NamCheong®

BUILDING WITH PASSION

2018 ANNUAL REPORT

CONTENTS

THE VITAL FORCE BEHIND THE SUCCESS

WITH THE DEDICATION, TEAMWORK, TOGETHER WITH EXPERIENCE AND EXPERTISE, SUPPORTED BY THE OPERATION EXCELLENCE SYSTEM, NAM CHEONG HAS BECOME THE VITAL FORCE AND KEY MECHANISM BEHIND THE SUCCESS.

CORPORATE PROFILE

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

QUALITY. RELIABILITY. DELIVERY.

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

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

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

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

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

VISION

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

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

MISSION

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

CORPORATE PROFILE & BUSINESS OVERVIEW

The Group's core business is the construction and supply of Offshore Support Vessels ("OSVs") used in the offshore oil and gas exploration and production ("E&P") and oilfield services industries, including Safety Standby Vessels ("SSVs"), Anchor Handling Tug Supply ("AHTS") vessels, Platform Supply Vessels ("PSVs") accommodation work barges and maintenance work vessels. The Group's customers consist primarily of ship owners and marine services operators that provide logistics support, offshore construction and field operation services to companies operating in the offshore oil and gas support industry in Malaysia, Singapore, Indonesia, Vietnam, the People's Republic of China ("PRC"), Netherlands, India, Tunisia, the Middle East, the United States and West Africa and Latin America. To expand its business in the offshore marine industry, the Group ventured into the vessel chartering business and commenced vessel chartering operations in 2007.

SHIPBUILDING

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

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

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

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

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

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

ANCHOR HANDLING TUG SUPPLY (AHTS)

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

ACCOMMODATION WORK BARGES (AWB)

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

MAINTENANCE WORK VESSEL (MWV)

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

PLATFORM SUPPLY VESSEL (PSV)

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

SHIP CHARTERING

To diversify our business, the Group started vessel chartering operations since 2007. These operations are carried out through our subsidiaries, SKOSV Sdn Bhd and SK Offshore & Marine Sdn Bhd (SKOM).

The Group currently has a fleet of more than 20 vessels, comprising AHTS vessels, PSV, SSVs, and landing crafts, which are chartered out by way of bareboat or time charters to the oil majors and oil field service providers in Malaysia.

Under the bareboat charter contract, the charterer is responsible for operating and maintaining the vessel and for all expenses, including the costs of maintaining its own crew on board the vessels. Since the beginning of 2009, the Group has entered into time charter contracts with various charterers, where it provides officers and marine crew who would operate and manage the vessel for the length of the time charter contract.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Datuk Tiong Su Kouk
(Executive Chairman)

Tiong Chiong Hiiung
(Executive Vice Chairman cum Finance Director)

Leong Seng Keat
(Chief Executive Officer)

Ajaib Hari Dass
(Lead Independent Director)

Yee Kit Hong
(Independent Director)

Kan Yut Keong, Benjamin
(Independent Director)

AUDIT COMMITTEE

Yee Kit Hong (Chairman)

Ajaib Hari Dass

Kan Yut Keong, Benjamin

NOMINATING COMMITTEE

Ajaib Hari Dass (Chairman)

Yee Kit Hong

Tiong Chiong Hiiung

RENUMERATION COMMITTEE

Ajaib Hari Dass (Chairman)

Yee Kit Hong

Kan Yut Keong, Benjamin

COMPANY SECRETARY

Claudia Teo Kwee Yee

ASSISTANT SECRETARY

Conyers Corporate Services
(Bermuda) Limited

REGISTERED OFFICE

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Bermuda
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BERMUDA REGISTRAR AND SHARE TRANSFER OFFICE

MUFG Fund Services
(Bermuda) Limited
The Belvedere Building,
69 Pitts Bay Road
Pembroke HM 08, Bermuda

SINGAPORE SHARE TRANSFER AGENT

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619
Tel: (65) 6381 6888
Fax: (65) 6381 6899

AUDITOR

Foo Kon Tan LLP (a principal
member of HLB International)
Chartered Accountants
24 Raffles Place
#07-03 Clifford Centre
Singapore 048621
Tel: (65) 6336 3355
Fax: (65) 6337 2197

Audit Partner-In-Charge
Mr Toh Kim Teck
(Appointed from the financial year
ended 31 December 2018)

FINANCIAL HIGHLIGHTS

	2018	2017	% changes
Group Income Statements (RM'000)			
Revenue	329,862	319,578	3%
EBITDA	69,060	25,027	>100%
Net Profit / (Loss) After Tax	1,036,657	(3,017,775)	>100%
Group Balance Sheets (RM'000)			
Total Assets	1,001,189	1,114,689	(10%)
Total Liabilities	1,459,653	2,773,604	(47%)
Shareholders' deficit	(458,464)	(1,658,915)	(72%)
Fixed Deposits, Cash and Bank Balance	109,680	224,417	(51%)
Loan and Borrowings	1,009,516	1,639,247	(38%)
Financial Ratios			
Earnings Per Share			
Basic (sen)	30.34	(144.05)	
Diluted (sen)	30.34	(144.05)	
Net Asset Value Per Share (sen)	(6.5)	(79.1)	

CHAIRMAN'S STATEMENT

The surge in capex spending was particularly apparent in Malaysia where upstream activities has experienced a jump in the value of contracts awarded by 54% p.a. to RM11.6bil in 2018[4], of which Nam Cheong is one of the beneficiaries.

Dear Valued Shareholders,

On behalf of the Board of Directors, I present to you Nam Cheong's Annual report for the full year ended December 31, 2018 ("FY 2018").

Brent crude hit the highest price for the year on October 3, 2018 at US$86 per barrel before ending the year lower at US$54 per barrel[1]. It then quickly recovered in the first quarter of 2019, with Brent reaching US$67 per barrel, underpinned by healthy demand and output cuts[2], supportive of the long term recovery of the offshore and marine industry.

On the other hand, this marked the third consecutive year of increase in global upstream oil and gas capital spending as crude oil prices continue to gradually recover from its low since 2016[3]. The surge in capex spending was particularly apparent in Malaysia where upstream activities has experienced a jump in the value of contracts awarded by 54% p.a. to RM11.6bil in 2018[4], of which Nam Cheong is one of the beneficiaries.

1 *Crude oil prices end the year lower than they began the year – US Energy Information Administration, 3 January 2019 https://www.eia.gov/todayinenergy/detail.php?id=37852*
2 *Oil prices rise on OPEC supply cuts and healthy demand – CNBC, 12 March 2019 https://www.cnbc.com/2019/03/12/oil-market-prices-rise-on-opec-supply-cuts-and-healthy-demand.html*
3 *Global oil and gas upstream capital spending – Oil 2019, https://www.iea.org/oil2019/*
4 *A more vibrant outlook seen for upstream O&G – The Star, 9 March 2019*

CHAIRMAN'S STATEMENT

HIGHER DEMAND FOR VESSEL CHARTERING AMIDST INCREASE IN OFFSHORE AND MARINE ACTIVITIES

Nam Cheong recorded revenue of RM329.9 million in FY 2018 as compared to RM319.6 million in the previous corresponding financial year ("FY 2017"). The 3% increase in revenue was achieved on the back of continued growth in the vessel chartering segment. During the financial year under review, revenue from the vessel chartering segment more than doubled to RM134.5 million following the addition of seven vessels to the Group's chartering fleet.

Overall, the Group's gross profit rose 127% from RM35.8 million in FY 2017 to RM81.3 million in FY 2018, which was due to the improved gross profit generated by both the shipbuilding and vessel chartering segments. For FY 2018, the shipbuilding segment registered gross profit of RM51.3 million, up 93% from RM26.6 million in FY 2017. The vessel chartering segment recorded a gross profit of RM30.0 million, representing a significant 225% increase from RM9.2 million in FY 2017. As a whole, the Group made a remarkable improvement in gross profit margin by 14 percentage points to 25% in FY 2018.

Supported by the improved revenue, gross profit and extinguishment of debt, Nam Cheong recorded a net profit after tax of RM1.0 billion in FY 2018.

The Group registered net cash flow used in operating activities of RM52.0 million in FY 2018 which was due to decrease in payables of RM15.4 million and interest paid of RM17.3 million. In FY 2017, Nam Cheong posted a net cash flow from operations of RM49.1 million.

ENCOURAGING SUBSCRIPTION RATE OF THE RIGHTS ISSUE AND SUCCESSFUL RESTRUCTURING

In September 2018, following the successful conclusion of our debt restructuring exercise, we crossed another two significant obstacles through the implementation of the Schemes of Arrangement ("Schemes") as well as achieving a strong participation rate of shareholders in the Rights Issue.

We are especially grateful for the majority approval, which enabled the implementation of the Schemes, as well as the strong participation of shareholders in the Rights Issue during the year. As at the close of the Rights Issue on September 20, 2018, valid acceptances and excess applications were received for a total of 1,573,224,089 Rights Shares, representing an encouraging 75.04% of the 2,096,465,885 available for subscription.

With the support of our shareholders, we raised approximately S$22.0 million in net proceeds, of which S$3.2 million, representing approximately 14.5% of the net proceeds, have been utilised to meet the obligation under the Cash Out option pursuant to the Schemes.

CHAIRMAN'S STATEMENT

Having successfully implemented the Schemes and received a fresh round of funds through the Rights Issue, Nam Cheong is now ready to start over on a clean slate and build new chapter of growth on its strengthened foundations.

LOOKING AHEAD

The global upstream oil and gas industry spending is expected to increase by 7% to 8% in 2019[5]. In the Malaysian market, Petronas has planned an increased capital expenditure of over RM50 billion for 2019, up from RM46.8 billion in 2018. Of the total amount, RM30 billion will be allocated for upstream activities, a move that is expected to benefit local oil and gas service providers[6].

According to the Petronas Activity Outlook 2019-2021[7], a positive outlook is expected for anchor handling towing supply ("AHTS") vessels, platform supply vessels ("PSVs"), as well as accommodation and maintenance vessels. Demand for AHTS and PSVs are expected to increase due to a pickup in drilling and development activities. Meanwhile, a positive outlook for the Maintenance, Construction, and Modification ("MCM") segment, and an expected increase in man hours required in the Brownfield Hook-up & Commissioning ("HUC") segment, further strengthens the expected demand for accommodation and maintenance vessels.

In response to the uptick in the O&M activities in Malaysia, we have been deploying vessels for charter in Malaysia, thus the vessel chartering segment is expected to continue its growth momentum.

WORDS OF APPRECIATION

I would like to express my gratitude to all shareholders who have supported the Group and allowed us to put the worst behind us. With the Group's strengthened fundamentals, we look forward to maintaining a long-term growth strategy to ensure the sustainability of our businesses while expanding prudently to deliver value to our shareholders.

I would like to extend my appreciation to my fellow Board members for their invaluable contributions, unwavering dedication, and commitment during the tough times.

Nam Cheong was also able to continue operations only with the support of our customers, bankers, consultants, suppliers, staff, partners and business associates. On behalf of the Board, I would like to take this opportunity to thank the aforementioned as we look forward to a brighter future ahead.

We look forward to your continued support as we navigate through the challenging operating environment.

Yours Faithfully

TAN SRI DATUK TIONG SU KOUK
Executive Chairman
5 April 2019

5 *Global Upstream Supply Outlook – IHS Markit, November 19, 2018 https://ihsmarkit.com/research-analysis/global-upstream-supply-outlook.html*
6 *Petronas to ramp up FY19 capex to above RM50b; confirms mulling Indian solar firm buy – The Edge Markets, March 8, 2019 https://www.theedgemarkets.com/article/petronas-ramp-fy19-capex-above-rm50b-confirms-mulling-indian-solar-firm-buy*
7 *Petronas Activity Outlook 2019-2021 https://www.petronas.com/ws/sites/default/files/Media/PETRONAS%20Activity%20Outlook%202019-2021.pdf*

FINANCIAL & OPERATIONS REVIEW

REVENUE AND PROFITABILITY

Revenue for year ended 31 December 2018 ("FY 2018") of RM329.9 million is RM10.3 million, or 3%, higher as compared to RM319.6 million achieved during the previous year corresponding year ended 31 December 2017 ("FY 2017"). The shipbuilding segment achieved 4 units of sales and delivery of vessel in FY 2018 as compared to 3 units in FY 2017 respectively, albeit a lower revenue of RM195.3 million in FY 2018 as compared to RM254.4 million in FY 2017 due to sales of different vessel type.

On the other hand, the vessel chartering segment registered an increase in revenue of RM69.4 million, or 106%, from RM65.2 million for FY 2017 to RM134.5 million for FY 2018, mainly attributed to the addition of seven vessels to the chartering fleet during the financial year.

Gross profit increased by RM45.4 million or 127%, from RM35.8 million in FY 2017 to RM81.3 million recorded in FY 2018 mainly attributed to the increase in shipbuilding margin from 10% in FY 2017 to 26% in FY 2018 and increase in vessel chartering revenue as well as the improvement in gross profit margin for the vessel chartering segment to 22% in FY 2018 from 14% in FY 2017.

Other income increased to RM1.1 billion in FY 2018 as compared to RM24.2 million recorded in FY 2017 mainly due to the extinguishment of debt of RM348.4 million and waiver of debt of RM632.9 million.

Selling and administrative expenses decreased by RM1.7 million or 5% to RM32.0 million during FY 2018, primarily due to the continuous effort in cost rationalisation.

Finance costs decreased by RM47.6 million in FY 2018 as a result of the adjustment of interest expense in accordance with the Scheme of Arrangements as compared to RM73.4 million recorded in FY 2017.

Mainly as a result of the waiver of debts and extinguishment of debt, the Group registered a net profit after tax of 1.0 billion in FY 2018 as compared to a net loss after tax of RM3.0 billion in FY 2017.

BUSINESS SEGMENTS

Shipbuilding segment continues to be the main revenue generator, contributing RM195.3 million or 59% of the total Group's revenue of RM 329.9 million in FY 2018. The remaining 41% of the Group's revenue in FY 2018 was attributed to the chartering segment, which demonstrates significant improvement from RM65.2 million in FY 2017 to RM134.5 million in FY 2018.

SHARE OF RESULTS FROM JOINT VENTURES AND ASSOCIATE

Share of result in joint ventures and associate recorded net losses of RM1.0 million and RM9.6 million respectively in FY 2018 due to low vessel utilisation rate.

CASH FLOWS

Net cash flows used in operating activities of RM52.0 million in FY 2018 was mainly due to decrease in payables of RM15.4 million and interest paid of RM17.3 million.

Net cash flows used in investing activities of RM88.5 million in FY 2018 was due to the acquisition of property, plant and equipment of RM90.4 million which was partially offset with interest received of RM1.8 million.

Net cash flows from financing activities of RM65.6 million in FY 2018 was mainly due to the proceed from issuance of new shares of RM66.0 million and decreased of fixed deposits pledged of RM20.2 million which was offset with the repayment of bank borrowings and medium term notes of RM10.8 million and RM9.8 million respectively.

TOTAL ASSETS

Total assets of the Group decreased by RM113.5 million from RM1.11 billion as of 31 December 2017 ("FY 2017") to RM1.0 billion as of 31 December 2018 ("FY 2018") mainly due to decrease in cash and cash equivalents of RM114.7 million.

TOTAL LIABILITIES

Total liabilities of the Group decreased by RM1.3 billion from RM2.8 billion in FY 2017 to RM1.5 billion in FY 2018, mainly due to the decrease in the trade and other payables of RM651.1 million and loan and borrowings of RM629.7 million.

BOARD OF DIRECTORS

TAN SRI DATUK TIONG SU KOUK

Executive Chairman
Date of Appointment: 28 April 2011

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

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

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

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

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

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

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

MR TIONG CHIONG HIIUNG

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

Mr Tiong Chiong Hiiung had joined the Group's Board of Directors in 1993. After graduating from Monash University, Australia in 1989 with a Bachelor of Economics, he was appointed as the Managing Director of Central Coldstorage Kuching Sdn Bhd, a subsidiary of CCK Consolidated Holding Berhad. In 1997, he became the Managing Director of CCK Group of Companies ("CCK Group"), where he oversees the overall management and operations of the CCK Group. He has played a pivotal role in transforming the CCK Group's operations into one of the pioneer poultry producer in Malaysia.

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

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

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

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

BOARD OF DIRECTORS

MR LEONG SENG KEAT

Chief Executive Officer
Date of Appointment: 21 May 2013

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

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

In 2013, Mr Leong was appointed as the Chief Executive Officer for the Group. He spearheads the Group in working towards the visions of the Group. Under his leadership, the Group progresses steadily in its expansion of global market sales and innovation in price performance vessels with fuel efficient features. He also determines the Group's corporate and strategic directions, working closely with the members of the management team intrinsically for significant expansion of market share and operations. He predominantly guides the Group towards maintaining a steady performance in the dynamic industry. In 2016, Mr Leong has established a ship management arm for Group, creating yet another significant milestone for the Company. Under his assiduous supervision, the Company and its subsidiaries has grown to be a proven vessels operator with over 25 vessels in active operation.

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

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

MR AJAIB HARI DASS

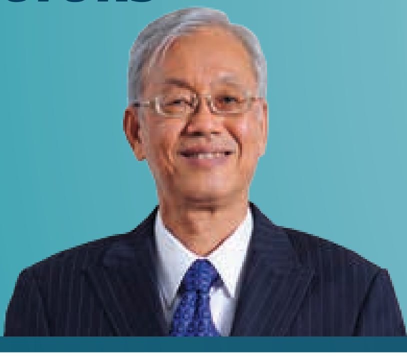
Lead Independent Director
Chairman of Nominating Committee
Chairman of Remuneration Committee
Member of Audit Committee
Date of Appointment: 28 April 2011

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

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

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

BOARD OF DIRECTORS



MR YEE KIT HONG

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

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

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

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

MR KAN YUT KEONG, BENJAMIN

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

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

Mr Kan joined PricewaterhouseCoopers, Singapore as the senior-in-charge of the Insolvency Unit before deciding to transfer to the management consulting unit to expand his technical experience. After 5 years with the consulting unit, he was tasked to build a new business unit focussing on corporate finance related activities. Following significant growth over 4 years, the partnership decided to form a separate licensed business entity, PricewaterhouseCoopers Corporate Finance Pte Ltd and in 2002 obtained a Capital Market Services licence from the Monetary Authority of Singapore and Mr Kan had remained as its Managing Director until he retired from the partnership in June 2014.

Mr Kan has over 34 years of extensive advisory experience working in the Asian region and the United Kingdom. His clients include the public sector, multinational corporation, government linked companies as well as many emerging local companies.

