
Fourth Quarter and Full Year Ended 31 Dec 2016 Financial Statements and Related Announcement

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1. Unaudited Financial Statements

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

	4th Quarter ended 31.12.2016 RM'000	4th Quarter ended 31.12.2015 RM'000	Change %	Full year ended 31.12.2016 RM'000	Full year ended 31.12.2015 RM'000	Change %
Revenue	120,276	241,844	(50%)	170,424	950,030	(82%)
Cost of sales	(132,493)	(211,888)	(37%)	(161,971)	(800,027)	(80%)
Gross (loss) / profit	(12,217)	29,956	n.m.	8,453	150,003	(94%)
Other income	118,843	4,390	>100%	106,065	18,093	>100%
Selling and administrative expenses	(10,420)	(8,732)	19%	(42,824)	(58,383)	(27%)
Other operating expenses	(91,201)	(18,463)	>100%	(91,175)	(29,303)	>100%
Operating profit / (loss)	5,005	7,151	(30%)	(19,481)	80,410	n.m.
Finance costs	(5,463)	(6,284)	(13%)	(15,463)	(24,216)	(36%)
Share of post-tax loss of equity accounted associate and jointly controlled entities	(5,528)	(22,325)	(75%)	(7,678)	(25,240)	(70%)
(Loss) / Profit before tax	(5,986)	(21,458)	(72%)	(42,622)	30,954	n.m.
Income tax expense	(95)	(834)	(89%)	(149)	(3,029)	(95%)
(Loss) / Profit for the financial period / year	(6,081)	(22,292)	(73%)	(42,771)	27,925	n.m.

1. Unaudited Financial Statements (Contd.)

	4th Quarter ended 31.12.2016 RM'000	4th Quarter ended 31.12.2015 RM'000	Change %	Full year ended 31.12.2016 RM'000	Full year ended 31.12.2015 RM'000	Change %
Other comprehensive income						
Exchange differences on translating foreign operations	72,559	(26,208)	n.m.	27,071	184,936	(85%)
Net gain on cash flow hedges	-	54,506	n.m.	6,617	31,428	(79%)
Other comprehensive income for the financial period / year, net of tax	<u>72,559</u>	<u>28,298</u>	>100%	<u>33,688</u>	<u>216,364</u>	(84%)
Total comprehensive income / (loss) for the financial period / year	<u>66,478</u>	<u>6,006</u>	>100%	<u>(9,083)</u>	<u>244,289</u>	n.m.
(Loss) / Profit attributable to :						
Owners of the parent	(5,623)	(21,465)	(74%)	(42,014)	28,516	n.m.
Non-controlling interest	(458)	(827)	(45%)	(757)	(591)	28%
(Loss) / Profit for the financial period / year	<u>(6,081)</u>	<u>(22,292)</u>	(73%)	<u>(42,771)</u>	<u>27,925</u>	n.m.
Total comprehensive income / (loss) attributable to:						
Owners of the parent	66,936	6,833	>100%	(8,326)	244,880	n.m.
Non-controlling interest	(458)	(827)	(45%)	(757)	(591)	28%
Total comprehensive income / (loss) for the financial period / year	<u>66,478</u>	<u>6,006</u>	>100%	<u>(9,083)</u>	<u>244,289</u>	n.m.

1. Unaudited Financial Statements (Contd.)

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

	4th Quarter ended 31.12.2016 RM'000	4th Quarter ended 31.12.2015 RM'000	Change %	Full year ended 31.12.2016 RM'000	Full year ended 31.12.2015 RM'000	Change %
Other income						
Foreign exchange gain, net	68,348	-	n.m.	44,287	-	n.m.
Forfeited deposit received	46,218	-	n.m.	46,218	-	n.m.
Gain on disposal of property, plant and equipment	-	-	n.m.	-	64	(100%)
Impairment of trade receivables written back	1,635	-	n.m.	1,635	-	n.m.
Ineffectiveness on forward currency contracts designated as cash flow hedges	-	2,521	(100%)	-	7,302	(100%)
Interest income	279	750	(63%)	4,979	6,321	(21%)
Miscellaneous	1,425	294	>100%	3,301	1,514	>100%
Net fair value gain on derivatives	-	97	(100%)	2,378	97	>100%
Rental income	938	728	29%	3,267	2,795	17%
	118,843	4,390	>100%	106,065	18,093	>100%

