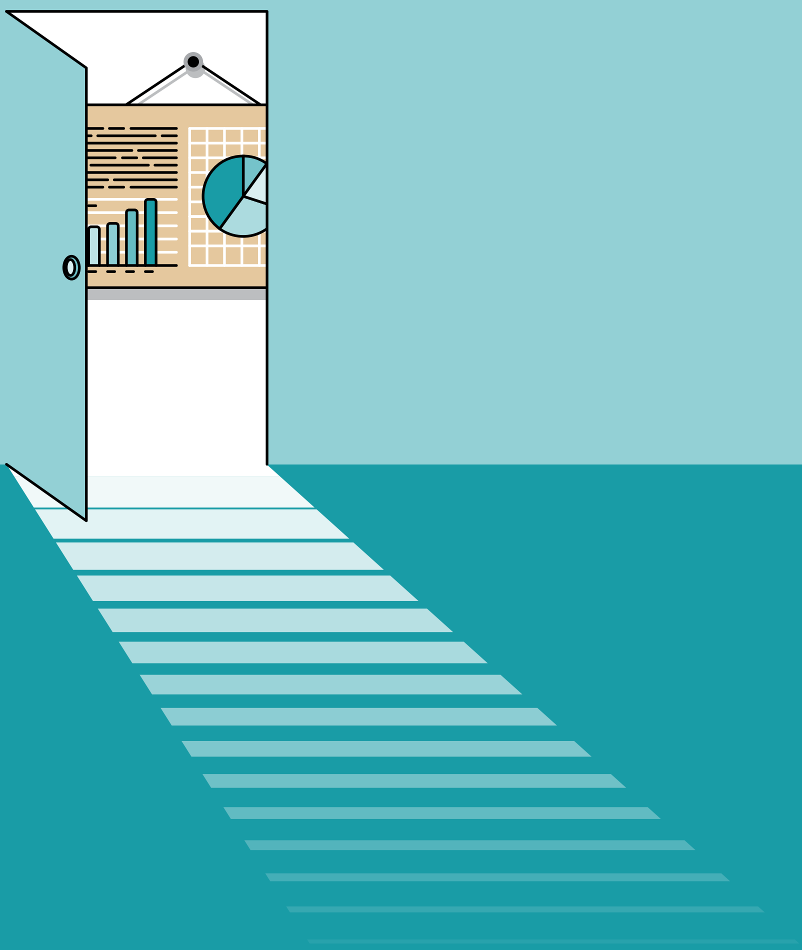
Working in close consultation with our Board and a strong team that we have built-up at Nam Cheong, we are confident of soldiering on well in the winter. As the saying goes 'No winter lasts forever; no spring skips its turn'. Together, we await the arrival of a new spring.



Yours Faithfully

DATUK TIONG SU KOUK
Executive Chairman
March 11, 2016

FINANCIAL AND OPERATIONS REVIEW



REVENUE AND PROFITABILITY

Revenue for the full year ended 31 December 2015 ("FY 2015") of RM950.0 million was RM978.6 million, or 51%, lower as compared to RM1.93 billion achieved during the previous corresponding full year ended 31 December 2014 ("FY 2014"). The shipbuilding segment recorded revenue of RM905.6 million in FY 2015, representing a decrease of 51% or RM934.9 million as compared to RM1.84 billion recorded for FY 2014. The reduction of shipbuilding revenue was mainly due to completion and delivery of 11 units of vessels in FY 2015 as compared to 24 units of vessels in FY 2014.

The vessel chartering segment also registered a decrease in revenue of RM43.7 million, or 50%, from RM88.1 million for FY 2014 to RM44.4 million for FY 2015 mainly due to lower utilisation rate in FY 2015.

Gross profit decreased by 60%, from RM378.5 million for FY 2014 to RM150.0 million recorded for FY 2015, which is in tandem with lower revenue recorded. The gross profit margin for FY 2015 was lower at 16% as compared to 20% in FY 2014. The shipbuilding segment's gross profit margin was lower at 17% due to higher revenue contribution from its build-to-order vessels while the chartering segment in FY 2015 was lower due to a lower utilisation rate of vessels.

Other income for FY 2015 of RM18.1 million is consistent with RM20.0 million recorded in FY 2014.

Selling and administrative expense marginally decreased by RM1.8 million in FY 2015 as compared to FY 2014. Finance cost increased by RM8.3 million in FY 2015 pursuant to the issuance of additional Medium Term Notes ("MTN") since 3Q 2014.

Overall, net profit after taxation for FY 2015 of RM27.9 million, was 91% lower as compared to RM302.2 million in FY 2014.

BUSINESS SEGMENTS

Shipbuilding segment continues to be the main revenue generator, contributing RM905.6 million or 95% of the total Group's revenue of RM950.0 million in FY 2015. The remaining 5% of the Group's revenue in FY 2015 was attributed to the chartering segment. The proportion of segmental revenue contribution in FY 2015 is consistent with FY 2014.

SHARE OF RESULTS FROM JOINTLY-CONTROLLED ENTITY AND ASSOCIATE

Share of profit in jointly controlled entities recorded a gain of RM6.6 million in FY 2015. However, the gain was offset by the share of loss in associate of RM31.9 million in FY 2015 due to a lower vessel utilisation rate.

OPERATING CASH FLOWS

Net cash flows from operating activities decreased from RM161.1 million in FY 2014 to net cash flows used in operating activities of RM547.9 million in FY 2015 mainly due to the increase in inventories by RM637.0 million in FY 2015.

Net cash flows used in investing activities for FY 2015 was RM16.9 million of which RM34.0 million was utilised for the acquisition of property, plant and equipment and partly offset by the proceeds from disposal of held-to-maturity asset of RM10.7 million.

Net cash flows from financing activities for FY 2015 of RM173.4 million was mainly attributed to the net proceeds from bank borrowings and issuance of additional MTN of RM751.1 million and RM210.2 million respectively, which were partially offset by repayment of bank borrowings of RM361.8 million and repayment of medium term notes of RM275.1 million.

TOTAL ASSETS

Total assets of the Group increased by RM698.5 million from RM3.25 billion as at 31 December 2014 ("FY 2014") to RM3.95 billion as at 31 December 2015 ("FY 2015") mainly due to:

(i) the increase in property, plant and equipment of RM167.7 million which was mainly due to the addition of two vessels to the existing fleet during the period; and

(ii) the increase in inventories by RM787.1 million from RM1.04 billion in FY 2014 to RM1.83 billion in FY 2015 as a result of progresses of works for its built-to-stock vessels under the shipbuilding programme.

TOTAL LIABILITIES

Total liabilities of the Group increased by RM540.7 million from RM2.03 billion in FY 2014 to RM2.57 billion in FY 2015 mainly due to the increase in trade and other payables of RM97.4 million and the increase in loans and borrowings of RM499.9 million.

The Group's net gearing ratio increased from 0.42 time in FY 2014 to 0.95 time in FY 2015 mainly due to the decrease in cash and bank balances, coupled with increase in loans and borrowings.

BOARD OF DIRECTORS

DATUK TIONG SU KOUK

Executive Chairman
Date of Appointment: 28 April 2011

Since 1998, Datuk Tiong Su Kouk, through a series of equity injections, increased his shareholding interest in Nam Cheong Dockyard Sdn. Bhd. ("NCD"). In 1999, Datuk Tiong has obtained majority shareholding control and assumed an active role in the management of the Group.

Datuk Tiong has more than 20 years' experience in the shipbuilding industry. He is responsible for the Group's strategic direction and shipbuilding operations in Miri yard 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 the building of Offshore Support Vessels ("OSVs"), and transformed NCD into one of the leading builders and suppliers of OSVs in Malaysia.

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 and producers of frozen food.

Datuk Tiong was conferred the Panglima Jasa Negara which carries the title "Datuk" by Seri Paduka Baginda Yang Di-Pertuan Agong on 2 June 2001. Datuk Tiong was also 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 contributions to the community.

In 1999, Datuk Tiong was appointed as a Member of MAPEN II (Majlis Perundingan Ekonomi Negara Kedua). Datuk Tiong is also the Honorary Life President of the World Federation of Fuzhou Association, Permanent Honorary Chairman, Inaugurator of The World Zhang Clan Association, Honorary Life Chairman of the Federation of Foochow Association of Malaysia and Honorary President of the Associated Chinese Chambers of Commerce and Industry of Sarawak. In addition, he sits on various school boards and boards of other private limited companies.

MR TIONG CHIONG HIIUNG

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

Mr Tiong Chiong Hiiung graduated with a Bachelor of Economics degree from Monash University, Australia in 1989. Upon graduation, he was appointed as the Managing Director of Central Coldstorage Kuching Sdn Bhd, a subsidiary of CCK Consolidated Holding Berhad.

In 1997, he was appointed as the Managing Director of CCK Group of Companies ("CCK Group"), responsible for the overall management and operations of the CCK Group. He was instrumental in transforming the CCK Group's operations into one of the most modern in Sarawak.

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

He joined the Group as a Director in 1993 and his primary areas of responsibility include handling the Company's corporate affairs and finance. He was also involved in crafting the human resource policies of the Group and initiated the implementation of the employee salary structure of the Group.

He initiated the development of the corporate management system where policies, procedures and detailed processes of different functions are documented and monitored for better management.

In 2014, he was appointed as the Executive Vice Chairman for the Group, where he serves to strengthen the Board in light of the increasing demands of an evolving and fast growing business. He will also assist the Chairman, in reviewing Board matters and in supporting the implementation of growth and business strategy.

MR LEONG SENG KEAT
Chief Executive Officer
Date of Appointment: 21 May 2013

Mr Leong Seng Keat is the Chief Executive Officer of the Group and a member of the Board of Directors. 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, he accumulated more than 15 years of experience in the management of information technology and is very well versed with the different phases of development and changes in the life of a corporation.

In 2005, he joined the Group as an Executive Director 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, he was appointed as the Chief Executive Officer for the Group. He leads the efforts of the Group's continuing expansion of global market sales and innovation in price performance vessels with fuel efficient features. He determines the Group's corporate and strategic directions, working closely with the members of the management team strategically for significant expansion of market share and operations.

With close to 30 years of sales and management experience and in-depth knowledge about offshore and marine industry, he is a frequent and well sought-after speaker and panellist at various domestic and international offshore and marine conferences.

He has been a member of American Bureau of Shipping (ABS) Southeast Asia Regional Committee since 2008 and a 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 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 and admitted as an Advocate & Solicitor of the Supreme Court of Singapore in 1976. He is currently an independent director of SembCorp Marine Ltd and Sembcorp Industries Ltd, companies listed on the Mainboard of the SGX-ST, and now a Consultant of Haridass Ho & Partners, a legal firm he set up in 1985.

With 39 years of legal experience, he specializes in all admiralty matters, both litigious and non-litigious, from ship sale and purchase, the financing aspects of such transactions, marine insurance to general commercial and banking litigation. He is also 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 Kuala Lumpur Regional Centre for Arbitration (KLRCA).

He is a member of the Board of Visiting Justices & Board of Inspection (Prisons Department) and Chairman of the Home Detention Advisory Committee 3, under the purview of the Ministry of Home Affairs.

He is a Referee at the Small Claims Tribunal and Mediator at Criminal Relational Disputes, State Courts, a Commissioner for Oaths, Notary Public as well as a Justice of the Peace.

BOARD OF DIRECTORS
(CONTINUED)

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 is a qualified professional accountant who holds a Bachelor of Accountancy (University of Singapore) and is a fellow of the Institute of Chartered Accountant, England and Wales and of the Institute of Singapore Chartered Accountants and a full member of the Institute of Directors.

He is a partner of the practice, Kit Yee & Co. Chartered Accountants Singapore. Prior to establishing the practice, he was a Tax Manager with Ernst & Young. In all, he has more than 30 years of experience in the field of audit, management consultancy, accountancy and taxation.

He also sits on the board of two other listed companies in Singapore.

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

MR KAN YUT KEONG, BENJAMIN
Independent Director
Member of the Audit Committee
Member of the Remuneration Committee
Date of Appointment: 1 October 2014

Mr Benjamin Kan graduated from the University of Hull in the United Kingdom, with B.Sc. Economics (Hons). He articled with Grant Thornton in London and was admitted as a chartered accountant 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.

On returning from the United Kingdom, he joined PricewaterhouseCoopers in Singapore. He was the staff-in-charge of the Insolvency unit, reporting to the Senior Partner. He was transferred to the management consulting unit after supervising the Insolvency unit for over 3 years. After spending about 5 years with the consulting unit, he developed a new business unit to focus on corporate finance activities. In 2002, arising from the growth of the corporate finance business, the partnership decided to form a separate business entity, PricewaterhouseCoopers Corporate Finance Pte Ltd to apply and obtained a Capital Market Services licence from the Monetary Authority of Singapore to conduct corporate finance activities ("CF Unit"). He was the Managing Director of the CF Unit until his retirement from the partnership in June 2014.

Mr. Benjamin has more than 32 years' experience working in professional accounting, corporate finance and consulting in the Asian region and the United Kingdom.

His clients include the public sector, multinational corporations, government linked companies as well as local companies.

KEY EXECUTIVES

MR DAVID TING KAH SOON
Chief Financial Officer

Mr David Ting joined the Group as the Financial Controller in January 2008 and assumed the role of Chief Financial Officer on 28 April 2011.

He graduated with a Bachelor of Accountancy Degree from The University of South Australia. He is a member of the CPA Australia and the Malaysian Institute of Accountants.

He has over 20 years of financial management and accounting experience, having worked in commercial and international CPA firms. He is responsible for the planning and management of the Group's financial directives, fiscal and accounting policies.

MR TIONG CHIONG SOON (JOSEPH)
Group General Manager

Mr Joseph Tiong joined the Group as the Group General Manager in 2009, responsible primarily for the Group's shipbuilding operation which includes vessels chartering, repairs, procurement and sourcing of equipment required for the shipbuilding operation. He reports directly to the Executive Chairman and the CEO of the Group.

Mr Joseph Tiong graduated from the University of Oklahoma, USA, with a Bachelor of Business in 1994. He started his career with CCK Consolidated Holding Berhad ("CCK"), 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.

He sits on the boards of various private limited companies.

KEY EXECUTIVES
(CONTINUED)

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 ship design and product development, engineering, procurement and project management of the Group's newbuilding of offshore support vessels, and technical services support of the Group's fleet of vessels.

He 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 (Foreign-going) (Motorship) (Singapore), and is a registered Chartered Engineer of Engineering Council (UK) and a Chartered Marine Engineer of the Institute of Marine Engineers, Scientists and Technologists (UK).

He has over 37 years of experience in new shipbuilding, ship repairs, ship design, marine engineering, procurement of equipment, project management and many other related services.

Prior to his current appointment, he was the Senior Vice President (Engineering) with Jaya Shipbuilding & Engineering Pte Ltd (a subsidiary of Jaya Holdings Ltd) for more than 5 years. He headed the ship design, product development and functional engineering, 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 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 commercial ships for more than 7 years, including the rank of Chief Engineer with Neptune Orient Lines Limited, Singapore.

MR PRADEEP KUMAR DATAR
Head of Business Development

Mr Pradeep joined the Group in June 2014. He is an oil and gas industry veteran with more than 25 years of experience. His most recent appointment was the Vice President, Offshore - Asia, at Rolls-Royce Singapore Pte. Ltd. ("Rolls-Royce"), where he supervised Rolls-Royce's offshore business in Asia and had established strong relationships with the key stakeholders.

He served for more than 18 years in Rolls Royce and its related entities. Prior to this, he was the General Manager (Sales) of Wartsila Diesel's China and India operations respectively. As Nam Cheong's Head of Business Development, Mr Pradeep oversees the development of Nam Cheong's business relationships with customers and tap new opportunities across key markets.

MR CHOW HAU MUN (DANIEL)
Division Head, Corporate Services

Mr Daniel Chow joined the Group in October 2013 as the Division Head, Corporate Services. He graduated with LLB (Hons) Malaya from the University of Malaya in 1987 and was admitted to the Malaysian Bar in 1988.

He has extensive experience in legal practice and also as an in-house legal counsel in several corporations e.g. Hong Leong Management Co. Sdn. Bhd. and Abric Berhad. Prior to joining the Group, he was the Head Legal Counsel in M3nergy Berhad, an integrated service provider in the oil and gas industry in Malaysia.

He has wide ranging contentious and non-contentious experience in oil and gas, international trade and offshore sectors.

MR MARK WAI-YAN JASON
Technical Senior Manager

Mr Mark Wai-yan Jason joined the Group in 2007 as the Technical Manager of the Group. He graduated with Bachelor of Science (Hons) majoring in Naval Architecture from the University of Strathclyde. Subsequently, he obtained the Chartered Engineer (UK) certification from the Institute of Charter Engineer (RINA) and the Professional Engineer certification from Professional Engineer Board (Singapore).

He has extensive experience in his area of responsibility, and had served in companies such as Vosper Pte Ltd, Conan Wu and Associates, Neptune Orient Lines Ltd, Plimsoll Pte Ltd., Hong Lam Marine (as Project Manager/Naval Architect/Consultant), Sahaisant Co., Ltd in Thailand (as Project Manager) before setting up a consultancy services business from 2001 to 2004. He subsequently joined ASL Shipyard Pte Ltd where he was Senior Engineering Manager. He is primarily responsible for all technical-related matters of the Group.

MR LEE BOON CHYE
Project Senior Manager

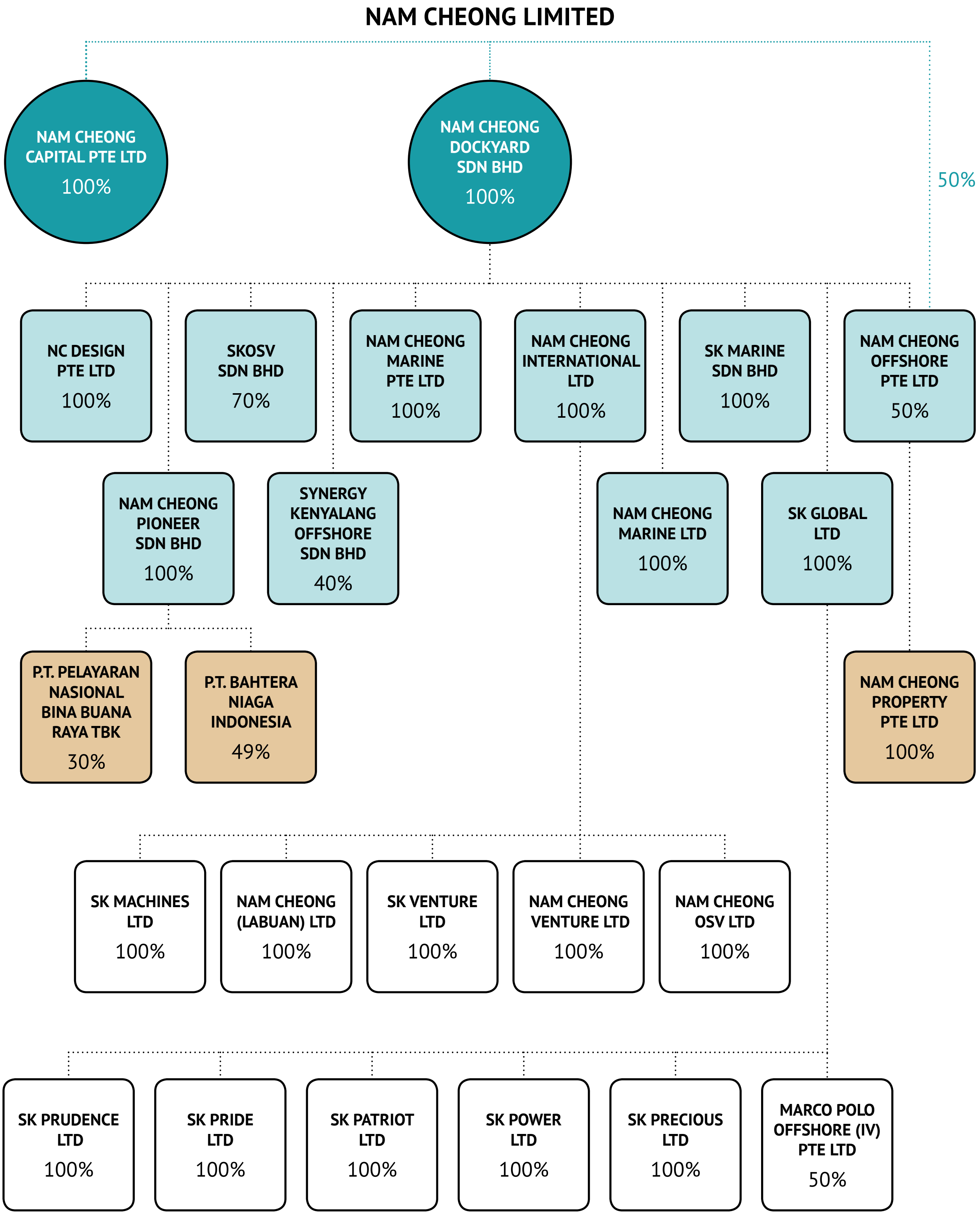
Mr Lee Boon Chye joined the Group in July 2013 as the Project Manager. Based in People's Republic of China, he is in charge of the entire project management in outsourcing shipyards in PRC and responsible for the Group's newbuilding projects.