Mr Kan is also appointed a member of Competition and Consumer Commission of Singapore since August 2016. In January 2018, Mr Kan was appointed a member of the Securities Industry Council and in June 2018, Mr Kan joined the board of the Mainboard listed PropNex Limited.

KEY EXECUTIVES

MR TIONG CHIONG SOON (JOSEPH)
Group General Manager

Mr Joseph Tiong joined the Group as the Group General Manager in 2009. He supervises the Group's shipbuilding operation, vessels' chartering and repairs, procurement and sourcing of equipment required for the shipbuilding operation. He reports directly to the Executive Chairman as well as the Chief Executive Officer of the Group.

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

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

MR KWAN SENG FATT
General Manager (Newbuilding Division)

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

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

Mr Kwan possesses solid and extensive experiences in new shipbuilding, ship repairs, ship design and development, marine engineering systems, procurement of equipment, project management and many other related services.

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

KEY EXECUTIVES

MR GREGORY FLINT

General Manager
(Marine Operations)

Mr Gregory Flint joined the Group in February 2016 as the Head of Marine Operations. Having over 40 years of experience in the marine industry with the last 17 years in the oil and gas industry, Mr Flint was tasked to establish SK Offshore and Marine Sdn Bhd ("SKOM") as the ship management arm of the Group. Today, SKOM has grown to be a proven vessels operator with over 25 active vessels under his current management. Originally from an engineering background, Mr Flint also holds qualifications as a Ships Master and a Marine Warranty Surveyor. He brings to the Group extensive knowledge of vessel management and operations.

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

CORPORATE STRUCTURE

NAM CHEONG LIMITED

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

CORPORATE MILESTONES

1968

Nam Cheong Dockyard Sdn. Bhd. established

1987

Delivered first SSV

1989

Delivered first AHTS vessel

2001

Relocation to larger premises at Miri Yard

2005

Doubling of production capacity of our Miri yard

2006

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

2007

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

2008

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

2009

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

2010

Expand market to Tunisia, Indonesia and USA

2011

Successfully listed on the Singapore Exchange on May 27

2012

- Delivered first PSV
- Expanded into west African market

2013

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

2014

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

2016

Received Silver for Best IR Award


(BLOCK)

SHAREHOLDERS' INFORMATION

STATISTICS OF SHAREHOLDINGS AS AT 15 MARCH 2019

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1,907	16.29	81,603	0.00
100 – 1,000	4,201	35.88	1,254,196	0.02
1,001 – 10,000	1,596	13.63	9,409,502	0.13
10,001 – 1,000,000	3,714	31.72	432,033,791	6.05
1,000,001 AND ABOVE	290	2.48	6,701,519,775	93.80
TOTAL	**11,708**	**100.00**	**7,144,298,867**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	S.K. TIONG ENTERPRISE SDN. BHD.	1,148,685,680	16.08
2	DBS NOMINEES (PRIVATE) LIMITED	1,116,094,607	15.62
3	HUNG YUNG ENTERPRISE SDN BHD	639,909,690	8.96
4	RHB BANK NOMINEES PTE LTD	569,666,574	7.97
5	TIONG SU KOUK	343,968,263	4.81
6	CITIBANK NOMINEES SINGAPORE PTE LTD	335,791,176	4.70
7	KGI SECURITIES (SINGAPORE) PTE. LTD.	191,119,963	2.68
8	RAFFLES NOMINEES (PTE.) LIMITED	185,364,165	2.59
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	172,163,712	2.41
10	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	171,943,079	2.41
11	UOB KAY HIAN PRIVATE LIMITED	170,673,660	2.39
12	RHB SECURITIES SINGAPORE PTE. LTD.	146,356,140	2.05
13	OCBC SECURITIES PRIVATE LIMITED	91,240,048	1.28
14	LAU LIONG KII	91,185,884	1.28
15	HSBC (SINGAPORE) NOMINEES PTE LTD	80,706,326	1.13
16	OVERSEA-CHINESE BANK NOMINEES PRIVATE LIMITED	78,900,000	1.10
17	CHONG THIM PHENG	75,000,000	1.05
18	BANK OF CHINA NOMINEES PTE LTD	61,084,195	0.86
19	PHILLIP SECURITIES PTE LTD	60,172,727	0.84
20	UOBM NOMINEES (TEMPATAN) SDN BHD	57,654,847	0.81
	TOTAL	**5,787,680,736**	**81.02**

SHAREHOLDERS' INFORMATION

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2019

Number of equity securities	:	7,144,298,867 (excluding treasury shares)
Class of equity securities	:	Ordinary share of HK0.10 each
Voting rights	:	One vote per share
Number of treasury shares held	:	6,678,597

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Tan Sri Datuk Tiong Su Kouk (1)	376,168,263	5.265	1,879,486,230	26.307
S.K. Tiong Enterprise Sdn. Bhd. (2)	1,148,685,680	16.08	1,106,968,813	15.49
Hung Yung Enterprise Sdn. Bhd. (3)	639,909,690	8.96	1,615,744,803	22.61
Puan Sri Datin Wong Bak Hee (4)	30,840,860	0.43	2,224,813,633	31.14
RHB Bank Berhad (5)	–	–	563,483,034	7.89

Notes:

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

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

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

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

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

Based on the information available to the Company as at 15 March 2019, approximately 58.56% of the issued ordinary shares of the Company is held by the public hand, therefore, Rule 723 of the Listing Manual issued by the SGX-ST is complied with.

CORPORATE GOVERNANCE REPORT

The Board and the Management team of Nam Cheong Limited ("the Company", and together with its subsidiaries, "the Group") believe that full commitment to the highest standards of corporate governance is instrumental to the sustainability of the Group's businesses and performance. The Group strictly adheres to the general principles and guidelines set out in the Code of Corporate Governance 2012 ("Code") to promote the Group's corporate transparency. Where there have been deviations from the Code, the Company has sought to provide an appropriate explanation for each deviation in this report.

The Company has established multiple self-regulating and monitoring mechanisms to ensure that effective corporate governance is practised as a fundamental part of executing its responsibilities to protect and enhance long-term shareholder value and financial performance of the Group.

The following illustrates the Group's corporate governance processes and structures that are in place during the financial year ended 31 December 2018 ("FY 2018"), 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 responsible for the long-term success of the Company. The Board works with the Management of the Company to achieve this objective and the Management remains accountable to the Board.*

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

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

The 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. The Board supervises the 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;

CORPORATE GOVERNANCE REPORT

(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' long-term 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 undertakes 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 interests of the Group at all times.

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

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

CORPORATE GOVERNANCE REPORT

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

Directors	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Tan Sri Datuk Tiong Su Kouk	3	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr Leong Seng Keat	3	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr Tiong Chiong Hiiung	3	3	N.A.	N.A.	N.A.	N.A.	1	1
Mr Ajaib Hari Dass	3	3	3	3	1	1	1	1
Mr Yee Kit Hong	3	3	3	3	1	1	1	1
Mr Kan Yut Keong, Benjamin	3	3	3	3	1	1	N.A.	N.A.

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE

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

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

Executive Directors
Tan Sri Datuk Tiong Su Kouk (Executive Chairman)
Mr Tiong Chiong Hiiung (Executive Vice Chairman)
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 matters, shipbuilding and vessel chartering, strategic planning, audit management, taxation, mergers and acquisitions, corporate finance and restructuring, accounting, financing, marketing and business development and legal.

The size, composition, range of experience and the varied expertise of current Board members allow discussions on policy, strategy and performance to be critical, informed and effective.

The Board exercises objective and independent judgment on the Group's corporate affairs. No individual or group of individuals dominates the Board's decision-making. In addition, the roles of the Executive Chairman, the Executive Vice Chairman and the 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 subsidiaries, 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, adhering to the Code's definition, determines annually on the Independent Directors' independence. The NC has assessed the independence of each Independent Director and considers that Mr Ajaib Hari Dass, Mr Yee Kit Hong and Mr Kan Yut Keong, Benjamin are, and continue to be, independent. Each member of the NC has abstained from deliberations in respect of the assessment on his own independence.

CORPORATE GOVERNANCE REPORT

The Company also 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 good combination of skills and experiences, given the nature and scope of the Group's operations.

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

The NC has noted the results of a study done on the percentage of female representation on SGX-listed boards and female representation in boardrooms globally. Although generally supportive of gender diversity on the board, the NC would require more time to consider the same including possible recommendations and guidelines that may be issued by the authorities on the subject.

The profile of each Director is set out on pages 16 to 18 of this Annual Report.

CHAIRMAN, VICE 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.*

Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, Mr Tiong Chiong Hiiung, the Executive Vice Chairman and Mr Leong Seng Keat, the CEO, are the pillars in propelling the growth of Nam Cheong and provide strong leadership and strategic vision for Nam Cheong. They undertake the formulation and execution of overall business strategies and polices and charter the corporate direction of the Group.

The role of Executive 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.

CORPORATE GOVERNANCE REPORT

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

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

All strategic and major decisions made by the Executive Chairman, Executive Vice Chairman and CEO are reviewed and approved by the Board.

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

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

The Independent Directors, led by the Lead Independent Director also meets amongst themselves without the presence of the other Directors where necessary and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings, where appropriate.

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 Executive 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;

CORPORATE GOVERNANCE REPORT

(f) evaluating the performance of the Board; and

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

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

Each Director is required to submit a return of independence to the Company Secretary, who will submit the returns to the NC. The NC shall review the returns and determine the independence of each of the Directors for recommendation to the Board. An independent Director shall notify the NC immediately, if, as a result of a change in circumstances, he or she no longer meets the criteria for independence or if such change in circumstances would be relevant to the NC's analysis of his or her independence. The NC has reviewed the independence of each Director for FY 2018 and has determined Mr Ajaib Hari Dass, Mr Yee Kit Hong and Mr Kan Yut Keong, Benjamin are independent.

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, taking into account of 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 AGM 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 Tiong Chiong Hiiung and Mr Leong Seng Keat who are retiring under the Company's Bye-Law 86(1) at the forthcoming AGM. The Board has accepted the recommendation and the retiring Directors will be offering themselves for re-election. The additional information of the re-election Directors, Mr Tiong Chiong Hiiung and Mr Leong Seng Keat, are set out on page 138 to 142 of the Annual Report.

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 opines that in assessing the performances of the Directors in carrying out their duties and whether they are able to devote sufficient time in discharging the same, the contributions and commitments of the Directors to the Board and relevant Board Committees as well as their attendances at meetings of the Board should instead be taken into account. The NC is of the view that the capacity of the Directors should not be determined by restricting the number of listed company board representations of each Director. Comparatively, other determining factors such as whether the Director is able to devote and commit sufficient time and attention to the affairs of the Company shall also be considered. As such, the Board has not imposed a restriction on the 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 and diligently.

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.

The profiles of the Directors are set out on pages 16 to 18 of this Annual Report.

The shareholdings of the individual Directors are set out on pages 48 of this Annual Report.

CORPORATE GOVERNANCE REPORT

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) Board 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 to assess the overall effectiveness of the Board as a whole and its Board Committees and further for assessing the contribution by the Executive Chairman and each individual director to the effectiveness of the Board. A consolidated report of the results of the Board Evaluation Questionnaire is first prepared and subsequently reviewed by the NC before the same is being 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 2018. No external facilitator had been engaged by the Board for this purpose.

CORPORATE GOVERNANCE REPORT

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 fully recognises that it should be provided with complete information in an effective and timely manner prior to Board meetings and on an on-going basis as it is critical for the Board to be effective in discharging of its duties.

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. As a general rule, Board papers are sent to Directors in advance of Board meetings so that Directors are well-versed with matters put before the meetings, ensuring that discussions are focused on matters tabled. Board papers include sufficient financial, business and corporate information for the Board members to be effectively engaged on matters to be discussed at Board meetings. The Management and external advisers are invited to attend Board meetings to provide additional insights and professional views.

The Board has separate and independent access to the Company Secretary. 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 Company 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.

Under direction of the Executive Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its board committees and between the Management and the Independent Directors, advising the Board of all governance matters, facilitating orientation and assisting the professional development as required and the 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 expenses, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as a Director.

CORPORATE GOVERNANCE REPORT

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

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

The RC has full authority to engage any independent, external professional advice on matters relating to the remuneration as and when the need arises. During FY 2018, the RC did not require the service of an external remuneration consultant.

CORPORATE GOVERNANCE REPORT

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 manage the Company.*

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

In designing the remuneration packages, the RC ensure that the level and mix remuneration is competitive, relevant and appropriate to strike a balance in remunerating the Board, the Company and the key management personnel. The RC takes into consideration the salary payment and employment experiences within the same industry, in comparable companies, the performance of the Group and the performance of the relevant individual. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes, and the time horizon of risks.

Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, Mr Tiong Chiong Hiiung, the Executive Vice Chairman and Mr Leong Seng Keat, the Chief Executive Officer 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 remuneration package of the Executive Directors includes a variable or performance related bonus which is based on the performance of the Company and the relevant individual, and have been designed to align their interests with those of shareholders and to promote the long-term success of the Group. Directors' fees are tabled annually for shareholders' approval at the AGM.

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

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

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

CORPORATE GOVERNANCE REPORT

The RC has recommended to the Board an amount of S$312,400 per year as Directors' Fees for FY 2018 and FY 2019. These recommendations have been endorsed by the Board and would be tabled at the forthcoming AGM for shareholders' approval. The Board concurred with the RC that the proposed Director's Fees for FY 2018 and FY 2019 are appropriate and not excessive, taking into consideration the level of contributions by the Directors and factors such as the responsibilities, effort and time spent for serving the Board and Board Committees. No Director was involved in deciding his own remuneration.

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

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

DISCLOSURE OF REMUNERATION

Principle 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 their performances.*

The remuneration of the Directors (including CEO) is disclosed as follows:

Disclosure on Remuneration of Directors (including CEO) for FY 2018

Remuneration	Salary SGD	Director's Fees & Meeting Allowances SGD	Variable or Performance Related Income/ Bonus and Benefits-In-Kind SGD	Total Compensation SGD
Directors				
Tan Sri Datuk Tiong Su Kouk	–	5,000	27,200	32,000
Mr Tiong Chiong Hiiung	288,000	6,000	12,000	306,000
Mr Leong Seng Keat, CEO	441,600	5,000	290,720	737,320
Mr Ajaib Hari Dass	–	104,200	–	104,200
Mr Yee Kit Hong	–	103,400	–	103,400
Mr Kan Yut Keong, Benjamin	–	88,800	–	88,800

CORPORATE GOVERNANCE REPORT

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

Disclosure on Remuneration of Top 5 Key Management Personnel for FY 2018

Key Management Personnel	Salary %	Variable or Performance Related Income/ Bonus and Benefits-In-Kind %	Total Compensation %
S$250,001 and above			
Tiong Chiong Soon (Joseph)	96.00	4.00	100
S$250,000 and below			
Gregory John Flint	96.60	3.40	100
Kwan Seng Fatt	80.62	19.38	100
Zee Ie Ming	86.86	13.14	100
Lee Boon Chye	78.01	21.99	100

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

For FY 2018, the aggregate total remuneration for the key management personnel (who are not also directors or the CEO) amounted to S$1,116,929.

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

Save for Mr Tiong Chiong Soon (Joseph) and Mr Leong Zuin Jer, Jonathan, there is no other employees of the Company who are the immediate family of any Director or the CEO of the Company, whose remuneration exceed S$50,000 for FY 2018. Mr Tiong Chiong Soon (Joseph) is the son of Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, the brother of Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director, and the brother-in-law of Mr Leong Seng Keat, the CEO. Mr Leong Zuin Jer, Jonathan is the grandson of Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, the nephew of Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director, and the son of Mr Leong Seng Keat, the CEO.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: *The Board is responsible for the governance of risk. The Board should ensure that the Company 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 strategy, financial, operational, human resource, legal and compliance. The Group has set up a Risk Management Committee ("RMC"), led by the Executive Chairman, Tan Sri 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 Audit Committee ("AC").

The Risk Management exercise is conducted by an external advisor, Axcelasia Columbus Sdn Bhd ("Axcelasia Columbus") to monitor and manage the risks across the Group via an Enterprise Risk Management ("ERM") framework.

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

CORPORATE GOVERNANCE REPORT

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

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

Based on the internal controls established and maintained by the Group, work performance by the internal and external auditors, and reviews performed by Company and the Board, the Board, with the concurrence of the AC, are of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls and risks management systems were adequate and effective as at 31 December 2018.

The Board has received assurances from the Executive Vice Chairman cum Finance Director and the CEO 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, and that the Group's risk management and internal control are adequate and effective.

The Board will, on a continuing basis, endeavour to further enhance and improve the Group's system of internal controls and risk management policies. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

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 authority, 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 relevant accounting or related financial management expertise or experience, as determined by the Board in its business judgment.

CORPORATE GOVERNANCE REPORT

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

The AC has the explicit authority to investigate any matter within its terms of reference. 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 properly. It has also set in place arrangements to ensure independent investigation of matters such as improprieties in financial reporting.

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

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

For FY 2018, the Group has appointed Foo Kon Tan LLP ("FKT"), to conduct its external audit affairs. The AC have considered various factors, including the adequacy of the resources and experience of FKT and the audit engagement partner assigned to the audit, FKT's other audit engagements, the size and complexity of the Group, the number and experience of supervisory and professional staff assigned to the audit of the Group, are of the opinion that FKT will be able to meet the audit requirements of the Group and that Rule 712 of the Listing Manual has been complied with.

CORPORATE GOVERNANCE REPORT

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 FY 2018, the AC had:

(a) held 3 meetings during the year, which were attended by the Executive Chairman, Executive Vice Chairman cum Finance Director, CEO, 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 given that the aggregate amount of audit fees paid to the external auditors FY 2018 was RM412,000. No non-audit fees were paid to the external auditors for FY 2018. The external auditors also confirmed their independence in their report to the AC;

(f) reviewed the Group's Risk Profiles and related documents presented by the Risk Management Committee on a semi-annual basis;

(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 FY 2018; and

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

No former partner or director of the Group's existing auditing firm or audit corporation is a member of the AC.

CORPORATE GOVERNANCE REPORT

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, Axcelasia Columbus to conduct a full review of the Group's internal control and risk management system. Axcelasia Columbus is a wholly-owned subsidiary of Axcelasia Inc., a company incorporated in Malaysia and listed on the Singapore Stock Exchange. The audit work carried out by Axcelasia Columbus is guided by the International Standards for the Professional Practice of Internal Auditors laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

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.*

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

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.*

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

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

Shareholders are entitled to and encouraged to attend all general meetings to stay informed of the Group's goals and strategies and to ensure a high level of accountability. The Board is satisfied that 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.