1. Unaudited Financial Statements (Contd.)

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

	4th Quarter ended 31.12.2016 RM'000	4th Quarter ended 31.12.2015 RM'000	Change %	Full year ended 31.12.2016 RM'000	Full year ended 31.12.2015 RM'000	Change %
Profit / (Loss) before tax						
The following amounts have been included in arriving at profit / (loss) before tax:						
Amortisation of prepaid land lease payments	27	27	-	108	108	-
Deposit and prepayment written off	19,929	-	n.m.	19,929	-	n.m.
Depreciation of investment properties	341	291	17%	1,298	1,195	9%
Depreciation of property, plant and equipment	5,834	5,580	5%	20,888	20,498	2%
Bad debt written off	15	-	n.m.	15	-	n.m.
Foreign exchange loss, net	-	18,463	(100%)	-	29,303	(100%)
Impairment on investment in associate	3,445	-	n.m.	3,445	-	n.m.
Impairment on property, plant and equipment	3,554	-	n.m.	3,554	-	n.m.
Impairment on trade and other receivables	1,196	-	n.m.	1,196	1,702	(30%)
Inventories written down	59,772	-	n.m.	59,772	-	n.m.
Loss on disposal of property, plant and equipment	3,290	5	>100%	3,264	-	n.m.
Property, plant and equipment written off	-	18	(100%)	-	18	(100%)
Share grant plan expenses	-	-	-	-	704	(100%)
Income tax expense						
Current income tax	95	834	(89%)	149	3,029	(95%)

n.m. : Not meaningful

1. Unaudited Financial Statements (Contd.)

1(b)(I) Statement of Financial Position

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	428,497	449,881	-	-
Prepaid land lease payments	7,403	7,673	-	-
Investment properties	92,784	92,241	-	-
Investment in subsidiaries	-	-	2,307,317	1,079,188
Investment in joint ventures	10,957	8,624	-	-
Investment in an associate	74,840	88,281	-	-
Held-to-maturity financial assets	30,442	110,102	-	-
	<u>644,923</u>	<u>756,802</u>	<u>2,307,317</u>	<u>1,079,188</u>
Current assets				
Held-to-maturity financial assets	4,716	16,924	-	-
Inventories	2,398,304	1,827,799	-	-
Trade and other receivables	128,012	105,656	100,576	1,198,273
Prepayments	156,785	214,033	7	244
Current income tax recoverable	1,674	744	-	-
Due from customers on contracts	462,398	522,734	-	-
Derivatives	-	151	-	-
Cash and cash equivalents	301,493	506,060	61,511	131,483
	<u>3,453,382</u>	<u>3,194,101</u>	<u>162,094</u>	<u>1,330,000</u>
TOTAL ASSETS	<u>4,098,305</u>	<u>3,950,903</u>	<u>2,469,411</u>	<u>2,409,188</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	405,962	405,962	405,962	405,962
Share premium	82,347	82,347	82,347	82,347
Treasury shares	(4,097)	(4,097)	(4,097)	(4,097)
Other reserves	327,787	294,099	778,608	778,608
Retained earnings	556,814	598,828	58,413	19,855
	<u>1,368,813</u>	<u>1,377,139</u>	<u>1,321,233</u>	<u>1,282,675</u>
Non-controlling interest	<u>(780)</u>	<u>(23)</u>	<u>-</u>	<u>-</u>
Total equity	<u>1,368,033</u>	<u>1,377,116</u>	<u>1,321,233</u>	<u>1,282,675</u>
Non-current liabilities				
Loans and borrowings	874,781	1,181,227	847,228	1,105,256
Deferred tax liabilities	1,480	1,478	-	-
Trade and other payables	2,637	2,692	-	-
	<u>878,898</u>	<u>1,185,397</u>	<u>847,228</u>	<u>1,105,256</u>

1. Unaudited Financial Statements (Contd.)

1(b)(I) Statement of Financial Position (contd.)