He holds a Bachelor of Engineering in Marine Technology with Honours in Marine Engineering (First Class) from the University of Newcastle upon Tyne (UK) and a Diploma in Marine Engineering from the Singapore Polytechnic (SG).

He has over 16 years of experience in the naval, marine, offshore, shipbuilding, ship management, project management and integrated services industry. Prior to his current appointment, he was the Project Manager (Outsource Yard) and Technical Superintendent with Jaya Shipbuilding & Engineering Pte Ltd and Jaya Offshore Pte Ltd (a subsidiary of Jaya Holdings Ltd) for more than 9 years. He led the project management team in outsourcing shipyards in People's Republic of China where he handled 8 shipyards, managed and delivered various types of Offshore Support Vessel.

As a Technical Superintendent, Mr Lee managed and organized survey, docking and repairs for vessels. He had also served under the Defence Science & Technology Agency – Navy as a Superintendent Engineering Officer and Specialist Engineer dealing with Naval vessel maintenance strategy and engineering study. He reports directly to Mr Kwan Seng Fatt, General Manager of Newbuilding Division.

CORPORATE STRUCTURE



CORPORATE MILESTONES

1968	Nam Cheong Dockyard Sdn Bhd established
1987	Delivered first SSV
1989	Delivered first AHTS vessel
2005	Doubling of production capacity of our Miri yard
2006	Tripling of production capacity. Commenced outsourcing of shipbuilding to Chinese yard
2007	Commenced chartering business
	Management headquarters shifted to Kuala Lumpur
	Received ISO9001:2000 (since been revised to ISO9001:2008) certificate
	Delivered first Malaysian-made DP2 OSV
2008	Expanded into India, Dubai, Hong Kong, Singapore and the Netherlands markets.
2009	Expanded into China and Vietnam markets
	Received the Industry Excellence Award (Transportation Sector)
2011	Expanded into Tunisia, Indonesia and USA markets
	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 our first proprietary design DE series vessels, NCA80E (64.8m AHTS 80T BP)
	Received Bronze for the Best Managed Board Award
	Received the Most Transparent Company Award – Runner-up

SHAREHOLDERS' INFORMATION

STATISTICS OF SHAREHOLDINGS AS AT 4 MARCH 2016

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	1,987	16.52	84,856	0.00
100 - 1,000	4,359	36.24	1,303,716	0.07
1,001 - 10,000	1,947	16.18	12,186,004	0.58
10,001 - 1,000,000	3,675	30.55	250,972,985	11.97
1,000,001 AND ABOVE	61	0.51	1,831,918,324	87.38
Total	**12,029**	**100.00**	**2,096,465,885**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	S.K. TIONG ENTERPRISE SDN. BHD.	574,342,840	27.40
2	HUNG YUNG ENTERPRISE SDN BHD	319,954,845	15.26
3	KGI FRASER SECURITIES PTE LTD	228,788,687	10.91
4	TIONG SU KOUK	88,836,517	4.24
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	62,319,360	2.97
6	UOBM NOMINEES (TEMPATAN) SDN BHD	57,654,847	2.75
7	HSBC (SINGAPORE) NOMINEES PTE LTD	53,381,800	2.55
8	CIMB SECURITIES (SINGAPORE) PTE LTD	52,870,502	2.52
9	DBS NOMINEES (PRIVATE) LIMITED	44,849,620	2.14
10	LAU LIONG KII	40,195,342	1.92
11	TIONG CHIONG SOON	32,920,816	1.57
12	CITIBANK NOMINEES SINGAPORE PTE LTD	25,796,379	1.23
13	PAU KIU FUNG	17,200,769	0.82
14	TIONG SU KOUK OR TIONG CHIONG HIIUNG	16,100,000	0.77
15	WONG BAK HEE	15,420,430	0.74
16	LING TING LEONG @ LING CHONG SENG	14,414,615	0.69
17	TIONG CHIONG HIIUNG	14,259,240	0.68
18	RHB SECURITIES SINGAPORE PTE. LTD.	12,880,080	0.61
19	KONG SING CHING	11,777,785	0.56
20	RAFFLES NOMINEES (PTE) LIMITED	11,136,640	0.53
	Total	**1,695,101,114**	**80.86**

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 4 MARCH 2016

Number of equity securities : **2,096,465,885 (excluding treasury shares)**
Class of equity securities : **Ordinary share of HK0.50 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**	**%**
Datuk Tiong Su Kouk [(1)]	104,936,517	5.00	969,768,115	46.26
S.K. Tiong Enterprises Sdn. Bhd. [(2)]	574,342,840	27.40	319,954,845	15.26
Hung Yung Enterprises Sdn. Bhd.	319,954,845	15.26	-	-
Datin Wong Bak Hee [(3)]	15,420,430	0.74	1,059,284,202	50.53

Notes:

(1) 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, Datin Wong Bak Hee and 60,000,000 shares held by UOB 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. by virtue of Section 4 of the Securities and Futures Act (Cap. 289).

(3) Datin Wong Bak Hee is deemed to have an interest in the shares held by S.K. Tiong Enterprises Sdn. Bhd., Hung Yung Enterprises Sdn. Bhd. and her husband, Datuk Tiong Su Kouk and 50,000 shares held by Philip Securities Pte. Ltd. (as nominee) by virtue of Section 4 of the Securities and Futures Act (Cap. 289).

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

Based on the information available to the Company as at 4 March 2016, approximately 40.10% of the issued ordinary shares of the Company is held in public hands, therefore, Rule 723 of the Listing Manual issued by the SGX-ST is complied with.

CORPORATE GOVERNANCE REPORT

The Board of Directors and the Management of Nam Cheong Limited ("Nam Cheong" or "the Group" or "the Company") are fully committed to the highest standards of corporate governance and have adopted the principles set out in the Code of Corporate Governance 2012 ("Code") to promote corporate transparency and to protect the interests of the Company's shareholders.

Nam Cheong has established various self-regulating and monitoring mechanisms to ensure that effective corporate governance is practised as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and financial performance of the Group.

This report describes the Group's corporate governance processes and structures that are in place during the financial year ended 31 December 2015 ("FY2015"), 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: *Every company should be headed by an effective board to lead and control the company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and Management remains accountable to the Board.*

In order to perform its functions effectively and efficiently, Nam Cheong's Board comprises Directors with a wide range and invaluable experiences, skills and qualities in the fields of shipbuilding and vessel chartering, business development, business management, financial, legal and accounting. Such diversity of skills, experience and qualities ensures that the Board is equipped to deal with a large range of issues.

The Board has adopted 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 the matters that specifically require the Board's approval, such as investments, borrowings, issue of shares, dividend distributions and other returns to shareholders, guarantees and indemnities, the Delegation Policy establishes defined limits of authority in relation to all operational matters for the Management, key executive officers and the Board. Transactions exceeding the defined limits in the Delegation Policy are to be approved by the Board.

The Board is responsible for the corporate governance of the Group, thus ensuring the protection and long term enhancement of shareholder value. It sets the overall strategy for the Group, supervises the executive management and monitors their performance. In addition to its statutory responsibilities, the Board's role includes:

a) providing entrepreneurial leadership, setting strategic objectives and directions to ensure that the required and necessary financial and human resources are in place for the Group to meet all its objectives;

b) establishing a framework of prudent and effective controls to assess and manage risks and safeguarding the shareholders' interests and the Group's assets;

c) establishing goals for the Management and reviewing the Management's performance by monitoring the achievement of these goals and the condition of the Group;

d) identifying principal risks of the Group's business and ensuring the effective implementation of appropriate systems to assess and manage the risks, including safeguarding of shareholders' interests and the Group's assets;

e) reviewing and evaluating the adequacy and effectiveness of the Group's internal controls, risk management and financial reporting;

f) reviewing and approving corporate plans, annual budgets, major funding, significant investments and divestment proposals and financial plans of the Group;

g) reviewing and approving the remuneration packages of the Board and employees related to a substantial shareholder and/or any Board member;

h) ensuring accurate, adequate and timely reporting to, and communication with the shareholders;

i) identifying the key stakeholder groups and recognising that their perceptions affect the Group's reputation;

j) setting the Group's values and standards (including ethical standards), and ensuring that its obligations to shareholders and other stakeholders are understood and met; and

k) considering sustainability issues, such as environmental and social factors, as part of its strategic formulation.

The Board discharged its duties and responsibilities objectively and effectively at all times as fiduciaries in the interests of the Group. The Board is expected to act in good faith and in the interest of the Group at all times.

The Board meets on a quarterly basis and on special warranted meetings by particular circumstances. To ensure 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.

To assist in the execution of its responsibilities and to strengthen the Board's effectiveness, the Board has set up and is supported by four Board Committees, namely the Audit Committee ("AC"), the Remuneration Committee ("RC"), the Nominating Committee ("NC") and the Risk Management Committee ("RMC"). Each committee has its own defined terms of reference and operating procedures to discharge its responsibilities more efficiently.

The number of meetings held by the Board and Board Committees and the attendance thereat for the year under review are as follows:

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name of Directors	**No. of meetings**	**Attendance**	**No. of meetings**	**Attendance**	**No. of meetings**	**Attendance**	**No. of meetings**	**Attendance**
Datuk Tiong Su Kouk	4	4	N.A	N.A	N.A	N.A	N.A	N.A
Leong Seng Keat	4	4	N.A	N.A	N.A	N.A	N.A	N.A
Tiong Chiong Hiiung	4	4	N.A	N.A	N.A	N.A	1	1
Ajaib Hari Dass	4	4	4	4	1	1	1	1
Yee Kit Hong	4	4	4	4	1	1	1	1
Kan Yut Keong, Benjamin	4	4	4	4	1	1	N.A	N.A

For new appointments 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 on 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. Directors are also invited to yard visits and meet with the Management of the yard hence enabling them to obtain better perspective of the Group's business activities and operational matters.

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 are informed and 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, at the expense of the Group.

CORPORATE GOVERNANCE REPORT
(CONTINUED)

BOARD COMPOSITION AND GUIDANCE

Principle 2: *There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision-making.*

As at the date of this report, the Board comprises six members:

Executive Directors
Datuk Tiong Su Kouk (Executive Chairman)
Mr. Tiong Chiong Hiiung (Executive Vice Chairman)
Mr. Leong Seng Keat (Chief Executive Officer ("CEO"))

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

Our Directors bring a wide range of invaluable experiences, skills, knowledge, extensive business network and expertise in specialised fields including but not limited to admiralty matter, 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 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 Chairman and CEO are assumed by different persons.

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.

The Independent Directors have confirmed that they do not have any relationship with the Group, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment.

The Company, on an annual basis, determines whether or not a Director is independent, taking into account the Code's definition. The NC has assessed the independence of each 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 Company reviews the Board's structure, size and composition annually, as well as when required by circumstances. The NC is of the view that the Board is of the appropriate size, with the right mix of skills and experience, given the nature and scope of the Group's operations.

The Board has a healthy proportion of independent directors, with independent directors comprising half the Board. The Board is able to exercise objective judgment independently from the Management with no individuals dominating the decisions of the Board. It also ensures that there is effective representation of its shareholders and that issues of strategy, performance and resources are fully disclosed and examined to take into account long-term interests of the shareholders, employees, customers, suppliers and the industries in which the Group conducts its business.

The profile of each Director is set out in page 16 to 18 of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *There should be a clear division of responsibilities between the leadership of the Board and the executive responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

Both, Datuk Tiong Su Kouk, the Executive Chairman, and Mr. Leong Seng Keat, the CEO play important roles in propelling the growth of Nam Cheong and provide strong leadership and strategic vision for Nam Cheong. Both are responsible for the formulation and execution of overall business strategy and policies and chartering the corporate direction of the Group.

The role of Chairman also 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 openness and debate 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 CEO is responsible for the management and operation of the Group in accordance with Group's pre-determined goals, strategy and objectives.

All strategic and major decisions made by the Chairman and CEO are also reviewed and approved by the Board.

Mr. Ajaib Hari Dass, the Lead Independent Director of Nam Cheong, is responsible for co-ordinating and leading the Independent Directors, providing a non-executive perspective and contributing a balanced viewpoint, to enable the Board to exercise independent decision making and to ensure an appropriate balance of power and authority in the spirit of good corporate governance.

Mr. Ajaib Hari Dass is also available to shareholders should they require alternative advices apart from contacts with the Chairman, CEO or the chief financial officer ("CFO").

BOARD MEMBERSHIP

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

The Board has established a Nominating Committee ("NC") which comprises the following members, the majority of whom, including the Chairman, are Non-Executive and Independent Directors:

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

The NC is regulated by a set of written terms of reference endorsed by the Board, setting out their duties and responsibilities. The NC is responsible for:

a) reviewing and recommending to the Board the structure, size and composition of the Board and Board Committees;

b) reviewing Board succession plans for Directors, in particular, the Chairman and CEO;

c) establishing procedures for, and making recommendations to, the Board on all Board appointments and re-appointments;

d) determining on an annual basis if a Director is independent;

e) evaluating if a Director has multiple Board representations and if he is able to and has been adequately carrying out his duties as a Director;

f) evaluating the performance of the Board; and

g) reviewing training and professional development programs for the Board.

The NC reports to the Board and meets at least once a year.

The NC has conducted an annual review of Directors' independence based on the Code's criteria for independence and is of the view that Mr. Ajaib Hari Dass and Mr. Yee Kit Hong are independent. The NC has conducted a formal assessment of the Board's performance as a whole for FY 2015.

In the selection and nomination for new Directors, the NC ensures that the potential candidates possess relevant experience, background, knowledge and calibre to contribute to the Group and its business, having regard to the attributes of the existing Board members and the requirements of the Group. The potential candidates are shortlisted and thereafter, interviews with the shortlisted candidates are set up.

A new Director can be appointed by way of a Board resolution, after the recommendation by the NC. Newly appointed Directors must present themselves for re-elections at the next Annual General Meeting of the Company.

Pursuant to the Bye-Laws of the Company, each Director of the Company shall retire at least once every three years by rotation. Directors who retire are eligible to offer themselves for re-election. The NC has reviewed and recommended the re-election of Mr. Leong Seng Keat and Mr. Tiong Chiong Hiiung who are retiring under the Company's Bye-Law 86(1) at the forthcoming Annual General Meeting ("AGM"). The Board has accepted the recommendation and the retiring Directors will be offering themselves for re-election.

CORPORATE GOVERNANCE REPORT

(CONTINUED)

The NC considers that the multiple Board representations held presently by the Directors do not impede their performance in carrying out their duties to the Company. The NC has ascertained that for the period under review, the Directors have devoted sufficient time and attention to the Group's affairs.

While the Code recommends stipulating a maximum number of listed company board representations for directors, the NC is of the view that in assessing the performance of the Directors in carrying out their duties and whether they are able to devote sufficient time in discharging the same, the contributions of the Directors to the Board and relevant Board Committees as well as their attendance at meetings of the Board and such committees should be taken into account. The NC is of the view that determining the capacity of the Directors should not be restricted only to a consideration of the number of listed company board representations of each Director. Rather, factors such as whether the Director is able to devote sufficient time and attention to the affairs of the Company will also be taken into consideration. As such, the Board has not prescribed a maximum number of listed company board representations for the Directors. The NC has evaluated the time the Directors are able to devote to the Company in light of their other commitments, and is of the view that each Director has been able to carry out his duties adequately.

As recommended by Guideline 4.5 of the Code, the Board does not encourage the appointment of alternate directors and no alternate director has been appointed to the Board.

BOARD PERFORMANCE

Principle 5: *There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.*

The Board believes that active participation and contribution by the Directors are essential to the effectiveness of the Board. Hence, the NC is assigned to annually review the Board's performance based on pre-set objective criteria, approved by the Board, which aims to address the long-term enhancement of shareholders' value.

In assessing the effectiveness of each Director and the Board's performance as a whole, the following quantitative and qualitative criteria are adopted:

a) evaluation of the structure, size and composition of the Board;

b) manner in which the Board meetings are conducted;

c) Board's access to information;

d) Board performance in relation to discharging its principal responsibilities;

e) Board processes and accountability;

f) performance of the Board Committees; and

g) CEO and Key Management succession planning.

In addition, all Directors are requested to complete a Board Evaluation Questionnaire designed to seek their views on the performance of and on various aspects of the Board and the Board Committees so as to assess the overall effectiveness of the Board and the Board Committees. A consolidated report of the results of the Board Evaluation Questionnaire is first prepared and subsequently reviewed by the NC and presented to the Board.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

The NC has conducted a performance evaluation of the Board and confirms that all Directors have contributed effectively and have demonstrated full commitment to their roles in FY 2015. No external facilitator had been engaged by the Board for this purpose.

ACCESS TO INFORMATION

Principle 6: *In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

The Board believes that it should be provided with complete information in a timely manner prior to Board meetings and on an on-going basis.

The Board has separate and independent access to the Management, internal and external auditors and the Company Secretary at all times. The Management regularly provides the Board with information on issues requiring the Board's deliberations, so as to enable the Board to make informed decisions. The Board is also informed of all material events and transactions as and when they occur. Requests for additional information from the Board are dealt with promptly by the Management.

In addition, the Management provides the Board with quarterly reports of the Group's performance. The Management also consults the Board whenever necessary and appropriate.

The Board is issued with Board papers in a timely manner prior to Board and Board Committee meetings, to facilitate decision making by the Board and to deal with matters arising from such meetings. The Management and external advisers are invited to attend Board meetings to provide additional insights and professional views.

The Company Secretary, or, when unavailable, an authorized designate, attends all Board and Board Committee meetings and prepares the minutes for such meetings. The Company Secretary also assists the Chairman in ensuring that Board procedures, the Company's Bye-Laws, and other applicable rules and regulations are complied with so that the Board functions effectively.

The Company Secretary ensures implementation and adherence of good corporate governance and best practices across the Group. The appointment and the removal of the Company Secretary are subject to the approval of the Board.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as a Director.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

The Remuneration Committee ("RC") is regulated by a set of written terms of reference, which has been recently amended following the issue of the Code, and which sets out their duties and responsibilities. The RC comprises the following Non-Executive Directors, the majority of whom, including the Chairman are Independent Directors. 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 responsibilities of the RC are to assist the Board in ensuring a formal and transparent procedure in:

a) overseeing the remuneration packages of the Directors as well as key executive officers of the Group;

b) determining and reviewing, from time to time, the remuneration policy of the Group; and

c) reviewing and recommending a remuneration framework for the Directors and key executive officers of the Group, taking into account the environment and circumstances faced by the Group in which it operates.

The recommendations of the RC would be submitted for endorsement 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 remuneration.

The RC has full authority to engage any independent, external professional advice on matters relating to the remuneration as and when the need arises and expenses of such advice shall be borne by the Company.

CORPORATE GOVERNANCE REPORT
(CONTINUED)

LEVEL AND MIX OF REMUNERATION

Principle 8: *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully to manage the company. However, companies should avoid paying more than is necessary for this purpose.*

The Group's remuneration policy is to provide remuneration packages which will reward performance and attract, retain and motivate Directors and key executive officers to run the Group successfully.