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. The Bye-Laws of the Company allow a shareholder to appoint one or two proxies to attend and vote on behalf of the shareholder. 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.

The Bye-Laws of the Company currently do not allow a Shareholder to vote in absentia. The Company has not amended the Bye-laws to provide for other methods of voting in absentia due to security and integrity concerns. The Company noted that provision for such other methods of voting in absentia would also require a costly system of authentication to ensure the integrity of information and the identity of Shareholders in telephonic and electronic media.

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 has not declared and paid any dividends for FY 2018 due to volatile market conditions.

CORPORATE GOVERNANCE REPORT

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

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

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 the AGM.

At the AGM, shareholders are given the opportunity to communicate their views and direct questions to Directors and the 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 AGM 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 are made available to shareholders during office hours upon their request.

Since August 2015, for greater transparency, the Company has put all resolutions to vote by way of poll for general meetings. 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 the 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.

CORPORATE GOVERNANCE REPORT

For FY 2018, 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)
S.K.Tiong Properties Sdn Bhd (1)	S$151,319	Not applicable

Notes:

(1) Tan Sri Datuk Tiong Su Kouk, the Executive Chairman of the Company and the father of Tiong Chiong Hiiung the Executive Vice Chairman cum Finance Director, holds shares representing more than 30% of the issued capital in S.K. Tiong Properties Sdn Bhd ("SKTP"). During the period under review, Nam Cheong Dockyard Sdn Bhd, a wholly-owned subsidiary of the Company, rented office space from SKTP in the amount of S$151,319.

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

Material Contracts

Save as disclosed in the Report of the Directors and Financial Statements, the service agreements between the Executive Directors and the Company, and above, there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the CEO, any directors or controlling shareholders which are either still subsisting as at the end of FY 2018 or if not then subsisting, entered into since the end of the previous financial year.

USE OF PROCEEDS

The Company has, pursuant to the renounceable non-underwritten rights issue ("**Rights Issue**") announced on 26 September 2018 in relation to the results of the Rights Issue, issued and allotted 1,573,224,089 new ordinary shares in the capital of the Company at S$0.014 each and raised net proceeds of approximately S$22.0 million.

As at the date of this Annual Report, the net proceeds of approximately S$14.3 million from the Rights Issue have been utilised as follows:

Application of Rights Issue Net Proceeds	Amount (S$ million)
Net proceeds	22.0
Repayment of the Cash Out Option pursuant to the Schemes	(3.2)[1]
Operations for the Group	(0.1)[1]
Settlement with trade creditors in the course of the operations of the Group	(11.0)
Balance as at the date of this report	7.7

The above utilisation of the Net Proceeds is in accordance with the stated use and within the amount allocated for the operations of the Group, as previously stated in the Offer Information Statement dated 3 September 2018. The Company will make periodic announcements on the utilisation of the remaining S$7.7 million, representing approximately 35.0% of the Net Proceeds from the Rights Issue as and when they are materially disbursed.

1 The balance S$0.1 million originally allocated for the repayment of the Cash Out Option pursuant to the Schemes has been reallocated towards the other intended use of the Net Proceeds, being for use in the operations of the Group. This balance amount is due to a reduction in the S$ equivalent of the Total Cash Out Payment (being approximately US$2.4 million) as a result of the exchange rate between US$ and S$ at the time of payment of the Cash Out Option.

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

DIRECTORS' REPORT

For the financial year ended 31 December 2018

The directors submit this annual report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors:

(a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with International Financial Reporting Standards; and

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

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

Names of directors

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

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

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

Arrangements to enable directors to acquire shares or debentures

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

DIRECTORS' REPORT

For the financial year ended 31 December 2018

Directors' interests in shares or debentures

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

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2018	**As at 31.12.2018 #**	As at 1.1.2018	**As at 31.12.2018 #**
The Company - Nam Cheong Limited	Number of ordinary shares *			
Tan Sri Datuk Tiong Su Kouk	104,936,517	**376,168,263**	969,768,115	**1,879,486,230**
Tiong Chiong Hiiung	14,259,240	**14,259,240**	9,629,881	**9,629,881**
Leong Seng Keat	16,815,790	**16,815,790**	75,886,187	**94,117,527**

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

* On 31 August 2018, the Company completed a capital reorganisation by reducing the par value of each ordinary share of the Company from HK$0.10 to HK$0.001.

Share plan

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

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

The salient features of the NCMI Plan is as follows:

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

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

DIRECTORS' REPORT

For the financial year ended 31 December 2018

Share plan (cont'd)

(i) Eligibility

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

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

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

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

(ii) Grant of awards

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

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

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

(iii) Size and duration

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

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

DIRECTORS' REPORT

For the financial year ended 31 December 2018

Share plan (cont'd)

(iii) Size and duration

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

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

(iv) Events prior to vesting

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

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

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

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

DIRECTORS' REPORT

For the financial year ended 31 December 2018

Share plan (cont'd)

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

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

Audit Committee
The Audit Committee comprises the following members:

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

For the financial year ended 31 December 2018

Audit Committee (cont'd)

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

(h) interested person transactions; and

(i) the whistle blowing policy.

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

Independent auditor

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

On behalf of the Directors

....
TAN SRI DATUK TIONG SU KOUK

....
LEONG SENG KEAT

Dated: 5 April 2019

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Nam Cheong Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Responsibilities of Management and Directors for the Financial Statements

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

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

Auditor's responsibilities

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

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

INDEPENDENT AUDITOR'S REPORT

Basis for Disclaimer of Opinion

(1) Going concern (Note 2(e) to the financial statements)

As discussed in Note 2(e) to the financial statements, the Group recorded a net profit of RM1,036,657,000 (2017: net loss of RM3,017,775,000), largely due to other non-cash income relating to the extinguishment and waiver of debts and the resultant relief from financial guarantee amounting to RM1,013,682,000, and the Group had net operating cash outflows of RM52,027,000 (2017: net operating cash inflows of RM49,063,000) for the financial year ended 31 December 2018. As at 31 December 2018, notwithstanding that the Group had net current assets of RM48,959,000 (2017: net current liabilities of RM2,054,529,000), mainly arising from the completion of the debt restructuring, in which the loans were restructured as a term loan repayable from 2021 to 2024 (Note 20), the Group had net liabilities of RM458,464,000 (2017: RM1,658,915,000) as at 31 December 2018. As at 31 December 2018, the Company also had net current liabilities and net liabilities of RM33,117,000 (2017: RM 1,577,803,000) and RM703,340,000 (2017: RM 1,577,803,000), respectively.

The financial statements have been prepared by management on a going concern basis, the validity of which is premised on a cash flows forecast of the Group prepared for at least the next 12 months from the end of the reporting period. A key assumption made in the cash flows forecast was the Group was not exposed to any liabilities in respect of its suspension of the 15 shipbuilding contracts (the "Contracts") awarded to the Non-Fujian Shipyards.

The aggregate contract sum of the Contracts was US$226.5 million. As at 31 December 2018, payments of US$30.4 million had been made, and an amount of US$42.6 million had been recorded in liabilities based on contractual payment milestones. Management had represented that the Group had reached an understanding without a written agreement with the Non-Fujian Group Shipyards to suspend work on the Contracts to suspend construction or delivery of the vessels, with a view to extend the contract period or terminate the Contracts to minimise any financial exposure.

No independently verifiable supporting evidence was available to corroborate management's representation that all liabilities related to the Contracts had been accounted for as at 31 December 2018. We were unable to assess the financial impact of any provision for onerous contracts and/or contingent liabilities that may arise from the default on contractual obligations.

There were no alternative audit procedures that we could perform to satisfy ourselves by alternative means concerning the Group's liabilities in respect of the work performed on the Contracts as at 31 December 2018 and potential contingent liabilities that may arise from the default on contractual obligations.

Any adjustment that would be required may have a consequential significant effect on the cash flows forecast, net liabilities of the Group as at 31 December 2018 and the loss attributable to the owners for the year then ended and the related disclosures thereof in the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

Basis for Disclaimer of Opinion (Cont'd)

(2) Opening balances

The financial statements for the financial year ended 31 December 2017 were audited by another firm of auditors who expressed a disclaimer of opinion on those financial statements in respect of the Group's and the Company's ability to continue as going concern in its report dated 17 July 2018.

(i) Available-for-sale financial assets (Note 9 to the financial statements)

As at 31 December 2017, management had estimated the fair value of available-for-sale financial assets based on indicative prices obtained from an information database for bond investors. Fair value of financial instruments should be assessed using a valuation methodology, and inputs and assumptions appropriate for the subject financial asset.

There were no alternative audit procedures that we could perform to satisfy ourselves concerning the carrying amount of the available-for-sale financial assets at 1 January 2018.

(ii) Non-current trade receivables (Note 11 to the financial statements)

At 31 December 2017, non-current trade receivables of RM16,797,000 (US$3,907,000) related to the remaining balance of the proceeds from sale of a vessel to a customer during the year ended 31 December 2017. Pursuant to a credit arrangement entered into with the customer, this amount bears interest at 6% per annum and is secured by a personal guarantee of the chairman of the customer and repayable by on 1 July 2020, Management is of the view that this amount is recoverable based on the contractual arrangement.

In the absence of management's supporting documentations related to the customer's financial capacity for debt payment, there were no practicable alternative audit procedures that we could carry out to satisfy ourselves with respect to the recoverability of the amount at 1 January 2018.

(iii) Provision for financial guarantee (Note 22) to the financial statements)

The Group and the Company did not recognise a liability at inception in respect of guarantees provided to financial institutions for loans granted to joint ventures and subsidiaries, respectively.

During the year ended 31 December 2017, the Group and the Company recognised a provision for financial guarantee liability of RM32.4 million and RM484.4 million following the joint ventures' and subsidiaries' default on bank loan repayments obligations.

Given that management's initial measurement of the fair values of these financial guarantees was not performed, we were unable to satisfy ourselves by alternative means concerning the appropriate quantum of financial guarantee expense to be recognised in profit or loss for the year ended 31 December 2017.

INDEPENDENT AUDITOR'S REPORT

Basis for Disclaimer of Opinion (Cont'd)

(2) Opening balances

(iv) Disclosure of fair values of financial assets and financial liabilities measured at amortised cost (Note 11, 20 to the financial statements)

The Group had assumed the carrying amounts of non-current trade receivables of RM16,797,000 and non-current trade payables of RM2,582,000 approximated their fair values as at 31 December 2017 without any valuations based on an appropriate valuation method

There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the opening balances in respect of available-for-sale financial assets and non-current trade receivables and the comparative figures were free from material misstatement. Any adjustments to the opening balances as at 1 January 2018 that would be required may have a consequential significant effect on the Group's assets as at 1 January 2018 and 31 December 2018 and its results for the year ended 31 December 2017 and 2018, and the presentation and disclosure thereof in the financial statements.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion section above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Other Matter

The financial statements for the financial year ended 31 December 2017 were audited by another firm of auditors who expressed a disclaimer of opinion on those financial statements in respect of the Group's and the Company's ability to continue as going concern in its report dated 17 July 2018.

The engagement partner on the audit resulting in this independent auditor's report is Toh Kim Teck.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,
5 April 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		The Group		The Company	
		2018	2017	**2018**	2017
	Note	**RM'000**	RM'000	**RM'000**	RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	**613,249**	268,703	**-**	-
Prepaid land lease payments	5	**6,863**	7,133	**-**	-
Subsidiaries	6	**-**	-	**-**	-
Associate	7	**22,888**	23,840	**-**	-
Joint ventures	8	**3,024**	4,041	**-**	-
Other investments	9	**-**	3,226	**-**	-
Trade and other receivables	11	**-**	16,797	**-**	-
		646,024	323,740	**-**	-
Current Assets					
Inventories	10	**147,284**	382,043	**-**	-
Trade and other receivables	11	**86,742**	66,605	**-**	-
Prepayments	12	**11,459**	4,724	**53**	28
Contract assets	13	**-**	38,484	**-**	-
Fixed deposits	14	**40,872**	28,677	**-**	22,939
Cash and bank balances	14	**68,808**	195,740	**318**	288
		355,165	716,273	**371**	23,255
Non-current assets held for sale	15	**-**	74,676	**-**	-
		355,165	790,949	**371**	23,255
Total assets		**1,001,189**	1,114,689	**371**	23,255
EQUITY					
Capital and Reserves					
Share capital	16	**3,417**	81,192	**3,417**	81,192
Share premium	16	**297,796**	82,347	**297,796**	82,347
Treasury shares	17	**(4,097)**	(4,097)	**(4,097)**	(4,097)
Reserves	18	**286,595**	318,614	**778,608**	778,608
Accumulated losses		**(1,047,372)**	(2,138,467)	**(1,779,064)**	(2,515,853)
Equity attributable to owners of the Company		**(463,661)**	(1,660,411)	**(703,340)**	(1,577,803)
Non-controlling interests		**5,197**	1,496	**-**	-
Total equity		**(458,464)**	(1,658,915)	**(703,340)**	(1,577,803)
Non-Current Liabilities					
Deferred tax liabilities	19	**220**	220	**-**	-
Borrowings	20	**1,009,516**	-	**670,223**	-
Trade and other payables	21	**143,711**	2,582	**-**	-
		1,153,447	2,802	**670,223**	-
Current Liabilities					
Borrowings	20	**-**	1,639,247	**-**	1,114,322
Contract liabilities	13	**-**	700	**-**	-
Trade and other payables	21	**306,206**	1,098,475	**33,488**	2,336
Provision	22	**-**	32,380	**-**	484,400
		306,206	2,770,802	**33,488**	1,601,058
Total liabilities		**1,459,653**	2,773,604	**703,711**	1,601,058
Total equity and liabilities		**1,001,189**	1,114,689	**371**	23,255

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Revenue	3	**329,862**	319,578
Cost of sales		**(248,604)**	(283,758)
Gross profit		**81,258**	35,820
Other income	23	**1,074,141**	24,194
Administrative expenses		**(32,022)**	(33,766)
Other operating expenses		**(49,953)**	(2,919,899)
Finance costs	24	**(25,803)**	(73,391)
Share of results of associate, net of tax		**(9,634)**	(46,610)
Share of results of joint ventures, net of tax		**(1,016)**	(4,936)
Profit/(Loss) before taxation	25	**1,036,971**	(3,018,588)
Taxation	26	**(314)**	813
Profit/(Loss) for the year		**1,036,657**	(3,017,775)
Other comprehensive income after tax:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation loss on consolidation		**(30,986)**	(6,801)
Fair value loss on available-for-sale financial assets		**-**	(2,372)
Fair value loss on financial assets at fair value through other comprehensive income		**(2,029)**	-
Other comprehensive loss for the year, net of tax of nil		**(33,015)**	(9,173)
Total comprehensive income/(loss) for the year		**1,003,642**	(3,026,948)
Profit/(Loss) attributable to:			
Owners of the Company		**1,032,956**	(3,020,051)
Non-controlling interests		**3,701**	2,276
		1,036,657	(3,017,775)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**999,941**	(3,029,224)
Non-controlling interests		**3,701**	2,276
		1,003,642	(3,026,948)
Earnings/(Loss) per share			
- Basic and diluted (Malaysia sen)	27	**30.34**	(144.05)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 1 January 2017	405,962	82,347	(4,097)	327,787	-	556,814	1,368,813	(780)	1,368,033
Loss for the year	-	-	-	-	-	(3,020,051)	(3,020,051)	2,276	(3,017,775)
Other comprehensive income for the year									
- Foreign currency translation differences	-	-	-	(6,801)	-	-	(6,801)	-	(6,801)
- Fair value loss on available-for-sale financial assets	-	-	-	-	(2,372)	-	(2,372)	-	(2,372)
Total other comprehensive loss for the year	-	-	-	(6,801)	(2,372)	-	(9,173)	-	(9,173)
Total comprehensive (loss)/income for the year	-	-	-	(6,801)	(2,372)	(3,020,051)	(3,029,224)	2,276	(3,026,948)
Contributions by and distributions to owners									
- Capital reorganisation (Note 16)	(324,770)	-	-	-	-	324,770	-	-	-
Transactions with owners in their capacity as owners	(324,770)	-	-	-	-	324,770	-	-	-
Balance at 31 December 2017	81,192	82,347	(4,097)	320,986	(2,372)	(2,138,467)	(1,660,411)	1,496	(1,658,915)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 1 January 2018	81,192	82,347	(4,097)	320,986	(2,372)	(2,138,467)	(1,660,411)	1,496	(1,658,915)
Adjustment on application of IFRS 15 (Note 2(b))	-	-	-	**996**	-	**(19,370)**	**(18,374)**	-	**(18,374)**
Adjusted balance at 1 January 2018	**81,192**	**82,347**	**(4,097)**	**321,982**	**(2,372)**	**(2,157,837)**	**(1,678,785)**	**1,496**	**(1,677,289)**
Profit for the year	-	-	-	-	-	**1,032,956**	**1,032,956**	**3,701**	**1,036,657**
Other comprehensive income for the year									
- Foreign currency translation differences	-	-	-	**(30,986)**	-	-	**(30,986)**	-	**(30,986)**
- Fair value loss on financial assets through other comprehensive income	-	-	-	-	**(2,029)**	-	**(2,029)**	-	**(2,029)**
Total other comprehensive loss for the year	-	-	-	**(30,986)**	**(2,029)**	-	**(33,015)**	-	**(33,015)**
Total comprehensive (loss)/income for the year	-	-	-	**(30,986)**	**(2,029)**	**1,032,956**	**999,941**	**3,701**	**1,003,642**
Contributions by and distributions to owners									
- Capital reorganisation (Note 16)	**(80,380)**	-	-	-	-	**80,380**	-	-	-
- Issuance of non-sustainable debt shares	**1,772**	**150,277**	-	-	-	-	**152,049**	-	**152,049**
- Issuance of rights shares	**833**	**65,172**	-	-	-	-	**66,005**	-	**66,005**
- Issuance of share grant	-	-	-	-	-	**592**	**592**	-	**592**
Changes in ownership interests in subsidiaries									
- Loss of control of a subsidiary	-	-	-	-	-	**(3,463)**	**(3,463)**	-	**(3,463)**
Transactions with owners in their capacity as owners	**(77,775)**	**215,449**	-	-	-	**77,509**	**215,183**	-	**215,183**
Balance at 31 December 2018	**3,417**	**297,796**	**(4,097)**	**290,996**	**(4,401)**	**(1,047,372)**	**(463,661)**	**5,197**	**(458,464)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Cash Flows from Operating Activities			
Profit/(Loss) before taxation		**1,036,971**	(3,018,588)
Adjustments for:			
Amortisation of prepaid land lease payments	5	**270**	270
Bad debts written off	25	-	3,389
Contract termination expenses relating to prepayments for inventories		**4,166**	8,363
Depreciation of investment properties		-	930
Depreciation of property, plant and equipment		**17,370**	19,214
Gain on extinguishment of debts		**(348,378)**	-
Gain on waiver of debts		**(632,924)**	-
Impairment loss on associate (reversed)/made		**(8,682)**	5,237
Impairment losses on contract assets	25	-	198,660
Impairment losses on investment properties	25	-	15,233
Impairment losses on other investments	9	**2,707**	-
Impairment losses on property, plant and equipment	25	**15,287**	346,767
Impairment losses on trade and other receivables	11	**16,722**	71,732
Interest expense		**25,803**	73,391
Interest income		**(1,845)**	(5,444)
Inventories written down		**403**	2,085,877
Inventories written off		-	639
Loss on disposal of other investments	25	-	1,170
Loss/(Gain) on disposal of property, plant and equipment		**5**	(7,081)
Plant and equipment written off		**363**	482
Prepayments for inventories written off	25	-	105,899
Reversal of impairment losses on trade receivables	23	-	(2)
Share grant expense		**592**	-
Share of post-tax results of equity-accounted joint ventures	8	**1,016**	4,936
Share of post-tax results of equity-accounted associate	7	**9,634**	46,610
Unrealised foreign exchange (gain)/loss, net		**(90,017)**	36,766
Operating profit/(loss) before working capital changes		**49,463**	(5,550)
Changes in inventories		**(96,458)**	(433,204)
Changes in trade and other receivables		**33,004**	(35,168)
Changes in prepayments		**(10,867)**	30,960
Changes in contract assets		**38,381**	202,317
Changes in trade and other payables		**(15,355)**	300,176
Changes in provision		**(32,380)**	32,180
Changes in contract liabilities		**(698)**	(2,868)
Cash (used in)/generated from operations		**(34,910)**	88,843
Interest paid		**(17,265)**	(39,483)
Income taxes refunded/(paid)		**148**	(297)
Net cash (used in)/generated from operating activities		**(52,027)**	49,063
Cash Flows from Investing Activities			
Deposit received relating to non-current assets held for sale		-	5,313
Interest received		**1,845**	5,444
Proceeds from disposal of leasehold property		-	13,857
Proceeds from disposal of other investments		-	25,760
Proceeds from disposal of property, plant and equipment	4	**4**	7
Purchase of property, plant and equipment		**(90,384)**	(2,922)
Advances to joint ventures		-	(3,685)
Net cash (used in)/generated from investing activities		**(88,535)**	43,774

