



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

RESPONSE TO SGX-ST QUERIES IN RELATION TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

- (a) its announcement dated 14 August 2021 in relation to the Unaudited Condensed Interim Financial Statements for the Six Months Ended 30 June 2021 (the “**Results Announcement**”);
- (b) its announcement dated 29 June 2020 in relation to the Term Loan Interest (the “**29 June 2020 Announcement**”);
- (c) its announcement dated 1 October 2020 in relation to NCD’s admission into the Corporate Debt Restructuring Committee of Malaysia (“**CDRC**”) (the “**1 October 2020 Announcement**”);
- (d) its announcement dated 8 January 2021 in relation to the Term Loan Interest (the “**8 January 2021 Announcement**”); and
- (e) its announcement dated 25 June 2021 in relation to the suspension of repayment of the Term Loan Principal due on 30 June 2021 and Term Loan Cash Interest for the 7th Interest Period (the “**25 June 2021 Announcement**”).

Unless otherwise defined, capitalized terms used herein shall bear the same meaning ascribed to them in the above announcements.

The Board would like to provide the following additional information in reply to the queries raised by SGX-ST on 15 September 2021:

SGX-ST Query 1

As at 30 June 2021, the Group has negative working capital of RM1.1bil, borrowings due within 12 months of RM1.0bil, with cash and bank balances of RM79.4mil. Please disclose the pro-active actions which management is taking, and plans on taking, to ensure that the Group’s financial position remains strong.

- (i) Please assess the Company’s ability to operate as a going concern.
- (ii) Please assess the Company’s ability to meet its short term obligations when they fall due.

Given the Group’s significant liabilities of RM1.5bil and cash and bank balances of only RM79.4mil, and noting that the Company incurred losses of RM17.1mil for the half year ended 30 June 2021, please disclose the following:-

- (i) The Board’s assessment whether the Company’s current assets are adequate to meet the Company’s short term liabilities, including its bases of assessment;

- (ii) How the Company intends to fulfil its significant payment obligations in the next 12 months.

Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's Response

As a result of the depressed vessels utilisation as well as the realisable value of the Group's vessels, which are operating in the challenging oil and gas industry, the current assets of the Group of RM274 million in 1H2021 are unlikely to adequately meet the Group's short-term liabilities of RM1,386 million in 1H2021, which mainly comprise loans and borrowings of RM1,008 million and trade and other payables of RM324 million.

The following steps, which had been announced previously, have been taken by the Group as part of the on-going measures to position the Group to ride out this incredibly challenging market environment and also to address its debt obligations:

- a) The Group has been holding discussions with its principal lenders and has appointed advisors to help address significant debt maturities, which may include, inter alia, extension of the maturities and/or restructuring of existing loans ("Restructuring").

As a positive development, the Group's wholly owned subsidiary, Nam Cheong Dockyard ("NCD") applied and was formally admitted into the Corporate Debt Restructuring Committee of Malaysia ("CDRC"), a committee under the purview of Bank Negara Malaysia (the Central Bank of Malaysia) in October 2020, for the CDRC's assistance to mediate between NCD and its financial institution creditors. These financial institution creditors are expected to observe an informal standstill, and withhold from any proceedings against, inter alia, NCD and its subsidiaries. Since November 2020, NCD has been engaging actively with both financial institution creditors and trade creditors.

- b) The Group has been reviewing its cash flow projections, in the face of the great business uncertainties, operational disruptions and costs containment measures. It has been participating in 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 has explored various strategies to bolster its financial position whilst continuing its cost rationalisation measures to improve overall competitiveness.

However, no definitive agreements in relation to the Restructuring have been entered into by the Group as at even date. Pending the conclusion of definitive agreements in relation to the Restructuring to be entered into by the Group, there can be no assurance or reasonable certainty that any discussions or any Restructuring options will materialise or be successfully concluded.

In the event the Restructuring is not favourably completed in a timely manner, the Company and the Group will continue to be faced with a going concern issue. Hence, the Board of Directors is unable to, at this juncture, confirm the Group's ability to continue as a going concern.

SGX-ST Query 2

In respect of the Group's Trade and other receivables of RM166.6mil, please disclose the following:-

- (a) the breakdown of the Group's receivables;
- (b) the breakdown and the nature of the Group's other receivables;
- (c) aging of the Group's Trade and other receivables;
- (d) details of the Group's underlying transactions of its other receivables and the terms of the transactions;
- (e) the Company's plans to recover the trade and other receivables;
- (f) whether they are major customers and whether the Company continues to transact with these customer(s);
- (g) how long the debts are outstanding and in which period the sales were reported;
- (h) trade receivables turnover days as at 31 Dec 2020 and as at 30 Jun 2021;
- (i) actions taken to recover the trade and other receivables;
- (j) the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables; and
- (k) the Board's assessment of the recoverability of the remaining trade and other receivables.