In setting the remuneration packages, the RC takes into consideration the salary payment and employment conditions within the same industry and in comparable companies and the performance of the Group and the relevant individual.

The Non-Executive Directors and Independent Directors do not have any service agreements with the Company. They are paid Directors' fees, which are determined by the Board, appropriate to the level of their contribution, taking into account factors such as the responsibilities, effort and time spent for serving the Board and Board Committees.

Directors' fees are tabled annually for shareholders' approval at the Annual General Meeting. Other than directors' fees, the Non-Executive Directors and Independent Directors do not receive any other remuneration from the Company.

Datuk Tiong, the Executive Chairman, Mr. Tiong Chiong Hiiung, the Executive Vice Chairman and Mr. Leong Seng Keat, the Chief Executive Director 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.

The Company had adopted the Share Grant Plan on 29 April 2013 as a long-term incentive scheme for Directors and employees of the Group. The aggregate number of shares which may be offered under the Share Grant Plan should not exceed 10% of the Company's total issued share capital. Please refer to the Directors' Report for further details on the terms of the Share Grant Plan.

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.

Non-Executive Directors are paid Directors' fees, subject to the approval of shareholders at the AGM. Directors' fees comprise a basic fee, fees in respect of service on Board Committees and attendance fees.

The RC has recommended to the Board a total amount of S$503,000.00 as Directors' Fees for FY2015. This recommendation has been endorsed by the Board and would be tabled at the forthcoming AGM for shareholders' approval. No director was involved in deciding his own remuneration.

DISCLOSURE OF REMUNERATION

Principle 9: *Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedures for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

The remuneration of the Directors is disclosed as follows:

DISCLOSURE ON REMUNERATION OF DIRECTORS FOR FY2015

Remuneration	Salary SGD'000	Director's Fee & Meeting Allowance SGD'000	Variable or Performance Related Income/Bonus and Benefits-In-Kind SGD'000	Total Compensation SGD'000
Directors				
Datuk Tiong Su Kouk	711	55	1,922	2,688
Mr. Tiong Chiong Hiiung	576	68	288	932
Mr. Leong Seng Keat	555	55	2,348	2,958
Mr. Ajaib Hari Dass	-	115	-	115
Mr. Yee Kit Hong	-	114	-	114
Mr. Kan Yut Keong, Benjamin	-	96	-	96

The remuneration of the key executive officers is disclosed as follows in the respective bands:

DISCLOSURE ON REMUNERATION OF KEY EXECUTIVE OFFICERS FY2015

Key Executive Officers	Salary %	Variable or Performance Related Income/Bonus and Benefits-In-Kind %	Total Compensation %
S$250,001 and above			
Tiong Chiong Soon (Joseph)	67	33	100
Kwan Seng Fatt	44	56	100
Mark Wai-yan Jason	62	38	100
Pradeep Kumar Datar	76	24	100
S$0 to S$250,000			
David Ting Kah Soon	47	53	100

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

For FY2015, the aggregate total remuneration for the key executive officers amounted to S$ 1,991,511.14.

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.

CORPORATE GOVERNANCE REPORT

(CONTINUED)

The RC ensures the remuneration paid to the CEO, Directors, and key executive officers 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, yet the remuneration remains at a realistic level. The individual performance targets are aligned to the overall strategic, financial, and operational goals of the Company, ensuring that the Company and its people grow together. The performance targets, while different for each individual, are 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 performance that supports the Group's long term financial soundness, risk management framework, internal controls to safeguard the shareholders' interests and the Group's assets.

One key management personnel of the Company, Mr. Tiong Chiong Soon (Joseph), is the son of Datuk Tiong Su Kouk, a Director of the Company. The remuneration of Mr. Tiong Chiong Soon (Joseph) is above S$250,000 for FY2015. The remuneration of Mr. Tiong Chiong Soon (Joseph) will not be disclosed in bands of S$50,000 given the confidentiality and commercial sensitivity attached to remuneration matters. Save for Mr. Tiong Chiong Soon (Joseph), there are no other employees of the Company who are the immediate family of a Director or the CEO of the Company, and whose remuneration exceed S$50,000 for FY2015.

ACCOUNTABILITY

Principle 10: *The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

The Board is accountable to shareholders for the management of the Group. The Board updates shareholders on the operations and financial position of the Group through quarterly and full year results announcements in addition to timely announcements of other matters as prescribed by the relevant rules and regulations.

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

To ensure the Board fulfils its responsibilities, the Management is accountable to the Board by providing the Board with the necessary updates in relation to the performance of the Group.

The Management provides the Board with information 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: *The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

The Board acknowledges its responsibility for maintaining a sound system of internal control and risk management practices covering the areas of strategic, financial, operational, and compliance. The Group has set up a management level Risk Management Committee ("RMC"), led by the Executive Chairman, Datuk Tiong Su Kouk and CEO, Mr. Leong Seng Keat. 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.

The RMC is assisted by an external advisor, Columbus Advisory ("Advisor"), to monitor and manage the risks across the Group via an Enterprise Risk Management ("ERM") framework.

The Advisor has recommended a risk reporting structure, together with reporting frequency and roles and responsibilities for implementation by the Group. Risk awareness sessions were organised for the staff. Key risks were assessed and risk action plans were developed (via workshops facilitated by the Advisor) for the top ten 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 currently.

The Board acknowledged the recommendations and is committed to continuously implementing a suitable enterprise risk management 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 information and intelligence available.

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.

The Board has received assurances from the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

The Board has also received assurance from the Advisor, CEO and CFO that the Company's risk management and internal control systems are adequate and effective in addressing the material risks in the Group in its current business environment.

Based on the internal controls established and maintained by the Group, work performance by the internal and external auditors, and performance reviews by Management, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks were adequate and effective as at 31 December 2015.

The Board will, on a continuing basis, endeavour to further enhance and improve the Group's system of internal controls and risk management policies.

AUDIT COMMITTEE

Principle 12: *The Board should establish an audit committee with written terms of reference, which clearly set out its authority and duties.*

The Audit Committee ("AC") is regulated by a set of written terms of reference, which sets out their duties and responsibilities. The AC comprises the following Non-Executive Directors, the majority of whom, including the Chairman, 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 recent and relevant accounting or related financial management expertise or experience, as determined by the Board in its business judgment.

The principal duties of the AC include reviewing:

a) the annual audit plan, including the nature and scope of internal and external audits before the commencement of these audits;

b) the adequacy and effectiveness of the internal audit function, including the adequacy of internal audit resources and its appropriate standing within the Group;

c) the results of internal and external audit findings and the Management's response;

d) significant financial reporting issues and judgements so as to ensure the integrity of the audited financial statements of the Company and the consolidated balance sheet and income statement of the Group, including announcements of financial results;

e) the independence and objectivity of the external auditors, recommendations to the Board on proposals to shareholders on the appointment and re-appointment of external auditors;

f) the adequacy of the Group's risk management process and internal controls, including financial, operational, compliance and information technology controls;

g) interested person transactions; and

h) the whistle blowing policy.

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

CORPORATE GOVERNANCE REPORT
(CONTINUED)

Annually, the AC meets with the internal auditors and the external auditors without the presence of the Management.

The AC conducts an annual review of the independence of the external auditors.

For FY2015, the AC has reviewed and is satisfied with the external auditor's independence and objectivity. The AC has made recommendations to the Board on the appointment and re-appointment of the external auditors including the remuneration and terms of engagement. The AC, with the concurrence of the Board, has recommended the re-appointment of BDO LLP as auditors at the forthcoming AGM of the Company.

The Group has complied with the requirements of Rules 712, 715 and 716 of the SGX-ST Listing Manual.

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.

For FY2015, the AC had:

a) held 4 meetings during the year, which were attended by the CFO, General Manager, internal auditors, external auditors and other members of the Management and Board at the invitation of the AC;

b) reviewed the internal and external audit plans, including the nature and scope of work before commencement of these audits;

c) met up with the internal and external auditors on an annual basis without the presence of the Management, to discuss their findings as set out in their respective reports to the AC. Both internal and external auditors confirmed that they have received full co-operation of the Management and no restrictions were placed on the scope of audits;

d) reviewed and approved the consolidated statement of comprehensive income, statements of financial position, statement of changes in equity, consolidated cash flows and auditors' reports;

e) reviewed all services provided by external auditors, in view that the aggregate amount of audit fees and non-audit services paid to the external auditors are RM641,427 and RM300,000 respectively. The external auditors also affirmed their independence in their report to the AC;

f) reviewed the Group's updated Risk Profiles and related documents presented by the Risk Management Committee every half-yearly;

g) reviewed arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties relating to accounting and financial controls as well as any other matters pursuant to the Whistle Blowing Policy. The Whistle Blowing Policy extends to "any other persons" in addition to all employees of the Group in line with the Code. There were no reports of whistle blowing received during the financial year; and

h) reviewed the interested person transactions as set out in this Report in pursuant to Chapter 9 of the SGX-ST Listing Manual.

INTERNAL AUDIT

Principle 13: *The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

The Group has outsourced its internal audit functions to an independent advisory firm, Columbus Advisory Sdn Bhd ("Columbus Advisory") to conduct a full review of the Group's internal control and risk management system.

Columbus Advisory 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 Columbus Advisory 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.

Columbus Advisory 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 nationally or internationally recognised professional bodies. The AC approves the hiring, removal, evaluation and compensation of Columbus Advisory.

The AC is satisfied that the Group's internal audit function is adequately resourced and qualified and has appropriate standing within the Group.

SHAREHOLDER RIGHTS

Principle 14: *Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangement.*

In line with the continuous obligations of the Group pursuant to the SGX-ST Listing Manual, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders and they are informed of the rules, including voting procedures, which govern general meetings of shareholders.

The Bye-Laws of the Company allow a shareholder to appoint one or two proxies to attend and vote on behalf of the shareholder. The Bye-Laws of the Company currently do not allow a shareholder to vote in absentia. Shareholders who hold shares through nominees are allowed, upon prior request through their nominees, to attend the general meetings of shareholders as observers without being constrained by the two-proxy rule.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

Nam Cheong is committed to 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 Nam Cheong so as to ensure that all shareholders have access to material information at the same time. In addition, shareholders can access our 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 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.

Notices of general meetings are dispatched to shareholders and published in the newspaper, together with the annual report or circulars within the time notice period prescribed by the regulations. All registered shareholders are invited to participate in general meetings. If they do not wish to attend in person, they can issue instructions to accept or reject each individual item on the meeting agenda by giving instructions to their proxy. Shareholders are allowed to appoint up to two proxies to vote on his or her behalf at the meetings through proxy forms sent in advance. At general meetings, shareholders are given opportunity to air their views and ask the Directors or the Management questions regarding the Group.

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 had paid out dividends for financial year ended 31 December 2014 amounting to RM84,896,000 to the shareholders in May 2015.

The Company has not paid any dividends for FY2015 due to volatile market conditions.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: *Companies should encourage greater shareholder participation at general meetings of shareholders, and allow its shareholders the opportunity to communicate their views on various matters affecting the company.*

The Company encourages its shareholders' participation at general meetings and ensures that the venue for general meetings is in a central location easily accessed by public transportation.

General meetings are the principal forum for dialogue with its shareholders. The Group encourages its shareholders to participate at general meetings to ensure a high level of accountability and to be kept informed of the Group's strategies and goals.

CORPORATE GOVERNANCE REPORT
(CONTINUED)

Shareholders have the opportunity to participate effectively and to vote in general meetings either in person or by proxy. Resolutions on each distinct issue are tabled separately at general meetings.

In general meetings, shareholders are given the opportunity to communicate their views and direct questions to Directors and Senior Management. All Directors, including the respective Chairman of the AC, NC, RMC and RC are present at general meetings to address shareholders' queries. External auditors also attend the Annual General Meeting to address any queries from the shareholders regarding the conduct of audit and the preparation and content of the auditors' report.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and record responses from the Board and the Management. These minutes will be available to shareholders upon their request.

For greater transparency, the Company will put all resolutions to vote by way of poll for general meetings to be held on and after 1 August 2015. An announcement containing the detailed results of the number of votes cast for, and against, each resolution and the respective percentages will be made on the same day.

DEALING IN SECURITIES

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 transaction.

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

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 the period under review, 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 less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Top Line Works (2008) Sdn Bhd [1]	S$402,258	Not applicable

Notes:

(1) Mr. Tiong Chiong Soon, a key executive of the Company and the son of Datuk Tiong Su Kouk, the Executive Chairman, holds shares representing more than 30% of the issued share capital in Top Line Works (2008) Sdn Bhd ("TOP"). During the period under review, Nam Cheong Dockyard Sdn Bhd, a subsidiary of the Company, purchased shipbuilding materials from TOP.

MATERIAL CONTRACTS

Save for the service agreements between the Executive Directors and as disclosed elsewhere in the financial statements for FY2015, there were no material contracts (including loans) of the Group involving the interest of any Directors or controlling shareholders entered into during FY2015 that is required to be disclosed under Rule 1207(8) of the SGX-ST Listing Manual.

CORPORATE SOCIAL RESPONSIBILITY

We have adopted the following:

"Clean Class/Clean Design" vessels: Our team is constantly working with renowned ship design firms to tap into their expertise in the design of sophisticated offshore support vessels. These vessels are of high specifications and are classed as clean class/clean design, being more environmentally-friendly than older designs. This is in tandem with current industry trends veering toward vessels with improved designs of stability capabilities, safety and increased environmental-friendliness.

"Compliance With Best Operating Standards": Being a provider of vessels for the oil and gas industry, we have organised and well-defined operating standards that are aligned with the best practices of industry standards in terms of health, safety, resource management and environmental impact. We are committed to ensuring compliance and our personnel's familiarisation with the operating standards.

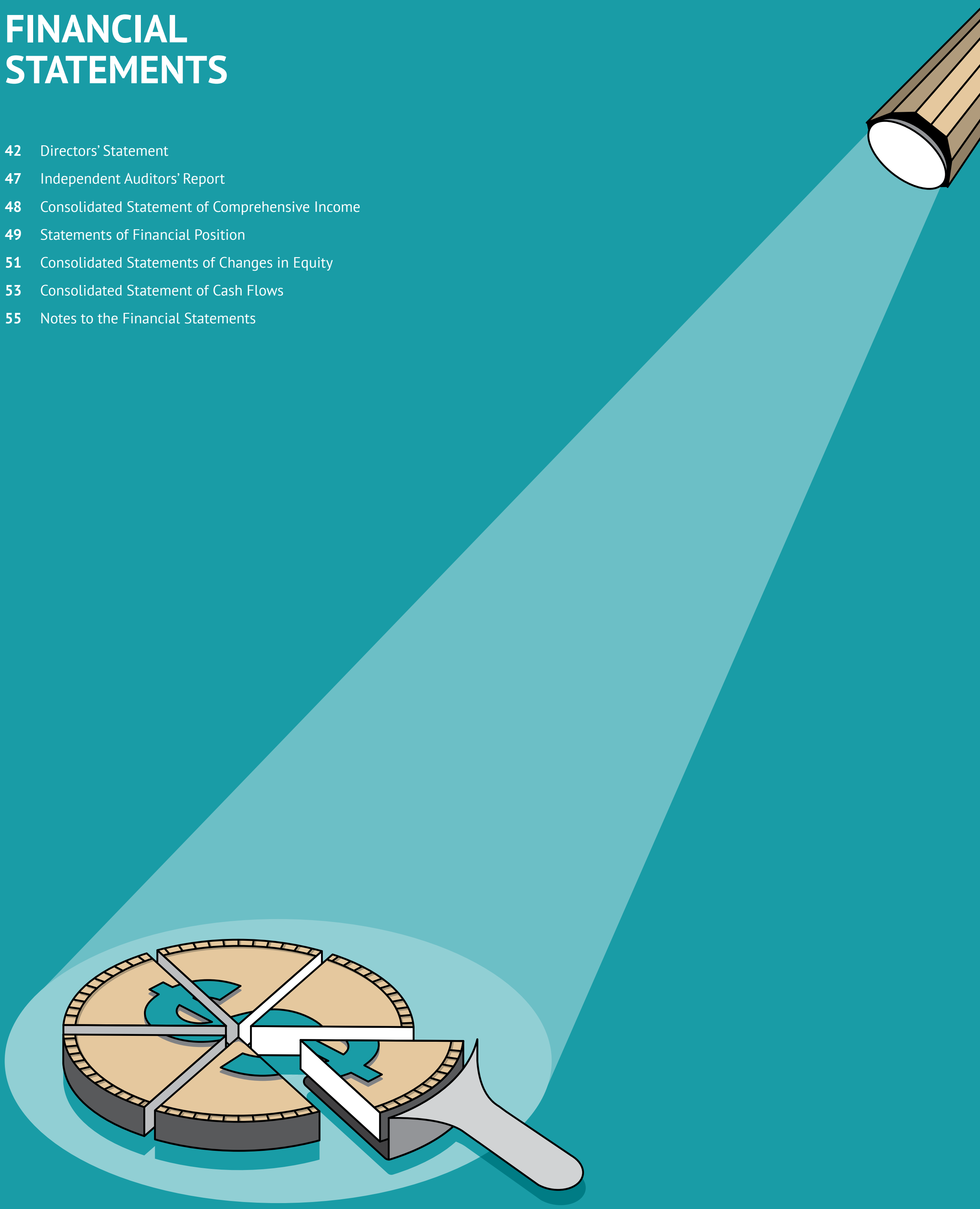
"Community Initiatives": Nam Cheong has directly and indirectly contributed to society via the creation of employment and business opportunities to Malaysians and Singaporeans. In addition, the Group actively supports government agencies, such as the marine department in its community programmes and participates in other social and cultural welfare for local communities.

We funded the Dignity for Children's Foundation which provides disadvantaged children with quality education and empowers them to break out of the poverty cycle. Established in 1998, it currently has more than 900 students.

We were privileged to be invited to visit Dignity in 2015. During the visit, our CEO and two of our senior management staff delivered speeches to the students, encouraging them in the pursuit of their studies.

Furthermore, Nam Cheong (through Datuk Tiong, the Executive Chairman) has been actively involved in various clan associations and business chambers. In addition to his contributions such as the sponsoring of school developments, scholarship programmes and other initiatives that aim to bridge gaps in the community, Datuk Tiong also sits on various school boards. He is the honorary life President of the World Federation of Fuzhou Association and is the honorary life Chairman of the Federation of Foochow Association of Malaysia. Malaysia and the state of Sarawak have conferred on him various dignitary titles for his contributions to the society throughout the years.

FINANCIAL STATEMENTS



DIRECTORS' STATEMENT

The Directors of the Company present their report to the members together with the audited financial statements of Group for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

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

3. Arrangements to enable directors to acquire shares and debentures

Except as disclosed under the "Share Plans" section of 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.

4. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had interests in shares in the Company (other than wholly-owned subsidiaries) as stated below:

	Number of ordinary shares of HK0.50 each					
	Direct interest			Deemed interest		
	At the beginning of the financial year	At the end of the financial year	At 21 January 2016	At the beginning of the financial year	At the end of the financial year	At 21 January 2016
Ordinary shares of the Company						
Datuk Tiong Su Kouk	164,936,517	104,936,517	104,936,517	909,768,115	969,768,115	969,768,115
Leong Seng Keat	12,916,945	15,833,890	15,833,890	80,871,087	80,871,087	80,871,087
Tiong Chiong Hiiung	14,259,240	14,259,240	14,259,240	9,629,881	9,629,881	9,629,881

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

4. Directors' interests in shares and debentures (Continued)

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Share plans

Pursuant to a resolution passed in the special general meeting on 29 April 2013, the Nam Cheong Group 2013 Share Grant Plan ("2013 Plan") was established.

The 2013 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 2013 Plan is as follows:

- The 2013 Plan is a share incentive plan.
- The 2013 Plan is proposed on the basis that it is important to retain key employees whose contributions are essential to the Company's long-term growth and profitability.
- The 2013 Plan will give Participants an opportunity to have a personal equity interest in the Company and will help to achieve better and long-term performance.

The purpose of adopting the 2013 Plan is to align the interests of directors, employee, especially key executives, with the interests of Shareholders.