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Current liabilities				
Due to customers on contracts	3,791	16,968	-	-
Derivatives	-	9,146	-	-
Loans and borrowings	948,720	627,980	294,457	18,690
Trade and other payables	898,663	734,096	6,493	2,567
Provisions	200	200	-	-
	<u>1,851,374</u>	<u>1,388,390</u>	<u>300,950</u>	<u>21,257</u>
Total liabilities	<u>2,730,272</u>	<u>2,573,787</u>	<u>1,148,178</u>	<u>1,126,513</u>
TOTAL EQUITY AND LIABILITIES	<u>4,098,305</u>	<u>3,950,903</u>	<u>2,469,411</u>	<u>2,409,188</u>

1. Unaudited Financial Statements (Contd.)

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

	As at 31.12.2016		As at 31.12.2015	
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
Amount repayable in one year or less, or on demand	670,154	278,566	609,290	18,690
Amount repayable after one year	58,760	816,021	122,141	1,059,086

Details of any collaterals

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

1. Unaudited Financial Statements (Contd.)

1(c) Statement of Cash Flows (Group)

	4th Quarter ended 31.12.2016 RM'000	4th Quarter ended 31.12.2015 RM'000	Full year ended 31.12.2016 RM'000	Full year ended 31.12.2015 RM'000
Operating activities				
(Loss) / Profit before tax	(5,986)	(21,458)	(42,622)	30,954
Adjustments for:				
Amortisation of prepaid land lease payments	27	27	108	108
Bad debts written off	15	-	15	-
Deposit and prepayment written off	19,929	-	19,929	-
Depreciation of investment properties	341	291	1,298	1,195
Depreciation of property, plant and equipment	5,834	5,580	20,888	20,498
Loss / (Gain) on disposal of property, plant and equipment	3,290	-	3,264	(64)
Loss on disposal of held-to-maturity financial asset	2,713	-	2,713	-
Impairment on investment in associate	3,445	-	3,445	-
Impairment of property, plant and equipment	3,554	-	3,554	-
Impairment of trade and other receivables	1,196	-	1,196	1,702
Impairment of trade receivables written back	(1,635)	-	(1,635)	-
Ineffectiveness on forward currency contracts designated as cash flow hedges	-	(2,521)	-	(7,302)
Interest expense	5,462	6,284	15,463	24,216
Interest income	(279)	(750)	(4,979)	(6,321)
Inventories written down	59,772	-	59,772	-
Net fair value gain on derivatives	-	-	(2,378)	-
PPE written off	-	-	-	-
Property, plant and equipment written off	-	18	-	18
Share grant plan expenses	-	-	-	683
Share of post-tax loss of equity accounted associate and jointly controlled entities	5,528	22,325	7,678	25,240
Unrealised (gain) / loss on foreign exchange	(65,909)	43,387	(42,751)	43,703
Total adjustments	43,283	74,641	87,580	103,676
Operating cash flows before working capital changes	37,297	53,183	44,958	134,630
Changes in working capital:				
Increase in inventories	(303,584)	(198,263)	(305,236)	(637,022)
Decrease / (Increase) in receivables	17,567	(54,445)	(15,475)	84,100
Decrease / (Increase) in prepayments	32,250	23,156	43,895	(30,145)
Decrease in amount due from customers on contracts	129,454	116,806	(83,206)	46,894
Increase / (Decrease) in payables	103,067	103,791	129,688	(51,357)
Decrease in amount due to customers on contracts	(12,521)	(12,609)	(13,639)	(23,698)
Total changes in working capital	(33,767)	(21,564)	(243,973)	(611,228)
Cash flows from / (used in) operations	3,530	31,619	(199,015)	(476,598)
Interest paid	(13,794)	(13,497)	(90,898)	(72,545)
Taxes paid, net of refund	(75)	8,610	(1,079)	1,255
Net cash flows (used in) / from operating activities	(10,339)	26,732	(290,992)	(547,888)