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000
Cash Flows from Financing Activities			
Fixed deposits pledged		**20,206**	101,187
Interest paid		**-**	(31,627)
Proceeds from issuance of shares		**66,005**	-
Proceeds from project invoice financing		**-**	4,462
Proceeds from revolving credit		**-**	42,432
Proceeds from trust receipts		**-**	8,802
Repayments of medium term notes		**(9,825)**	(5,818)
Repayments of revolving credit		**-**	(123,196)
Repayments of term loans		**(10,816)**	(41,732)
Repayments of trust receipts		**-**	(14,159)
Net cash generated from/(used in) financing activities		**65,570**	(59,649)
Net (decrease)/increase in cash and cash equivalents		**(74,992)**	33,188
Cash and cash equivalents at beginning of year		**183,023**	162,618
Effect of exchange fluctuations on cash and cash equivalents		**(1,322)**	(12,783)
Cash and cash equivalents at end of year	14	**106,709**	183,023

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

	At 1 January 2018 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31 December 2018 RM'000
Fixed deposit pledged	(23,177)	**20,206**	**-**	**(2,971)**
Medium term notes	1,068,307	**(9,825)**	**(1,058,482)**	**-**
Project invoice financing	22,756	**-**	**(22,756)**	**-**
Revolving credit	482,342	**-**	**(482,342)**	**-**
Term loans	47,625	**(10,816)**	**972,707**	**1,009,516**

	At 1 January 2017 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31 December 2017 RM'000
Fixed deposit pledged	(123,118)	101,187	(1,246)	(23,177)
Medium term notes	1,094,587	(5,818)	(20,462)	1,068,307
Project invoice financing	19,330	4,462	(1,036)	22,756
Revolving credit	594,887	(80,764)	(31,781)	482,342
Term loans	93,307	(41,732)	(3,950)	47,625
Trust receipt	5,633	(5,357)	(276)	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

1 General information

The financial statements of Nam Cheong Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Report.

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

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

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

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

2(a) Basis of preparation

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

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

Significant accounting estimates and judgements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Significant judgements in applying accounting policies

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

Income taxes
The Group has exposure to income taxes in various jurisdictions. Significant judgement and estimates are involved in determining group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's deferred taxation at the end of the reporting period and the Group's income taxes for the year are disclosed in Note 19 and Note 26 to the financial statements, respectively.

Significant accounting estimates and assumptions used in applying accounting policies

Depreciation of property, plant and equipment
The costs of property, plant and equipment are depreciated on a straight-line basis over the estimated economic useful lives of the assets. The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to profit or loss. Management estimates the useful lives of property, plant and equipment to be within 5 to 60 years. In particular, management estimates the useful life of vessels to be 25 years. The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 4 to the financial statements. The estimation of useful lives is based on assumptions about wear and tear, ageing, changes in demand and the Group's historical experience with similar assets. The Group performs annual reviews on whether the assumptions made on useful lives continue to be valid. As changes in the expected level of usage, maintenance programmes and technological developments could affect the economic useful lives and the residual values of these assets, future depreciation charges could be revised. If depreciation on the Group's property, plant and equipment increases/decreases by 10% from management's estimates, the Group's profit for the year will decrease / increase by RM1,780,600 (2017: loss for the year would increase / decrease RM2,095,600).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

Impairment of property, plant and equipment

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

Significant judgement and estimates by management are required in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by its market value based on comparable assets or the net present value of future cash flows which are estimated based on the continued use of the asset in the business; and (iii) the appropriate valuation techniques and inputs used in fair value measurement and the key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are extrapolated using a suitable growth rate and then discounted using an appropriate discount rate. Changing the assumptions selected by management to determine the level of impairment could materially affect the recoverable amount determined in the impairment test and as a result may potentially affect the Group's results. The carrying amount of the Group's property, plant and equipment at the end of the reporting period and the basis used to determine the recoverable amount are disclosed in Note 4 to the financial statements.

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

Impairment of investments in subsidiaries, associate and joint ventures

The Group and the Company assess at the end of each reporting period whether there is any indication that the investments in subsidiaries, associate and joint ventures may be impaired. If any indication exists, the investment in subsidiary, associate or joint venture is tested for impairment. The determination of the recoverable amount requires an estimation of the fair value less costs of disposal of the underlying assets or the value in use of the cash-generating units. Estimating the fair value less costs of disposal requires the Group and the Company to make an estimate of the expected selling prices of the underlying assets and the estimated cash outflows to settle the obligations in respect of the underlying liabilities. Estimating the value in use requires the Group and the Company to make an estimate of the expected future cash flows from the cash-generating units, a suitable growth rate to extrapolate the future cash flows, and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of the Group's and the Company's investments in subsidiaries, associate and joint ventures at the end of the reporting period are disclosed in Note 6, Note 7 and Note 8 to the financial statements, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

Net realisable value of inventories

The Group reviews the net realisable value of inventories at the end of each reporting period, and applies judgement and makes allowance for inventories, in particular, vessels for which selling prices may have declined due to business environment and market conditions. Management estimates the net realisable value of the vessels based on assessment of projected timing of sales, prevailing customer demand, committed sales prices, estimated future pricing, recent sales activities and market positioning of the vessels. The net realisable value of the vessels is based on the valuations performed by independent professional valuers. The estimated selling price may differ from the price at which the Group's assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 10 to the financial statements. If the net realisable values of the inventories decrease/increase by 10% below cost from management's estimates, the Group's profit for the year will decrease / increase by RM14,728,400 (2017: loss for the year would increase / decrease RM38,204,300).

Provision for expected credit losses of trade receivables and contract assets

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information relating to ECLs on the Group's trade receivables and contract assets is disclosed in Note 31.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(b) Interpretations and amendments to published standards effective in 2018

On 1 January 2018, the Group adopted the following IFRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS.

Reference	**Description**
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IAS 28	Measuring an Associate or Joint Venture at Fair Value
Amendments to IAS 40	Transfers of Investment Property
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*

Annual Improvements to IFRSs 2014-2016 Cycle:

- Amendments to IAS 28	Investments in Associates and Joint Ventures
- Amendments to IFRS 1	First-time Adoption of Financial Reporting Standards

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

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' ("ECL") model and a new general hedge accounting model. The Group adopted IFRS 9 from 1 January 2018.

In accordance with IFRS 9, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under IAS 39 *Financial Instruments: Recognition and Measurement*. There are no significant differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9.

Arising from this election, the Group is exempted from providing disclosures required by IFRS 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of IFRS 9. Instead, disclosures under IFRS 7 relating to items within the scope of IAS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of IFRS 9 have been generally applied by the Group retrospectively, except as described below.

The following assessments were made on the basis of facts and circumstances that existed as at 1 January 2018:
- The determination of the business model within which a financial asset is held;
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- The designation of an equity investment that is not held for trading as at fair value through other comprehensive income.

The impact upon adoption of IFRS 9, including the corresponding tax effects, are described below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(b) Interpretations and amendments to published standards effective in 2018 (cont'd)

IFRS 9 *Financial Instruments* (cont'd)

Classification of financial assets and financial liabilities

Under IFRS 9, financial assets are classified in the following categories: measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under IFRS 9, refer to Note 2(d).

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

			1 January 2018	
	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
The Group			**RM'000**	**RM'000**
Financial assets				
Other investments	Available-for-sale	FVOCI - debt instruments	3,226	3,226
Trade and other receivables	Loans and receivables	Amortised cost	83,402	83,402
Fixed deposits	Loans and receivables	Amortised cost	28,677	28,677
Cash and bank balances	Loans and receivables	Amortised cost	195,740	195,740
			311,045	311,045
The Company				
Financial assets				
Fixed deposits	Loans and receivables	Amortised cost	22,939	22,939
Cash and bank balances	Loans and receivables	Amortised cost	288	288
			23,227	23,227

The debt investments categorised as available-for-sale under IAS 39 are held by the Group to provide interest income but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The debt investments mature in more than one year and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9.

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(b) Interpretations and amendments to published standards effective in 2018 (cont'd)

IFRS 9 *Financial Instruments* (cont'd)
Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments.

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

Additional information about how the Group and the Company measure the allowance for impairment is described in Note 31.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted IFRS 15 in its financial statements retrospectively with the cumulative effect as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application, i.e. 1 January 2018. Under this transition method, the Group elected to apply IFRS 15 retrospectively only to contracts that are not completed contracts as at 1 January 2018.

The impact upon the adoption of IFRS 15, including the corresponding tax effects, are described below.

Shipbuilding
The Group builds vessels under long-term construction contracts 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 previously recognised all construction contracts by reference to the stage of completion of the contract activity at the end of the reporting period when the outcome of a construction contract can be estimated reliably. Under IFRS 15 the Group would qualify for revenue recognition over time if the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; the Group's performance creates or enhances an asset (i.e. work in progress vessel) that the customer controls as the asset is created or enhanced; or the Group's performance does not create an asset with an alternative use to the entity, and the Group has an enforceable right to payment for performance completed to date.

The Group has assessed and determined that the performance obligations for built-to-stock vessels are satisfied at a point in time as none of the criteria for satisfaction of performance obligations over time is met. For built-to-order vessels, in particular, the Group has noted under the terms of the contract that notwithstanding that the Group does not have an alternative use for the vessel under construction, the Group does not have an enforceable right to payment for work completed to date. Accordingly, performance obligations are also satisfied at a point in time.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(b) Interpretations and amendments to published standards effective in 2018 (cont'd)

IFRS 15 *Revenue from Contracts with Customers (Cont'd)*

In accordance with IFRS 15, revenue is recognised at a point in time, when customer obtains control of vessel, i.e. on delivery and acceptance of the vessel by the customer when the title and risk are transferred to the customer.

Vessel chartering

The adoption of IFRS 15 related to vessel chartering services does not have any impact on the financial statements. Revenue from vessel chartering services is recognised over time, over the period of the charter, under IFRS 15 and previous accounting policies.

The impact to the financial statements arising from shipbuilding on a build-to-order basis as described above is as follows:

The Group	31 December 2017 RM'000	1 January 2018 RM'000
Consolidated statement of financial position		
Inventories	**382,043**	**438,901**
Due from customers on contracts	**38,484**	**-**
Contract assets	**-**	**38,484**
Due to customers on contracts	**(700)**	**-**
Contract liabilities	**-**	**(700)**
Accumulated losses	**(2,138,467)**	**(2,157,837)**
Foreign currency translation reserve	**320,986**	**321,982**

2(c) IFRS not yet effective

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

Reference	**Description**	**Effective date (Annual periods beginning on or after)**
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IFRS 3	Definition of a Business	1 January 2020
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle:		
- Amendments to IFRS 3 and IFRS 11	Business Combinations and Joint Arrangements	1 January 2019
- Amendments to IAS 12	Income Taxes	1 January 2019
- Amendments to IAS 23	Borrowing Costs	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(c) IFRS not yet effective (cont'd)

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

IFRS 16 *Leases*

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing lease accounting guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee. The Group has office premises under operating leases, which the Group expects to be recognised as ROU assets with corresponding lease liabilities under IFRS 16. This would increase the gearing ratio of the Group. It is currently impracticable to disclose any further information on the known or reasonable estimable impact to the financial statements.

The Group and the Company plan to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(c) IFRS not yet effective (Cont'd)

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 *Income Taxes*. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

Under IFRIC 23, an entity is required to assume that a tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information.
The uncertainty should be reflected using the measure that provides the better prediction of the resolution of the uncertainty either the most likely amount or the expected value. The most likely amount method might be appropriate if the possible outcomes are binary or are concentrated on one value while the expected value method might be appropriate if there is a range of possible outcomes that are neither binary nor concentrated on one value.

The interpretation also requires consistent judgements and estimates to be applied to current and deferred taxes. In addition, entities are to reassess the judgements and estimates applied if facts and circumstances change.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements in accordance with IAS 1 *Presentation of Financial Statements*, about judgements made, assumptions and other estimates used and the potential impact of uncertainties that are not reflected.

On transition, IFRIC 23 provides two options:

Retrospective method

Entities apply the amendments retrospectively, but only if it does not involve the use of hindsight.

Cumulative effect method

Entities recognise the cumulative effect of applying IFRIC 23 at the date of initial application, with no restatement of the comparative periods presented. Instead, the entity recognises the cumulative effect as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate). The date of initial application is the beginning of the annual reporting period in which the entity first applies IFRIC 23.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(d) Summary of significant accounting policies

Consolidation

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Property, plant and equipment

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

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

No depreciation is provided for construction-in-progress.

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

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

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

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

Prepaid land lease payments

Prepaid land lease payments are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation. The prepaid land lease payments are amortised on a straight-line basis over their lease terms as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

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

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

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

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

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

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

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

The Group does not hold any financial assets at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Financial assets (cont'd)

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets at FVOCI

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

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

Impairment of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

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

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

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

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

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

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

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

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to a customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Classification

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

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

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Financial liabilities (cont'd)
Financial guarantees
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are recognised initially as liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantees.

Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of the loss allowance determined in accordance with the impairment model under IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statements 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.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from a customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Non-current assets held for sale
Non-current assets are classified as held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

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

Contingencies
A contingent liability is:

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

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

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

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

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

Leases
Where the Group is the lessee,

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.

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

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

Leases (cont'd)
Where the Group is the lessor,

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

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

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

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

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

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

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

Deferred income tax is measured:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Employee benefits

Pension obligations

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

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

Employee leave entitlements

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

Share-based payment

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

Related parties

A related party is defined as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Related parties (cont'd)

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

Key management personnel

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

Impairment of non-financial assets

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Impairment of non-financial assets (cont'd)
Any impairment loss is charged to profit or loss.

With the exception of goodwill,

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

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

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

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of the reporting period.

Revenue from contracts with customers
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 made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

<u>Sale of vessels</u>
Revenue from sales of goods is recognised when goods are delivered to the customer and the significant risks and rewards of ownership has been transferred to the customer.

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

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

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

Functional currencies
<u>Functional and presentation currency</u>
Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in United States dollar, which is also the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Conversion of foreign currencies

Transactions and balances

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

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

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

Group entities

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

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

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

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

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's executive directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 30 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

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

2(e) Going concern

During the financial year ended 31 December 2017, the Group received demand letters from banks, and the Company breached the payment for Series 2 Notes and financial covenants as required for the Medium Term Notes. Consequently, all the non-current borrowings became repayable on demand and were classified as current liabilities.

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

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

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

Sustainable Debt
US$242,741,000 of the Sustainable Debt was restructured as Term Loan. The tenure of the Term Loan is from 1 January 2018 to 31 December 2024. Interest is charged at 4% per annum. There will be no repayment of the principal from 2018 to 2020. The principal shall be repaid in eight half-yearly instalments from 2021 to 2024 in the percentage of 10%, 20%, 30% and 40%, respectively. As the Term Loan is repayable from 2021 to 2024, with no repayment on demand clauses, the amount is classified as non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(e) Going concern (cont'd)

Fujian Group Shipyards

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

Non-Fujian Group Shipyards

For the Non-Fujian Group Shipyards, two shipbuilding contracts had been mutually terminated, while the shipbuilding contracts for another four vessels had been fully settled, with another contract agreed to be settled in 2019. The Group has reached an understanding without a written agreement with the Non-Fujian Group Shipyards in relation to the remaining 15 shipbuilding contracts to delay construction or delivery of the vessels, with a view to extend the contract period or terminate the shipbuilding contracts to minimise any financial exposure. Based on the contract sums and payments made by the Group, the outstanding exposure to the Non-Fujian Group Shipyards under the remaining 15 shipbuilding contracts is approximately US$196.1 million.

Assessment of the Group's and the Company's ability to continue as going concern

For the financial year ended 31 December 2018, the Group recorded a net profit of RM1,036,657,000, mainly arising from other income relating to the extinguishment and waiver of debts and financial guarantee amounting to RM1,013,682,000, and had net operating cash outflows of RM52,027,000. As at 31 December 2018, the Group had net current assets of RM48,959,000, mainly arising from the restructuring of borrowings, but had net liabilities of RM458,464,000. As at 31 December 2018, the Company had net current liabilities and net liabilities of RM33,117,000 and RM703,340,000, respectively.

