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

RESPONSE TO QUESTIONS FROM SHAREHOLDERS AND 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 2019 ("**AR FY2019**");
(b) the notice of the annual general meeting ("**AGM**") issued on 5 June 2020 informing the shareholders of the Company that the AGM will be convened and held by way of electronic means on 25 June 2020 at 10.00 am; and
(c) the accompanying announcement in relation to the AGM ("**AGM Announcement**").

The Company would like to thank the shareholders for their co-operation in submitting their queries in accordance to the deadline set out in the AGM Announcement.

In addition, in light of the above, the Company has also received certain questions from the Securities Investors Association (Singapore) ("**SIAS**") in relation to the AR FY2019. 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

Tan Sri Datuk Tiong Su Kouk
Executive Chairman

25 June 2020

Shareholder Question 1:

How have the directors contributed to justify the director fees of S$312,400 as proposed for this AGM, given the state of the Company and the fact that the shares are suspended currently?

Company Response:

The proposed payment of Directors' fees of S$312,400 mainly comprised the fees proposed to be paid to the independent directors for their services rendered for the financial year ended 31 December 2019 ("FY2019") (FY2018: S$312,400), which is commensurate with experiences and level of expertise of the respective independent directors. The executive directors have ceased to receive directors' fees since FY2018. In terms of the business performance in FY2019, the Group did manage to achieve a record amount of chartering revenue of RM285.4 million from RM134.5 million in FY2018, representing a surge of 112% year-on-year. However, as a result of the subsequent unexpected sharp downturn in the oil and gas sector and heightened market uncertainty in 2020, which is expected to be protracted, our clients' operations have been adversely impacted. Consequently, these effects will negatively impact the Group's current operating condition, financial position and business outlook quite significantly.

Shareholder Question 2:

The Company is clearly quite sick and some may even say it is in critical condition. What is the Company's strategy and the plans to bring the Company back to health and what are the independent directors' views of the plan? Please provide a status update of the matters mentioned in the announcement on 24 April 2020 in relation to the Group Financial and Operations Review.

Company Response:

As mentioned in the Company's announcement on 24 April 2020, the following steps are being taken by the Group as part of on-going measures to position the Group to ride out this incredibly challenging market environment:

(a) The Group is in communication with its principal lenders and may appoint advisors to help address significant debt maturities, which may include, inter alia, extension of the maturities and/or restructuring of existing loans ("Restructuring").

(b) The Group is reviewing its cash flow projections, in the face of the great business uncertainties, operational disruptions and costs containment measures. It will be entering into discussions with various parties regarding possible actions to contain operating costs and to preserve working capital to fund the Group's operations.

(c) The Group will explore various strategies to bolster its financial position whilst continuing its cost rationalisation measures to improve overall competitiveness.

On 15 May 2020, the Company announced that as part of its strategies to bolster its financial position whilst continuing its cost rationalisation measures to improve overall cost competitiveness, the Group has decided to close its Singapore-based place of business.

No definitive agreements in relation to the Restructuring have been entered into by the Group as at the date of this announcement. There can be no assurance or reasonable certainty that any discussions or any Restructuring options will materialise or be successfully concluded. In the event that the Restructuring is not favourably completed in a timely manner, the Company and the Group could be faced with a going concern issue.

Further announcements will be made by the Company and the Board via SGXNET as and when there are any material developments in compliance with the listing rules of the Singapore Exchange Securities Trading Limited.

Shareholder Questions 3:

Please provide an update on the Company's business outlook for 2020.

Company Response:

The Petronas Activity Outlook 2019-2021 may have initially given a positive outlook for vessel demand in Malaysia, but that has since changed as the cautious recovery was met with a black swan event – the COVID-19 pandemic.

The International Energy Agency expects oil demand to be severely affected as the demand for fuel drops in tandem with government- instituted lockdowns. The COVID-19 induced near-term disruptions, coupled with the ongoing geopolitical uncertainties and trade tensions offer no respite and the outlook on the oil and gas market remains bearish.

With the ongoing oil glut, OPEC+ recently moved to extend its record collective cut[1] of 8.7 million bpd by one month to the end of July, signifying lower demand for future offshore oil & gas activities.

Managing this difficult and uncertain situation, the Group is actively reviewing its options to restructure its businesses, operations and balance sheet to preserve value for the stakeholders of the Company.

Shareholder Question 4:

Understand that the trading of the Company's securities is currently being temporarily suspended. Please provide the reason for such suspension; when will the suspension of trading be lifted; and why is the Company's share price is not increasing?

Company Response:

The performance of the Company's share price depends on various factors includes, inter alia, market forces of supply and demand as well as external business and economic condition, which are not within the Company's control.