(i) Eligibility

The eligible of Group Participants to participate in the 2013 Plan shall be at the absolute discretion of the Committee, which would be exercised judiciously. In addition, such person must:

(a) be confirmed full-time employees of the Group who have attained the age of 21 years on or before the Grant Date; and
(b) directors of any member of the Group who perform an executive function.

For the avoidance of doubt, persons who are Controlling Shareholders and their Associates shall not be eligible to participate in the 2013 Plan.

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

(ii) Grant of Awards

Awards may be granted at any time during the period when the 2013 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.

DIRECTORS' STATEMENT

5. Share plans (Continued)

(iii) Size and duration

The 2013 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 2013 Plan is adopted by the Company in general meeting, provided always that the 2013 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 2013 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 2013 Plan is terminated, no further grants of Shares shall be made by the Company.

Notwithstanding the expiry or termination of the 2013 Plan, any Awards which have been granted in accordance with the 2013 Plan will continue to remain valid.

The total number of Shares (and cash equivalents) to be issued and/or transferred under the 2013 Plan and any other share-based incentive schemes of the Company will be subject to a maximum limit of 10 per cent (10%) of the Company's total issued Shares (excluding treasury shares) from time to time. Such limit will be subject to a further annual grant sub-limit of 1 per cent (1%) per annum on a cumulative basis. Any unutilised per centum of the annual grant sub-limits shall be available for roll-over and aggregated with the applicable annual grant sub-limits for the subsequent years.

(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 2013 Plan to the selected management staff are described below:

Plan description	Award of fully-paid ordinary shares of NCL, conditional on performance targets set at the start of a one-year performance period based on medium term corporate objectives with some degree of stretch.
Date of grant	18 October 2013
Performance period	1 January 2013 to 31 December 2013
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% - 200% depending on the achievement of pre-set performance targets over the performance period.

5. Share options and share plans (Continued)

The details of shares awarded during the financial year pursuant to the Plans were as follows:

Grant date	At the 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
2013 Plan					
18 October 2013					
- For management of the Group	up to 6,004,000	2,093,898	(1,921,615)	(172,283)	-
- For executive director (Leong Seng Keat)	up to 8,364,000	2,916,945	(2,916,945)	-	-

6. Audit committee

The audit committee of the Company is chaired by Yee Kit Hong, and includes Ajaib Hari Dass and Kan Yut Keong, Benjamin, who are independent Directors. The audit committee has met four times since the last Annual General Meeting (AGM) and has carried out its functions in accordance with the Singapore 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 auditor's 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 co-operation and assistance given by the management to the Company's internal and external auditor;
(f) the re-appointment of the external auditor of the Company;
(g) the adequacy of the Group's risk management process and internal controls, including financial, operational, compliance and information technology controls;
(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.

The audit committee has recommended to the Board of Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting of the Company.

7. Independent auditors

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

DIRECTORS' STATEMENT

On behalf of the Board of Directors

Datuk Tiong Su Kouk
Director

Leong Seng Keat
Director

Singapore
11 March 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NAM CHEONG LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Nam Cheong Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on page 48 to 129.

Management's responsibility for the financial statements

Management is responsible for the preparation of these 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
11 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Revenue	4	950,030	1,928,601
Cost of sales	5	(800,027)	(1,550,147)
Gross profit		150,003	378,454
Other income	6	18,093	19,977
Selling and administrative expenses		(87,686)	(89,504)
Profit from operations		80,410	308,927
Finance costs	7	(24,216)	(15,962)
Share of results of equity accounted joint ventures, net of tax		6,633	10,322
Share of results of equity accounted associate, net of tax		(31,873)	-
Profit before income tax	8	30,954	303,287
Income tax expense	9	(3,029)	(1,129)
Profit for the financial year		27,925	302,158
Other comprehensive income			
Items that will or may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		184,936	79,577
Net gain/(loss) on cash flow hedges		31,428	(38,045)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for the financial year, net of tax		216,364	41,532
Total comprehensive income for the financial year		244,289	343,690
Profit attributable to:			
Owners of the parent		28,516	301,783
Non-controlling interests		(591)	375
		27,925	302,158
Total comprehensive income attributable to:			
Owners of the parent		244,880	343,315
Non-controlling interests		(591)	375
		244,289	343,690
Earnings per share			
Basic (in sen)	10	1.36	14.36
Diluted (in sen)	10	1.36	14.31

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	449,881	282,157	-	-
Prepaid land lease payments	12	7,673	7,943	-	-
Investment properties	13	92,241	81,444	-	-
Investments in subsidiaries	14	-	-	1,079,188	1,790,099
Investments in joint ventures	15	8,624	5,686	-	-
Investment in an associate	16	88,281	110,400	-	-
Held-to-maturity financial assets	17	110,102	115,669	-	-
		756,802	603,299	1,079,188	1,790,099
Current assets					
Held-to-maturity financial assets	17	16,924	-	-	-
Inventories	18	1,827,799	1,040,666	-	-
Trade and other receivables	19	105,656	230,195	1,198,273	196,551
Prepayments	20	214,033	159,969	244	246
Current income tax recoverable		744	4,908	-	-
Due from customers on contracts	21	522,734	413,250	-	-
Derivatives	22	151	22	-	-
Cash and cash equivalents	23	506,060	800,098	131,483	354,026
		3,194,101	2,649,108	1,330,000	550,823
Total assets		3,950,903	3,252,407	2,409,188	2,340,922
EQUITY AND LIABILITIES					
Equity					
Share capital	24	405,962	405,962	405,962	405,962
Share premium	24	82,347	82,347	82,347	82,347
Treasury shares	25	(4,097)	(7,090)	(4,097)	(7,090)
Reserves	26	294,099	80,560	778,608	781,433
Retained earnings	26	598,828	656,985	19,855	8,523
Equity attributable to owners of the parent		1,377,139	1,218,764	1,282,675	1,271,175
Non-controlling interests		(23)	568	-	-
Total equity		1,377,116	1,219,332	1,282,675	1,271,175

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Liabilities					
Non-current liabilities					
Loans and borrowings	27	1,181,227	753,136	1,105,256	763,553
Deferred tax liabilities	28	1,478	1,344	-	-
Trade and other payables	29	2,692	2,756	-	-
		1,185,397	757,236	1,105,256	763,553
Current liabilities					
Due to customers on contracts	21	16,968	35,092	-	-
Derivatives	22	9,146	47,747	-	-
Loans and borrowings	27	627,980	556,200	18,690	303,484
Trade and other payables	29	734,096	636,600	2,567	2,710
Provisions	30	200	200	-	-
		1,388,390	1,275,839	21,257	306,194
Total liabilities		2,573,787	2,033,075	1,126,513	1,069,747
Total equity and liabilities		3,950,903	3,252,407	2,409,188	2,340,922

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share capital (Note 24) RM'000	Share premium (Note 24) RM'000	Treasury shares (Note 25) RM'000	Foreign currency translation reserve (Note 26) RM'000	Cash flow hedge reserve (Note 26) RM'000	Share grant reserve (Note 26) RM'000	Retained earnings (Note 26) RM'000	Equity attributable to owners of the parent RM'000	Non-controlling interests 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 financial year	-	-	-	-	-	-	28,516	28,516	(591)	27,925
Other comprehensive income for the financial year										
Exchange differences on translating foreign operations	-	-	-	184,936	-	-	-	184,936	-	184,936
Reclassification during the financial year	-	-	-	-	103,124	-	-	103,124	-	103,124
Net unrealised loss on cash flow hedges	-	-	-	-	(71,696)	-	-	(71,696)	-	(71,696)
Total other comprehensive income for the financial year, net of tax	-	-	-	184,936	31,428	-	-	216,364	-	216,364
Total comprehensive income for the financial year	-	-	-	184,936	31,428	-	28,516	244,880	(591)	244,289
Contributions by and distributions to owners										
Dividends (Note 35)	-	-	-	-	-	-	(84,896)	(84,896)	-	(84,896)
Total transactions with owners	-	-	-	-	-	-	(84,896)	(84,896)	-	(84,896)
Others										
Issue of share grant	-	-	-	-	-	683	-	683	-	683
Treasury shares re-issued for share awards vested	-	-	5,285	-	-	(3,508)	(1,777)	-	-	-
Purchase of treasury shares	-	-	(2,292)	-	-	-	-	(2,292)	-	(2,292)
Total others	-	-	2,993	-	-	(2,825)	(1,777)	(1,609)	-	(1,609)
At 31 December 2015	405,962	82,347	(4,097)	300,716	(6,617)	-	598,828	1,377,139	(23)	1,377,116

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share capital (Note 24) RM'000	Share premium (Note 24) RM'000	Treasury shares (Note 25) RM'000	Foreign currency translation reserve (Note 26) RM'000	Cash flow hedge reserve (Note 26) RM'000	Share grant reserve (Note 26) RM'000	Retained earnings (Note 26) RM'000	Equity attributable to owners of the parent RM'000	Non-controlling interests 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 financial year	-	-	-	-	-	-	301,783	301,783	375	302,158
Other comprehensive income for the financial year										
Exchange differences on translating foreign operations	-	-	-	79,577	-	-	-	79,577	-	79,577
Net loss on cash flow hedges	-	-	-	-	(38,045)	-	-	(38,045)	-	(38,045)
Total other comprehensive income for the financial year, net of tax	-	-	-	79,577	(38,045)	-	-	41,532	-	41,532
Total comprehensive income for the financial year	-	-	-	79,577	(38,045)	-	301,783	343,315	375	343,690
Contributions by and distributions to owners										
Dividends (Note 35)	-	-	-	-	-	-	(54,675)	(54,675)	(450)	(55,125)
Total transactions with owners	-	-	-	-	-	-	(54,675)	(54,675)	(450)	(55,125)
Others										
Issue of share grant	-	-	-	-	-	4,144	-	4,144	-	4,144
Treasury shares re-issued for share awards vested	-	-	4,921	-	-	(3,634)	(1,287)	-	-	-
Purchase of treasury shares	-	-	(12,011)	-	-	-	-	(12,011)	-	(12,011)
Total others	-	-	(7,090)	-	-	510	(1,287)	(7,867)	-	(7,867)
At 31 December 2014	405,962	82,347	(7,090)	115,780	(38,045)	2,825	656,985	1,218,764	568	1,219,332

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Operating activities			
Profit before income tax		30,954	303,287
Adjustments for:			
Interest income		(6,321)	(2,759)
Interest expense		24,216	15,962
Unrealised loss on foreign exchange, net		43,703	9,903
Net fair value loss on derivatives		-	2,973
Ineffectiveness on forward currency contracts designated as cash flow hedges		(7,302)	6,263
Amortisation of prepaid land lease payments		108	108
Depreciation of property, plant and equipment		20,498	16,949
Depreciation of investment properties		1,195	1,100
(Gain)/Loss on disposal of property, plant and equipment		(64)	2,146
Plant and equipment written off		18	50
Allowance on trade and other receivables		1,702	1,472
Share of post-tax results of equity accounted joint ventures and an associate		25,240	(10,322)
Share grant plan expenses		683	4,144
Total adjustments		103,676	47,989
Operating cash flows before working capital changes		134,630	351,276
Changes in working capital:			
Increase in inventories		(637,022)	(426,983)
Decrease in receivables		84,100	16,005
Increase in prepayments		(30,145)	(112,314)
Decrease in amount due from customers on contracts		46,894	87,170
(Decrease)/Increase in payables		(51,357)	276,138
(Decrease)/Increase in amount due to customers on contracts		(23,698)	15,088
Total changes in working capital		(611,228)	(144,896)
Cash flows (used in)/generated from operations		(476,598)	206,380
Interest paid		(72,545)	(40,974)
Taxes paid, net of refund		1,255	(4,346)
Net cash flows (used in)/from operating activities		(547,888)	161,060

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Investing activities			
Acquisition of property, plant and equipment		(33,985)	(6,250)
Additional investment in joint venture		-	(7,000)
Interest received		6,321	2,759
Investment in an associate		-	(110,400)
Proceeds from maturity of held-to-maturity asset		10,716	-
Proceeds from disposal of plant and equipment		85	145,108
Purchase of held-to-maturity financial assets		-	(110,397)
Net cash flows used in investing activities		(16,863)	(86,180)
Financing activities			
Dividends paid		(84,896)	(55,125)
Proceeds from revolving credit		534,068	98,229
Proceeds from trust receipt		18,523	-
Proceeds from term loans		122,516	49,469
Proceeds from project invoice financing		75,955	7,499
Proceeds from issuance of medium term notes, net of transaction costs		210,241	456,765
Purchase of treasury shares		(2,292)	(12,011)
Repayments of revolving credit		(260,301)	(57,665)
Repayments from trust receipt		(15,573)	-
Repayments of term loans		(22,293)	(76,712)
Repayments of project invoice financing		(63,588)	(57,446)
Repayments of medium term notes		(275,077)	-
Increase in fixed deposits pledged		(63,871)	(25)
Net cash flows from financing activities		173,412	352,978
Net (decrease) / increase in cash and cash equivalents		(391,339)	427,858
Effects on exchange rate changes on cash and cash equivalents		33,430	13,265
Cash and cash equivalents at beginning of financial year		799,900	358,777
Cash and cash equivalents at end of financial year	23	441,991	799,900

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

These notes form an integrated part of and should be read in conjunction with the financial statements.

1. General corporate information

Nam Cheong Limited ("the Company") was incorporated as an exempted company with limited liability and domiciled in Bermuda and is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The registered office address is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principle place of business is 146B, Paya Lebar Road #02-01 Ace Building, Singapore 409017.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

The statement of financial position of Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2015 were authorised for issue in accordance with a Directors' resolution dated 11 March 2016.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM") which is the functional currency of the Company and presentation currency for the consolidated financial statements and all values are rounded to the nearest thousand ("RM'000"), except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the management's best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year, or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

During the financial year, the Group and the Company adopted the new or revised IFRS that are relevant to their operations and effective for the current financial year. Changes to the Group's and the Company's accounting policies have been made as required in accordance with the relevant transitional provisions in the respective IFRS. The adoption of the new or revised IFRS did not result in any substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current and prior financial years as discussed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. **Summary of significant accounting policies** (Continued)

2.1 **Basis of preparation of financial statements** (Continued)

New or amended standards effective from 1 January 2015

IAS 19 (Amendments) – Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments has no impact to the Group as the Group does not have any contributions, under the terms of its defined benefit plans that are independent of the number of years of employee service.

Annual Improvements 2010-2012, 2011-2013

These improvements 2010-2012 and 2011-2013 were effective from 1 July 2014. These improvements to standards has no impact on the Group's financial statements.

New or amended standards and interpretations that have been issued but are not yet effective

The Group and the Company have not early adopted the following new or amended IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments [3]
IFRS 14	Regulatory Deferral Accounts [1]
IFRS 15	Revenue from Contracts with Customers [3]
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations [1]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [1]
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception [1]
IFRS 16	Leases [4]
IAS 1 (Amendments)	Disclosure Initiative [1]
IAS 7 (Amendments)	Disclosure Initiative [2]
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses [2]
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
IAS 16 and IAS 41 (Amendments)	Agriculture: Bearer Plants [1]
IAS 27 (Amendments)	Equity Method in Separate Financial Statements [1]
Improvements to IFRSs	Annual Improvements 2012-2014 [1]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2018
[4] Effective for annual periods beginning on or after 1 January 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

New or amended standards and interpretations that have been issued but are not yet effective (Continued)

IFRS 9 – Financial Instruments

IFRS 9 supersedes IAS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for de-recognition of financial assets and financial liabilities.

IFRS 9 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in IAS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

IFRS 9 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements and the Group will reassess their hedge accounting policy.

The Group plans to adopt IFRS 9 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The Group is in the process of making a detailed assessment of the impact of this standard. The Group will be required to reassess the classification and measurement of financial assets, particularly those currently classified as held-to-maturity, and the new impairment requirements are expected to result in changes for impairment provisions on trade receivables and other financial assets not measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. **Summary of significant accounting policies** (Continued)

2.1 **Basis of preparation of financial statements** (Continued)

New or amended standards and interpretations that have been issued but are not yet effective (Continued)

IFRS 14 – Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under IASs. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group is in the process of making a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

IFRS 11 (Amendments) – Accounting for Acquisitions of Interests in Joint Operations

The amendments require the Group to apply all of the principles of IFRS 3 when it acquires an interest in a joint operation that constitutes a business as defined by IFRS 3, and clarify certain other aspects of applying IFRS 3 to acquisitions of interests in joint operations. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and will be applied prospectively from 1 January 2016. The amendments will not have any effect on the existing amounts in the Group's financial statements on initial application, but the Group will apply the requirements to any future acquisitions of interests in joint operations.

IFRS 10 and IAS 28 (Amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group is in the process of making an assessment of the potential impact of these amended standards and management expect the application of these amended standards will have no significant impact on the Group's future financial statements.

2. **Summary of significant accounting policies** (Continued)

2.1 **Basis of preparation of financial statements** (Continued)

<u>New or amended standards and interpretations that have been issued but are not yet effective</u> (Continued)

IFRS 10, IFRS 12 and IAS 28 (Amendments) – Investment Entities: Applying the Consolidated Exception

The amendments clarify a number of aspects of IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Interests in Associates and Joint Ventures in relation to the investment entities exception:

(i) Exemption from preparing consolidated financial statements
(ii) A subsidiary that provides services related to investment entity's investment activities
(iii) Application of IFRS 12 to an investment entity
(iv) Non-investment entity's interests in any associates or joint ventures that are investment entities

The amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The amendments are to be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. As none of the entities of the group is an investment entity, management does not expect any impact from these amendments on the Group's future financial statements.

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under IFRS 16. IFRS 16 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of this standard, there may be a potentially significant impact on the accounting treatment for the Group's leases, particularly rented office premises and other operating facilities, which the Group, as lessee, currently accounts for as operating leases. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2019 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. **Summary of significant accounting policies** (Continued)

2.1 **Basis of preparation of financial statements** (Continued)

New or amended standards and interpretations that have been issued but are not yet effective (Continued)

IAS 1 (Amendments) – Disclosure Initiative

The amendments made to a number of aspects of IAS 1 Presentation of Financial Statements to improve the presentation of, and disclosures in, IFRS financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The Group has no intention to make early application of this amended IAS 1, and expect that no material impact on the Group's financial statements but may result in changes to the presentation of an entity's financial statements, presentation of an entity's share of other comprehensive income from investments in associates and joint ventures and note disclosures.

IAS 7 (Amendments) – Disclosure Initiative

The amendments to IAS 7 require companies to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will be applied from 1 January 2017 and the Group will include the additional disclosures in its financial statements for that year.

IAS 12 (Amendments) – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to IAS 12 clarify the requirements on the recognition of deferred tax assets from unrealised losses related to debt instruments measured at fair value. The amendments apply from 1 January 2017 retrospectively. These amendments are not expected to have any impact to the Group as it does not currently have any debt instruments measured at fair value.

IAS 16 and IAS 38 (Amendments) – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue-based methods of depreciation and amortisation are not appropriate, as they do not reflect the pattern of economic benefits consumed from the use of the asset by the Group. Therefore, revenue-based methods are prohibited to be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments will be applied from 1 January 2016 prospectively. These amendments are not expected to have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

IAS 16 and IAS 41 (Amendments) – Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

2. **Summary of significant accounting policies** (Continued)

2.1 **Basis of preparation of financial statements** (Continued)

<u>New or amended standards and interpretations that have been issued but are not yet effective</u> (Continued)

IAS 27 (Amendments) - Equity Method in Separate Financial Statements

The amendments provide the option for the Company to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. The accounting approach that is selected is required to be applied for each category of investment. The amendments are effective from 1 January 2016 and are required to be applied retrospectively. These amendments will not have any impact on the Company's financial statements as the Company does not intend to take up this option.

Annual Improvements 2012-2014

These improvements 2012-2014 are effective from 1 January 2016. The Group is in the process of making an assessment of the potential impact of these improvements to standards and management expect the application of these improvements in IFRSs/IASs will have no material impact on the Group's future financial statements.

2.2 **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as that of the parent company.

Accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group to ensure consistency.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

In preparing the consolidated financial statements, intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss of the assets transferred.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which are not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal 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 interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint ventures.