Company's Response

The breakdown of trade and other receivables are as follows:

The Group	30.06.2021
	RM'000
Non-current	
Trade receivables from a third party	13,694
Less: Allowance for impairment losses	<u>(13,694)</u>
	<u>-</u>
Current	
Trade receivables	144,006
Less: Allowance for impairment losses	<u>(19,435)</u>
	<u>124,571</u>
Amounts due from associates and joint ventures (non-trade)	43,768
Deposits	7,185
Other receivables	15,528
Less: Allowance for impairment losses	
- amounts due from associate and joint ventures (non-trade)	(22,221)
- other receivables	<u>(2,205)</u>
	<u>42,055</u>
Total trade and other receivables	<u><u>166,626</u></u>

The aging analysis of trade receivables are as follows:

The Group	30.06.2021 RM'000	Financial year which respective sales were reported
Not impaired:		
Not past due	30,415	2021
Past due 1 to 3 months	43,967	2021
Past due 3 to 6 months	42,317	2020 to 2021
Past due more than 6 months	7,872	2020
	<u>124,571</u>	
Past due and impaired	33,129	2016 to 2021
	<u>157,700</u>	

Other receivables mainly comprised amount due from joint ventures and associates in connection with the funding of working capital; as well as deposits and sundry receivables which mainly consist of security deposit paid to the financial institutions for the issuance of bank guarantees in relation to vessel chartering activities, deposits and advances paid to suppliers, and expenses recoverable from the customers.

The non-trade amounts due from joint ventures, comprising mainly advances to Marco Polo Offshore (IV) Pte Ltd of RM13.1 million, are unsecured, bear interest at 7.25% per annum, and are repayable on demand. The remaining other receivables are unsecured, interest-free and repayable on demand.

As at 30 June 2021, RM63.6 million (or 51.0%) of the trade receivables are from the top 5 customers, which the Group continues to transact with. Trade receivables turnover days as at 31 Dec 2020 and as at 30 Jun 2021 are 88 days and 159 days respectively.

In assessing the recoverability of the Group's trade receivables, the Group took into consideration of the historical bad debt losses based on the age of the receivables and the customers' current financial position to identify any expected credit losses. Receivables that were determined to be impaired as at 30 June 2021 are related to those which have been past due and have insufficient information to justify recoverability of the respective receivables.

The Group continue to monitor the aging and collection of receivables on an on-going basis. For those receivables which are past due and doubtful of collection, reminders have been sent to the relevant customers before issuance of demand letters and the recovery of debts via legal proceedings where necessary.

As at even date, RM68.5 million (or 55.0%) of the net trade receivables of RM124.6 million in 1H2021 has been collected from the customers subsequent to 1H2021.

Based on the above and barring any unforeseen circumstances, the Board is of the view that the carrying value of the net trade and other receivables represents the recoverable amount as at 30 June 2021.

SGX-ST Query 3

Please disclose a breakdown of borrowings of RM1.0bil and whether there are cross default clauses in the borrowings agreements.

The breakdown of borrowings are as follows:

The Group	30.06.2021 RM'000
Bilateral facilities debt (secured)	102,445
Term loan - sustainable debts (unsecured)	905,732
	<u>1,008,177</u>

As previously announced in the 29 June 2020 Announcement and 8 January 2021 Announcement respectively, the Company had suspended the repayment of the Term Loan Cash Interest for the 5th Interest Period (as defined in the 29 June 2020 Announcement) and the 6th Interest Period (as defined in the 8 January 2021 Announcement). As mentioned in the 29 June 2020 Announcement, the primary reason for suspending the repayment of the Term Loan Cash Interest since the 5th Interest Period is the severe cash flow constraints faced by the Group for the foreseeable future, as a result of the depressed vessel daily charter rates and utilisation as well as the realisable value of the Group's vessels. This has also been further exacerbated by various other factors, such as the imposition of the Movement Control Order in Malaysia, and the continued volatility in oil prices.

A number of the Company's operating subsidiaries (in particular, NCD, NCI, Nam Cheong OSV Ltd, SK Venture Ltd and Nam Cheong Venture Ltd) were parties to various facility agreements ("Facility Agreements") (which were restructured as part of the restructuring in 2018). Principal payments under these restructured Facility Agreements ("Restructured Facility Agreements") have been suspended. The suspension of payment under the Restructured Facility Agreements, which have cross default clauses, and the Term Loan Facility, may also result in cross default of various other agreements or facilities that the Company and its subsidiaries are parties to.

As mentioned in the 1 October 2020 Announcement, NCD (which is a key subsidiary of the Company) was admitted into the CDRC for assistance to mediate a debt restructuring between NCD and its creditors. Since November 2020, NCD has been engaging actively with its creditors. Notwithstanding the difficult operating environment, discussions with the creditors are still in progress.

BY ORDER OF THE BOARD
NAM CHEONG LIMITED

Kong Wei Fung
Cheok Hui Yee
Company Secretaries

20 September 2021