



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

RESPONSE TO SGX-ST QUERIES IN RELATION TO FIRST HALF RESULTS FOR THE PERIOD ENDED 30 JUNE 2023 (“1H2023”)

The Board of Directors (the “**Board**”) of Nam Cheong Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) refers to the queries from Singapore Exchange Securities Trading Limited (SGX-ST) on 5 October 2023 in relation to the Company’s First Half Results for 1H2023 as follows:

SGX-ST Query 1

In regard to the Company’s trade and other receivables, please disclose the following: -

- a) Aging of the Group’s trade receivables;
- b) How long the debts have been outstanding and when the sales were reported;
- c) Whether they are major customer(s) and whether the Company continues to transact with these customer(s) and if so, the commercial reasons in doing so;
- d) Reasons for the allowances for impairment losses on trade and other receivables, including the reasons for delays or non-payment, where applicable; and
- e) The Board’s assessment of the recoverability of the remaining trade and other receivables.

Company’s Response

The aging analysis of trade receivables are as follows:

	30.06.2023 RM’000	Financial year which respective sales were reported
The Group		
Not impaired:		
Not past due	59,100	2023
Past due 1 to 3 months	80,545	2023
Past due 3 to 6 months	20,198	2022 - 2023
Past due more than 6 months	39,150	2022
	<u>198,993</u>	
Past due and impaired	<u>31,807</u>	2016 - 2023
	<u>230,800</u>	

Receivables that were determined to be impaired as at 30 June 2023 are related to those which have been past due and have insufficient information to justify recoverability of the respective receivables, including those which are related to customers who are facing financial difficulties in fulfilling their obligations.

Those receivables that were determined to be impaired were not from the Group’s major customers. The Group has ceased to transact with customers which outstanding debts are deemed doubtful of collection.

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 2023.

SGX-ST Query 2

Given the Group's significant liabilities of RM1,431.2 million and cash and bank balance of only RM43.2 million as at 30 June 2023, please disclose the Board's assessment (i) whether the Company's current assets are adequate to meet the Company's short term liabilities of RM1,424.2 million, including its bases of assessment; and (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 realisable value of the Group's vessels, which are operating in the volatile oil and gas industry, the current assets of the Group amounting to RM322.9 million in 1H2023 are unlikely to adequately meet the Group's short-term liabilities amounting to RM1,424.2 million in 1H2023, which mainly comprise borrowings amounting to RM1,040.9 million and trade and other payables amounting to RM323.2 million.

In this regard and as previously announced, the management of the Company has undertaken, and continues to undertake the following measures to address the liabilities of the Group:

- a) The Group has been in discussions with its financial institution ("**FI**") creditors, including appointing independent financial advisors and external legal counsel, to address the liabilities owed to this group of creditors. A summary of the significant milestones in the discussions with the FI creditors are set out as follows:
 - i. As announced on 1 October 2020, the Corporate Debt Restructuring Committee (the "**CDRC**"), an agency under the purview of the Central Bank of Malaysia, accepted Nam Cheong Dockyard Sdn Bhd's ("**NCD**") application for admission into the CDRC for assistance to mediate a debt restructuring between NCD and its FI creditors. Since November 2020, NCD has been engaging actively with both its financial creditors and trade creditors. After its admission into the CDRC process, NCD, together with its advisors, prepared an initial debt restructuring proposal for review by the CDRC.
 - ii. Following many rounds of feedback and negotiations with the FI creditors, NCD, together with its advisors, evolved a revised debt restructuring proposal which was presented to the FI creditors in 2021.
 - iii. As announced on 25 May 2022, after further rounds of negotiations, the Group reached an in-principle agreement with all its FI creditors for the proposed Restructuring.
 - iv. As announced on 20 April 2023, the Company and its key subsidiaries entered into the debt restructuring master agreement ("**DRMA**") with the FI creditors.
- b) In parallel with the above, the Group is also actively addressing and restructuring its other liabilities. As announced on 16 February 2023, the Company has made an application to the High Court of Malaya (the "**Court**") to convene a meeting with its Scheme Creditors ("**Scheme Meeting**") for the purpose of considering a scheme of arrangement to be proposed by the Company ("**Proposed Scheme of Arrangement**"). On 21 March 2023, the Court granted the Convening Order for the Company to convene the Scheme Meeting within six months from the date of the order. On 28 August 2023, the Court granted the Company's application for an extension of an additional three months to convene the Scheme Meeting. In this regard, the Company is now required to convene the Scheme Meeting within nine months from the date that the Court granted the Convening Order.

As announced on 7 March 2023, the Company convened an informal meeting with the creditors under the first restructured term loan where the proposed restructuring scheme was presented.

As announced on 6 September 2023, the Company dispatched the Scheme Documents and the Notice of Scheme Meeting, in relation to the Proposed Scheme of Arrangement, to the Scheme Creditors of the Company. The Scheme Meeting is scheduled to be convened on 3 November 2023.

Upon the successful conclusion of the Restructuring, the Group's current assets will be adequate to meet the Group's short term liabilities. The conclusion of the Restructuring is subject to certain condition precedents which, *inter alia*, includes the approval from SGX-ST for the resumption of trading of the Company's securities, the approval and the sanctioning of the Proposed Scheme of Arrangement by the Scheme Creditors and the Court respectively and the approval of the shareholders to the proposed resolutions in relation to the relevant corporate exercises.

Any further material developments relating to the Restructuring will be disseminated at the appropriate juncture. There is no assurance or reasonable certainty that any Restructuring options will be successfully concluded, although we are hopeful that the Group can achieve a viable solution going forward. In the event that the Restructuring is not concluded within a timely manner, the Company and/or the Group will continue to be faced with a going concern issue.

BY ORDER OF THE BOARD
NAM CHEONG LIMITED

Kong Wei Fung
Cheok Hui Yee
Company Secretaries

9 October 2023