2.3 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRSs.

Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations involving entities under common control are accounted for by applying the pooling of-interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.
- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

2.4 Interests in subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable return from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

2.5 Interests in 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
- *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
- Any other facts and circumstances (including any other contractual arrangements).

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 venture 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. **Summary of significant accounting policies** (Continued)

2.6 Interest in an associate

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associate are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

2.7 Foreign currencies

Items included in the individual 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 consolidated financial statements of the Group and the statement of financial position of the Company are presented in Ringgit Malaysia, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements, transactions in currencies other than the entity’s functional currency (“foreign currencies”) are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are recognised in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are recognised in profit or loss for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purposes of presenting consolidated financial statements, the results and financial positions of the Group’s entities 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 rate at the reporting date;
(ii) income and expenses are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
(iii) all resulting foreign currency exchange differences are recognised in other comprehensive income and presented in the foreign currency translation account in equity. Such translation differences are recognised in profit or loss in the period in which the foreign operation disposed of.

2. Summary of significant accounting policies (Continued)

2.8 Property, plant and equipment and depreciation

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

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 property, plant and equipment.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the 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 Company and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives as follows:

	Years
Leasehold land	60
Buildings	50
Launching ways, plant and machinery	10
Furniture, fixtures and office equipment	5 - 10
Motor vehicles	5
Vessels	20
Renovation	10
Signboards	10

Work-in-progress is not depreciated as these assets are not available for use.

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Fully depreciated assets still in use are retained in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. **Summary of significant accounting policies** (Continued)

2.9 Prepaid land lease payments

Prepaid land lease payments 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 below:

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

2.10 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is charged, using the straight-line method, so as to write off the cost over their remaining useful lives of 74 years. The residual values, useful lives and depreciation method of investment properties are reviewed and adjusted as appropriate, at the end of each financial year. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

2.11 Leases

Operating leases

When the Group is the lessee of operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

When the Group is the lessor of operating leases

Leases where the Group retains substantially all risks and rewards incidental to the ownership are classified as operating leases.

Assets leased out under operating leases are included in investment properties.

Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

2. Summary of significant accounting policies (Continued)

2.12 Impairment of non-financial assets (excluding inventories)

The carrying amounts of non-financial assets (excluding inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups of assets. Impairment loss is recognised in profit or loss, unless it reverses a previous revaluation, credited to other comprehensive income, in which case it is charged to other comprehensive income up to the amount of any previous revaluation.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the assets belong. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life, discounted at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment loss recognised in prior periods is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. 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, net of depreciation or amortisation, if no impairment loss has been recognised. Reversals of impairment loss are recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss recognised in profit or loss in prior periods is treated as a revaluation increase. After such a reversal, the depreciation or amortisation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.13 Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sales financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition. All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. **Summary of significant accounting policies** (Continued)

2.13 Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statement of financial position comprise trade and other receivables and cash and cash equivalents.

Held-to-maturity financial assets

Bonds with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Held-to-maturity financial assets are recorded at amortised cost using the effective interest method, less impairment, with revenue recognised on an effective yield basis.

Impairment of financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

2. Summary of significant accounting policies (Continued)

2.13 Financial assets (Continued)

Derecognition of financial assets (Continued)

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

2.14 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading, including derivatives not designated and effective as a hedging instrument; or it is designated as such upon initial recognition. The Group has not designated any financial liabilities as FVTPL upon initial recognition.

Other financial liabilities

Trade and other payables

Trade and other payables, excluding deposits received, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Loans and borrowings

Interest-bearing loan and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the obligation under the contract recognised as a provision in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised, less cumulative amortisation in accordance with IAS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. 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 the derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.15 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.16 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including forward currency contracts.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any of its derivatives as hedging instruments in the previous financial year.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

<u>Hedge accounting</u>

The Group applies hedge accounting for certain hedging relationships which qualify.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments. The ineffective portion relating to forward currency contracts is recognised in profit or loss. Refer to Note 22 for more details.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

2. Summary of significant accounting policies (Continued)

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management. In the statements of financial position, bank overdrafts are presented within loans and borrowings under current liabilities. For the purposes of the statement of cash flows, cash and cash equivalents also includes bank overdrafts and excludes any pledged deposits.

2.18 Construction contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

Contract revenue - Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs - Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

Provision for foreseeable losses on uncompleted shipbuilding contracts is made in the period in which such losses are determined.

The Group’s contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.19 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
- Finished goods and work in progress: Cost of direct materials, all direct expenditure and attributable proportion of overheads based on the normal operating capacity.

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.

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2.21 Employee benefits

Defined contribution plan

Contributions to defined contribution plans are recognised as expenses in profit or loss in the same financial year as the employment that gives rise to the contributions.

2.22 Share-based payments

Employees' share grant plan

The Group operates a share award plan which allows it to issue equity-settled share-based payments to selected employees. For the shares granted to the employees, the fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

All share-based compensation is recognised as an expense in profit or loss with a corresponding credit to equity share grant reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share awards expected to vest. Non-vesting conditions and market vesting conditions are included in assumptions about the number of awards that are expected to become exercisable. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

2. Summary of significant accounting policies (Continued)

2.23 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Construction contracts

Revenue from construction contracts is accounted for by the percentage of completion method as described in Note 2.18 to the financial statement.

Charter income

Revenue from vessels under charter is recognised as services are rendered.

Interest income

Interest income is recognised on an accrual basis using the effective interest rate ("EIR") method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Rental income

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

2.24 Income tax

Income tax expense for the financial year comprises current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to income tax payable in respect of previous financial years.

Deferred tax is provided, using the balance sheet liability method, for temporary differences at the end of the reporting period when the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.24 Income tax (Continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and where there is intention to settle the current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and an associate, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the chief operating decision maker of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37 to the financial statement, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received. Incremental costs directly attributable to the issuance of new equity instruments are shown in the equity as a deduction from the proceeds.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised within the statement of changes in equity of the Company.

2. Summary of significant accounting policies (Continued)

2.27 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.28 Dividends

Equity dividend are recognised when they become legally payable. Interim dividend are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Impairment of financial assets

The Group follows the guidance of IAS 39 on determining whether a financial asset is impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost and the financial health of and near-term business outlook for the financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

NOTES TO THE FINANCIAL STATEMENTS

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3. Significant accounting judgements and estimates (Continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The management estimates the useful lives of these assets to be within 5 to 20 years. The carrying amount of the Group's plant and equipment as at 31 December 2015 are RM409,696,000 (2014: RM241,997,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Provision for inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using the weighted average or first-in-first-out basis. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provide for excess and obsolete inventories based on historical usage, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of the products. However, factors beyond its control, such as demand levels, technological advances and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 31 December 2015 was approximately RM1,827,799,000 (2014: RM1,040,666,000).

(iii) Impairment of trade and other receivables

The management establishes provision for impairment on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these provisions, the management considers the historical experience and changes to the customers' financial position. If the financial conditions of debtors were to deteriorate, resulting in impairment of their abilities to make the required payments, additional provisions may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2015 were approximately RM105,656,000 (2014: RM230,195,000) and RM1,198,273,000 (2014: RM196,551,000) respectively.

(iv) Construction contracts

The Group recognises contract revenue based on the percentage of completion method. The stage of completion is measured by reference to either the costs incurred to-date to the estimated total cost or the completion of a physical proportion of work to-date. Significant judgement is required in determining the stage of completion, the extent of the costs incurred and the estimated total revenue (for contracts other than fixed contracts) and costs. Total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgment, the Group relies on past experience and work of specialists. As at 31 December 2015, the carrying amount of the Group's work-in-progress, due from customer on contracts and due to customer on contracts were approximately RM1,802,006,000 (2014: RM1,017,357,000), RM522,734,000 (2014: RM413,250,000) and RM16,968,000 (2014: RM35,092,000) respectively.

3. Significant accounting judgements and estimates (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(v) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there is objective evidence that the investments in subsidiaries are impaired. The management's assessment is based on the estimation of the value-in-use of the CGU by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries as at 31 December 2015 was RM1,079,188,000 (2014: RM1,790,099,000).

4. Revenue

	Group	
	2015	**2014**
	RM'000	**RM'000**
Shipbuilding construction contracts	905,586	1,840,502
Chartering income	44,444	88,099
	950,030	1,928,601

5. Cost of sales

	Group	
	2015	**2014**
	RM'000	**RM'000**
Cost of construction contracts	752,470	1,485,345
Depreciation of property, plant and equipment	17,877	14,499
Chartering cost	29,680	50,303
	800,027	1,550,147

6. Other income

	Group	
	2015	**2014**
	RM'000	**RM'000**
Foreign exchange gain, net	-	12,545
Gain on disposal of property, plant and equipment	64	-
Interest income	6,321	2,759
Rental income	45	44
Rental income from investment properties	2,750	2,488
Miscellaneous	1,611	2,141
Ineffectiveness on forward currency contracts designated as cash flow hedges	7,302	-
	18,093	19,977

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. Finance costs

	Group	
	2015	2014
	RM'000	RM'000
Interest expense:		
- Bank borrowings	13,598	12,269
- Medium term notes	64,029	37,805
Total interest expense	77,627	50,074
Amortisation of debt issuance cost	3,935	3,430
Less: Interest capitalised in cost of construction contracts	(57,346)	(37,542)
	24,216	15,962

The interest expense capitalised in the cost of construction contracts was at the weighted average rate of the Group's general borrowings of 4.69% (2014: 4.57%)

8. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges and credits:

	Group	
	2015	2014
	RM'000	RM'000
Selling and administrative expenses		
Audit fees		
- auditor of the Company	307	307
- other auditors	334	251
Non-audit fees		
- auditor of the Company	-	-
- other auditors	300	-
Amortisation of prepaid land lease payments	108	108
Depreciation of property, plant and equipment	2,621	2,450
Depreciation of investment properties	1,195	1,100
Net fair value loss on derivatives	-	2,973
Ineffectiveness on forward currency contracts designated as cash flow hedges	-	6,263
Foreign exchange loss, net	29,303	-
Loss on disposal of plant and equipment	-	2,146
Plant and equipment written off	18	50
Operating lease expense	765	633
Allowance for impairment loss on third parties trade and other receivables	1,702	1,472
Employee benefits expense		
- salaries, bonus and other benefits	23,202	29,461
- defined contribution plans	1,455	1,370
- share grant plan	704	4,144

8. Profit before income tax (Continued)

The employee benefits expense include the remuneration of Directors and other key management personnel as disclosed in Note 31 to the financial statements.

9. Income tax expense

	Group	
	2015	**2014**
	RM'000	**RM'000**
Current income tax		
- current financial year	1,528	655
- under provision in prior financial years	1,380	30
	2,908	685
Deferred tax		
- current financial year	375	787
- overprovision in prior financial years	(254)	(343)
	121	444
Total income tax expense recognised in profit or loss	3,029	1,129

Income tax for various jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax applicable to profit before income tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Profit before income tax	30,954	303,287
Share of results of equity accounted joint ventures and associate	25,240	(10,322)
	56,194	292,965
Income tax at the applicable tax rates	22,198	88,522
Income not subject to tax	(57,862)	(96,183)
Expenses not deductible for tax purposes	15,077	5,067
Tax exemption	(75)	(146)
Deferred tax assets not recognised	22,650	4,168
Over provision of deferred tax in previous financial years	(254)	(343)
Under provision of current income tax in previous financial years	1,380	30
Corporate income tax rebate	(85)	-
Others	-	14
Income tax expense for the financial year	3,029	1,129

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. Earnings per share

Basic earnings per share is calculated by dividing net profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The weighted average number of ordinary shares used in the basic earnings per share computation are as follows:

	Group	
	2015	**2014**
	'000	**'000**
Issued ordinary shares at 1 January	2,096,255	2,103,144
Effect of shares buy-back and release of share awards vested	1,663	(1,738)
Weighted average number of ordinary shares during the financial year	2,097,918	2,101,406

The weighted average number of ordinary shares used in the diluted earnings per share computation are as follows:

	Group	
	2015	**2014**
	'000	**'000**
Weighted average number of ordinary shares (basic)	2,097,918	2,101,406
Effect of shares grant on issue	1,455	7,441
Weighted average number of ordinary shares (diluted) during the financial year	2,099,373	2,108,847

The following reflects the income and share data used in the basic and diluted earnings per share computation:

	Group	
	2015	**2014**
Profit after income tax attributable to owners of the parent (RM'000)	28,516	301,783
Weighted average of ordinary shares during the financial year applicable to basic earnings per share ('000)	2,097,918	2,101,406
Adjusted weighted average of ordinary shares used in diluted earnings per share ('000)	2,099,373	2,108,847
Basic earnings per share (Sen)	1.36	14.36
Diluted earnings per share (Sen)	1.36	14.31

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the parent and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Group's Share Grant Plan are assumed to have been fully issued. No adjustment is made to the net profit.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11. Property, plant and equipment

	Leasehold land	Buildings	Launching ways, plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Vessels	Renovation and signboard	Work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
Cost									
At 1 January 2014	8,057	23,726	35,210	4,384	3,674	259,072	571	12,632	347,326
Additions	31	200	262	772	3,301	137,403	20	1,658	143,647
Disposals	-	-	(35)	-	(130)	(160,590)	-	-	(160,755)
Written off	-	-	(74)	-	-	-	-	-	(74)
Reclassification	-	12,418	-	-	-	-	-	(12,418)	-
Exchange differences	-	148	-	29	69	17,075	-	-	17,321
At 31 December 2014 and 1 January 2015	8,088	36,492	35,363	5,185	6,914	252,960	591	1,872	347,465
Additions	-	5	83	1,024	211	122,934	-	826	125,083
Disposals	-	-	-	(37)	(245)	-	-	-	(282)
Written off	-	-	-	(127)	-	-	-	-	(127)
Reclassification	-	18	52	(64)	-	-	(6)	-	-
Exchange differences	-	1,008	(1)	207	616	72,628	-	-	74,458
At 31 December 2015	8,088	37,523	35,497	6,188	7,496	448,522	585	2,698	546,597

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11. **Property, plant and equipment** (Continued)

	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	Renovation and signboard RM'000	Work-in-progress RM'000	Total RM'000
Group									
Accumulated depreciation									
At 1 January 2014	167	3,354	23,264	1,937	2,774	25,561	141	-	57,198
Depreciation charge for the financial year	134	753	2,961	552	860	14,612	58	-	19,930
Recognised in profit or loss	-	753	114	552	860	14,612	58	-	16,949
Capitalised in construction costs (Note 21)	134	-	2,847	-	-	-	-	-	2,981
Disposals	-	-	(18)	-	(100)	(13,381)	-	-	(13,499)
Written off	-	-	(24)	-	-	-	-	-	(24)
Reclassification	-	-	-	-	-	-	-	-	-
Exchange differences	-	12	-	8	31	1,652	-	-	1,703
At 31 December 2014 and 1 January 2015	301	4,119	26,183	2,497	3,565	28,444	199	-	65,308
Depreciation charge for the financial year	136	760	2,845	778	1,065	17,711	59	-	23,354
Recognised in profit or loss	-	760	125	778	1,065	17,711	59	-	20,498
Capitalised in construction costs (Note 21)	136	-	2,720	-	-	-	-	-	2,856
Disposals	-	-	-	(15)	(245)	-	-	-	(260)
Written off	-	-	-	(109)	-	-	-	-	(109)
Reclassification	-	7	16	(20)	-	-	(3)	-	-
Exchange differences	-	103	-	73	286	7,961	-	-	8,423
At 31 December 2015	437	4,989	29,044	3,204	4,671	54,116	255	-	96,716

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11. Property, plant and equipment (Continued)

	Leasehold land	Buildings	Launching ways, plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Vessels	Renovation and signboard	Work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
Net carrying value									
At 31 December 2015	7,651	32,534	6,453	2,984	2,825	394,406	330	2,698	449,881
At 31 December 2014	7,787	32,373	9,180	2,688	3,349	224,516	392	1,872	282,157

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11. Property, plant and equipment (Continued)

(a) Net carrying amounts of property, plant and equipment pledged as security for borrowings as at the end of the reporting period are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Assets under loans and borrowings		
Vessels	103,843	90,177
Buildings	6,925	6,167
	110,768	96,344
Assets pledged as securities		
Vessels	103,843	90,177
Building	6,925	6,167
	110,768	96,344

(b) The cost of fully depreciated property, plant and equipment, which are still in use, as at the end of the reporting period are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Launching ways, plant and machinery	8,577	6,182
Motor vehicles	1,584	1,755
Furniture, fixtures and office equipment	692	89
	10,853	8,026

(c) Certain motor vehicles of the Group are registered in the name of a director with net carrying amount as at the end of the reporting period as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Motor vehicles	120	152

(d) Assets under construction

The Group's work-in-progress relate to direct expenditure which mainly comprise of materials and labour cost incurred for yard expansion in the course of construction.

(e) During the financial year, the Group acquired property, plant and equipment at an aggregate cost of RM125.1 million (2014: RM143.6 million) of which RM91.1 million (2014: RM137.4 million) was transferred from inventories. Accordingly, the cash outflow on acquisition of property, plant and equipment amounted to RM34.0 million (2014: RM6.2 million).

11. Property, plant and equipment (Continued)

(f) The following express conditions and restrictions on the Group's leasehold land:

(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.

The Group is required by the Government to surrender the leasehold land back upon refund of all payment from the Government made by the Group if the building is not completed within 7 years beginning October 2013.

During the year, the Group has completed the erection of the building on the leasehold land in accordance with detailed drawings and specifications approved by the Miri City Council. The Government has waived payment from the Group amounting to RM2,756,000.

12. Prepaid land lease payments

	Group	
	2015	**2014**
	RM'000	**RM'000**
Cost		
Balance at beginning and end of financial year	10,352	10,352
Accumulated amortisation		
Balance at beginning of financial year	2,409	2,138
Amortisation for the financial year	270	271
- Recognised in profit or loss	108	108
- Capitalised in construction costs	162	163
Balance at end of financial year	2,679	2,409
Carrying amount		
Balance at end of financial year	7,673	7,943
Amount to be amortised:		
- Not later than one financial year	271	271
- Later than one financial year but not later than five financial years	1,081	1,081
- Later than five financial years	6,321	6,591
	7,673	7,943

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 7 to 49 years (2014: 8 to 50 years).

As at 31 December 2015, prepaid land lease payments with a carrying amount of RM6.8 million (2014: RM6.9 million) are pledged for the Group's borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. Investment properties

	Group	
	2015	2014
	RM'000	RM'000
Cost		
Balance at beginning of financial year	82,575	80,777
Exchange differences	12,241	1,798
Balance at end of financial year	94,816	82,575
Accumulated depreciation		
Balance at beginning of financial year	1,131	17
Depreciation for the financial year	1,195	1,100
Exchange differences	249	14
Balance at end of financial year	2,575	1,131
Carrying amount		
Balance at end of financial year	92,241	81,444

The Group's investment properties were valued as at 31 December 2015 by Allied Appraisal Consultants Pte Ltd, an independent professional valuation firm with experience in the location and category of the investment properties held by the Group. The valuations of RM85.1 million (2014: RM78.4 million) were arrived based on direct comparison with recent transactions of comparable properties within the vicinity, taken into consideration on prevailing market conditions and have made due adjustments to comparable transactions for differences in location, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions and other factors affecting its value. The resulting fair values of investment properties are considered level 3 recurring fair value measurements and is based on highest and best use.

All the Group's investment properties are held under leasehold interests.

