NAM CHEONG LIMITED
(Incorporated in Bermuda)
(Company Registration Number 25458)

RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors (the "**Board**") of Nam Cheong Limited (the "**Company**") and its subsidiaries (together the "**Group**") refers to the following:

(a) the Company's annual report for the financial year ended 31 December 2022 ("**AR FY2022**");
(b) the notice of the annual general meeting ("**AGM**") issued on 12 April 2023 informing the shareholders of the Company that the AGM will be convened and held by way of electronic means on 28 April 2022 at 10.00 am; and
(c) the accompanying announcement in relation to the AGM ("**AGM Announcement**").

The Company has also received questions from the Securities Investors Association (Singapore) ("**SIAS**") in relation to the AR FY2022. To clarify, the Company does not respond to the commentaries made by SIAS since they merely set out the context of the questions raised.

The Company has set out its responses to all questions in this announcement.

BY ORDER OF THE BOARD
NAM CHEONG LIMITED

Kong Wei Fung
Cheok Hui Yee
Company Secretaries

25 April 2023

SIAS Question 1

Trading of the company's share has been suspended since 28 April 2020. The company is proceeding with a second scheme of arrangement to restructure the company.

The company resumed its trading from the first suspension period (21 July 2017 to 23 August 2018) but suspended for a second time twenty months later.

The company has sought an extension of time of one month from 31 March 2023 to 30 April 2023 to submit the Resumption Proposal to SGX-ST.

(i) **What are the remaining milestones that need to be fulfilled before the company can submit its trading resumption proposal to SGX-ST?**

(ii) **How involved are the independent directors in helping the company submit the resumption proposal?**

(iii) **Is the company confident that it will be able to meet the extended deadline of 30 April 2023?**

Company's Response:

As announced on 24 April 2023, further to the entering into the Debt Restructuring Master Agreement with the Participating Lenders on 20 April 2023, the Company submitted its Resumption of Trading Proposal ("Resumption Proposal") to SGX-ST on 24 April 2023. The comprehensive proposed restructuring plan which includes, inter alia, the Resumption Proposal, has been frequently and thoroughly discussed and deliberated by the entire Board of directors (including the independent directors) since year 2020.

SIAS Question 2

The restructuring of the company has progressed significantly, and the next major milestone is for the company to convene a scheme meeting within 6 months from the date of the court order (which was granted on 21 March 2023). If approved, the scheme of arrangement and compromise (New NCL Scheme) will be binding on the company and its scheme creditors.

As at 31 December 2022, the company had shareholders' deficit of RM(631.0) million and total borrowings of RM(995.9) million.

(i) **Could the board provide an update for shareholders on how the financial position of the company is expected to improve after the restructuring process?**

(ii) **What was the vessel utilisation rate in 2022?**

(iii) **Can management provide additional information to shareholders regarding the group's fleet, industry prospects and its future strategy?**

(iv) **Does the shipbuilding business align with the group's overall strategy, or is management considering divesting it?**

(v) **Can the company clarify its competitive advantage and explain how management intends to create and capture long-term, sustainable value for shareholders?**

Company's Response:

With the implementation of the proposed restructuring scheme, which material terms have been previously disclosed in the presentation slides uploaded together with the Company's announcement on 7 March 2023:

(a) the loan and borrowing obligations of the Company would be substantially reduced from approximately RM944 million to approximately RM415 million, the surviving debt restructured into a 7-year Restructured Term Loan of which, 95% will be classified as long term liabilities. Notably, 54% of the surviving debt will be payable only in the final year, thereby significantly improving the working capital position of the Group. Repayment of the Restructured Term Loan is expected to be met by the generation of sustainable and sufficient cash flow from the Group's vessel chartering operations without having to rely on the generation cash flow from disposal of vessels, which is inherently less certain;

(b) Approximately RM54 million of secured borrowings are expected to be redeemed from the disposal proceeds of non-core assets; and

(c) the Company will raise net proceeds of RM30 million from a proposed private placement exercise to fund the partial settlement of its existing loans and borrowings.

The comprehensive restructuring of the Group's liabilities will in turn create a platform for the Group to recalibrate its business strategy and fleet composition, enable it to have access to new sources of funding, and to take advantage of increasing opportunities in the offshore and marine market. The Group will also continue to capitalise on its strong history as an international vessel provider, as well as leverage on its good relationships with various customers across the value chain of the oil and gas industry.

In FY2022, the Group achieved an average vessel utilisation rate of 70%. The Group owns and operates 30 offshore support vessels ("OSV") with an average vessel age of 7 years old (for the larger vessels). The Group's OSVs include Anchor Handling Tug Supply Vessels, Platform Supply Vessels, Maintenance Work Vessels, Accommodation Work Barges, Landing Craft and Safety Standby Vessels. Six OSVs are equipped with advance and fuel-efficient diesel-electric propulsion system. In addition to operating the youngest fleet in the industry in Malaysia, the Group benefits from its combined experience of being both a shipbuilder and a vessel operator, a unique proposition and key competitive advantage which facilitates the Group secure its leading position as Malaysia's largest OSV provider.

The shipbuilding business and vessel chartering business, which are complementary in nature, also provides the necessary diversification for the Group to mitigate risks in different cycles of the industry. In this premise, the Group continuously monitor the market to optimise value, as best possible, for its stakeholders.