1. Unaudited Financial Statements (Contd.)

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

	4th Quarter ended 31.12.2016 RM'000	4th Quarter ended 31.12.2015 RM'000	Full year ended 31.12.2016 RM'000	Full year ended 31.12.2015 RM'000
Investing activities				
Acquisition of property, plant and equipment	(37)	(32,515)	(87)	(33,985)
Interest received	279	750	4,979	6,321
Proceeds from disposal of held-to-maturity financial assets	4,691	-	95,044	10,716
Proceeds from disposal of property, plant and equipment	5,024	(1)	5,050	85
Net cash flows from / (used in) investing activities	9,957	(31,766)	104,986	(16,863)
Financing activities				
Dividends paid	-	-	-	(84,896)
Proceeds from bank borrowings	82,581	295,581	391,053	751,062
Proceeds from issuance of Medium Term Notes, net of transaction costs	-	-	-	210,241
Repayments of bank borrowings	(145,153)	(83,144)	(433,561)	(361,755)
Repayment of Medium Term Notes	-	(275,077)	-	(275,077)
Placement of fixed deposits	-	-	(59,048)	(63,871)
Proceed from upliftment of fixed deposits	-	1,001	-	-
Purchase of treasure shares	-	-	-	(2,292)
Net cash flows (used in) / from financing activities	(62,572)	(61,639)	(101,556)	173,412
Net decrease in cash and cash equivalents	(62,954)	(66,673)	(287,562)	(391,339)
Effects of foreign exchange rate changes	13,510	(39,741)	8,189	33,430
Cash and cash equivalents at 1 October / 1 January	212,062	548,405	441,991	799,900
Cash and cash equivalents at 31 December	162,618	441,991	162,618	441,991
Cash and cash equivalents comprise the following as at the statements of financial position date:				
Fixed deposits with licensed banks	153,003	67,599	153,003	67,599
Cash and bank balances	148,490	438,461	148,490	438,461
Bank overdrafts	(15,757)	-	(15,757)	-
	285,736	506,060	285,736	506,060
Less: Restricted fixed deposits with licensed banks	(123,118)	(64,069)	(123,118)	(64,069)
Total cash and cash equivalents	162,618	441,991	162,618	441,991

1. Unaudited Financial Statements (Contd.)

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

Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Cash flow hedge reserve RM'000	Share grant reserve RM'000	Retained earnings RM'000	Equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2015	405,962	82,347	(7,090)	115,780	(38,045)	2,825	656,985	1,218,764	568	1,219,332
Profit for the period	-	-	-	-	-	-	49,981	49,981	236	50,217
Other comprehensive income	-	-	-	211,144	(23,078)	-	-	188,066	-	188,066
Contributions by and distributions to owners:										
Dividends paid	-	-	-	-	-	-	(84,896)	(84,896)	-	(84,896)
Total contributions by and distributions to owners	-	-	-	-	-	-	(84,896)	(84,896)	-	(84,896)
Others										
Share grant plan expenses	-	-	-	-	-	683	-	683	-	683
Purchase of treasury shares	-	-	(2,292)	-	-	-	-	(2,292)	-	(2,292)
Treasury shares re-issued for share awards vested	-	-	5,285	-	-	(3,508)	(1,777)	-	-	-
Total others	-	-	2,993	-	-	(2,825)	(1,777)	(1,609)	-	(1,609)
At 30 September 2015	405,962	82,347	(4,097)	326,924	(61,123)	-	620,293	1,370,306	804	1,371,110
Loss for the period	-	-	-	-	-	-	(21,465)	(21,465)	(827)	(22,292)
Other comprehensive income	-	-	-	(26,208)	54,506	-	-	28,298	-	28,298
At 31 December 2015	405,962	82,347	(4,097)	300,716	(6,617)	-	598,828	1,377,139	(23)	1,377,116

1. Unaudited Financial Statements (Contd.)

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

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Cash flow hedge reserve RM'000	Share grant reserve RM'000	Retained earnings RM'000	Equity attributable to owners of the parent RM'000	Non- controlling interest RM'000	Total equity RM'000
Group										
At 1 January 2016	405,962	82,347	(4,097)	300,716	(6,617)	-	598,828	1,377,139	(23)	1,377,116
Loss for the period	-	-	-	-	-	-	(36,391)	(36,391)	(299)	(36,690)
Other comprehensive income	-	-	-	(45,488)	6,617	-	-	(38,871)	-	(38,871)
At 30 September 2016	405,962	82,347	(4,097)	255,228	-	-	562,437	1,301,877	(322)	1,301,555
Loss for the period	-	-	-	-	-	-	(5,623)	(5,623)	(458)	(6,081)
Other comprehensive income	-	-	-	72,559	-	-	-	72,559	-	72,559
At 31 December 2016	405,962	82,347	(4,097)	327,787	-	-	556,814	1,368,813	(780)	1,368,033