In assessing whether the Group and the Company can meet their debt obligations for at least 12 months from the end of the reporting period, management has prepared cash flows forecasts for the financial year ending 31 December 2019, up to the financial year ending 31 December 2021, when the Group and the Company are required to commence repayment of the Term Loan. The key assumptions include (i) sufficient cash inflows to be generated by the Group's shipbuilding and chartering segments based on certain projected revenue, with reasonable expectations that the customers are able to pay, and (ii) no material claims from creditors, particularly the Non-Fujian Group Shipyards, which the Group has yet to terminate the contracts with the shipyards or restructure the debts owing to the shipyards, that are reasonably likely to have a material effect on the Group's financial condition and operations are brought against the Group.

Based on the cash flow forecast, the directors believe that the Group and the Company will have sufficient working capital and financial resources to meet their obligations as and when they fall due for at least the next twelve months from the end of the reporting period, and are of the view that the going concern assumption is appropriate for the preparation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(e) Going concern (cont'd)

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

3 Revenue

The Group generates revenue primarily from the sale of vessels (shipbuilding) and chartering of vessels.

The Group	**2018 RM'000**	2017 RM'000
Revenue from contracts with customers		
- Shipbuilding	**195,340**	239,379
- Vessel chartering	**134,522**	80,199
	329,862	319,578
Timing of revenue recognition		
Goods transferred at a point in time	**195,340**	239,379
Services transferred over time	**134,522**	80,199
	329,862	319,578

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4 Property, plant and equipment

The Group	Leasehold land RM'000	Buildings RM'000	Launching ways, plant and machinery RM'000	Furniture, fixtures and office equipment RM'000	Motor vehicles RM'000	Vessels RM'000	Renovations RM'000	Construction in progress RM'000	Total RM'000
Cost									
At 1 January 2017	8,088	37,684	35,534	6,269	7,243	448,974	585	2,694	547,071
Transfers from inventories	-	-	-	-	-	243,135	-	-	243,135
Additions	-	-	138	95	-	2,132	557	-	2,922
Disposals	-	(7,877)	-	(25)	(45)	-	-	-	(7,947)
Write-offs	-	(238)	-	(292)	-	-	(427)	-	(957)
Reclassifications	-	-	146	-	-	-	-	(146)	-
Exchange differences	-	(91)	-	(50)	(107)	(54,648)	-	-	(54,896)
At 31 December 2017	8,088	29,478	35,818	5,997	7,091	639,593	715	2,548	729,328
Transfers from inventories	**-**	**-**	**-**	**-**	**-**	**393,144**	**-**	**-**	**393,144**
Additions	**-**	**-**	**-**	**1,533**	**-**	**-**	**1,031**	**-**	**2,564**
Disposals	**-**	**-**	**-**	**(92)**	**-**	**-**	**-**	**-**	**(92)**
Write-offs	**-**	**-**	**-**	**(1,102)**	**-**	**-**	**-**	**-**	**(1,102)**
Loss of control in a subsidiary	**-**	**-**	**-**	**-**	**-**	**(53,467)**	**-**	**-**	**(53,467)**
Exchange differences	**-**	**-**	**-**	**8**	**2**	**4,468**	**-**	**-**	**4,478**
At 31 December 2018	**8,088**	**29,478**	**35,818**	**6,344**	**7,093**	**983,738**	**1,746**	**2,548**	**1,074,853**
Accumulated depreciation and impairment losses									
At 1 January 2017	573	5,779	31,538	4,003	5,337	71,030	314	-	118,574
Depreciation	136	731	1,754	732	863	16,675	65	-	20,956
Disposals	-	(1,168)	-	(15)	(45)	-	-	-	(1,228)
Write-offs	-	(49)	-	(207)	-	-	(219)	-	(475)
Impairment losses	-	-	476	812	-	342,990	450	2,039	346,767
Exchange differences	-	(11)	-	(31)	(81)	(23,846)	-	-	(23,969)
At 31 December 2017	709	5,282	33,768	5,294	6,074	406,849	610	2,039	460,625
Depreciation	**132**	**605**	**648**	**337**	**807**	**15,232**	**45**	**-**	**17,806**
Disposals	**-**	**-**	**-**	**(82)**	**-**	**-**	**-**	**-**	**(82)**
Write-offs	**-**	**-**	**-**	**(739)**	**-**	**-**	**-**	**-**	**(739)**
Loss of control in a subsidiary	**-**	**-**	**-**	**-**	**-**	**(40,987)**	**-**	**-**	**(40,987)**
Impairment losses	**-**	**-**	**-**	**-**	**-**	**15,287**	**-**	**-**	**15,287**
Exchange differences	**-**	**-**	**-**	**(2)**	**17**	**9,679**	**-**	**-**	**9,694**
At 31 December 2018	**841**	**5,887**	**34,416**	**4,808**	**6,898**	**406,060**	**655**	**2,039**	**461,604**
Net book value									
At 31 December 2018	**7,247**	**23,591**	**1,402**	**1,536**	**195**	**577,678**	**1,091**	**509**	**613,249**
At 31 December 2017	7,379	24,196	2,050	703	1,017	232,744	105	509	268,703

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4 Property, plant and equipment (cont'd)

Property, plant and equipment pledged as security for borrowings at the end of the reporting period comprise vessels with carrying amount of RM123,969,000 (2017: RM45,047,000) (Note 19).

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

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

Impairment testing

During the financial year ended 31 December 2017, in view of the indications of impairment including the significant operating losses and cash outflows incurred by the Group, and arising from the debt restructuring exercise and to reflect the value of its assets that may need to be realised to discharge its liabilities, the Group appointed an independent professional valuation firm to determine the market values (Level 3 valuation) of the chartering vessels held by the Group based on "as is, where is" sales at their current locations, between a willing buyer and a willing seller. With reference to the valuation report, the fair value of the vessels was RM232,744,000. This led to the recognition of an impairment loss of RM342,990,000 in profit or loss.

The Group also carried out an assessment of the recoverable amount of the other property, plant and equipment as at 31 December 2017 and 2018. The review led to the recognition of an impairment loss of RM3,777,000 in the Group's profit or loss for the year ended 31 December 2017. The recoverable amounts of the leasehold land was based on the fair value less cost to sell (Level 3 valuation). The fair value was based on the market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller. The valuation was based on the direct comparison method which involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the subject properties. The fair value less cost to sell of the buildings (Level 3 valuation) was determined using the cost approach. The cost approach is based on the cost to reproduce or replace under new condition with current market prices for similar assets, with allowance for accrued depreciation arising from the conditions, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history.

For the financial year ended 31 December 2018, the Group continued to incur significant cash outflows. Accordingly, management had assessed that there were indications of impairment of the Group's property, plant and equipment, and they were tested for impairment. The Group engaged an independent valuation firm to determine the market values of the chartering vessels. The valuation of the vessels was based on "as is, where is" sales at their current locations, between a willing buyer and a willing seller. The review led to the recognition of an impairment loss of RM15,287,000 in the Group's profit or loss.

As at 31 December 2017 and 2018, the valuation of the vessels was based on the direct comparison method which involves the analysis of comparable sales of similar vessels and adjusting the sale prices to that reflective of the subject vessels. The estimates of fair value of vessels involves consideration of items such as actual recent sales of similar vessels, the vessel's age, market conditions, among others, which are unobservable inputs. The fair value measurement is categorised as Level 3 under the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5 Prepaid land lease payments

The Group	2018 RM'000	2017 RM'000
Cost		
At 1 January and 31 December	**10,352**	10,352
Accumulated amortisation		
At 1 January	**3,219**	2,949
Amortisation	**270**	270
At 31 December	**3,489**	3,219
Carrying amount		
At 1 January and 31 December	**6,863**	7,133

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 4 to 46 years (2017: 5 to 47 years).

As at 31 December 2018, prepaid land lease payments with an aggregate carrying amount of RM6.3 million (2017: RM6.5 million) are pledged for the Group's borrowings (Note 20).

6 Subsidiaries

The Company	2018 RM'000	2017 RM'000
Unquoted equity investments, at cost	**1,143,476**	1,143,476
Employee share grants, at cost	**213**	213
Less: Allowance for impairment losses	**(1,143,689)**	(1,143,689)
	-	-
Amount due from a subsidiary (non-trade)	**1,384,032**	1,228,129
Allowance for impairment loss	**(1,384,032)**	(1,228,129)
	-	-
Carrying amount	**-**	-

The non-trade amount due from a subsidiary is unsecured and bears interest ranging from 5% to 6.5% (2017: 5% to 6.5%) per annum. The settlement is neither planned nor likely to occur in the foreseeable future. As the amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less impairment loss.

Loss of control in a subsidiary of the Group

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

6 Subsidiaries (cont'd)

Incorporation of a subsidiary in the Group

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

Impairment testing

Movement in the allowance for impairment losses is as follows:

The Company	**2018 RM'000**	2017 RM'000
At 1 January	**2,371,818**	64,501
Impairment losses recognised	**155,903**	2,307,317
At 31 December	**2,527,721**	2,371,818

At the end of the reporting period, the Company carried out a review of the recoverable amount of its investments in subsidiaries, primarily Nam Cheong Dockyard Sdn Bhd, the shipbuilding segment due to its persistent loss-making financial performance and as it faced financial difficulty in debt settlement. The review led to the recognition of an impairment loss of RM155,903,000 (2017: RM2,307,317,000) in the Company's profit or loss.

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

Details of the subsidiaries are as follows:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held	
			2018 %	2017 %
Nam Cheong Dockyard Sdn. Bhd. (2)	Shipbuilding	Malaysia	**100**	100
Nam Cheong Offshore Pte. Ltd. (1)	Shipbuilding	Singapore	**100**	100
Nam Cheong Capital Pte. Ltd. (3)	Dormant	Singapore	**100**	100
Nam Cheong International Ltd. (2)	Shipbuilding	Federal Territory of Labuan, Malaysia	**100**	100
S.K. Marine Sdn. Bhd. (2)	Vessel chartering	Malaysia	**100**	100
Nam Cheong Marine Ltd. (3)	Dormant	The Republic of the Marshall Islands	**100**	100
Nam Cheong Marine Pte. Ltd. (1)	Vessel chartering	Singapore	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

6 Subsidiaries (cont'd)

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held	
			2018 %	2017 %
NC Design Pte. Ltd. (1)	Design services	Singapore	**100**	100
Nam Cheong Pioneer Sdn. Bhd. (2)	Investment holding	Malaysia	**100**	100
SKOSV Sdn. Bhd. (2)	Vessel chartering	Malaysia	**70**	70
Nam Cheong (Labuan) Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	*****	100
Nam Cheong OSV Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
Nam Cheong Venture Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Venture Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Machines Ltd. (2)	Trading	Federal Territory of Labuan, Malaysia	**100**	100
Nam Cheong Property Pte. Ltd. (1)	Investment holding	Singapore	**100**	100
SK Global Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Pride Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Patriot Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Power Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

6 Subsidiaries (cont'd)

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held	
			2018 %	2017 %
SK Precious Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Prudence Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Offshore & Marine Sdn. Bhd (2)	Vessel chartering	Malaysia	**100**	100
SK Capital Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SKOM Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	100
SK Majestic Ltd. (2)	Vessel chartering	Federal Territory of Labuan, Malaysia	**100**	-

(1) Audited by Foo Kon Tan LLP, Singapore.
(2) Audited by HLB Ler Lum, Malaysia.
(3) Not required to be audited.
* Dilution of interest to 0.01%.

Summarised financial information of subsidiaries with material non-controlling interests

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

Summarised statement of financial position

	2018 RM'000	2017 RM'000
Current assets	**375,860**	8,735
Non-current assets	**9**	13
Current liabilities	**358,489**	3,705
Non-current liabilities	**60**	60
Equity attributable to owners of the Company	**12,123**	3,487
Non-controlling interests	**5,197**	1,496

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

6 Subsidiaries (cont'd)

Summarised financial information of subsidiaries with material non-controlling interests (cont'd)

Summarised statement of profit or loss and other comprehensive income

	2018 RM'000	2017 RM'000
Revenue	**126,894**	58,790
Expenses	**(114,558)**	(51,203)
Profit for the year	**12,336**	7,587
Total comprehensive income for the year	**12,336**	7,587
Attributable to:		
- owners of the Company	**8,635**	5,311
- non-controlling interests	**3,701**	2,276
	12,336	7,587

Other summarised financial information

	2018 RM'000	2017 RM'000
Net cash inflow from operating activities	**124,301**	4,233
Net cash (outflow)/inflow from investing activities	**(75,840)**	521
Net cash inflow for the year	**48,461**	4,754

7 Associate

The Group	2018 RM'000	2017 RM'000
Quoted equity investment, at cost	**110,400**	110,400
Share of post-acquisition results	**(87,512)**	(77,878)
Allowance for impairment loss	**-**	(8,682)
	22,888	23,840

Movement in the allowance for impairment loss is as follows:

The Group	2018 RM'000	2017 RM'000
At 1 January	**8,682**	3,445
Impairment loss (reversed)/recognised	**(8,682)**	5,237
At 31 December	**-**	8,682

The Group carried out a review of the recoverable amount of the investment in the associate due to persistent operating losses and cash outflows incurred by the associate. The associate is listed on the Bursa Efek Indonesia (Indonesia Stock Exchange). The recoverable amount was based on fair value less costs of disposal, which was determined to be RM24,000,000 (2017: RM23,840,000). The review led to a reversal of impairment loss of RM8,682,000 (2017: recognition of impairment loss of RM5,237,000) in the Group's profit or loss. The fair value measurement is classified within Level 1 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7 Associate (cont'd)

Details of the associate are as follows:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held	
			2018	2017
			%	%
P.T. Pelayaran Nasional Bina Buana Raya Tbk	Vessel chartering	Indonesia	**30**	30

* Audited by Hertanto, Grace & Karunawan, Indonesia.

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

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

Statement of financial position

	2018	2017
	RM'000	RM'000
Assets and liabilities		
Current assets	**30,267**	22,193
Non-current assets	**324,161**	376,820
Total assets	**354,428**	399,013
Current liabilities	**(36,611)**	(179,918)
Non-current liabilities	**(211,187)**	(80,350)
Total liabilities	**(247,798)**	(260,268)
Net assets	**106,630**	138,745
Proportion of the Group's ownership	**30%**	30%
Share of net assets	**31,989**	41,623

Statement of profit or loss and other comprehensive income

	2018	2017
	RM'000	RM'000
Income and expenses		
Revenue	**83,563**	100,593
Operating expenses	**(93,559)**	(201,612)
Depreciation and amortisation	**(8,055)**	(41,766)
Interest income	**137**	397
Interest expense	**(13,218)**	(10,759)
Loss before taxation	**(31,132)**	(153,147)
Taxation	**(981)**	(2,220)
Loss for the year	**(32,113)**	(155,367)
Proportion of the Group's ownership	**30%**	30%
Share of post-tax losses	**(9,634)**	(46,610)

7 Associate (cont'd)

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

	2018 RM'000	2017 RM'000
Net assets		
At 1 January	**41,623**	88,233
Loss for the year	**(9,634)**	(46,610)
At 31 December	**31,989**	41,623
Effect of realisation of profits	**1,093**	1,093
Effect of unrealised profits	**(10,194)**	(10,194)
Impairment loss	**-**	(8,682)
Carrying amount of the Group's investment in associate	**22,888**	23,840

The investment in associate had no contingent liabilities and capital commitments at 31 December 2018 and 31 December 2017.

8 Joint ventures

The Group	2018 RM'000	2017 RM'000
Unquoted equity investments, at cost	**13,464**	13,464
Share of post-acquisition results	**(10,440)**	(9,423)
	3,024	4,041

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

Details of the joint ventures are as follows:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held	
			2018 **%**	2017 %
Synergy Kenyalang Offshore Sdn. Bhd. ("SKO") (1)	Vessel chartering	Malaysia	**40**	40
P.T. Bahtera Niaga Indonesia ("PTBNI") (2)	Vessel chartering	Indonesia	**49**	49
Marco Polo Offshore (IV) Pte Ltd ("MPO") (3)	Vessel chartering	Federal Territory of Labuan, Malaysia	**50**	50

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

8 Joint ventures (cont'd)

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

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

Statement of financial position

	MPO		SKO		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Assets and liabilities						
Cash and cash equivalents	**334**	657	**16,383**	22,215	**16,717**	22,872
Trade receivables	**17,053**	7,632	**5,876**	3,720	**22,929**	11,352
Current assets	**17,387**	8,289	**22,259**	25,935	**39,646**	34,224
Non-current assets	**24,322**	20,238	**55,795**	60,338	**80,117**	80,576
Total assets	**41,709**	28,527	**78,054**	86,273	**119,763**	114,800
Current liabilities	**(38,063)**	(36,095)	**(29,061)**	(26,091)	**(67,124)**	(62,186)
Non-current liabilities	**(64,638)**	(64,760)	**(19,459)**	(29,804)	**(84,097)**	(94,564)
Total liabilities	**(102,701)**	(100,855)	**(48,520)**	(55,895)	**(151,221)**	(156,750)
Net (liabilities)/assets	**(60,992)**	(72,328)	**29,534**	30,378	**(31,458)**	(41,950)
Proportion of the Group's ownership	**50%**	50%	**40%**	40%		
Share of net (liabilities)/assets	**(30,496)**	(36,164)	**11,814**	12,151	**(18,682)**	(24,013)
Joint venture's losses in excess of equity interest	**30,496**	36,164	**-**	-	**30,496**	36,164
	-	-	**11,814**	12,151	**11,814**	12,151

Statement of profit or loss and other comprehensive income

	MPO		SKO		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Income and expenses						
Revenue	**3,121**	6,252	**11,242**	10,817	**14,363**	17,069
Operating expenses	**(51)**	(117,297)	**(7,186)**	(17,759)	**(7,237)**	(135,056)
Depreciation and amortisation	**(339)**	(5,493)	**(4,543)**	-	**(4,882)**	(5,493)
Interest income	**-**	-	**10**	7	**10**	7
Interest expense	**(1,010)**	(4,094)	**(1,157)**	(1,590)	**(2,167)**	(5,684)
Profit before taxation	**1,721**	(120,632)	**(1,634)**	(8,525)	**87**	(129,157)
Taxation	**-**	(19)	**(905)**	1,099	**(905)**	1,080
Profit/(Loss) for the year	**1,721**	(120,651)	**(2,539)**	(7,426)	**(818)**	(128,077)
Total comprehensive income/(loss) for the year	**1,721**	(120,651)	**(2,539)**	(7,426)	**(818)**	(128,077)
Proportion of the Group's ownership	**50%**	50%	**40%**	40%		
Share of post-tax profits/(losses)	**861**	(60,326)	**(1,016)**	(2,970)	**(155)**	(63,296)
Joint venture's losses in excess of equity interest	**(861)**	58,360	**-**	-	**(861)**	58,360
Net share of post-tax profits/(losses)	**-**	(1,966)	**(1,016)**	(2,970)	**(1,016)**	(4,936)

8 Joint ventures (cont'd)

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

	MPO		SKO		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Net assets						
At 1 January	**19,322**	23,267	**12,238**	15,208	**31,560**	38,475
Loss for the year	**-**	(1,966)	**(1,016)**	(2,970)	**(1,016)**	(4,936)
Exchange differences	**-**	(1,979)	**(1)**	-	**(1)**	(1,979)
At 31 December	**19,322**	19,322	**11,221**	12,238	**30,543**	31,560
Elimination of accumulated unrealised profits	**(19,322)**	(19,322)	**(8,197)**	(8,197)	**(27,519)**	(27,519)
Carrying amount of material joint venture	**-**	-	**3,024**	4,041	**3,024**	4,041
Carrying amount of immaterial joint venture					**-**	-
Carrying amount of the Group's investments in joint ventures					**3,024**	4,041

The joint ventures had no contingent liabilities and capital commitments as at 31 December 2018 and 2017.