The following amounts are recognised in profit or loss:

	Group	
	2015	2014
	RM'000	RM'000
Rental income from investment properties	2,750	2,488
Property tax	286	239
Repair and maintenance	185	171

Details of the Group's investment properties as at 31 December 2015 are set out below:

Description	Location	Tenure/ Unexpired term	Approximate floor area (sqm)
Office building	8 Temasek Boulevard #41-01 to #41-03	Leasehold with 74 years expiring in 2088	938

14. Investments in subsidiaries

	Company 2015 RM'000	Company 2014 RM'000
Unquoted shares, at cost	1,143,476	1,141,744
Employee's share grant, cost	213	1,732
Allowance for impairment loss	(64,501)	-
Balance at end of financial year	1,079,188	1,143,476
Amounts due from subsidiaries	-	646,623
	1,079,188	1,790,099

Movement in the allowance for impairment loss are as follows:

	Company 2015 RM'000	Company 2014 RM'000
Balance at beginning of financial year	-	-
Impairment loss recognised during the financial year	(64,501)	-
Balance at end of financial year	(64,501)	-

During the year, the Group carried out a review of the recoverable amount of the investment in Nam Cheong Offshore Pte Ltd, which provided corporate services in Singapore, due to its operating performance which was below expectations. The review led to the recognition of an impairment loss of RM64.5 million that has been recognised in profit or loss. The recoverable amount of the investment of RM84.8 million has been determined on the basis of its value in use. The discount rate used in measuring value in use was 4.8%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

14. Investments in subsidiaries (Continued)

Amounts due from subsidiaries are denominated in the following currencies:

	Company	
	2015	**2014**
	RM'000	**RM'000**
Singapore dollar	-	294,518
United States dollar	-	352,105
	-	646,623

The amounts due from subsidiaries were unsecured, interest-free and settlement was neither planned nor likely to occur in the foreseeable future. As the amount was, in substance, a part of the Company's net investment in subsidiaries, it was stated at cost less impairment losses, if any, in the previous financial year.

Incorporation of subsidiaries

On 22 May 2014, Nam Cheong Dockyard Sdn. Bhd. ("NCD") incorporated a wholly-owned subsidiary, SK Global Ltd. ("SK Global") in Federal Territory of Labuan, Malaysia, with a cash consideration of USD1.

On 22 May 2014, SK Global incorporated a wholly-owned subsidiary, SK Pride Ltd. in Federal Territory of Labuan, Malaysia, with a cash consideration of USD1.

On 5 August 2014, SK Global incorporated a wholly-owned subsidiary, SK Patriot Ltd. in Federal Territory of Labuan, Malaysia, with a cash consideration of USD1.

On 25 November 2014, SK Global incorporated a wholly-owned subsidiary, SK Power Ltd. in Federal Territory of Labuan, Malaysia, with a cash consideration of USD1.

On 25 November 2014, SK Global incorporated a wholly-owned subsidiary, SK Precious Ltd. in Federal Territory of Labuan, Malaysia, with a cash consideration of USD1.

On 6 July 2015, SK Global incorporated a wholly-owned subsidiary, SK Prudence Ltd. in Federal Territory of Labuan, Malaysia, with a cash consideration of USD1.

14. Investments in subsidiaries (Continued)

Details of the Company's subsidiaries are as follows:

Name of subsidiaries	Principal place of business	Principal activities	Proportion of ownership interest		Non-controlling interests ownerships/ voting interest	
			2015	2014	2015	2014
			%	%	%	%
Nam Cheong Dockyard Sdn. Bhd.[2]	Malaysia	Shipbuilding	100	100	-	-
Nam Cheong Offshore Pte. Ltd.[1]	Singapore	Shipbuilding	100	100	-	-
Nam Cheong Capital Pte. Ltd.[1]	Singapore	Dormant	100	100	-	-
Nam Cheong International Ltd.[2]	Federal Territory of Labuan, Malaysia	Shipbuilding	100	100	-	-
S.K. Marine Sdn. Bhd.[2]	Malaysia	Vessel chartering	100	100	-	-
Nam Cheong Marine Ltd.[3]	The Republic of the Marshall Islands	Dormant	100	100	-	-
Nam Cheong Marine Pte. Ltd.[1]	Singapore	Vessel chartering	100	100	-	-
NC Design Pte. Ltd.[1]	Singapore	Design services	100	100	-	-
Nam Cheong Pioneer Sdn. Bhd.[2]	Malaysia	Investment holding	100	100	-	-
SKOSV Sdn. Bhd.[2]	Malaysia	Vessel chartering	70	70	30	30
Nam Cheong (Labuan) Ltd.[2]	Federal Territory of Labuan, Malaysia	Vessel chartering	100	100	-	-
Nam Cheong OSV Ltd.[2]	Federal Territory of Labuan, Malaysia	Vessel chartering	100	100	-	-
Nam Cheong Venture Ltd.[2]	Federal Territory of Labuan, Malaysia	Vessel chartering	100	100	-	-

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

14. Investment in subsidiaries (Continued)

Details of the Company's subsidiaries are as follows: (Continued)

Name of subsidiaries	Principal place of business	Principal activities	Proportion of ownership interest		Non-controlling interests ownerships/ voting interest	
			2015	2014	2015	2014
			%	%	%	%
SK Venture Ltd.[2]	Federal Territory of Labuan, Malaysia	Vessel chartering	100	100	-	-
SK Machine Ltd.[2]	Federal Territory of Labuan, Malaysia	Trading	100	100	-	-
Nam Cheong Property Pte. Ltd.[1]	Singapore	Investment holding	100	100	-	-
SK Global Ltd.[2]	Federal Territory of Labuan, Malaysia	Vessel chartering	100	100	-	-
SK Pride Ltd.[2]	Federal Territory of Labuan, Malaysia	Vessel chartering	100	100	-	-
SK Patriot Ltd.[2]	Federal Territory of Labuan, Malaysia	Vessel chartering	100	100	-	-
SK Power Ltd.[2]	Federal Territory of Labuan, Malaysia	Vessel chartering	100	100	-	-
SK Precious Ltd.[2]	Federal Territory of Labuan, Malaysia	Vessel chartering	100	100	-	-
SK Prudence Ltd.[2]	Federal Territory of Labuan, Malaysia	Vessel chartering	100	-	-	-

(1) Audited by BDO LLP, Singapore
(2) Audited by BDO, Malaysia
(3) Reviewed by BDO, Malaysia

The non-controlling interests of SKOSV Sdn. Bhd. that is not 100% owned by the Group is considered to be insignificant.

15. Investments in joint ventures

	Group 2015 RM'000	Group 2014 RM'000
Unquoted shares, at cost	13,464	13,464
Share of post acquisition results	(4,840)	(7,778)
	8,624	5,686

The Group has interest in joint ventures through separate structure vehicles incorporated and operating in Malaysia and Indonesia. The contractual arrangements provides the Group with only the rights to the net assets of the joint arrangements. Under IFRS 11, these joint arrangements is classified as a joint ventures and have been included in the consolidated financial statements using the equity method.

Details of the joint ventures are as follows:

Name of joint ventures	Principal place of business	Principal activity	Proportion of ownership interest 2015 %	Proportion of ownership interest 2014 %
Synergy Kenyalang Offshore Sdn. Bhd.* ("SKO")	Malaysia	Vessel chartering	40	40
P.T. Bahtera Niaga Indonesia ** ("PTBNI")	Indonesia	Vessel chartering	49	49
Marco Polo Offshore (IV) Pte Ltd *** ("MPO")	Federal Territory of Labuan, Malaysia	Vessel chartering	50	50

* Audited by BDO, Malaysia
** Reviewed by BDO, Malaysia
*** Audited by Mazars, Malaysia

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

The summarised financial information below reflects the amounts presented in the financial statements of two material joint ventures, SKO and MPO (2014: SKO), and not the Group's share of those amounts, adjusted for differences in accounting policies between the Group and the joint ventures.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

15. Investments in joint ventures (Continued)

	Group				
	MPO	SKO	SKO	Total	
	2015	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets and liabilities					
Cash and cash equivalents	2,625	36,882	22,985	39,507	22,985
Trade receivables	4,222	6,715	8,130	10,937	8,130
Other current assets	512	986	903	1,498	903
Current assets	7,359	44,583	32,018	51,942	32,018
Non-current assets	129,472	69,335	73,864	198,807	73,864
Total assets	136,831	113,918	105,882	250,749	105,882
Current liabilities	(106,359)	(27,238)	(20,294)	(133,597)	(20,294)
Non-current liabilities	-	(48,619)	(50,883)	(48,619)	(50,883)
Total liabilities	(106,359)	(75,857)	(71,177)	(182,216)	(71,177)
Net assets	30,472	38,061	34,705	68,533	34,705
Proportion of the Group's ownership	50%	40%	40%		
Share of net assets	15,234	15,225	13,882	30,459	13,882
Included in the current and non-current liabilities are:					
Current financial liabilities (excluding trade and other payables and provision)	(106,177)	(17,779)	(4,679)	(123,956)	(4,679)
Non-current financial liabilities (excluding trade and other payables and provision)	-	(48,619)	(6,269)	(48,619)	(6,269)

15. Investments in joint ventures (Continued)

	Group				
	MPO	**SKO**	**SKO**	**Total**	
	2015	**2015**	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Income and expenses					
Revenue	19,981	25,202	27,361	45,183	27,361
Operating expenses	(217)	(12,799)	(13,357)	(13,016)	(13,357)
Depreciation and amortisation	(6,240)	(2)	(2)	(6,242)	(2)
Interest income	-	103	21	103	21
Interest expense	(2,944)	(2,395)	(2,769)	(5,339)	(2,769)
Profit before income tax	10,580	10,109	11,254	20,689	11,254
Adjustment for prior year profits	-	(4,162)	-	(4,162)	-
Income tax (expense)/income	-	(2,588)	94	(2,588)	94
Profit after income tax, representing total comprehensive income	10,580	3,359	11,348	13,939	11,348
Proportion of the Group's ownership	50%	40%	40%		
Share of post-tax profits	5,290	1,343	4,539	6,633	4,539

The summarised financial information of immaterial joint ventures, PTBNI (2014: PTBNI and MPO) are as follows:

	2015	**2014**
	RM'000	**RM'000**
(Loss)/Profit from continuing operations	(5,666)	11,751
Total comprehensive (loss)/income	(5,666)	11,751

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

15. Investments in joint ventures (Continued)

Reconciliation of summarised financial information presented, to the carrying amount of the Group's interest in joint venture, is as follows:

	Group				
	MPO	SKO	SKO	Total	
	2015	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000
Net assets					
At 1 January	-	13,882	9,343	13,882	9,343
Profit for the financial year	5,290	1,343	4,539	6,633	4,539
Foreign exchange differences	9,944	-	-	9,944	-
At 31 December	15,234	15,225	13,882	30,459	13,882
Elimination of accumulated unrealised profits	(13,639)	(8,196)	(8,196)	(21,835)	(8,196)
Carrying value of material joint venture	1,595	7,029	5,686	8,624	5,686
Add immaterial joint ventures:					
Carrying value of individually immaterial joint ventures				8,338	17,583
Elimination of unrealised profits				(8,338)	(17,583)
Carrying value of the Group's investment in joint ventures				8,624	5,686

The joint ventures had no contingent liabilities and capital commitments as at 31 December 2015 and 2014.

The Group has not recognised losses relating to PTBNI 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 RM2,777,000 (2014: RM Nil). The Group has no obligation in respect to those losses.

16. Investment in an associate

	Group	
	2015	2014
	RM'000	RM'000
Equity shares, at cost	110,400	110,400
Share of post acquisition results	(22,119)	-
	88,281	110,400

Details of the associate are as follows:

Name of associate	Principal place of business	Principal activity	Proportion of ownership interest	
			2015	2014
			%	%
P.T. Pelayaran Nasional Bina Buana Raya Tbk *	Indonesia	Vessel chartering	30	30

* Audited by Hertanto, Grace & Karunawan, Indonesia

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

16. Investment in an associate (Continued)

The summarised financial information below reflects the amounts presented in the financial statements of the associate (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associate.

	Group	
	2015	**2014**
	RM'000	**RM'000**
Assets and liabilities		
Current assets	29,344	143,372
Non-current assets	642,452	476,849
Total assets	671,796	620,221
Current liabilities	129,674	118,131
Non-current liabilities	213,873	134,090
Total liabilities	343,547	252,221
Net assets	328,249	368,000
Proportion of the Group's ownership	30%	30%
Share of net assets	98,475	110,400

	2015	**2014**
	RM'000	**RM'000**
Income and expenses		
Revenue	95,727	6,613
Operating expenses	(190,340)	(6,009)
Depreciation and amortisation	(339)	-
Interest income	1,395	179
Interest expense	(12,255)	(653)
(Loss)/Profit before income tax	(105,812)	130
Income tax expense	(1,223)	(122)
(Loss)/Profit after income tax	(107,035)	8
Other comprehensive income	792	30
(Loss)/Profit after income tax, representing total comprehensive income	(106,243)	38
Proportion of the Group's ownership	30%	30%
Share of post-tax losses	(31,873)	-

As at 31 December 2015, the fair value of the Group's investment in P.T. Pelayaran Nasional Bina Buana Raya Tbk ("BBR"), which is listed on the Bursa Efek Indonesia (Indonesia Stock Exchange), was RM24.5 million (2014: RM97.4 million). The fair value measurement is classified within Level 1 of the fair value hierarchy. The carrying amount of the Group's investment in the associate was RM88.3 million (2014: RM110.4 million).

The Group carried out a review of the recoverable amount of the investment in BBR as at 31 December 2015 due to significant decline in market price and operating loss. The recoverable amount of the investment in BBR is approximately RM96 million, which is higher than its carrying value, has been determined on the basis of its value-in-use ("VIU") based on cash flow forecast derived from the most recent financial budgets approved by management for the next 5 years. The discount rate used in measuring VIU was 10.1%.

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16. Investment in an associate (Continued)

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

	2015 RM'000	2014 RM'000
Net assets		
At 1 January/At acquisition	110,400	110,400
Loss for the financial year	(31,873)	-
Foreign exchange differences	19,948	-
At 31 December	98,475	110,400
Elimination of accumulated unrealised profits	(10,194)	-
Carrying value of the Group's investment in associate	88,281	110,400

The investment in associate had no contingent liabilities and capital commitments at 31 December 2015.

17. Held-to-maturity financial assets

	Group	
	2015 RM'000	2014 RM'000
Unquoted debt securities		
Non-current		
- At amortised cost	110,102	115,669
Current		
- At amortised cost	16,924	-

The average effective interest rate of the unquoted debt securities is 4.58% (2014: 4.85%) per annum.

As at 31 December 2015, the unquoted debt securities have nominal values amounting to RM127.0 million (2014: 115.7 million), with coupon rates ranging from 3.1% to 6.25% (2014: 3.1% to 7.8%) per annum and maturity dates ranging from March 2016 to February 2023 (2014: March 2016 to September 2049).

The Group's held-to-maturity financial assets as at 31 December 2015 are denominated in Singapore dollar.

18. Inventories

	Group	
	2015	2014
	RM'000	RM'000
Raw materials	25,793	23,309
Work-in-progress	1,802,006	1,017,357
	1,827,799	1,040,666
Inventories recognised as an expense in cost of sales	721,271	1,440,230

The work-in-progress represents costs incurred for unsold vessels under construction.

19. Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Third parties	47,179	41,887	-	-
Less: Allowance for impairment	(2,384)	(682)	-	-
	44,795	41,205	-	-
Other receivables				
Amounts due from subsidiaries	-	-	1,198,258	196,536
Amounts due from joint ventures	44,749	31,825	-	-
Deposits paid to suppliers and contractors	73	10,063	-	-
Deposits	1,085	3,257	-	-
Advances to contractors	-	122,384	-	-
Sundry receivables	15,858	22,675	15	15
Less: Allowance for impairment	(904)	(1,214)	-	-
	60,861	188,990	1,198,273	196,551
	105,656	230,195	1,198,273	196,551

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19. Trade and other receivables (Continued)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	25,921	28,428	30,204	18,375
Singapore dollar	9,883	6,819	1,046,482	176,037
United States dollar	68,869	168,963	121,587	2,139
Euro	11	15,391	-	-
Brunei dollar	935	4,883	-	-
Others	37	5,711	-	-
	105,656	230,195	1,198,273	196,551

The Group's trading terms with its customers are mainly on credit. The credit period ranges from one to two months (2014: one to two months). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Trade receivables are non-interest bearing. Sundry receivables are repayable on demand.

The Group has no significant exposure to certain debtors.

The age analysis of trade receivables are as follows:

	Group	
	2015	2014
	RM'000	RM'000
Neither past due nor impaired	7,454	8,701
1 to 3 months past due but not impaired	9,480	14,173
3 to 6 months past due but not impaired	4,910	10,551
More than 6 months past due but not impaired	22,951	7,780
	37,341	32,504
More than 6 months past due and impaired	2,384	682
	47,179	41,887

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. This represents approximately 16% (2014: 21%) of the Group's trade receivables.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM37.3 million (2014: RM32.5 million) that are past due at the reporting date but not impaired and are unsecured in nature. 23% (2014: 57%) of these amounts were collected subsequent to the end of the reporting period. Accordingly, they are not impaired.

19. Trade and other receivables (Continued)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired Group	
	2015	**2014**
	RM'000	**RM'000**
Trade receivables - nominal amounts	2,384	682
Less: Allowance for impairment	(2,384)	(682)
	-	-
Movements in allowance for impairment of trade receivables were as follows:		
Balance at beginning of financial year	682	24
Charge for the financial year	1,702	658
Balance at end of financial year	2,384	682

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that may settle their debts beyond the prescribed credit terms.

The receivables that are impaired are not secured by any collateral or credit enhancements.

The Group's other receivables that are impaired at the reporting date and movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired Group	
	2015	**2014**
	RM'000	**RM'000**
Other receivables - nominal amounts	904	1,214
Less: Allowance for impairment	(904)	(1,214)
	-	-
Movements in allowance for impairment of other receivables were as follows:		
Balance at beginning of financial year	1,214	665
Charge for the financial year	-	814
Written off	(310)	(265)
Balance at end of financial year	904	1,214

Amounts due from subsidiaries/joint ventures

The amounts due from subsidiaries/joint ventures are unsecured, interest-free, repayable on demand and are to be settled in cash except the amounts due from subsidiaries amounting to RM1,071,266,000 (2014: RM178,150,000) bears interest ranges 5% to 6.5% (2014: 5% to 5.05%) per annum.

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20. Prepayments

The prepayments mainly relate to prepaid amount of inventories and operating expenses.

21. Due from/(to) customers on contracts

	Group 2015 RM'000	Group 2014 RM'000
Construction contract costs incurred to date	1,039,283	872,107
Recognised attributable profits	156,291	205,125
	1,195,574	1,077,232
Less: Progress billings	(689,808)	(699,074)
	505,766	378,158
Due from customers on contracts	522,734	413,250
Due to customers on contracts	(16,968)	(35,092)
	505,766	378,158

The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group 2015 RM'000	Group 2014 RM'000
Amortisation of prepaid land lease payments	162	163
Depreciation of property, plant and equipment	2,856	2,981
Interest expense	57,346	37,542

22. Derivatives

	Group 2015 RM'000	Group 2014 RM'000
Derivative financial assets		
Derivatives designated as hedging instrument		
- Forward currency contracts	151	22
Derivative financial liabilities		
Derivatives designated as hedging instrument		
- Forward currency contracts	(9,146)	(47,747)
Contract/Notional amount	169,278	826,621

22. Derivatives (Continued)

The derivatives qualify for hedge accounting are designated as cash flow hedges and are entered into for periods consistent with currency transaction exposure.

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD, SGD, NOK and EUR for which firm commitments and forecast transactions existed at the end of the reporting period.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

Cash flows hedge

Foreign exchange risk arises when individual group operations enter into transactions denominated in a currency other than their functional currency. Where the risk to the Group is considered to be significant, Group treasury will enter into a matching forward currency contract with a reputable bank.

The hedged firm commitments and forecast transactions denominated in foreign currency are expected to occur at various dates within the next 12 months. Gains and losses recognised in the cash flow hedge reserve in equity on forward currency contracts are recognised in the consolidated statement of comprehensive income in the period or periods during which the hedged forecast transaction affects the consolidated statement of comprehensive income.

The notional principal amounts of outstanding forward currency contracts at 31 December 2015 were approximately RM169,278,000 (2014: RM826,621,000). Their net fair value loss at the end of the reporting period is approximately RM8,995,000 (2014: RM47,725,000).

The ineffective portion recognised in profit or loss that arises from cash flow hedges amounted to a gain (2014: loss) of RM7,302,000 (2014: RM6,263,000) for the financial year ended 31 December 2015.