1. Unaudited Financial Statements (Contd.)

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

Company	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Share grant reserve RM'000	Contributed surplus RM'000	Retained earnings RM'000	Equity attributable to owners of the parent RM'000
At 1 January 2015	405,962	82,347	(7,090)	2,825	778,608	8,523	1,271,175
Profit for the period	-	-	-	-	-	137,263	137,263
<i>Contributions by and distributions to owners:</i>							
Dividend paid	-	-	-	-	-	(84,896)	(84,896)
Total contributions by and distributions to owners	-	-	-	-	-	(84,896)	(84,896)
<i>Others</i>							
Share grant plan expenses	-	-	-	683	-	-	683
Treasury share expenses	-	-	5,285	(3,508)	-	(1,777)	-
Purchase of treasury shares	-	-	(2,292)	-	-	-	(2,292)
Total others	-	-	2,993	(2,825)	-	(1,777)	(1,609)
At 30 September 2015	405,962	82,347	(4,097)	-	778,608	59,113	1,321,933
Loss for the period	-	-	-	-	-	(39,258)	(39,258)
At 31 December 2015	405,962	82,347	(4,097)	-	778,608	19,855	1,282,675
At 1 January 2016	405,962	82,347	(4,097)	-	778,608	19,855	1,282,675
Profit for the period	-	-	-	-	-	26,514	26,514
At 30 September 2016	405,962	82,347	(4,097)	-	778,608	46,369	1,309,189
Profit for the period	-	-	-	-	-	12,044	12,044
At 31 December 2016	405,962	82,347	(4,097)	-	778,608	58,413	1,321,233

Notes:

(a) There were no share granted in 4Q of FY2016 under the Nam Cheong Group 2013 Share Grant Plan ("2013 Share Grant Plan"). During 4Q 2016, there were neither share grant being released (4Q 2015: Nil) nor lapsed (4Q 2015: Nil) under the 2013 Share Grant Plan.

1. Unaudited Financial Statements (Contd.)

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

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

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

As at 31 December 2016 and 31 December 2015, the total number of issued shares excluding treasury shares was 2,096,465,885.

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

During 4Q 2016, no treasury shares was acquired nor re-issued pursuant to the 2013 Share Grant Plan.

As at 31 December 2016, 6,678,597 treasury shares were held as treasury shares by the Company.

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

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

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

Not applicable.

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

Other than the changes mentioned in item no. 5 below, the accounting policies and methods of computation for the current reporting period adopted are consistent with those stated in the Annual Report for the financial year ended 31 December 2015.

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

The Group has revised the estimated useful lives of vessels from 20 years to 25 years pursuant to the Group's recent operational and sector review of our vessels. It is the Group's practice to regularly review on fleet composition to ensure that the fleet remains competitive and market relevant. As the Group's fleet composition has gradually grew towards a fleet with more enhanced specification, the useful life of the vessels is expected to be 25 years. Accordingly, the Group has revised the estimated useful lives of the vessels from 20 to 25 years.

In accordance with IFRS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the change in accounting estimate has been applied from 1 January 2016. Accordingly, the adoption of the change in accounting estimate has no effect in prior years.

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

	Group		Group	
	4th Quarter ended 31.12.2016	4th Quarter ended 31.12.2015	Full year ended 31.12.2016	Full year ended 31.12.2015
Loss / Earnings per ordinary shares of the Group for the financial period based on net profit / (loss) attributable to shareholders:				
(i) Based on weighted average number of ordinary shares in issue (Sen)	(0.27)	(1.02)	(2.00)	1.36
Weighted average number of shares	2,096,465,885	2,096,465,885	2,096,465,885	2,097,918,785
(ii) On a fully diluted basis (Sen)	(0.27)	(1.02)	(2.00)	1.36
Adjusted weighted average number of shares	2,096,465,885	2,096,465,885	2,096,465,885	2,099,373,989