The Group has not recognised losses relating to MPO and 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 RM1,383,000 (2017: RM71,619,000). The Group has no obligation with respect to these losses.

9 Other investments

The Group	**2018** **RM'000**	2017 RM'000
Non-current		
Financial assets at fair value through other comprehensive income		
- At 1 January	**3,226**	35,158
- Fair value loss	**-**	(2,372)
- Disposals	**(589)**	(26,930)
- Impairment loss	**(2,707)**	-
- Exchange differences	**70**	(2,630)
- At 31 December	**-**	3,226

The financial assets are investments in unquoted debt securities. The average effective interest rate of the unquoted debt securities is 4.85% per annum.

At 31 December 2017, the fair value of other investment was derived from indicative prices obtained from an information database for bond investors. At 31 December 2018, management had assumed the carrying amounts of other investments approximated their fair values.

In 2017, the unquoted debt securities were classified as available-for-sale. On 1 January 2018, these investments were reclassified as financial assets at fair value through other comprehensive income on adoption of IFRS 9.

The Group assessed that the investments were credit-impaired in consideration of the investee's continued deterioration in its financial performance and position subsequent to an extension of the debt repayment in 2017, and recognised an impairment loss of RM2,707,000 in profit or loss for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10 Inventories

The Group	2018 RM'000	2017 RM'000
Raw materials	**5,578**	21,769
Work in progress	**142,109**	2,446,790
	147,687	2,468,559
Work in progress written down	**(403)**	(2,085,877)
Raw materials written off	**-**	(639)
	147,284	382,043
Inventories recognised as an expense in cost of sales	**144,052**	225,817

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

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

The Group wrote off obsolete raw materials of RM639,000 which were no longer in use during the year ended 31 December 2017.

Movements in allowance for write-down on inventories

The Group	2018 RM'000	2017 RM'000
Balance at 1 January	**(2,085,877)**	(59,772)
Amount recognised	**(403)**	(2,085,877)
Allowance utilised	**2,085,877**	59,772
Balance at 31 December	**(403)**	(2,085,877)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11 Trade and other receivables

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Non-current				
Trade receivables from a third party	**17,081**	16,797	**-**	-
Less: Allowance for impairment losses	**(17,081)**	-		
	-	16,797		
Current				
Trade receivables from third parties	**61,046**	46,318	**-**	-
Less: Allowance for impairment losses	**(7,356)**	(9,378)	**-**	-
	53,690	36,940	**-**	-
Amounts due from subsidiaries (non-trade)	**-**	-	**94,579**	23,094
Amounts due from joint ventures (non-trade)	**23,475**	64,179	**-**	-
Deposits	**20,394**	6,301	**-**	-
Other receivables	**2,944**	21,651	**-**	-
Less: Allowance for impairment losses				
- amounts due from subsidiaries (non-trade)	**-**	-	**(94,579)**	(23,094)
- amounts due from joint ventures (non-trade)	**(14,825)**	(62,934)	**-**	-
- other receivables	**-**	(1,058)	**-**	-
	31,988	28,139	**-**	-
Total current	**85,678**	65,079	**-**	-
Financial assets at amortised cost	**85,678**	81,876		
Tax recoverable	**1,064**	1,526	**-**	-
Total trade and other receivables	**86,742**	83,402	**-**	-
Comprising:				
Current	**86,742**	66,605	**-**	-
Non-current	**-**	16,797	**-**	-
	86,742	83,402	**-**	-

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Malaysia ringgit	**83,925**	24,620	**-**	-
Singapore dollar	**69**	19,206	**-**	-
United States dollar	**2,748**	39,576	**-**	-
	86,742	83,402	**-**	-

The Group's trading terms with its customer are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Current trade receivables with credit period ranges from one to two months (2017: one to two months) are non-interest bearing.

Non-current trade receivables from a third party, which relate to the remaining balances of the selling prices of two vessels to a customer under a credit arrangement, are secured by a personal guarantee of the chairman of the customer, bear interest at a rate of 6% per annum and are to be settled on 1 July 2020. Interest income of RM531,000 (2017: RM275,000) recognised for the year ended 31 December 2018 was included in other income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11 **Trade and other receivables (cont'd)**

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

Amounts due from joint ventures (non-trade) comprising mainly advances to Marco Polo Offshore (IV) Pte Ltd and Synergy Kenyalang Offshore Sdn. Bhd. (Note 8) of RM8,396,000 and RM227,000 (2017: RMnil and RM4,142,000), respectively, bear interest at 7.25% (2017: 7.25%) per annum, are unsecured and are repayable on demand.

Other receivables are repayable on demand.

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

The Group had assumed the carrying amounts of non-current trade receivables approximated their fair values.

The ageing analysis of trade receivables are as follows:

The Group	**2018 RM'000**	2017 RM'000
Not impaired:		
Not past due	**16,701**	6,478
Past due 1 to 3 months	**35,454**	10,320
Past due 3 to 6 months	**-**	289
Past due more than 6 months	**1,535**	36,650
	53,690	53,737
More than 6 months past due and impaired	**24,437**	9,378
	78,127	63,115

Movements in allowance for impairment of trade receivables

The Group	**2018 RM'000**	2017 RM'000
Trade receivables – nominal amounts	**24,437**	9,378
Less: Allowance for impairment		
- Balance at 1 January	**(9,378)**	(948)
- Impairment losses recognised	**(21,155)**	(8,491)
- Impairment losses reversed	**4,433**	2
- Allowance utilised for trade receivables written off	**1,668**	-
- Exchange differences	**(5)**	59
- Balance at 31 December	**(24,437)**	(9,378)
	-	-

11 **Trade and other receivables (cont'd)**

Movements in allowance for impairment of other receivables

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Other receivables – nominal amounts	**14,825**	63,992	**94,579**	23,094
Less: Allowance for impairment				
- Balance at 1 January	**(63,992)**	(1,536)	**(23,094)**	-
- Impairment losses recognised	**-**	(63,241)	**(71,485)**	(23,094)
- Allowance utilised	**49,167**	-	**-**	-
- Exchange differences	**-**	785	**-**	-
- Balance at 31 December	**(14,825)**	(63,992)	**(94,579)**	(23,094)
	-	-	**-**	-

12 Prepayments

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

During the financial year ended 31 December 2018, prepayments of RM4,166,000 (2017: RM114,262,000) were written off due to non-fulfilment of intended purchase of raw materials.

13 Contract assets and liabilities

	2017
The Group	RM'000
Construction contract costs incurred to date	436,334
Recognised attributable profits	68,417
	504,751
Less: Progress billings	(268,307)
Less: Allowance for impairment losses	(198,660)
	37,784
Contract assets	38,484
Contract liabilities	(700)
	37,784

As at 31 December 2017, the Group reviewed the recoverability of its contract assets and accordingly, an allowance for impairment of RM198,660,000 was recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14 Cash and bank balances and fixed deposits

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Cash in banks	**68,739**	195,667	**318**	288
Cash on hand	**69**	73	**-**	-
Fixed deposits	**40,872**	28,677	**-**	22,939
	109,680	224,417	**318**	23,227

The Group's fixed deposits mature on varying dates between 1 day and 12 months (2017: 1 day and 12 months). The interest rates on the fixed deposits range from 0.2% to 3.1% (2017: 0.2% to 3.1%) per annum.
As at 31 December 2018, the Group's fixed deposits of RM2,917,000 was pledged as security for bankers' guarantees granted to the Group.

As at 31 December 2017, the Group's fixed deposits of RM23,177,000 was pledged in respect of the multicurrency medium term notes programme and bankers' guarantees granted to the Group.

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

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Cash and bank balances				
Malaysia ringgit	**17,557**	5,699	**-**	-
Singapore dollar	**14,603**	53,812	**318**	288
United States dollar	**36,587**	135,639	**-**	-
Euro	**21**	295	**-**	-
Sterling pound	**2**	2	**-**	-
Japanese yen	**38**	293	**-**	-
	68,808	195,740	**318**	288
Fixed deposits				
Malaysia ringgit	**40,872**	5,738	**-**	-
Singapore dollar	**-**	22,939	**-**	22,939
	40,872	28,677	**-**	22,939
	109,680	224,417	**318**	23,227

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

The Group	**2018** **RM'000**	2017 RM'000
Cash and bank balances	**68,808**	195,740
Fixed deposits	**40,872**	28,677
	109,680	224,417
Less: Bank overdrafts (Note 20)	**-**	(18,217)
Less: Fixed deposits pledged	**(2,971)**	(23,177)
	106,709	183,023

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15 Non-current assets held for sale

The Group	**2018 RM'000**	2017 RM'000
At 1 January	**74,676**	-
Disposal	**(76,011)**	-
Transfer from investment properties	**-**	75,556
Exchange differences	**1,335**	(880)
At 31 December	**-**	74,676

On 21 September 2017, the Group entered into sale and purchase agreement with a third party purchaser to dispose of its investment properties at a consideration of S$25,040,560 (RM75,556,000). The investment properties are attributable to the Group's "others" segment. The transaction was completed on 9 February 2018. The sales proceeds were utilised for the settlement of certain borrowings which were secured by the investment properties.

Details of the investment properties are set out below:

Description	Location	Existing use	Tenure	Floor area (sqm)
Office building	8 Temasek Boulevard #41-01 to #41-03	Rental	Leasehold with 70 years expiring in 2088	938

16 Share capital and share premium

Share capital

The Group and the Company	**2018 '000**	2017 '000	**2018 RM'000**	2017 RM'000
	Number of ordinary shares			
Authorised share capital				
Ordinary shares	**12,000,000**	4,000,000	**163,145**	163,145
Issued and fully paid				
At 1 January	**2,103,144**	2,103,144	**81,192**	405,962
Issuance of non-sustainable debt shares	**3,348,251**	-	**1,772**	-
Issuance of rights shares	**1,573,224**	-	**833**	-
Capital reorganisation	**-**	-	**(80,380)**	(324,770)
At 31 December	**7,024,619**	2,103,144	**3,417**	81,192

The ordinary shares of the Company have par value of HK$0.001 (2017: HK$0.10) each.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 Share capital and share premium (cont'd)

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

- a capital reorganisation by reducing the par value of each ordinary share of the Company from HK$0.10 to HK$0.001 (2017: HK$0.50 to HK$0.10). The rationale for the capital reorganisation is to provide the Company with greater flexibility to issue new shares in the future for raising fund and facilitate corporate actions which may require the issuance of new shares. The credit amount of RM80,380,000 (2017: RM324,770,000) arising from the capital reorganisation was transferred to the accumulated losses of the Group and the Company;

- a rights issue of 1,573,224,089 new ordinary shares in the capital of the Company at an issue price of S$0.014 for each share, with RM833,000 and RM65,172,000 credited to share capital and share premium, respectively; and

- issuance of 3,348,250,793 new ordinary shares in the capital of the Company at an issue price of S$0.015 for each share in settlement of the non-sustainable debt pursuant to the debt restructuring exercise (Note 20), with RM1,772,000 and RM150,277,000 credited to share capital and share premium, respectively.

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

Share premium

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**82,347**	82,347	**82,347**	82,347
Issuance of non-sustainable debt shares	**150,277**	-	**150,277**	-
Issuance of rights shares	**65,172**	-	**65,172**	-
At 31 December	**297,796**	82,347	**297,796**	82,347

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

17 Treasury shares

	2018	2017	**2018**	2017
	'000	'000	**RM'000**	RM'000
The Group and the Company	Number of ordinary shares			
At 1 January and 31 December	**6,678**	6,678	**4,097**	4,097

The Company acquired its own shares for subsequent issue pursuant to grant of share awards granted under the Nam Cheong Group 2013 Share Grant Plan (the "2013 Plan") which was terminated and replaced with Nam Cheong Management Incentive Plan (the "NCMI Plan") in August 2018. As at 31 December 2017 and 2018, the amount in Treasury Shares relates to the excess of the price paid to acquire treasury shares and the amount reversed from treasury shares upon grant of the share awards.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18 Reserves

	The Group		The Company	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
Foreign currency translation reserve	**290,996**	320,986	**-**	-
Fair value reserve	**(4,401)**	(2,372)	**-**	-
Capital surplus	**-**	-	**778,608**	778,608
	286,595	318,614	**778,608**	778,608

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

Fair value reserve
Fair value reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets) until the assets are derecognised or impaired.

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

19 Deferred tax liabilities

The Group	**2018 RM'000**	2017 RM'000
At 1 January	**220**	1,480
Recognised in profit or loss (Note 26)	**-**	(1,258)
Exchange differences	**-**	(2)
At 31 December	**220**	220

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

As at 31 December 2017, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RM30,786,000. No deferred tax liabilities had been recognised in respect of the temporary differences related to the subsidiaries as the Group was 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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20 Borrowings

			The Group		The Company	
		Maturity on borrowings	**2018 RM'000**	2017 RM'000	**2018 RM'000**	2017 RM'000
Secured						
Bank overdrafts	RM-Floating rate	On demand	**-**	16,516	**-**	-
Bank overdrafts	SGD-Floating rate	On demand	**-**	1,701	**-**	-
Project invoice financing	USD-Floating rate	On demand	**-**	9,122	**-**	-
Project invoice financing	EURO-Floating rate	On demand	**-**	9,098	**-**	-
Project invoice financing	JPY-Fixed rate	On demand	**-**	4,536	**-**	-
Revolving credit	RM-Floating rate	On demand	**-**	106,626	**-**	-
Revolving credit	SGD-Floating rate	On demand	**-**	221,161	**-**	-
Revolving credit	USD-Floating rate	On demand	**-**	154,555	**-**	-
Term loans	RM-Fixed rate	2017	**-**	30,911	**-**	-
Term loans	USD-Floating rate	2017	**-**	16,714	**-**	-
Term loans	RM-Floating rate	2021 - 2024	**50,617**	-	**-**	-
Term loans	USD-Floating rate	2021 - 2024	**50,253**	-	**-**	-
			100,870	570,940	**-**	-
Unsecured						
Medium term notes	SGD-Fixed rate	2017	**-**	1,068,307	**-**	1,114,322
Term loans	RM-Fixed rate	2021 - 2024	**123,530**	-	**-**	-
Term loans	SGD-Fixed rate	2021 - 2024	**594,882**	-	**661,623**	-
Term loans	USD-Fixed rate	2021 - 2024	**190,234**	-	**8,600**	-
			908,646	1,068,307	**670,223**	1,114,322
			1,009,516	1,639,247	**670,223**	1,114,322
Represented by:						
Secured						
Bank overdrafts			**-**	18,217	**-**	-
Project invoice financing			**-**	22,756	**-**	-
Revolving credit			**-**	482,342	**-**	-
Term loans			**100,870**	47,625	**-**	-
			100,870	570,940	**-**	-
Unsecured						
Medium term notes			**-**	1,068,307	**-**	1,114,322
Term loans			**908,646**	-	**670,223**	-
			908,646	1,068,307	**670,223**	1,114,322
			1,009,516	1,639,247	**670,223**	1,114,322
Presented as:						
Non-current liabilities			**1,009,516**	-	**670,223**	-
Current liabilities			**-**	1,639,247	**-**	1,114,322
			1,009,516	1,639,247	**670,223**	1,114,322

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20 Borrowings (cont'd)

Medium term notes ("MTNs")

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

On 17 December 2013, the Company's maximum aggregate principle amount of notes available for issue under the multicurrency MTN programme was increased from S$200,000,000 to S$600,000,000.

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 MTN programme. The Series 3 Notes 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 MTN programme. The Series 4 Notes mature on 23 July 2018.

At 31 December 2017, the weighted average interest rate of bank overdrafts, project invoice financing loans, revolving credit loans and term loans was 7.61%, 1.94%, 4.56% and 4.46%, respectively.

Movements in the MTNs are as follows:

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Balance at 1 January				
- Principal of MTN	-	1,106,088	-	1,153,186
- Unamortised transaction cost	-	(11,501)	-	(11,501)
	-	1,094,587	-	1,141,685
Repayment	-	(5,818)	-	(5,818)
Exchange differences	-	(26,032)	-	(27,115)
	-	1,062,737	-	1,108,752
Interest expense recognised in profit or loss				
- Principal of MTN	-	60,483	-	60,483
- Amortised transaction cost	-	6,064	-	6,064
	-	66,547	-	66,547
Interest expense on the MTN paid	-	(60,977)	-	(60,977)
Balance at 31 December	-	1,068,307	-	1,114,322
Balance at 31 December				
- Principal of MTN	-	1,073,744	-	1,119,759
- Unamortised transaction cost	-	(5,437)	-	(5,437)
	-	1,068,307	-	1,114,322

During the financial year ended 31 December 2017, the Group received demand letters from banks, and the Company breached the payment for Series 2 Notes and financial covenants as required for the MTN. Consequently, all the non-current borrowings became repayable on demand and were classified as current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20 Borrowings (cont'd)

Schemes of Arrangement

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

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

Non-sustainable Debt

Every one Non-sustainable Debt Share is allotted and issued at a conversion price of S$0.045. Pursuant to the Schemes, an aggregate of 3,348,250,793 Non-Sustainable Debt Shares were allotted and issued. Based on the market price of the Company's shares of S$0.015 per share, a gain on extinguishment of debt of RM 348,378,000 was recognised in profit or loss for the financial year ended 31 December 2018 (Note 23).