The net unrealised loss from cash flow hedges that was recognised in other comprehensive income during the financial year ended 31 December 2015 was RM71,696,000 (2014: RM39,431,000).

The amount that was reclassified from equity to profit or loss is disclosed in Note 26 to the financial statements.

23. Cash and cash equivalents

	Group		**Company**	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits	67,599	12,249	-	-
Cash and bank balances	438,461	787,849	131,483	354,026
	506,060	800,098	131,483	354,026

The Group's fixed deposits mature on varying dates between 11 days to 12 months (2014: 14 days to 12 months). The interest rate on the fixed deposits range from 0.81% to 3.10% (2014: 3.15% to 3.25%) per annum.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

23. Cash and cash equivalents (Continued)

As at 31 December 2015, the Group has pledged RM64,069,000 (2014: RM198,000) of its fixed deposits to bankers as security for borrowings as disclosed in Note 27 to the financial statements and bankers' guarantees granted to the Group as disclosed in Note 36 to the financial statements.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	14,857	35,381	-	-
Singapore dollar	314,653	434,059	131,483	354,026
United States dollar	114,724	303,917	-	-
Euro	16,600	8,568	-	-
Pound Sterling	16	2	-	-
Japanese Yen	44,282	17,160	-	-
Brunei dollar	921	1,011	-	-
Australia dollar	7	-	-	-
	506,060	800,098	131,483	354,026

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group	
	2015	2014
	RM'000	RM'000
Fixed deposits	67,599	12,249
Cash and bank balances	438,461	787,849
	506,060	800,098
Less: Restricted fixed deposits	(64,069)	(198)
	441,991	799,900

24. Share capital and share premium

Share capital

	Group and Company			
	Number of ordinary shares of HK$0.50 each		Amount	
	2015	2014	2015	2014
	'000	'000	RM'000	RM'000
Authorised share capital				
Ordinary shares	4,000,000	4,000,000	815,727	815,727
Issued and fully paid-up share capital				
Balance at beginning and end of financial year	2,103,144	2,103,144	405,962	405,962

24. Share capital and share premium (Continued)

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Balance at beginning and end of financial year	82,347	82,347	82,347	82,347

Share premium is the amount subscribed for share capital in excess of nominal value.

25. Treasury shares

	Group and Company			
	Number of ordinary shares		Amount	
	2015	**2014**	**2015**	**2014**
	'000	**'000**	**RM'000**	**RM'000**
Balance at beginning of financial year	6,889	-	7,090	-
Acquired during the financial year	4,628	11,900	2,292	12,011
Re-issued for share awards vested	(4,839)	(5,011)	(5,285)	(4,921)
Balance at end of financial year	6,678	6,889	4,097	7,090

During the financial year, the Company acquired 4,628,000 (2014: 11,900,000) of its ordinary shares through purchases in the open market. The total amount paid to acquire the shares was approximately RM2.3 million (equivalent to S$0.8 million) (2014: RM12 million (equivalent to S$4.7 million)) and has been deducted from shareholders' equity.

The treasury shares has been used and released for share awards vested under the Nam Cheong Group 2013 Share Grant Plan. The difference between the average price paid to acquire treasury shares and the share grant price has been presented within the consolidated statement of changes in equity.

26. Reserves

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Foreign currency translation reserve	300,716	115,780	-	-
Cash flow hedge reserve	(6,617)	(38,045)	-	-
Share grant reserve	-	2,825	-	2,825
Capital surplus	-	-	778,608	778,608
	294,099	80,560	778,608	781,433

The Group and Company's reserves and the movements therein for the current and previous financial year are presented in the statements of changes in equity of the financial statements.

The nature and purpose of each category of reserve are as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

26. Reserves (Continued)

Foreign currency translation reserve

The 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.

Share grant reserve

In the previous financial year, the conditional shares awarded under the Nam Cheong Group 2013 Share Grant 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 based on medium term corporate objectives with some degree of stretch.
Date of grant	18 October 2013
Number of share grant	14,368,000 (maximum)
Market price on grant date	S$0.28
Performance period	1 January 2013 to 31 December 2013
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% - 200% depending on the achievement of pre-set performance targets over the performance period.

The details of shares awarded pursuant to the Plans were as follows:

Grant date	Balance at beginning of financial year	Cancelled during the financial year	Released during the financial year	Lapsed during the financial year	Balance at end of financial year
18 October 2013					
2015					
- For management of the Group	2,093,898	(172,283)	(1,921,615)	-	-
- For executive director	2,916,945	-	(2,916,945)	-	-
	5,010,843	(172,283)	(4,838,560)	-	-
2014					
- For management of the Group	6,004,000	-	(2,093,898)	(1,816,204)	2,093,898
- For executive director	8,364,000	-	(2,916,945)	(2,530,110)	2,916,945
	14,368,000	-	(5,010,843)	(4,346,314)	5,010,843

The fair values of the performance shares were determined by reference to the market price of S$0.28 on grant date spread over the vesting period on the basis that all performance targets were met.

26. Reserves (Continued)

Share grant reserve (Continued)

The total amount recognised in the financial statements for share-based payment transactions with employees is summarised as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense				
- Share grant plan	683	4,144	470	2,412

Cash flow hedge reserve

The Group's cash flow hedge reserve contains the effective portion of the cash flow hedges relationship incurred as at the reporting period. RM6.6 million (2014: RM38 million) are made up of the net movements in cash flows hedge and the effective portion of the forward currency contracts as shown below:

	Group	
	2015	2014
	RM'000	RM'000
Balance at beginning of financial year	(38,045)	-
Reclassification during the financial year:		
- Inventories	103,124	-
- Other operating expense	-	1,386
Net unrealised loss on cash flow hedges	(71,696)	(39,431)
Balance at end of financial year	(6,617)	(38,045)

Capital surplus

The capital surplus represented the difference arising from the reverse takeover exercise in 2011.

Retained earnings/(accumulated losses)

The retained earnings represents all other net gains and losses and transactions with owners not recognised elsewhere. Retained earnings of the Group are distributable.

Movements of retained earnings/(accumulated losses) of the Company are as follows:

	Company	
	2015	2014
	RM'000	RM'000
Balance at beginning of financial year	8,523	(8,864)
Total comprehensive income for the financial year	98,004	73,349
Treasury shares re-issued for share awards vested	(1,776)	(1,287)
Dividends paid	(84,896)	(54,675)
Balance at end of financial year	19,855	8,523

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

27. Loans and borrowings

		Maturity on borrowings	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Short term borrowings						
Secured:						
Project invoice financing	USD-Floating rate	On demand	12,367	-	-	-
Revolving credit	RM-Floating rate	On demand	88,000	206,460	-	-
Revolving credit	SGD-Floating rate	On demand	98,685	-	-	-
Revolving credit	USD-Floating rate	On demand	385,354	49,467	-	-
Trust receipt	RM-Floating rate	On demand	2,950	-	-	-
Term loans	RM-Fixed rate	2016	4,000	2,480	-	-
Term loans	USD-Floating rate	2016	5,751	4,684	-	-
Term loans	SGD-Floating rate	2016	12,183	874	-	-
Unsecured:						
Medium term notes	SGD-Fixed rate	2016	18,690	292,235	18,690	303,484
			627,980	556,200	18,690	303,484
Long term borrowings						
Secured:						
Term loans	RM-Fixed rate	2017-2020	31,000	2,434	-	-
Term loans	SGD-Floating rate	2017-2022	71,974	6,564	-	-
Term loans	USD-Floating rate	2017	19,167	20,292	-	-
Unsecured:						
Medium term notes	SGD-Fixed rate	2017-2019	1,059,086	723,846	1,105,256	763,553
			1,181,227	753,136	1,105,256	763,553
Total borrowings						
Secured:						
Project invoice financing			12,367	-	-	-
Revolving credit			572,039	255,927	-	-
Trust receipt			2,950	-	-	-
Term loans			144,075	37,328	-	-
Unsecured:						
Medium term notes			1,077,776	1,016,081	1,123,946	1,067,037
			1,809,207	1,309,336	1,123,946	1,067,037

27. Loans and borrowings (Continued)

Loans and borrowings bear effective interest rates per annum ranging as follows:

	Group		Company	
	2015	2014	2015	2014
	%	%	%	%
Project invoice financing	2.15 – 2.68	-	-	-
Revolving credit	3.32 – 6.22	1.25 – 3.13	-	-
Term loans	2.71 – 7.41	2.50 – 4.90	-	-
Medium term notes	5.00 – 6.50	5.00 – 6.00	5.00 – 6.50	5.00 – 6.00

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
On demand or within one financial year	627,980	556,200	18,690	303,484
More than 1 financial year and less than 2 financial years	278,762	23,621	271,407	-
More than 2 financial years and less than 5 financial years	902,465	726,666	833,849	763,553
5 financial years or more	-	2,849	-	-
	1,809,207	1,309,336	1,123,946	1,067,037

The borrowings are secured by the following:

(i) all monies facilities agreement between the banks and certain subsidiaries;
(ii) existing facility agreement, legal assignment of all the rights, interest title and benefits in respect of vessels financed by the banks and two party Master Deed of Assignment of contract proceeds;
(iii) first, second, third and fourth legal charge over prepaid land leases;
(iv) letter of undertaking to repay the principal to the banks by certain subsidiaries in the event that the relevant vessels are not completed during the specified period;
(v) fixed deposits;
(vi) certain properties and assets of the Group as disclosed in Note 11 to the financial statement; and
(vii) corporate guarantee by the Company.

Medium term notes ("MTN")

On 5 November 2012, the Company issued S$110,000,000 6% fixed rate MTN (the "Series 1 Notes") under its S$200,000,000 multicurrency medium term notes programme. The Series 1 Notes had matured on 5 November 2015.

On 28 August 2013, the Company issued S$90,000,000 5% fixed rate MTN (the "Series 2 Notes") under its S$200,000,000 multicurrency medium term notes programme. The Series 2 Notes will mature on 28 August 2017.

On 17 December 2013, the Company's maximum aggregate principle amount of notes which may be issued under the multicurrency medium term notes programme has been increased from S$200,000,000 to S$600,000,000.

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27. Loans and borrowings (Continued)

Medium term notes ("MTN") (Continued)

On 26 August 2014, the Company issued S$200,000,000 5.05% fixed rate MTN (the "Series 3 Notes") under its S$600,000,000 multicurrency medium term notes programme. The Series 3 Notes will mature on 26 August 2019.

On 23 July 2015, the Company issued S$75,000,000 6.50% fixed rate MTN (the "Series 4 Notes") under its S$600,000,000 multicurrency medium term notes programme. The Series 4 Notes will mature on 23 July 2018.

The MTN are classified as debt instruments and hence are reported as liabilities.

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
The MTN are accounted for in the statements of financial position as follows:				
Balance at beginning of financial year				
- Principal of MTN	1,023,734	524,650	1,074,690	524,650
- Unamortised transaction cost	(7,653)	(6,443)	(7,653)	(6,443)
	1,016,081	518,207	1,067,037	518,207
Proceeds from issuance of MTN	213,039	461,405	210,239	512,360
Repayment	(275,077)	-	(275,077)	-
Exchange differences	117,402	28,580	115,416	28,581
Less: Unamortised transaction costs	(2,798)	(4,640)	(2,798)	(4,640)
	1,068,647	1,003,552	1,114,817	1,054,508
Interest expense recognised in statements of comprehensive income:				
- Principal of MTN	64,029	37,805	64,029	37,805
- Amortised transaction cost	3,935	3,430	3,935	3,430
	67,964	41,235	67,964	41,235
Interest expense on the MTN paid:				
Paid during the financial year	(58,835)	(28,706)	(58,835)	(28,706)
Balance at end of financial year				
- Principal of MTN	1,084,292	1,023,734	1,130,462	1,074,690
- Unamortised transaction cost	(6,516)	(7,653)	(6,516)	(7,653)
Amount included in loan and borrowings	1,077,776	1,016,081	1,123,946	1,067,037

28. Deferred tax liabilities

	Group	
	2015	2014
	RM'000	RM'000
Balance at beginning of financial year	1,344	898
Recognised in profit and loss	119	444
Exchange differences	15	2
Balance at end of financial year	1,478	1,344

Deferred tax liabilities of the Group

	Accelerated capital allowances	
	2015	2014
	RM'000	RM'000
Balance at beginning of financial year	1,344	1,722
Recognised in profit and loss	119	(380)
Exchange differences	15	2
Balance at end of financial year	1,478	1,344

Deferred tax assets of the Group

	Unabsorbed capital allowances	
	2015	2014
	RM'000	RM'000
Balance at beginning of financial year	-	824
Recognised in profit and loss	-	(824)
Balance at end of financial year	-	-

As at 31 December 2015, the aggregate amount of temporary differences associated with undistributed earnings of the subsidiaries, joint ventures and associate for which deferred tax liabilities have not been recognised is RM45,341,000 (2014: RM67,309,000). No deferred tax is recognised in respect of the differences with the subsidiaries and joint ventures as the Group is in a position to control the timing of the reversal of temporary differences and it is probable that such differences will not reverse in the foreseeable future. The deferred tax liability arising from taxable temporary differences associated with the investment in an associate is not recognised as the amount is insignificant to the financial statements.

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29. Trade and other payables

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Trade payables				
Third parties	702,216	588,646	-	-
Other payables				
Accruals	5,731	22,084	1,751	1,384
Deposits	18,019	18,913	-	-
Amounts due to subsidiaries	-	-	-	918
Sundry payables	8,130	6,957	816	408
	31,880	47,954	2,567	2,710
Current, total	734,096	636,600	2,567	2,710
Non-current				
Sundry payables	2,692	2,756	-	-
Total trade and other payables	736,788	639,356	2,567	2,710

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	30,823	35,705	11	-
Singapore dollar	5,975	9,753	2,556	2,042
United States dollar	699,746	593,651	-	668
Euro	187	131	-	-
Others	57	116	-	-
	736,788	639,356	2,567	2,710

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 30 to 60 days (2014: 30 to 60 days).

(b) Sundry payables

These amounts are non-interest bearing. Sundry payables are normally settled on an average term of six months (2014: average term of six months).

Included in the non-current sundry payables is an amount of RM2,692,000 (2014: RM2,756,000) which was related to payments payable to the Government of Malaysia ("Government") for the Group's leasehold land as disclosed in Note 11 to the financial statements.

29. Trade and other payables (Continued)

(c) Amount due to subsidiaries

The amounts due to subsidiaries were unsecured, interest-free, repayable on demand and were to be settled in cash.

30. Provisions

	Group	
	2015	**2014**
	RM'000	**RM'000**
Maintenance warranties		
Balance at beginning and end of financial year	200	200

A provision is recognised for expected warranty claims on vessels sold during the last two financial years, based on past experience of the level of repairs. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within one financial year after the completion date. Assumptions used to calculate the provision for warranties were based on technical estimates of the cost required to be incurred for repairs, replacements material cost, servicing, past experience and recent trend analysis based on the 12 months defect warranties for its vessels.

31. Significant related party disclosures

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 Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company;
- (iii) Is a member of the key management personnel of the Group or 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 ventures 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 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).

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31. Significant related party disclosures (Continued)

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions at rates and terms agreed between the parties during the financial year:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Subsidiaries				
- Interest charge	-	-	66,192	35,918
- Dividends	-	-	104,280	95,700
- Payment on behalf of the Company	-	-	2,314	962
- Payment on behalf by the Company	-	-	5,554	591
- Advances to subsidiaries	-	-	618,001	310,057
Joint venture[(1)]				
- sales of vessels	-	179,120	-	-
Associate[(2)]				
- sale of vessels	139,942	-	-	-
Other related parties in which directors/ key management have interest				
- purchases[(3)]	1,144	789	-	-

The sales and purchases of vessels were made according to the prices and conditions similar to those offered to the major customers of the Group.

(1) As at 31 December 2015, the outstanding amount was approximately RM44,749,000 (2014: RM31,825,000).

(2) As at 31 December 2015, the outstanding amount was RM13,635,000 (2014: Nil).

(3) Mr Tiong Chiong Soon, a key executive of the Company and the son of Datuk Tiong, has a direct interest of more than 30% in Top Line Works (2008) Sdn. Bhd. ("TOP"). During the financial year, Nam Cheong Dockyard Sdn. Bhd. ("NCD"), a subsidiary of the Company, purchased shipbuilding materials from TOP. As at 31 December 2015, the outstanding amount was approximately RM74,525 (2014: RM4,816).

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

	Group	
	2015	**2014**
	RM'000	**RM'000**
Short-term employee benefits	16,482	20,804
Pension benefits	431	544
Share grant plan	470	3,620
	17,383	24,968

31. Significant related party disclosures (Continued)

Compensation of key management personnel

These include the following Directors' remuneration:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Directors of the Company	6,960	3,664
Directors of subsidiaries	3,195	16,139
	10,155	19,803

32. Commitments

32.1 Capital commitments

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

	Group	
	2015	**2014**
	RM'000	**RM'000**
Contracted and approved amount	4,272	4,428
Less: Actual cost incurred to date	(668)	(571)
Capital commitments in respect of property, plant and equipment	3,604	3,857

32.2 Operating lease commitments - as lessee

In addition to the prepaid land lease payments disclosed in Note 12 to the financial statements, the Group has entered into operating leases for office premises. These leases have an average tenure of between one and three financial years with options to renew.

Future minimum rentals payable under non-cancellable operating leases (excluding prepaid land lease payments) at the reporting date are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Within one financial year	454	438
After one financial year but within five financial years	73	528
	527	966

32.3 Operating lease commitments - as lessor

In addition to the investment properties disclosed in Note 13 to the financial statements, the Group lease out its investment properties to third parties under non-cancellable operating leases. These leases have an average tenure of between one and two financial years with options to renew.

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32. Commitments (Continued)

32.3 Operating lease commitments - as lessor (Continued)

Future minimum rentals receivables under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Within one financial year	2,764	2,004
After one financial year but within five financial years	5,201	60
	7,965	2,064

33. Fair value of assets and liabilities

33.1 Fair value of financial instruments that are measured at fair value

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Group				
2015				
Financial assets				
Derivatives				
- Forward currency contracts	-	151	-	151
Financial liabilities				
Derivatives				
- Forward currency contracts	-	9,146	-	9,146
2014				
Financial assets				
Derivatives				
- Forward currency contracts	-	22	-	22
Financial liabilities				
Derivatives				
- Forward currency contracts	-	47,747	-	47,747

33. Fair value of assets and liabilities (Continued)

33.1 Fair value of financial instruments that are measured at fair value (Continued)

Determination of fair value of derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

There have been no transfers between level of fair value measurements during the financial years ended 2015 and 2014.

33.2 Fair value of investment properties

The fair value of investment properties have been determined based on the direct comparison with recent transactions of comparable properties within the vicinity, taken into consideration on prevailing market conditions and have made due adjustments to comparable transactions for differences in location, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions and other factors affecting its value. The properties are held for the Group's investment purpose in Singapore which represents the asset's highest and best use.

33.3 Fair value of financial instruments by class that are not measured at fair value

The Group's and The Company's financial assets and financial liabilities include cash and cash equivalents, trade and other receivables, trade and other payables, loans and borrowings.

The carrying amount of these financial assets and liabilities are a reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value due to the insignificant impact on discounting:

	Note
Trade and other receivables	19
Cash and cash equivalents	23
Trade and other payables	29
Loans and borrowings	27

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. Fair value of assets and liabilities (Continued)

33.3 Fair value of financial instruments by class that are not measured at fair value (Continued)

The non-current portion of financial instruments:

	Carrying amount	Fair value Level 1	Level 2	Level 3
	RM'000	RM'000	RM'000	RM'000
2015				
Group				
Financial assets				
Held-to-maturity financial assets	110,102	-	-	110,102
Financial liabilities				
Loan and borrowings	1,181,227	-	-	1,181,227
Company				
Financial liabilities				
Loan and borrowings	1,105,256	-	-	1,105,256
2014				
Group				
Financial assets				
Held-to-maturity financial assets	115,669	-	-	115,669
Financial liabilities				
Loan and borrowings	753,136	-	-	753,136
Company				
Financial liabilities				
Loan and borrowings	763,553	-	-	763,553

The fair values of non-current financial assets and non-current liabilities are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date and considered level 3 fair value measurements. Significant inputs to the valuations include adjustments to the discount rate for credit risk associated with the Company. The carrying amounts of the non-current portion of financial assets and liabilities are reasonable approximations of their fair values due to the insignificant impact of discounting.