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

	Group		Company	
	As at 31.12.2016	As at 31.12.2015	As at 31.12.2016	As at 31.12.2015
Net asset value per ordinary share (Sen)	65.3	65.7	63.0	61.2
Ordinary shares in issue	2,096,465,885	2,096,465,885	2,096,465,885	2,096,465,885

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

Review of Group Performance

(a) Statements of comprehensive income (Group)

FY 2016 vs FY 2015

	FY 2016				FY 2015				Variance			
	Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	RM'000	RM'000	%	RM'000	%
Shipbuilding	146,414	86%	25,382	17%	905,586	95%	153,116	17%	(759,172)	(84%)	(127,734)	(83%)
Vessel Chartering	24,010	14%	(16,929)	(71%)	44,444	5%	(3,113)	(7%)	(20,434)	(46%)	(13,816)	444%
Total	170,424	100%	8,453	5%	950,030	100%	150,003	16%	(779,606)	(82%)	(141,550)	(94%)

Revenue for full year ended 31 December 2016 ("FY 2016") of RM170.4 million was RM779.6 million, or 82%, lower as compared to RM950.0 million recorded during the previous year corresponding full year ended 31 December 2015 ("FY 2015"). The shipbuilding segment recorded revenue of RM146.4 million for FY 2016, representing a decrease of 84% as compared to RM905.6 million recorded for FY 2015. This was mainly due to fewer number of vessels delivered in FY 2016 as compared to FY 2015 (FY 2016: 2 units; FY 2015: 11 units).

The vessel chartering segment also registered a decrease in revenue of RM20.4 million, or 46%, from RM44.4 million for FY 2015 to RM24.0 million for FY 2016, mainly due to lower utilisation rate for FY 2016.

8. (contd.)

Review of Group Performance (Contd.)

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

FY 2016 vs FY 2015

Gross profit decreased by 94%, from RM150.0 million for FY 2015 to RM8.5 million recorded for FY 2016, which is in tandem with lower revenue recorded. The gross profit margin for shipbuilding segment was consistent at 17%. The chartering segment recorded gross loss in FY2016 due to lower utilisation rate of vessels.

Other income for FY 2016 of RM106.1 million was higher as compared to RM18.1 million recorded in FY 2015 mainly due to the deposit forfeited from Perdana Petroleum Berhad's ("Perdana") cancellation of two Accommodation Work Barges ("AWB"); as well as the foreign exchange gain.

Selling and administrative expenses decreased by RM15.6 million from RM58.4 million in FY2015 to RM42.8 million. Other operating expenses of RM91.2 million mainly consist of inventories written down and impairment on investment in associate, deposit and prepayment written off and impairment on property, plant and equipment.

Finance cost decreased by RM8.8 million in FY 2016 compared to FY 2015, as a result of higher interest expense being capitalised in cost of construction.

Share of profit in jointly controlled entities recorded a gain of RM6.6 million in FY 2016. However, the gain was offset by the share of loss in associate of RM14.3 million in FY 2016.

Net loss after taxation for FY 2016 was RM42.8 million.

4Q 2016 vs 4Q 2015

	4Q 2016				4Q 2015				Variance			
	Revenue		Gross Loss		Revenue		Gross Profit		Revenue		Gross Profit	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	112,817	94%	(9,216)	(8%)	233,614	97%	37,381	16%	(120,797)	(52%)	(46,597)	(125%)
Vessel Chartering	7,459	6%	(3,001)	(40%)	8,230	3%	(7,425)	(90%)	(771)	(9%)	4,424	(60%)
Total	120,276	100%	(12,217)	(10%)	241,844	100%	29,956	12%	(121,568)	(50%)	(42,173)	(141%)

8. (contd.)

Review of Group Performance (contd.)

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

4Q 2016 vs 4Q 2015 (contd.)

Revenue for the three months ended 31 December 2016 ("4Q 2016") of RM120.3 million was RM121.6 million, or 50%, lower as compared to RM241.8 million recorded during the previous year corresponding three months ended 31 December 2015 ("4Q 2015"). Revenue from the shipbuilding segment decreased by 52% to RM112.8 million for 4Q 2016 (4Q 2015: RM233.6 million) mainly due to reversal of revenue from Perdana Petroleum Berhad's ("Perdana") cancellation of second Accommodation Work Barge ("AWB"). Correspondingly, the Group also recorded a gross loss of RM12.3 million during the period.