As mentioned in AR FY2022, world oil supply rose 830 thousand barrels per day ("kb/d") in February 2023 to 101.5 million barrels per day ("mb/d"), driven by the oil production rebound in the US and Canada post-winter storms. In addition, global oil demand growth is projected to increase sharply across 2023 from 710 kb/d in 1Q2023 to 2.6 mb/d in 4Q2023, fuelled by the rebounding global air traffic and the resuming industrial activities in China. While the oil market has witnessed a positive start in 2023, uncertainties arising from geopolitical risks and macroeconomic headwinds remain in the offshore and marine sector.

As such, the Group continues to be cautious about the short-term economic and offshore vessel market outlook. Notwithstanding that, the Group continues to take a long-term view and strive to work closely with various stakeholders to navigate through the difficult times and get back on track for the long-term journey.

SIAS Question 3

The stock chart of the company since the reverse takeover of Eagle Brand Holdings Limited is shown below:



(Source: https://finance.yahoo.com/chart/N4E.SI)

The independent directors are:

- Mr Ajaib Hari Dass (also lead independent director)
- Mr Yee Kit Hong
- Mr Kan Yut Keong, Benjamin

The directors were appointed on 28 April 2011, 28 April 2011 and 1 October 2014 respectively.

The board disclosed that, following the announcement made by SGX RegCo on 11 January 2023 with regard to the limit on the tenure of independent directors, it would also look into searching for suitable candidates in view of the changes to the new requirements.

(i) **Can the nominating committee (NC) help shareholders better understand if there is and has been a succession plan for directors in place?**

In January 2023, when announcing the new rules on the tenure of independent directors, Mr Tan Boon Gin, CEO of SGX RegCo, also noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term.

(ii) **Has the NC reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?**

(iii) **What is the progress made in identifying and appointing new directors? Can the NC provide shareholders with greater detail the search and nomination process?**

(iv) **Separately, can the NC elaborate further on the board evaluation process? What are the key findings from the most recent board evaluation?**

Company's Response to 3(i):

The Company noted that the announcement made by Singapore Exchange Regulation ("SGX RegCo") on 11 January 2023 that it will limit to nine years the tenure of Independent Directors serving on the board of issuers listed on Singapore Exchange Securities Trading Limited. The new requirements impose a hard tenure limit for Independent Directors of nine years, beyond which such directors will no longer be considered independent. However, such Directors may continue to be considered independent until the conclusion of the next annual general meeting of the issuer. To provide issuers sufficient time for board appointments, SGX RegCo has established transitional arrangements and will implement the nine-year limit at the issuer's AGMs for the financial year ending on or after 31 December 2023. During the transitional period, long-serving Independent Directors whose tenure exceeds the nine-year limit may continue to be considered independent until the conclusion of the next AGM of the issuer for the financial year ending on or after 31 December 2023.

The Nominating Committee ("NC") of the Company regards succession planning as an important part of corporate governance and has an internal process of succession planning for the Chairman, Directors, the CEO and senior Management, to ensure the progressive and orderly renewal of the Board and key executives. Following the announcement by SGX Regco, the NC has commenced identification and proposing of suitable candidates in succession to roles of the respective Independent Directors in view of the changes to the above new requirements.

Company's Response to 3(ii):

The Board comprises Directors who are all of high calibre members with wealth of experiences in the Company's business segment. They bring a wide range of invaluable experiences, skills, knowledge, extensive business network and expertise in specialised fields, including but without limitation 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 Company puts in place a Board Diversity Policy in recognition of the need and benefits of embracing diversity at the Board level to enhance stewardship and decision-making capabilities in line with the Company's operating environment. A well-balanced Board with Directors from diverse backgrounds can provide fresh perspectives to solve business issues, foster growth, create value and enhance corporate governance. A diverse Board reduces the risks of group-thinking whereby conformity and biases may lead to tunnel vision and sub-optimal decisions for the Company. The Board is committed to greater diversity and adopting it as a strategic imperative.

All Board appointments will continue to be made based on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective, and this shall continue to be implemented for future directors' appointment. The Board Diversity Policy is available at the Company's website at the URL http://namcheong.com.my/pdf/general/NamCheong_Board_Diversity_Policy.pdf.

The NC is satisfied with the current competency matrix of the Board and the NC will continue to review the Company's progress towards meeting the targets set for promoting and achieving adequate diversity on the Board in the appointment of the future directors.

Company's Response to 3(iii):

The NC has actively commenced identification and proposing of suitable candidates in succession to roles of the respective Independent Directors. Amongst the consideration for the potential future Directors(s) candidate are the talents from industries who are equipped with experiences, skills, knowledge, extensive business network and expertise which specialised preferably in 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, ideally suited to the to the role as Independent Director to the Company and brings a unique blend of experience to the Group.

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 NC will ensure 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.

Company's Response to 3(iv):

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

During the financial year ended 31 December 2022, the NC had conducted a performance evaluation of the Board on areas including board composition, board information, board process, internal control and risk management, board accountability, CEO and top management's performances and standard of conduct. The NC confirms that all Directors have effectively contributed to the performance evaluation of the Board.

The overall score from the performance evaluation of the Board is consistently good. Notwithstanding the foregoing, the NC will continue to monitor the key areas which require improvement such as succession planning, evaluation process for Board members and committees, appointment of alternate directors, guide to Company's performance on long-term basis and management's succession plan.