Sustainable Debt

US$242,741,000 of the Sustainable Debt was restructured as Term Loan. The tenor of the Term Loan is from 1 January 2018 to 31 December 2024. Interest is charged at 4% per annum. There will be no repayment of the principal from 2018 to 2020. The principal shall be repaid in eight half-yearly instalments from 2021 to 2024 in the percentage of 10%, 20%, 30% and 40%, respectively. As the Term Loan is repayable from 2021 to 2024, with no repayment on demand clauses, the amount is classified as non-current liabilities.

Borrowings bear effective interest rates per annum ranging as follows:

	The Group		The Company	
	2018	2017	**2018**	2017
	%	%	**%**	%
Bank overdrafts	**-**	6.25 - 7.90	**-**	-
Project invoice financing	**-**	1.90 - 2.00	**-**	-
Revolving credit	**-**	3.86 - 5.72	**-**	-
Term loans	**4.00 - 7.40**	3.83 - 4.79	**4.00**	-
Medium term notes	**-**	5.00 - 6.50	**-**	5.00 - 6.50

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

20 Borrowings (cont'd)

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

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
On demand or within one year	**-**	1,639,247	**-**	1,114,322
More than 1 year and less than 2 years	**-**	-	**-**	-
More than 2 years and less than 5 years	**605,710**	-	**402,134**	-
More than 5 years	**403,806**	-	**268,089**	-
	1,009,516	1,639,247	**670,223**	1,114,322

At 31 December 2017, the borrowings were 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) fixed deposits;
(v) certain property, plant and equipment and investment properties of the Group; and
(vi) financial guarantees by the Company.

The carrying amounts of short-term borrowings and those repayable on demand approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21 Trade and other payables

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Non-current				
Trade payables - third parties	**141,185**	-	**-**	-
Other payables	**2,526**	2,582	**-**	-
	143,711	2,582	**-**	-
Current				
Trade payables - third parties	**252,758**	1,074,128	**-**	-
Accrued expenses	**6,828**	3,315	**1,036**	2,190
Deposits received	**16,551**	6,287	**-**	-
Other payables	**7,664**	7,480	**75**	-
Amounts due to subsidiaries (non-trade)	**-**	-	**24,293**	-
Amounts due to joint ventures (non-trade)	**13,721**	-		
Interest payable	**8,538**	2,281	**7,938**	-
	306,060	1,093,491	**33,342**	2,190
Financial liabilities at amortised cost	**449,771**	1,096,073	**33,342**	2,190
Goods and services tax payables	**-**	4,838	**-**	-
Dividend payable	**146**	146	**146**	146
	449,917	1,101,057	**33,488**	2,336
Comprising:				
Current	**306,206**	1,098,475	**33,488**	2,336
Non-current	**143,711**	2,582	**-**	-
	449,917	1,101,057	**33,488**	2,336

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Malaysia ringgit	**56,117**	29,605	**10,426**	1,311
Singapore dollar	**1,363**	10,117	**22,890**	1,021
United States dollar	**391,787**	1,061,152	**172**	4
Euro	**134**	164	**-**	-
Others	**516**	19	**-**	-
	449,917	1,101,057	**33,488**	2,336

At 31 December 30218, non-current trade payables bear interest at 6.5% per annum and is due for payment from 1 March 2020 to 21 December 2023.

Current trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2017: 30 to 60 days).

Other payables are non-interest bearing and are normally settled on an average period of six months (2017: six months).

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

22 Provision

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
At beginning of year	**32,380**	200	**484,400**	-
Provision made	**-**	32,380	**-**	484,400
Provision reversed (Note 23)	**(32,380)**	(200)	**(484,400)**	-
At end of year	**-**	32,380	**-**	484,400

Provision relates to financial guarantees provided to subsidiaries and joint venture.

23 Other income

The Group	Note	**2018** **RM'000**	2017 RM'000
Gain on extinguishment of debts	20	**348,378**	-
Gain on waiver of debts		**632,924**	-
Foreign exchange gain, net		**43,610**	-
Forfeiture deposit received		**807**	5,828
Gain on disposal of property, plant and equipment		**-**	7,081
Interest income		**1,845**	5,444
Miscellaneous income		**5,137**	2,237
Rental income from investment properties		**378**	3,602
Reversal of impairment loss on associate	7	**8,682**	-
Reversal of impairment losses on trade receivables	11	**-**	2
Reversal of provision for financial guarantee (Note 22)	22	**32,380**	-
		1,074,141	24,194

24 Finance costs

The Group	**2018** **RM'000**	2017 RM'000
Interest expenses		
- Term loans	**25,803**	-
- Bank borrowings	**-**	42,074
- Medium term notes	**-**	56,880
	25,803	98,954
Amortisation of debt issuance cost	**-**	6,064
Interest capitalised in construction costs	**-**	(31,627)
	25,803	73,391

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

25 Profit/(Loss) before taxation

The Group	Note	**2018 RM'000**	2017 RM'000
Profit/(Loss) before taxation is arrived at after charging:			
Selling and administrative expenses			
Audit fees			
- auditor of the Company		**268**	239
- other auditors		**146**	227
Loss on disposal of other investments		**-**	1,170
Amortisation of prepaid land lease payments		**270**	270
Depreciation of property, plant and equipment		**4,455**	447
Depreciation of investment properties		**-**	930
Operating lease expense		**707**	484
Employee benefits expense			
- salaries, wages and other benefits		**13,957**	15,354
- defined contribution plans		**944**	1,016
- share grant plan		**592**	-
Other operating expenses			
Bad debts written off		**-**	3,389
Dry docking expenses		**534**	2,719
Foreign exchange loss, net		**-**	33,375
Impairment loss on associate	7	**-**	5,237
Impairment losses on contract assets	13	**-**	198,660
Impairment losses on investment properties		**-**	15,233
Impairment losses on other investments	9	**2,707**	-
Impairment losses on property, plant and equipment	4	**15,287**	346,767
Impairment losses on trade and other receivables	11	**16,722**	71,732
Inventories written down	10	**403**	2,085,877
Inventories written off	10	**-**	639
Plant and equipment written off		**363**	482
Prepayments written off	12	**4,166**	114,262
Financial guarantee costs	22	**-**	32,380
Restructuring expenses		**8,025**	8,708

The employee benefits expense include the remuneration of directors and other key management personnel as disclosed in Note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26 Taxation

The Group	2018 RM'000	2017 RM'000
Current taxation		
- Current year	**314**	100
- Under provision in respect of prior years	**-**	345
	314	445
Deferred taxation (Note 19)		
- Current year	**-**	(598)
- Over provision in respect of prior years	**-**	(660)
	-	(1,258)
	314	(813)

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

The Group	2018 RM'000	2017 RM'000
Profit/(Loss) before taxation	**1,036,971**	(3,018,588)
Share of results of equity-accounted associate and joint ventures	**10,650**	51,546
	1,047,621	(2,967,042)
Tax at statutory rates applicable to different jurisdictions	**85,763**	(455,815)
Expenses not deductible for tax purposes	**11,613**	421,668
Income not subject to tax	**(129,812)**	(266)
Deferred tax assets not recognised	**32,746**	36,157
Deferred tax expenses relating to reversal of temporary difference	**-**	(117)
Utilisation of previously unrecognised deferred tax assets	**-**	(2,114)
Over provision of deferred tax in respect of prior years	**-**	(660)
Under provision of current tax in respect of prior years	**-**	345
Corporate income tax rebate	**-**	(11)
Others	**4**	-
	314	(813)

Non-taxable income mainly relates to extinguishment and waiver of debts for the financial year ended 31 December 2018. Non-deductible expenses mainly relate to impairment losses on property, plant and equipment and write-down on inventories for the financial year ended 31 December 2017.

Singapore
The corporate income tax rate applicable to the Company and Singapore-incorporated subsidiaries is 17% (2017: 17%) for the financial year ended 31 December 2018.

Malaysia
The corporate income tax rate applicable to the subsidiaries incorporated in Malaysia is 24% (2017: 24%) for the financial year ended 31 December 2018.

The corporate income tax rate applicable to the subsidiaries incorporated in the Federal Territory of Labuan, Malaysia is 3% (2017: 3%) or maximum of RM 20,000 (2017: RM 20,000) per annum for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26 Taxation (cont'd)

Unrecognised deferred tax assets

The Group	**2018 RM'000**	2017 RM'000
At 1 January	**46,251**	12,208
Deferred tax assets not recognised	**32,746**	36,157
Utilisation of previously unrecognised deferred tax assets	**-**	(2,114)
At 31 December	**78,997**	46,251

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

The Group	**2018 RM'000**	2017 RM'000
Unutilised tax losses	**70,759**	38,013
Unabsorbed capital allowances	**8,238**	8,238
	78,997	46,251

As at 31 December 2018, the Group has unused tax losses of approximately RM311,076,000 (2017: RM158,388,000) and unabsorbed capital allowances of approximately RM34,326,000 (2017: RM34,326,000) The unused tax losses and unabsorbed capital allowances are allowed to be carried forward and used to offset against future taxable profits of the subsidiaries in which the items arose, subject to agreement by the relevant tax authorities and compliance with the applicable tax regulations in the respective countries in which the Company and its subsidiaries operate. Deferred tax assets have not been recognised in respect of these items due to the uncertainty whether future taxable profits will be available against which the Company and its subsidiaries can utilise the benefits. The unused tax losses and unabsorbed capital allowances have no expiry date.

27 Earnings/(Loss) per share

	2018	2017
Profit/(Loss) attributable to owners of the Company (RM'000)	**1,032,956**	(3,020,051)
Weighted average number of ordinary shares in issue during the year ('000)	**3,404,365**	2,096,466
Basic and diluted earnings/(loss) per share (Malaysia sen per share)	**30.34**	(144.05)

As the Group has no dilutive potential ordinary shares, the diluted earnings/(loss) per share is equivalent to basic earnings/(loss) per share.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28 Significant related party transactions

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

The Group	**2018 RM'000**	2017 RM'000
Associate		
- deposit forfeited	**-**	3,072
Joint venture		
- interest income	**931**	1,643
Other related parties in which directors and key management have interest		
- purchases *	**177**	367
- rental expense	**565**	169

* Mr Tiong Chiong Soon, a key executive of the Company and the son of Tan Sri Datuk Tiong, has a direct interest of more than 30% in Top Line Works (2008) Sdn. Bhd. ("TLW"). During the financial year, Nam Cheong Dockyard Sdn. Bhd., a subsidiary of the Company, purchased shipbuilding materials from TLW. As at 31 December 2018, the outstanding amount due to TLW was RM nil (2017: RM64,000).

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

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

The Group	**2018 RM'000**	2017 RM'000
Short-term employee benefits	**6,290**	7,549
Post-employment benefits	**93**	121
Share grant plan	**414**	-
	6,797	7,670

These include the following directors' remuneration:

The Group	**2018 RM'000**	2017 RM'000
Directors of the Company	**4,389**	4,016
Directors of subsidiaries	**6**	37
	4,395	4,053

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29 Commitments

29.1 Capital commitments

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

The Group	**2018 RM'000**	2017 RM'000
Vessel	**144,231**	210,531
Other property, plant and equipment	**3,604**	3,604
	147,835	214,135

29.2 Operating lease commitments (non-cancellable)

Where Group is the lessee,

At the end of the reporting period, the Group was committed to making the following rental payments in respect of operating leases of office premises with an original term of more than one year:

The Group	**2018 RM'000**	2017 RM'000
Not later than one year	**729**	454
Later than one year but not later than five years	**272**	642
	1,001	1,096

The leases have an average tenure of between one and three years with options to renew.

Where Group is the lessor,

At the reporting date, the Group had the following rentals receivable under non-cancellable operating leases related to investment properties:

The Group	**2018 RM'000**	2017 RM'000
Not later than one year	**-**	387

The investment properties were classified as assets held for sale as at 1 December 2017 (Note 15) and subsequently disposed of on 9 February 2018.

30 Operating segments

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

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

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

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

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

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

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

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

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

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

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

30 Operating segments (cont'd)

The Group	Shipbuilding 2018 RM'000	Shipbuilding 2017 RM'000	Chartering 2018 RM'000	Chartering 2017 RM'000	Others 2018 RM'000	Others 2017 RM'000	Eliminations 2018 RM'000	Eliminations 2017 RM'000	Total 2018 RM'000	Total 2017 RM'000
Revenue										
- External revenue	**195,340**	239,379	**134,522**	80,199	**-**	-	**-**	-	**329,862**	319,578
- Inter segment	**61,430**	-	**154,491**	82,862	**-**	-	**(215,921)**	(82,862)	**-**	-
Results										
Operating loss	**-**	(2,504,534)	**(52,803)**	(278,357)	**-**	(110,760)	**-**	-	**(52,803)**	(2,893,651)
Amortisation of prepaid land lease payments	**(162)**	(162)	**(108)**	(108)	**-**	-	**-**	-	**(270)**	(270)
Bad debts written off	**-**	(2,133)	**-**	-	**-**	(1,256)	**-**	-	**-**	(3,389)
Contract termination expenses relating to prepayments for inventories	**(4,166)**	(8,363)	**-**	-	**-**	-	**-**	-	**(4,166)**	(8,363)
Depreciation of investment properties	**-**	-	**-**	-	**-**	(930)	**-**	-	**-**	(930)
Depreciation of property, plant and equipment	**(11,331)**	(2,021)	**(6,027)**	(16,281)	**(760)**	(912)	**748**	-	**(17,370)**	(19,214)
Gain on extinguishment of debts	**-**	-	**-**	-	**348,378**	-	**-**	-	**348,378**	-
Gain on waiver of debts	**632,924**	-	**-**	-	**-**	-	**-**	-	**632,924**	-
Impairment loss on associate reversed/(made)	**-**	-	**-**	-	**8,682**	(5,237)	**-**	-	**8,682**	(5,237)
Impairment losses on contract assets	**-**	(198,660)	**-**	-	**-**	-	**-**	-	**-**	(198,660)
Impairment losses on investment properties	**-**	-	**-**	-	**-**	(15,233)	**-**	-	**-**	(15,233)
Impairment losses on other investments	**-**	-	**-**	-	**(2,707)**	-	**-**	-	**(2,707)**	-
Impairment losses on property, plant and equipment	**(12,905)**	(107,303)	**(2,382)**	(239,464)	**-**	-	**-**	-	**(15,287)**	(346,767)
Impairment losses on trade and other receivables	**(8,189)**	(4,279)	**(8,533)**	(19,759)	**-**	(47,694)	**-**	-	**(16,722)**	(71,732)
Interest expense	**(36,074)**	(60,440)	**(3,434)**	(7,868)	**(20,859)**	(5,083)	**34,564**	-	**(25,803)**	(73,391)
Interest income	**5,164**	996	**1,423**	708	**29,235**	3,740	**(33,977)**	-	**1,845**	5,444

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 Operating segments (cont'd)

	Shipbuilding		Chartering		Others		Eliminations		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
The Group	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Inventories written down	**(403)**	(2,085,877)	**-**	-	**-**	-	**-**	-	**(403)**	(2,085,877)
Inventories written off	**-**	(639)	**-**	-	**-**	-	**-**	-	**-**	(639)
Loss on disposal of other investments	**-**	-	**-**	(1,170)	**-**	-	**-**	-	**-**	(1,170)
(Loss)/Gain on disposal of property, plant and equipment	**-**	4	**-**	-	**-**	(7,077)	**-**	-	**(5)**	7,081
Plant and equipment written off	**-**	(482)	**-**	-	**(363)**	-	**-**	-	**(363)**	(482)
Prepayments for inventories written off	**-**	(105,899)	**-**	-	**-**	-	**-**	-	**-**	(105,899)
Provision for financial guarantee reversed/(made)	**-**	-	**-**	-	**32,380**	(32,380)	**-**	-	**32,380**	(32,380)
Restructuring expenses	**(1,733)**	-	**-**	(481)	**(6,292)**	(8,227)	**-**	-	**(8,025)**	(8,708)
Share of results of joint ventures	**-**	-	**-**	-	**(1,016)**	(4,936)	**-**	-	**(1,016)**	(4,936)
Share of results of associate	**-**	-	**-**	-	**(9,634)**	(46,610)	**-**	-	**(9,634)**	(46,610)
Profit/(Loss) before tax	**736,162**	(2,622,989)	**(65,130)**	(285,240)	**365,939**	(110,359)	**-**	-	**1,036,971**	(3,018,588)
Additions to non-current assets	**1,445**	741	**78**	2,181	**1,041**	-	**-**	-	**2,564**	2,922
Investment in associate	**-**	-	**-**	-	**22,888**	23,840	**-**	-	**22,888**	23,840
Investment in joint ventures	**-**	-	**-**	-	**3,456**	4,041	**(432)**	-	**3,024**	4,041
Other investments	**-**	-	**-**	-	**-**	3,226	**-**	-	**-**	3,226
Segment assets	**1,899,640**	3,608,125	**567,362**	423,666	**1,677,867**	1,285,022	**(3,143,680)**	(4,202,124)	**1,001,189**	1,114,689
Segment liabilities	**2,684,548**	5,024,956	**887,634**	720,316	**998,992**	1,450,045	**(3,111,521)**	(4,421,713)	**1,459,653**	2,773,604

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 Operating segments (cont'd)

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

The Group	**2018 RM'000**	2017 RM'000
Revenue		
Malaysia	**132,678**	67,502
China	**-**	70,035
Marshall Islands	**96,487**	6,385
Nigeria	**-**	59,757
Thailand	**-**	115,899
United Kingdom	**100,697**	-
	329,862	319,578

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

The Group	**2018 RM'000**	2017 RM'000
Non-current assets		
Malaysia	**644,939**	231,876
Singapore	**1,085**	71,841
	646,024	303,717

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

The Group	**2018 RM'000**	2017 RM'000
Property, plant and equipment	**613,249**	268,703
Prepaid land lease payments	**6,863**	7,133
Associate	**22,888**	23,840
Joint ventures	**3,024**	4,041
	646,024	303,717

Major customers

Revenues from two (2017: three) customers of the Group's shipbuilding segment represent RM195,340,000 (2017: RM238,508,000) of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Financial risk management

The Group's and the Company's risk management policies set out the overall business strategies and their risk management philosophy. The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risks. Market risk exposures are measured using sensitivity analysis for interest rate risk (Note 31.3) and foreign currency risk (Note 31.4).

The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

31.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group or the Company to incur a financial loss. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group adopts the policy of dealing only with creditworthy counterparties. Receivable balances and payment profile of the debtors are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

Significant concentrations of credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. At 31 December 2018, the Group's trade receivables comprise 3 debtors (2017: 3 debtors) that represented 73% (2017: 57%) of trade receivables. Except as disclosed, there are no other concentrations of credit risk.