Despite a slight decrease in revenue of 9% to RM7.5 million for 4Q 2016, the chartering segment saw an improvement in gross margins, which was mainly attributed to the increase in vessels charter with higher margin.

Other income for 4Q 2016 of RM118.8 million was higher as compared to RM4.4 million recorded in 4Q 2015 mainly due to mainly due to the deposit forfeited from Perdana's cancellation as well as foreign exchange gain.

Selling and administrative expenses increased by RM1.7 million to RM10.4 million during 4Q 2016, while other operating expenses mainly consist of inventories written down, impairment on investment in associate, deposit and prepayment written off and impairment on property plant and equipment. Finance costs for 4Q 2016 held steady at RM5.5 million.

Share of profit in jointly controlled entities recorded a gain of RM1.2 million in 4Q 2016. However, the gain was offset by the share of loss in associate of RM6.7 million in 4Q 2016.

Net loss after taxation for 4Q 2016 was RM6.1 million.

(b) Statements of financial position (Group)

Total Assets

Total assets of the Group increased by RM147.4 million from RM3.95 billion as at 31 December 2015 ("FY2015") to RM4.10 billion as at 31 December 2016 ("FY2016") mainly due to:

- (i) the net increase in inventories and amount due from customers on contracts of RM510.2 million in FY2016 as a result of progresses of works for its built-to-stock vessels under the shipbuilding programme, which was partially offset by
- (ii) the decrease in the cash and cash equivalents of RM204.6 million and prepayment of RM57.2 million.

Total Liabilities

Total liabilities of the Group increased by RM156.5 million from RM2.57 billion in FY2015 to RM2.73 billion in FY2016, mainly due to the increase in trade and other payables of RM164.5 million.

As a result of the decrease in cash and cash equivalents, the Group's net gearing ratio increased from 0.95 time in FY2015 to 1.11 time in FY2016.

8. (contd.)

Review of Group Performance (contd.)

(c) Statement of Cash Flows (Group)

FY 2016 vs FY 2015

Net cash flows used in operating activities of RM291.0 million for FY 2016 was mainly due to the increase in inventories of RM305.2 million.

Net cash flows from investing activities of RM105.0 million for FY 2016 was mainly attributed to the proceeds from disposal of held-to-maturity financial assets of RM95.0 million.

Net cash flows used in financing activities of RM101.6 million for FY 2016 was mainly attributed to the placement of fixed deposits of RM59.0 million and net of repayments of bank borrowings of RM42.5 million.

4Q 2016 vs 4Q 2015

Net cash flows used in operating activities of RM10.3 million in 4Q 2016 was mainly due to the increase in inventories of RM303.6 million, as well as the decrease in receivables and amount due from customers on contracts of RM147.0 million.

Net cash flows from investing activities of RM10.0 million in 4Q 2016 was mainly attributed to the proceeds from disposal of property, plant and equipment and held-to-maturity financial assets of RM9.7 million.

Net cash flows used in financing activities of RM62.6 million in 4Q 2016 was mainly attributed to the net of repayments of bank borrowings.

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

There is no material change from the previous prospect statement.

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

The outlook for the O&M sector remains weak and the Group anticipates the progress of vessel sales and shipbuilding to remain slow.

In response to the challenging business environment that the Group is operating in, the Group has deferred the schedule of deliveries of its vessels currently under construction, both at customers' requests and also at the Group's initiative. The Group continues to monitor and review the shipbuilding schedule and deferment plan, through ongoing communication and consultation with its stakeholders.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared in the period under review.

13. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows :-

Not applicable.