As mentioned in the Company's announcement on 28 April 2020, the Board of Directors is unable to reasonably assess the Company's financial position and is unable to demonstrate to the Exchange and its shareholders that the Company is able to continue as a going concern. Thus, for this reason, the Board is of the opinion that the trading in the Company's securities should be voluntarily suspended pursuant to Listing Rule 1303(3), and requests the SGX to suspend the trading of the Company's securities.

Pending the conclusion of our internal review and possible Restructuring, the date of the lifting of suspension cannot be ascertained at this juncture. Further announcements will be made by the Company and the Board via SGXNET as and when there are any material developments in compliance with the listing rules of the Singapore Exchange Securities Trading Limited.

[1] Asian Oil Markets Tighten After Saudi Aramco Cuts Supply
https://oilprice.com/Energy/Crude-Oil/Asian-Oil-Markets-Tighter-After-Saudi-Aramco-Cuts-Supply.html

SIAS Question 1

On 11 March 2020, in its response to queries received from SGX-ST, the Board stated that it opined the company is able to continue as a going concern and therefore trading in the company's securities should not be suspended pursuant to Listing Rule 1303(3).

Despite the negative equity position and the negative working capital position, management had assumed, in its cash flow forecast, the following:

- Sufficient cash inflows generated by the chartering segment
- Sufficient proceeds from the sale of vessels
- No material claims from creditors
- High employment of its vessels in a steady offshore environment

On 24 April 2020, the company announced that the recent severe adverse events (including the sharp downturn in the global oil and gas industry and the extension of Movement Control Oder) have adversely impacted the group's current operating condition, financial position and business outlook.

On 28 April 2020, the company voluntarily suspended the trading of the company's securities prior to the commencement of trading that day.

In the unaudited 1Q 2020 financial statement for the three months ending 31 March 2020, the group generated RM21.3 million in operating cash flow although the board stated that it is actively reviewing its options to restructure its businesses, operations and balance sheet to preserve value for the stakeholders of the company.

(i) **Given that the ship chartering business is long term in nature, what was the immediate impact due to the sharp downturn in the global oil and gas industry on the group's cash flow and financial position?**

(ii) **In particular, how has the group's financial position changed between 11 March 2020 and 28 April 2020?**

(iii) **What does the company need to achieve before it could request the resumption of trading of its shares on SGX-ST?**

(iv) **Has the company started negotiations with its creditors?**

Company's Response:

The sharp downturn in the oil and gas sector and heightened market uncertainty have severely impacted our clients' operations. This and the extended Movement Control Order ("MCO"), since 18 March 2020, have caused significant operational disruptions to the Company. For example, the Company's crews were not able to board and operate the vessels due to the MCO. In addition, the planned vessel sales to meet the Company's current debt obligations have also been adversely impacted by the willingness or ability of the buyer to complete the sale, which may have put more uncertainties on the realisable value of our vessels.

The Group is in communication with its principal lenders and appoint advisors to help address significant debt maturities, which may include, inter alia, extension of the maturities and/or restructuring of existing loans **("Restructuring").** In the event the Restructuring is not favourably completed in a timely manner, the Company and the Group could be faced with a going concern issue.

Upon to the satisfactory internal review findings and resolution of the abovementioned challenges and barring any further unforeseen adverse, macroeconomic and industry wide circumstances, the Company shall seek the approval from SGX-ST for the resumption of trading of the Company's securities.

Further announcements will be made by the Company and the Board via SGXNET as and when there are any material developments in compliance with the listing rules of the Singapore Exchange Securities Trading Limited.

SIAS Question 2

Would the Board/management provide shareholders with better clarity on the following operational/financial matters? Specifically:

(i) **Shipbuilding: The group generated no revenue from the shipbuilding segment in FY2019.** Can management confirm that all shipbuilding activities have been suspended/terminated and the segment will remain dormant in the foreseeable future?

(ii) **Fleet:** In FY2019, the group expanded its fleet from 28 in FY2018 to 36 in FY2019. Chartering revenue increased by 112% from RM134.5 million in FY 2019 to RM285.4 million in FY2019. RM58.9 million was used to fund the acquisitions of vessels. **Can management help shareholders understand the background to the acquisitions of 8 vessels in 2019? Were they "discretionary" acquisitions made by management in 2019?**

(iii) **Cash flow: Given the group's financial position, what guidance did the board give to management to balance its investments and to maximise its cash holdings/inflow?**

Company's Response:

As part of the requirements of the restructuring of the Group's debt with the trade creditors in 2018, which resulted in the mutual termination of significant number of outstanding shipbuilding contracts and in turn gave rise to the wavier of debts amounting to RM557.5 million in FY2018, the Group was required to fulfill its obligation under the remaining shipbuilding contracts to take delivery of the respective vessels in 2018 and 2019. These vessels, which were added to the chartering fleet, were originally contracted for construction by the Group as part of the inventories for vessel sale, prior to the downturn in the oil and gas industry and the collapse of the market for vessel sale in 2014.