Exposure to credit risk

The tables below detail the credit quality of the Group's and the Company's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

The Group	**Internal credit rating**	**12-month / Lifetime ECL**	**Gross carrying amount RM'000**	**Loss allowance RM'000**	**Carrying amount RM'000**
2018					
Non-current trade receivables	**(1)**	Lifetime ECL	17,081	(17,081)	-
Current trade receivables	**(1)**	Lifetime ECL	61,046	(7,356)	53,690
Other receivables	**(1)**	Lifetime ECL	47,877	(14,825)	33,052
2017					
Non-current trade receivables	**(1)**	Lifetime ECL	16,797	-	16,797
Current trade receivables	**(1)**	Lifetime ECL	46,318	(9,378)	36,940
Other receivables	**(1)**	Lifetime ECL	93,657	(63,992)	29,665
Contract assets	**(2)**	Lifetime ECL	237,144	(198,660)	38,484

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Financial risk management (cont'd)

31.1 Credit risk (cont'd)

The Company	Internal credit rating	12-month / Lifetime ECL	Gross carrying amount RM'000	Loss allowance RM'000	Carrying amount RM'000
2018					
Amounts due from subsidiaries (non-trade)	**(3)**	12-month ECL	94,579	(94,579)	-
2017					
Amounts due from subsidiaries (non-trade)	**(3)**	12-month ECL	23,094	(23,094)	-

(1) Trade receivables

Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables are estimated by reference to payment history, current financial situation of the debtor, debtor-specific information obtained directly from the debtor and public domain, where available, and an assessment of the current and future wider economic conditions and outlook for the industry in which the debtor operates at the reporting date.

(2) Contract assets

Loss allowance for contract assets is measured at an amount equal to lifetime expected credit losses, similar to that for trade receivables. Consideration receivable for work performed (net of progress billings to be billed to purchasers of development properties) is recognised as contract assets.

Contract assets were written off when there is when there is information indicating no reasonable expectation of recovery due to customer's financial difficulty, and failure of engaging the customer in a payment plan.

(3) Amounts due from subsidiaries (non-trade)

Non-trade amounts due from subsidiaries have been impaired taking into accounts the finances, business performance, and a forward-looking analysis of the financial performance of the business activities undertaken by the subsidiaries.

Bank balances and fixed deposits

Bank balances and fixed deposits are held with financial institutions of high credit rating for which no material credit losses are expected to be incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Financial risk management (cont'd)

31.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

The Group	Carrying Amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000
2018					
Borrowings (Note 20)	**1,009,516**	**1,207,888**	**41,763**	**749,790**	**416,335**
Trade and other payables (Note 21)	**449,771**	**449,771**	**306,060**	**143,711**	**-**
	1,459,287	**1,657,659**	**347,823**	**893,501**	**416,335**
2017					
Borrowings (Note 20)	1,639,247	1,727,572	1,727,572	-	-
Trade and other payables (Note 21)	1,096,073	1,096,073	1,093,491	2,582	-
Provision for financial guarantees (Note 22)	32,380	32,380	32,380	-	-
	2,767,700	2,856,025	2,853,443	2,582	-

The Company	Carrying Amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	Between 1 and 5 years RM'000	Over 5 years RM'000
2018					
Borrowings (Note 20)	**670,223**	**797,565**	**26,809**	**494,624**	**276,132**
Trade and other payables (Note 21)	**33,342**	**33,342**	**33,342**	**-**	**-**
	703,565	**830,907**	**60,151**	**494,624**	**276,132**
2017					
Borrowings (Note 20)	1,114,322	1,151,999	1,151,999	-	-
Trade and other payables (Note 21)	2,190	2,190	2,190	-	-
Provision for financial guarantees (Note 22)	484,400	484,400	484,400	-	-
	1,600,912	1,638,589	1,638,589	-	-

As disclosed in Note 2(e) to the financial statements, the directors are satisfied that the Group and the Company will have sufficient working capital and financial resources to meet their obligations as and when they fall due for the next twelve months from the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Financial risk management (cont'd)

31.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from variable rate borrowings (Note 20).

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At the end of the reporting period, if interest rates on variable rate borrowings had been 50 (2017: 50) basis points higher/lower with all other variables held constant, the Group's profit before tax and equity would have been RM50,000 (2017: loss before tax and equity would have been RM285,000,000 higher and lower, respectively) lower/higher.

31.4 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies.

The Group and the Company have transactional currency exposures arising from transactions that are denominated in a currency other than the respective functional currencies of group entities, primarily Malaysia ringgit and Singapore dollar. The foreign currencies that give rise to foreign currency are principally the Singapore dollar (SGD) and United States dollar (USD). Arising from the transactions of the group entities denominated in SGD, USD and EUR, the Group's and the Company's receivable and payable balances at the end of the reporting period have similar exposures.
The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes.

Sensitivity analysis for foreign currency risk

A 5% strengthening of the above currencies against the functional currencies of the respective Group entities at the reporting date would increase/decrease profit or loss before tax and equity and as follows:

The Group	**2018 RM'000**	2017 RM'000
SGD - strengthened 5% (2017: 5%)		
- profit before tax (2017: loss before tax)	665	4,292
- equity	665	4,292
USD - strengthened 5% (2017: 5%)		
- profit before tax (2017: loss before tax)	18,696	44,297
- equity	18,696	44,297
The Company		
SGD - strengthened 5% (2017: 5%)		
- loss before tax	1,129	1,110
- equity	1,129	1,110
USD - strengthened 5% (2017: 5%)		
- loss before tax	9	-
- equity	9	-

31 Financial risk management (cont'd)

31.4 Foreign currency risk (cont'd)

This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and does not take into account the associated tax effect. A 5% weakening of the above currencies against the functional currencies of the respective Group entities would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

32 Capital management

The Group's and the Company's objectives when managing capital are:

(a) To safeguard the Group's and the Company's ability to continue as going concern;
(b) To support the Group's and the Company's stability and growth;
(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
(d) To provide an adequate return to shareholders.

The Group and the Company review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company, and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Group and the Company are not subject to externally imposed capital requirements.

No gearing ratio has been presented as the Group and the Company had a deficit in shareholders' funds at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33 Financial instruments

Accounting classifications of financial assets and financial liabilities
The carrying amounts of financial assets and financial liabilities in each category are as follows:

The Group	Amortised cost RM'000	Debt instruments at FVOCI RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2018				
Financial assets				
Trade and other receivables (Note 11)	**85,678**	**–**	**–**	**85,678**
Cash and bank balances and fixed deposits (Note 14)	**109,680**	**–**	**–**	**109,680**
	195,358	**–**	**–**	**195,358**
Financial liabilities				
Borrowings (Note 20)	**–**	**–**	**1,009,516**	**1,009,516**
Trade and other payables (Note 21)	**–**	**–**	**449,771**	**449,771**
	–	**–**	**1,459,287**	**1,459,287**

The Group	Loans and receivables at amortised cost RM'000	Available-for-sale financial assets at fair value RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2017				
Financial assets				
Other investments (Note 9)	–	3,226	–	3,226
Trade and other receivables (Note 11)	81,876	–	–	81,876
Cash and bank balances and fixed deposits (Note 14)	224,417	–	–	224,417
	306,293	3,226	–	309,519
Financial liabilities				
Borrowings (Note 20)	–	–	1,639,247	1,639,247
Trade and other payables (Note 21)	–	–	1,096,073	1,096,073
	–	–	2,735,320	2,735,320

The Company	Amortised cost RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2018			
Financial assets			
Cash and bank balances and fixed deposits (Note 14)	**318**	**–**	**318**
Financial liabilities			
Borrowings (Note 20)	**–**	**670,223**	**670,223**
Trade and other payables (Note 21)	**–**	**33,342**	**33,342**
	–	**703,565**	**703,565**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33 Financial instruments (cont'd)

Accounting classifications of financial assets and financial liabilities (cont'd)

The Company	Loans and receivables at amortised cost RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2017			
Financial assets			
Cash and bank balances and fixed deposits (Note 14)	23,227	-	23,227
Financial liabilities			
Borrowings (Note 20)	-	1,114,322	1,114,322
Trade and other payables (Note 21)	-	2,190	2,190
	-	1,116,512	1,116,512

Fair values

The carrying amount of financial assets and liabilities, (trade and other receivables, and trade and other payables, and borrowings) with a maturity of less than one year approximate their fair values because of the short period to maturity.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The Group had assumed the carrying amounts of other investment and non-current trade receivables, trade payables and variable rate borrowings approximated their fair values.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as is prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the assets or liability that are not based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33 Financial instruments (cont'd)

Fair value measurement of financial assets

The Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018				
Financial assets				
Other investments (Note 9)	–	–	–	–
2017				
Financial assets				
Other investments (Note 9)	–	–	3,226	3,226

At 31 December 2017, the fair value of other investment was derived from indicative prices obtained from an information database for bond investors.

Financial liabilities not measured at fair value but for which fair values are disclosed*

The Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
2018					
Non-current borrowings	–	–	41,401	41,401	100,870

* Exclude financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term or repayable on demand nature and where the effect of discounting is immaterial.

Fair value measurement of non-financial assets

Valuation technique and significant unobservable inputs

The following table shows the Group's valuation technique used in measuring the fair value of leasehold land and buildings, and vessels classified as property, plant and equipment and inventories (work in progress), (Note 10), as well as the significant unobservable inputs used.

	Valuation technique	**Inter-relationship between key unobservable inputs and fair value measurement**	**Significant unobservable inputs**
Vessels	Direct comparison method	The estimated fair value would increase (decrease) if prices of comparable vessels were higher (lower).	Prices of comparable vessels
Leasehold land	Direct comparison method	The estimated fair value would increase (decrease) if price per square meter was higher (lower).	Price per square meter
Buildings	Cost approach	- price trend indexes - obsolescence factor	The estimated fair value would increase/(decrease) if: - price trend indexes were higher/(lower) - obsolescence factor was lower/(higher)

34 Events after the reporting period

Pursuant to the terms of the Schemes of Arrangement, an aggregate of 126,358,100 Term Loan Shares were issued and allotted by the Company on 18 January 2019 for Review Year 1 in relation to the Interest Periods from 1 January 2018 to 30 June 2018 and from 1 July 2018 to 31 December 2018. Following the allotment and issuance of the Term Loan Shares, the number of issued shares in the Company was increased from 7,017,940,767 to 7,144,298,867 shares (excluding 6,678,597 shares held in treasury).

On 17 January 2019, the Company's indirect wholly-owned subsidiary, SK Global Ltd., incorporated a 51% owned joint venture company, Pelayaran New Era (L) Berhad ("PNE"), in the Federal Territory of Labuan, Malaysia. The remaining 49% of the paid-up capital of PNE is held by Marcopolo Shipping (Hong Kong) Limited, an indirect wholly-owned subsidiary of Marco Polo Marine Ltd. PNE has an issued and paid-up capital of US$1,000. The principal activity of PNE is chartering of vessel.

On 4 March 2019, the Company granted 70,179,408 shares to eligible employees of the Group under the NCMI Plan. 35,089,704 shares (representing 50%) shall vest on the date of the announcement of the audited financial statements for financial year ended 31 December 2018, and 35,089,704 shares (representing 50%) shall vest on the first anniversary of the announcement.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Nam Cheong Limited (the "Company") will be held at Furama RiverFront, Venus I & II, Level 3, 405 Havelock Road, Singapore 169633 on Monday, 29 April 2019 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 2018 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 Leong Seng Keat (retiring pursuant to Bye-Laws (86(1)) **(Resolution 2)**
   2.2 Tiong Chiong Hiiung (retiring pursuant to Bye-Laws (86(1)) **(Resolution 3)**

3. To approve:

   3.1 The payment of Directors' fees of S$312,400 for the financial year ended 31 December 2018. (2017: S$282,400) **(Resolution 4)**

   3.2 The payment of Directors' fees of S$312,400 for the financial year ending 31 December 2019. **(Resolution 5)**

4. To appoint Messrs Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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

NOTICE OF ANNUAL GENERAL MEETING

(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 and subsidiary holdings) 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 and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 7)**

By Order of the Board

Claudia Teo Kwee Yee
Company Secretary

Singapore, 5 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolution 7 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 as CDP's proxy 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 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, 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 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, 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 duly completed and 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 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, 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, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

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's 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's 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's or the Shareholder's breach of warranty.

DISCLOSURE OF INFORMATION OF DIRECTORS SEEKING RE-ELECTION

Mr Tiong Chiong Hiiung and Mr Leong Seng Keat are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 April 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR TIONG CHIONG HIIUNG	MR LEONG SENG KEAT
Date of Appointment	28 April 2011	28 April 2011
Date of last re-appointment	25 April 2016	25 April 2016
Age	52	54
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Tiong Chiong Hiiung for re-appointment as Executive Director of the Company. The Board has reviewed and concluded that Mr Tiong Chiong Hiiung possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Leong Seng Keat for re-appointment as Executive Director of the Company. The Board has reviewed and concluded that Mr Leong Seng Keat possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Director Mr Tiong Chiong Hiiung is responsible for the Company's general corporate and financial matters.	Executive Director Mr Leong Seng Keat responsible for the Company's business operations and strategic planning.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Vice Chairman and Finance Director	Chief Executive Officer
Professional qualifications	Bachelor of Economics, Monash University, Australia	Bachelor of Engineering, Chrisholm Institute of Technology, Australia

DISCLOSURE OF INFORMATION OF DIRECTORS SEEKING RE-ELECTION

	MR TIONG CHIONG HIIUNG	MR LEONG SENG KEAT
Working experience and occupation(s) during the past 10 years	Mr Tiong Chiong Hiiung joined Central Coldstorage Kuching Sdn Bhd (a subsidiary of CCK Consolidated Holding Bhd, collectively the "CCK Group") as a Managing Director in 1989. He has joined Nam Cheong Dockyard Sdn Bhd (a subsidiary of Nam Cheong Limited, collectively the "Nam Cheong Group") as an Executive Director in 1993. Mr Tiong Chiong Hiiung oversees the overall management and operations of the CCK Group. He is primarily responsible for the overall financial, accounting and treasury matters for the Nam Cheong Group.	Mr Leong Seng Keat joined the Nam Cheong Dockyard Sdn Bhd (a subsidiary of Nam Cheong Limited, collectively the "Nam Cheong Group") as an Executive Director in 2005. Mr Leong Seng Keat predominantly determines the Nam Cheong Group's corporate and strategic directions and spearheads the commercial department.
Shareholding interest in the listed issuer and its subsidiaries	Mr Tiong Chiong Hiiung has a direct interest of 14,250,240 shares and deemed interest of 9,629,881 shares. The total shares held by Mr Tiong Chiong Hiiung is 23,889,121 shares.	Mr Leong Seng Keat has a direct interest of 16,815,790 shares and deemed interest of 94,117,527 shares. The total shares held by Mr Leong Seng Keat is 110,933,317 shares.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Tiong Chiong Hiiung is the son of Tan Sri Datuk Tiong Su Kouk, the Executive Chairman of Nam Cheong Limited. He is also the brother-in-law of Mr Leong Seng Keat, the Chief Executive Officer of Nam Cheong Limited.	Mr Leong Seng Keat is the son-in-law of Tan Sri Datuk Tiong Su Kouk, the Executive Chairman of Nam Cheong Limited. He is also the brother-in-law of Mr Tiong Chiong Hiiung, the Executive Vice Chairman and Finance Director of Nam Cheong Limited.
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# Past (for the last 5 years) Present	Please refer to Annexure A	Present Directoships: • Dominion Energy Sdn Bhd • Dominant Palms Development Sdn Bhd • De Asset V Sdn Bhd • De Asset VI Sdn Bhd • De Asset VII Sdn Bhd • De Asset VIII Sdn Bhd

DISCLOSURE OF INFORMATION OF DIRECTORS SEEKING RE-ELECTION

		MR TIONG CHIONG HIIUNG	MR LEONG SENG KEAT
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

DISCLOSURE OF INFORMATION OF DIRECTORS SEEKING RE-ELECTION

	MR TIONG CHIONG HIIUNG	MR LEONG SENG KEAT
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Mr Tiong Chiong Hiiung is a director of Nam Cheong Limited, a company listed Singapore. He is also a director of CCK Consolidated Holdings Berhad, a company listed in Malaysia.	Mr Leong Seng Keat is a director of Nam Cheong Limited, a company listed in Singapore.

ANNEXURE A

Past Directorships (for the last 5 years):

1. Mighty Development Sdn Bhd *(In the process of Voluntary Winding Up)*

Present Directorships:

1. Ableway Sdn Bhd
2. Achiever Development Sdn Bhd
3. Aqua Growth Marine Products Sdn Bhd
4. Ataskota Sdn Bhd
5. Beaufort City Mall Sdn Bhd
6. Borneo Specialty Fruits Sdn Bhd
7. C.S. Choice Food Industries Sdn Bhd
8. CCK Consolidated Holdings Bhd
9. CCK Fresh Mart Sdn Bhd
10. CCK Fresh Mart (West Malaysia) Sdn Bhd
11. CCK-Pelita Telaga Air Sdn Bhd
12. CCK Sea Products Industries Sdn Bhd
13. Central Coldstorage Kuching Sdn Bhd
14. Central Coldstorage Sarawak Sdn Bhd
15. Champion Automobile Sdn Bhd
16. CMP Management Services Sdn Bhd
17. CT Department Store Sdn Bhd
18. Econsmix Concrete Sdn Bhd
19. Fabulous Enterprise Sdn Bhd
20. Grand Building Contractor Sdn Bhd
21. Grand Heights Construction Sdn Bhd
22. Hung Yung Enterprise Sdn Bhd
23. Kerawang Sdn Bhd
24. Kim Guan Siang Sdn Bhd
25. Kin Eastern Enterprise Sdn Bhd
26. Kuching City Mall Development Sdn Bhd
27. Kuching City Mall Realty Sdn Bhd
28. Kuotai Development Sdn Bhd
29. Pan Far Eastern Sdn Bhd
30. S.K. Gold Land Sdn Bhd
31. S.K. Tiong Development Sdn Bhd
32. S.K. Tiong Enterprise Sdn. Bhd.
33. S.K. Tiong Land Sdn Bhd
34. S.K. Tiong Pioneer Sdn Bhd
35. S.K. Tiong Properties Sdn Bhd
36. S.K. Tiong Realty Sdn Bhd
37. Seven Star Enterprise Sdn Bhd
38. Starcity Housing Sdn Bhd
39. Sumbumi Sdn Bhd
40. Tiong Su Kuok Foundation
41. UGK Resources Sdn Bhd
42. Unit Corporation Sdn Bhd
43. Waja Setia Realty Sdn Bhd
44. Zhang Agriculture Development (Sabah) Sdn Bhd

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