14. General mandate relating to interested person transactions

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

15. Segmental Reporting

	Shipbuilding RM'000	Chartering RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial year ended 31 December 2016					
Revenue					
External revenue	146,414	24,010	-	-	170,424
Inter segment	55,253	32,369	-	(87,622)	-
Results					
Interest income	1,746	3,211	22	-	4,979
Depreciation of property, plant and equipment	(1,509)	(18,426)	(953)	-	(20,888)
Depreciation of investment property	-	-	(1,298)	-	(1,298)
Amortisation of prepaid land lease payments	-	(108)	-	-	(108)
Finance costs	(6,086)	(6,057)	(3,320)	-	(15,463)
Share of results of jointly controlled entities	-	-	6,593	-	6,593
Share of loss on investment in associate	-	-	(14,271)	-	(14,271)
Profit / (Loss) before tax	20,320	(36,008)	(26,934)	-	(42,622)
As at 31 December 2016					
Additions to non-current assets	40	40	7	-	87
Investment in jointly controlled entities	-	-	10,957	-	10,957
Investment in associate	-	-	74,840	-	74,840
Held-to-maturity financial assets	-	-	35,158	-	35,158
Segment assets	3,238,496	531,243	326,892	-	4,096,631
Segment liabilities	1,565,444	62,482	1,100,866	-	2,728,792

15. Segmental Reporting (Contd.)

	Shipbuilding RM'000	Chartering RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Financial year ended 31 December 2015					
Revenue					
External revenue	905,586	44,444	-	-	950,030
Inter segment	294,766	44,065	-	(338,831)	-
Results					
Interest income	1,866	4,059	396	-	6,321
Depreciation of property, plant and equipment	(1,522)	(17,928)	(1,048)	-	(20,498)
Depreciation of investment property	-	-	(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 jointly controlled entities	-	-	6,633	-	6,633
Share of loss on investment in associate	-	-	(31,873)	-	(31,873)
Profit / (Loss) before tax	40,257	1,909	(11,212)	-	30,954
As at 31 December 2015					
Additions to non-current assets	2,018	123,053	12	-	125,083
Investment in jointly controlled entities	-	-	8,624	-	8,624
Investment in associate	-	-	88,281	-	88,281
Held-to-maturity financial assets	-	-	127,026	-	127,026
Segment assets	2,976,883	571,819	401,457	-	3,950,159
Segment liabilities	1,412,614	31,098	1,128,597	-	2,572,309

15. Segmental Reporting (Contd.)

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows

	2016	2015
	RM'000	RM'000
Revenue		
Malaysia	37,480	398,287
United Arab Emirates	-	29,736
Singapore	-	101,329
China	49,150	49,550
Marshall Islands	78,787	103,081
Nigeria	-	115,298
Indonesia	-	37,152
India	-	89,759
Thailand	5,007	-
Others	-	25,838
	<u>170,424</u>	<u>950,030</u>
	2016	2015
	RM'000	RM'000
Non-current assets		
Malaysia	496,646	544,798
Singapore	117,835	101,902
	<u>614,481</u>	<u>646,700</u>

15. Segmental Reporting (Contd.)

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

	2016	2015
	RM'000	RM'000
Property, plant and equipment	428,497	449,881
Prepaid land lease payments	7,403	7,673
Investment properties	92,784	92,241
Investment in jointly controlled entities	10,957	8,624
Investment in associate	74,840	88,281
	<u>614,481</u>	<u>646,700</u>

16. Review of segment performance

Please refer to paragraph 8

17. A breakdown of Sales

	GROUP		% of decrease
	FY2016 RM'000	FY2015 RM'000	
a) Sales reported for first half year	24,318	518,914	(95%)
b) Operating profit after tax before deducting minority interests reported for first half year	(37,450)	49,807	(175%)
c) Sales reported for second half year	146,106	431,116	(66%)
d) Operating profit after tax before deducting minority interests reported for second half year	(5,321)	(21,882)	(76%)

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Tiong Chiong Soon	47 years	1. Son of Executive Chairman and substantial shareholder, Tan Sri Datuk Tiong Su Kouk 2. Brother of Executive Vice Chairman, Tiong Chiong Hiiung 3. Brother-in-law of Chief Executive Officer, Leong Seng Keat	Director of Nam Cheong Dockyard Sdn Bhd since 01.11.2009. Tiong Chiong Soon is responsible for the shipyard in Miri, Sarawak, Malaysia	Not Applicable

19. Confirmation pursuant to Appendix 7.7 under Rule 720(1) of the Listing Manual

The Board of Directors of Nam Cheong Limited hereby confirms that the undertakings from all its directors and executive officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

BY ORDER OF THE BOARD

Tan Sri Datuk Tiong Su Kouk

Executive Chairman

28 February 2017