The Group's existing shipbuilding activities are mainly related to the completion and deliveries of the remaining vessels from the third party subcontracted yards mentioned above, as well as the completion of the construction of the remaining shipbuilding projects, which were brought forward from 2014, at the Group's shipyard.

Given the Group's financial position and the challenging market outlook, the Board of Directors has instructed the management to take proactive measures, mentioned in the Company's announcement on 24 April 2020, to position the Group to ride out this incredibly challenging market environment.

SIAS Question 3

As disclosed in the corporate governance report, two independent directors, namely Mr Ajaib Hari Dass and Mr Yee Kit Hong, have each served on the board for a period of nine years from the date of their first appointment in 2011.

During the tenure, the company had gone through a debt restructuring exercise via Schemes of Arrangement.

The nominating committee (NC) has determined that the independence of Mr Ajaib Hari Dass and Mr Yee Kit Hong have not been affected by the tenure. The NC comprises Mr Ajaib Hari Dass (chairman), Mr Yee Kit Hong and Mr Tiong Chiong Hiiung (executive vice chairman cum finance director).

(i) **Given that both the long-tenured directors are the chairman and a member of the NC, how effective was the NC in the discharge of its duties (including the review of directors' independence)?**

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). Except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022, the Singapore Exchange has also made amendments to its Listing Rules which came into effect on 1 January 2019

Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subjected to a two-tier vote by shareholders.

(ii) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

(iii) **Has the NC evaluated if the Board would benefit from having new directors who can bring in fresh perspectives, and especially those who have significant experience and a good track record in financial management and restructuring?**

Company's Response to 3(i):

As disclosed on page 27 of the Annual Report, as part of the NC's duties, the NC had reviewed the independence of the long tenured non-executive directors and, having considered the provisions set out in the Code, the Practice Guidance and certain other salient factors including that Mr Ajaib Hari Dass and Mr Yee Kit Hong are objective and independent in expressing their views and in participating in deliberations and decision-making of the Board and Board Committees, confirmed that all of them are independent.

The Board concurred with the NC's view and was satisfied that they continued to be considered independent even though each had served the Board for more than nine years. Both had also abstained from voting on resolutions, making recommendations and/or participating in matters in which they are interested. They were also not involved in the deliberation in respect of their own independence. The Board is of the view that the NC was effective at discharging its duties.

Company's Response to 3 (ii):

The Company acknowledges the implementation of the 2018 CG Code as replacement for the Code of Corporate Governance 2012 and has taken guidance from the 2018 CG Code in describing its corporate governance practices.

The Board has a healthy proportion of independent directors, where independent directors account for half the Board. The Board and the NC have ascertained that for the period under review, three out of its six Directors are independent ensuing a strong independence element in the Board. Further, in concurrence with the NC, the Board is of the view that the current size of the Board is appropriate for the nature of the Group's business and the scope of its operations.

The Company is of the view that although the long-tenured directors have served beyond nine years as an Independent Director since 2011, they continue to express their individual viewpoints, debate issues and objectively and constructively challenge the Company's proposals and decisions on business activities and transactions that may involve conflicts of interests and other complexities. The NC has determined that both the directors' tenures in office have not affected their independence and ability to bring independent and considered judgment to bear in their discharge of duties as a member of the Board and Board Committees.

The Board has evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the Board.

The Board noted that the amendments to the Listing Rules which come into effect on 1 January 2022 will require an independent director who has served for more than nine years to undergo a two-tier shareholders' vote for re-election. The Company will comply with such amendments and will provide for a second-tier voting by the shareholders for the re-election of the independent directors, namely, Mr Ajaib Hari Dass and Mr Yee Kit Hong when such rule comes into effect.

Company's Response to 3(iii):

The NC and the Board recognizes the essence of SIAS query where there could be benefits of bringing in new directors to the Board who can bring in fresh perspectives, especially in the area of financial management and restructuring.

However, the continued services of the long-tenured directors are crucial and critical as their valuable experience and expertise contribute to the Group's decision-making process. Moreover, given the current uncertain situation and new external challenges, it is ever more important to harness the relevant expertise of these directors to tide through this period as opposed to reappointing new directors at this juncture.

Reconstituting the Board early to comply with the new 2018 CG Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the Board.

The Board considers continuity and stability of the Board important, especially in these uncertain period, and that it is not in the interests of the Company to require directors who have served more than nine years or longer to be ineligible for re-election (as independent directors). Both long tenured independent directors, namely Mr Ajaib Hari Dass and Mr Yee Kit Hong, have many years of business, financial, legal and industry experience and are able to serve the present needs of the Company with their vast experience and knowledge as well as comprehensive understanding of the Group's business and the markets, notwithstanding their long tenure. The Board nevertheless will on a continual basis, review the need for progressive refreshing of its Board, taking into account the need to maintain or enhance its balance and diversity in line with the 2018 CG Code.