33. Fair value of assets and liabilities (Continued)

33.4 Categories of financial instruments carried at amortised cost

The following table sets out the financial instruments carried at amortised cost as at the end of the reporting period:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Held-to-maturity financial assets	127,026	115,669	-	-
Loans and receivables	611,643	897,846	1,329,756	550,577
Financial liabilities				
Other financial liabilities, at amortised cost	2,545,995	1,948,692	1,126,513	1,069,747

34. Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer.

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign currency contracts.

It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purpose be undertaken.

There has been no change to the Group's exposure to these financial risks or manner in which it manages and measures the risks.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

34.1 Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables, held-to-maturity financial assets and cash and cash equivalents.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure.

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group. The Group's historical experience in the collection of receivables falls within the recorded allowances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

34. Financial risk management objectives and policies (Continued)

34.1 Credit risk (Continued)

The credit risk of the Group's other financial assets, which comprise held-to-maturity financial assets and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The carrying amount due from subsidiaries of RM1,198,258,000 (2014: RM196,536,000) which is non-trade in nature represents the Company's maximum exposure to credit risk. The repayment terms of the amount due from subsidiaries is disclosed in Note 19 to the financial statements.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 19 to the financial statements. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 19 to the financial statements.

Credit risk from balances with banks is managed by the Group's finance department in accordance with the Group's policy. Investments of surplus funds are made only with reputable or bank with high credit ratings banks. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2015 and 2014 are the carrying amounts as disclosed in Note 19 to the financial statements.

34.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's liquidity risk management policy is to maintain sufficient liquid financial assets and standby credit facilities with the principal bankers. At the reporting date, approximately 35% (2014: 42%) of the Group's loans and borrowings will mature in less than one financial year based on the carrying amount reflected in the financial statements.

34. Financial risk management objectives and policies (Continued)

34.2 Liquidity risk (Continued)

Analysis of the financial instruments by remaining contractual maturities:

The following table summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations:

	Within one financial year	After one financial year but within five financial years	Over five financial years	Total
	RM'000	RM'000	RM'000	RM'000
Group				
2015				
Financial assets				
Non-interest bearing				
- Trade and other receivables	105,583	-	-	105,583
- Cash and bank balances	438,461	-	-	438,461
Interest bearing				
- Held-to-maturity financial assets	17,087	88,852	34,222	140,161
- Fixed deposits	68,921	-	-	68,921
Total undiscounted financial assets	630,052	88,852	34,222	753,126
Financial liabilities				
Non-interest bearing				
- Trade and other payables	734,096	2,692	-	736,788
Interest bearing				
- Loans and borrowings	653,107	1,348,794	-	2,001,901
Total undiscounted financial liabilities	1,387,203	1,351,486	-	2,738,689

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

34. Financial risk management objectives and policies (Continued)

34.2 Liquidity risk (Continued)

Analysis of the financial instruments by remaining contractual maturities: (Continued)

	Within one financial year	After one financial year but within five financial years	Over five financial years	Total
	RM'000	RM'000	RM'000	RM'000
Group				
2014				
Financial assets				
Non-interest bearing				
- Trade and other receivables	97,748	-	-	97,748
- Cash and bank balances	787,849	-	-	787,849
Interest bearing				
- Held-to-maturity financial assets	4,952	87,458	50,106	142,516
- Fixed deposits	12,641	-	-	12,641
Total undiscounted financial assets	903,190	87,458	50,106	1,040,754
Financial liabilities				
Non-interest bearing				
- Trade and other payables	636,600	2,756	-	639,356
Interest bearing				
- Loans and borrowings	578,174	851,777	3,165	1,433,116
Total undiscounted financial liabilities	1,214,774	854,533	3,165	2,072,472

34. Financial risk management objectives and policies (Continued)

34.2 Liquidity risk (Continued)

Analysis of the financial instruments by remaining contractual maturities: (Continued)

	Within one financial year	After one financial year but within five financial years	Over five financial years	Total
	RM'000	RM'000	RM'000	RM'000
Company				
2015				
Financial assets				
Non-interest bearing				
- Trade and other receivables	30,731	-	-	30,731
- Cash and bank balances	131,483	-	-	131,483
Interest bearing				
- Trade and other receivables	1,211,651	-	-	1,211,651
Total undiscounted financial assets	1,373,865	-	-	1,373,865
Financial liabilities				
Non-interest bearing				
- Trade and other payables	2,567	-	-	2,567
Interest bearing				
- Loans and borrowings	19,841	1,314,678	-	1,334,519
Total undiscounted financial liabilities	22,408	1,314,678	-	1,337,086
2014				
Financial assets				
Non-interest bearing				
- Trade and other receivables	18,401	-	-	18,401
- Cash and bank balances	354,026	-	-	354,026
Interest bearing				
- Trade and other receivables	187,147	-	-	187,147
Total undiscounted financial assets	559,574	-	-	559,574
Financial liabilities				
Non-interest bearing				
- Trade and other payables	2,710	-	-	2,710
Interest bearing				
- Loans and borrowings	321,780	894,320	-	1,216,100
Total undiscounted financial liabilities	324,490	894,320	-	1,218,810

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

34. Financial risk management objectives and policies (Continued)

34.2 Liquidity risk (Continued)

Analysis of the financial instruments by remaining contractual maturities: (Continued)

The disclosed amounts for the financial guarantee contracts in Note 36 to the financial statements represent the maximum amount of issued financial guarantees in the earliest time period for which the guarantees could be called upon in the contractual maturity analysis.

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

	Within one financial year RM'000	After one financial year but within five financial years RM'000	Over five financial years RM'000	Total RM'000
Group				
2015				
Gross settled:				
Gross inflows	169,278	-	-	169,278
Gross outflows	(178,273)	-	-	(178,273)
	(8,995)	-	-	(8,995)
2014				
Gross settled:				
Gross inflows	826,621	-	-	826,621
Gross outflows	(874,346)	-	-	(874,346)
	(47,725)	-	-	(47,725)

34.3 Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The Group's borrowings at variable rates are denominated in United States dollar, Ringgit Malaysia and Singapore dollar. If the interest rates increase/decrease by 25 basis points, with all other variables including tax rate being held constant, the profit net of tax will be lower/higher by approximately RM1,821,000 for the financial year ended 31 December 2015 (2014: RM721,000) as a result of higher/lower interest expense on borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

34. Financial risk management objectives and policies (Continued)

34.4 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollar (USD), Singapore dollar (SGD), Norwegian Kroner (NOK), Euro (EUR), Pound Sterling (GBP), Brunei dollar (BND), Japanese Yen (JPY) and Renminbi (RMB).

The Group monitors its foreign currency exchange risks closely and maintains funds in various currencies to minimise currency exposure due to timing differences between sales and purchases. Currency translation risk arises when commercial transactions, recognised assets and liabilities and net investment in foreign operations are denominated in a currency that is not the entity's functional currency. It is not the Group's policy to take speculative positions in foreign currencies.

Approximately 75% and 96% (2014: 88% and 94%) of the Group's trade and other receivables and trade and other payables balances are denominated in foreign currencies. The Group's sales and purchases at the reporting date have similar exposures.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances amount to RM491.2 million (2014: RM764.7 million).

The Group manages its currency exposure centrally and hedge the value of future receipt and payment flows in foreign currencies using forward contracts. The Group reviews on a regular basis its exposure and reserves the right to enter into hedges to maintain financial stability and, accordingly, hedging will be undertaken only on contracted and firm flows, whereof the major part are realised within six months. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The Group is also exposed to currency translation risk arising from its net investments in Labuan and foreign operations, including Singapore and Marshall Islands. The Group's net investments in Singapore and Marshall Islands are not hedged as currency positions in SGD and USD are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk based on monetary assets and liabilities:

The following table demonstrates the sensitivity of the Group's profit before income tax and equity to a reasonably possible change in the SGD, USD, EUR, BND and JPY exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

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34. Financial risk management objectives and policies (Continued)

34.4 Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk based on monetary assets and liabilities: (Continued)

		Profit before income tax		Equity	
		2015	**2014**	**2015**	**2014**
Group		**RM'000**	**RM'000**	**RM'000**	**RM'000**
SGD/RM	Strengthened by 11% (2014:2%)	(86,594)	(13,818)	-	-
	Weakened by 11% (2014: 2%)	86,594	13,818	-	-
USD/RM	Strengthened by 21% (2014: 4%)	(193,139)	1,628	-	823
	Weakened by 21% (2014: 4%)	193,139	(1,628)	-	(823)
EUR/RM	Strengthened by 1% (2014: 4%)	47	860	-	-
	Weakened by 1% (2014: 4%)	(47)	(860)	-	-
GBP/RM	Strengthened by 11% (2014: N/A)	1	-	-	-
	Weakened by 11% (2014: N/A)	(1)	-	-	-
BND/RM	Strengthened by 10% (2014: 5%)	194	268	-	-
	Weakened by 10% (2014: 5%)	(194)	(268)	-	-
JPY/RM	Strengthened by 5% (2014: 6%)	(2,293)	994	-	-
	Weakened by 5% (2014: 6%)	2,293	(994)	-	-
USD/NOK	Strengthened by 22% (2014: 22%)	(1)	-	-	2,696
	Weakened by 22% (2014: 22%)	1	-	-	(2,696)
CNY/RM	Strengthened by 18% (2014: N/A)	(5)	-	-	-
	Weakened by 18% (2014: N/A)	5	-	-	-
Company					
SGD/RM	Strengthened by 11% (2014:2%)	5,468	(11,986)	-	-
	Weakened by 11% (2014: 2%)	(5,468)	11,986	-	-
USD/RM	Strengthened by 21% (2014: 4%)	25,014	76	-	-
	Weakened by 21% (2014: 4%)	(25,014)	(76)	-	-

34. Financial risk management objectives and policies (Continued)

34.5 Offsetting financial assets and financial liabilities

	Company 2015 RM'000	2014 RM'000
Gross amount of recognised financial assets		
- Amount due from subsidiaries	1,198,258	334,344
Gross amount of recognised financial liabilities net off		
- Amount due to subsidiaries	-	(137,808)
Net amount of financial assets presented in the statement of financial position	1,198,258	196,536

34.6 Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group's policy is to keep the net gearing ratio below 1.0 times. Net debt includes loans and borrowings, less cash and bank balances. Capital includes equity attributable to the owners of the parent.

	Note	Group 2015 RM'000	2014 RM'000
Loans and borrowings	27	1,809,207	1,309,336
Less: Cash and cash equivalents	23	(506,060)	(800,098)
Net debt		1,303,147	509,238
Equity attributable to the owners of the parent		1,377,139	1,218,764
Total capital		1,377,139	1,218,764
Net gearing ratio (times)		0.95	0.42

Collateral

The Group has pledged part of its short-term deposits in order to fulfil the collateral requirements for the derivatives in place. At 31 December 2014 and 2015, the fair values of the short-term deposits pledged were RM198,000 and RM64,069,000 respectively. The counterparties have an obligation to return the securities to the Group. There are no other significant terms and conditions associated with the use of collateral.

The Group did not hold any third party collateral at 31 December 2014 and 2015.

The Group and the Company are in compliance with externally imposed capital requirements relating to financial covenants on its borrowings for the financial year ended 31 December 2014 and 2015.

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35. Dividends

	Company	
	2015	**2014**
	RM'000	**RM'000**
Final dividend of S$0.015 cents (2014: S$0.005 cents) per ordinary share proposed and paid during the financial year relating to the previous financial year's results	84,896	27,337
Special tax-exempt dividend for 2015: Nil (2014: S$0.005) per share	-	27,338
	84,896	54,675
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
First and final tax-exempt dividend for 2015: Nil (2014: S$0.005 cents) per share	-	83,508

36. Financial guarantees

As at 31 December 2015, the Company had given guarantees amounting to RM3,573.6 million (2014: RM2,745.8 million) to certain banks in respect of banking facilities granted to the subsidiaries and joint ventures.

The maximum amount of the Company could be forced to settle under the guarantees obligation if the full guaranteed amount is claimed by the counterparties to the guarantees, is RM873.2 million (2014: RM293.3 million). The earliest period that the guarantees could be called is within 1 year (2014: 1 year). The Company has not recognised any liability in respect of the guarantees given to the banks for banking facilities granted to the subsidiaries and joint ventures as the Company's directors have assessed that the likelihood of the immediate holding company defaulting on repayment of its loan is remote.

As at the end of the financial year, the Company had also given undertakings to certain subsidiaries to provide continued financial support to these subsidiaries to enable them to operate as going concerns and to meet their obligations as and when they fall due for at least 12 months from the financial year end.

37. Segment information

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 and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs and finance income) and 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.

37. Segment information (Continued)

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.

	Shipbuilding	Chartering	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
2015					
Revenue					
External revenue	905,586	44,444	-	-	950,030
Inter segment	294,766	46,065	-	(340,831)	-
Results					
Interest income	1,866	4,059	396	-	6,321
Depreciation of property, plant and equipment	(1,522)	(17,929)	(1,047)	-	(20,498)
Depreciation of investment properties	-	-	(1,195)	-	(1,195)
Amortisation of prepaid land lease payments	-	(108)	-	-	(108)
Finance costs	(1,910)	(12,270)	(10,036)	-	(24,216)
Share of results of joint ventures	-	-	6,633	-	6,633
Share of loss on investment in associate	-	-	(31,873)	-	(31,873)
Profit before income tax	40,257	1,909	(11,212)	-	30,954
Additions to non-current assets	2,018	123,053	12	-	125,083
Investment in joint ventures	-	-	8,624	-	8,624
Held-to-maturity financial assets	-	-	127,026	-	127,026
Investment in an associate	-	-	88,281	-	88,281
Segment assets	2,976,882	571,819	401,458	-	3,950,159
Segment liabilities	1,412,614	31,098	1,128,597	-	2,572,309

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37. Segment information (Continued)

	Shipbuilding	Chartering	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
2014					
Revenue					
External revenue	1,840,502	88,099	-	-	1,928,601
Inter segment	136,806	-	-	(136,806)	-
Results					
Interest income	684	6	2,069	-	2,759
Depreciation of property, plant and equipment	(921)	(15,124)	(904)	-	(16,949)
Depreciation of investment properties	-	-	(1,100)	-	(1,100)
Amortisation of prepaid land lease payments	-	(108)	-	-	(108)
Finance costs	(1,620)	(3,553)	(10,789)	-	(15,962)
Share of results of joint ventures	-	-	10,322	-	10,322
Profit before income tax	322,114	7,804	(26,631)	-	303,287
Additions to non-current assets	9,789	130,936	2,922	-	143,647
Investment in joint ventures	-	-	7,000	-	7,000
Held-to-maturity financial assets	-	-	115,669	-	115,669
Investment in an associate	-	-	110,400	-	110,400
Segment assets	2,287,925	247,961	711,613	-	3,247,499
Segment liabilities	920,474	56,733	1,054,524	-	2,031,731

For management purposes, the 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 are as follows:

	Group	
	2015	2014
	RM'000	RM'000
Malaysia	398,287	604,783
United Arab Emirates	29,736	315,459
Singapore	101,329	171,336
China	49,550	47,804
Vietnam	-	98,170
Cyprus	-	14,754
Marshall Islands	103,081	477,744
Nigeria	115,298	104,682
British Virgin Islands	-	3,300
Indonesia	37,152	51,291
India	89,759	39,278
Others	25,838	-
	950,030	1,928,601

37. Segment information (Continued)

The Group trades with countries shown above. In presenting information on the basis of geographical segments, segment revenue is based on the countries in which customers are invoiced.

	Group	
	2015	**2014**
	RM'000	**RM'000**
Non-current assets		
Malaysia	544,798	396,815
Singapore	101,902	90,815
	646,700	487,630

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

	Group	
	2015	**2014**
	RM'000	**RM'000**
Property, plant and equipment	449,881	282,157
Prepaid land lease payments	7,673	7,943
Investment properties	92,241	81,444
Investment in joint ventures	8,624	5,686
Investment in an associate	88,281	110,400
	646,700	487,630

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Nam Cheong Limited (the "Company") will be held at Holiday Inn Singapore Atrium, Changi Room 1 & 2, Level 4, 317 Outram Road, Singapore 169075 on Monday, 25 April 2016 at 10.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Financial Statements of the Company for the financial year ended 31 December 2015 together with the Auditors' Report thereon.

(Resolution 1)

2. To re-elect the following Directors retiring pursuant to the Company's Bye-Laws:-

2.1 Mr Leong Seng Keat (retiring pursuant to Bye-Laws (86(1)) **(Resolution 2)**

2.2 Mr Tiong Chiong Hiiung (retiring pursuant to Bye-Laws (86(1)) **(Resolution 3)**

3. To approve the payment of Directors' fees of S$503,500 for the financial year ended 31 December 2015 (2014: S$456,500)

(Resolution 4)

4. To re-appoint Messrs BDO LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.

(Resolution 5)

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. AUTHORITY TO ISSUE SHARES

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ***(SGX-ST)***, the directors of the Company ***(Directors)*** be authorised and empowered to:

(a) (i) issue shares in the Company ***(shares)*** whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, Instruments) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

AS SPECIAL BUSINESS (Continued)

6. AUTHORITY TO ISSUE SHARES (Continued)

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)] **(Resolution 6)**

By Order of the Board

Claudia Teo Kwee Yee
Company Secretary

Singapore, 24 March 2016

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

Explanatory Notes:

(i) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a General Meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. Unless The Central Depository (Pte) Limited ***("CDP")*** specifies otherwise in a written notice to the Company, CDP shall be deemed to have appointed as CDP's proxies to vote on behalf of CDP at the Annual General Meeting ***("AGM")*** each of the Depositors who are individuals and whose names are shown in CDP's records as at a time not earlier than forty-eight (48) hours prior to the time of the AGM. Therefore, such Depositors who are individuals can attend and vote at the AGM without the lodgement of any Depositor Proxy Form (as defined below).

2. Such a Depositor registered and holding Shares through CDP who is an individual but is unable to attend the AGM personally and wishes to appoint a nominee to attend and vote on his/her behalf must complete, sign and return the proxy form which is despatched together with this Annual Report to Depositors ***("Depositor Proxy Form")*** completed by CDP in accordance with the instructions printed thereon and deposit the duly completed Depositor Proxy Form at the office of the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd. at Six Battery Road #10-01, Singapore 049909, not less than forty-eight (48) hours before the time appointed for holding the AGM. Similarly, a Depositor which is a corporation and which wishes to attend the AGM must submit the Depositor Proxy Form for the appointment of nominees(s) to attend and vote at the AGM on its behalf as CDP's proxy.

3. If a Shareholder (who is not a Depositor) is unable to attend the AGM and wishes to appoint a proxy to attend and vote at the AGM in his/her stead, then he/she should complete and sign the proxy form despatched to Shareholders who are not Depositors ***("Shareholder Proxy Form")*** and deposit the duly completed Shareholder Proxy Form at the office of the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd. at Six Battery Road #10-01, Singapore 049909, not less than forty-eight (48) hours before the time appointed for holding the AGM. Such proxy need not be a member of the Company.

4. To be effective, the Depositor Proxy Form or the Shareholder Proxy Form must be deposited by a Depositor or a Shareholder (as the case may be) at the office of the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd. at Six Battery Road #10-01, Singapore 049909, not less than forty-eight (48) hours before the time appointed for holding the AGM in accordance with the instructions stated herein.

5. The completion and return of the Depositor Proxy Form or the Shareholder Proxy Form by a Depositor or a Shareholder, as the case may be, will not prevent such Depositor or Shareholder, as the case may be, from attending and voting in person at the AGM if he/she wishes to do so, in place of his/her/its nominee or proxy, as the case may be.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Depositor or a Shareholder of the Company (i) consents to the collection, use and disclosure of the Depositor or the Shareholder's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the **"Purposes"**), (ii) warrants that where the Depositor or the Shareholder discloses the personal data of the Depositor or the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the Depositor or the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Depositor or the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Depositor or the Shareholder's breach of warranty.