



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

RESPONSE TO SGX-ST QUERIES IN RELATION TO THE FIRST QUARTER ENDED 31 MARCH 2021 FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT

The Board of Directors (the “**Board**”) of Nam Cheong Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) refers to its announcement made on 14 May 2021 in relation to the First Quarter Ended 31 March 2021 Financial Statements and Related Announcement (the “**Announcement**”). Unless otherwise defined, capitalized terms used herein shall bear the same meaning ascribed to them in the Announcement.

The Board would like to provide the following additional information in reply to the queries raised by SGX-ST on 16 June 2021:

SGX-ST Query 1

It is disclosed in the unaudited financial results that the Company reported trade and other receivables amounting to RM149.8 million. Please disclose:-

- (i) a breakdown of the Group’s trade and other receivables;
- (ii) the nature and breakdown of the Group’s other receivables;
- (iii) the underlying transactions and terms of the transactions (including the contract sum) and payment terms of the underlying contracts;
- (iv) aging of the Group’s trade receivables; and
- (v) the Company’s plans to recover the trade and other receivables.

Company's Response

The breakdown of trade and other receivables are as follows:

	The Group 31.03.2021 RM'000
Non-current	
Trade receivables from a third party	14,703
Less: Allowance for impairment losses	<u>(14,703)</u>
	<u>-</u>
Current	
Trade receivables from third parties	98,092
Trade receivables from associate and joint ventures	30,046
Less: Allowance for impairment losses	<u>(18,407)</u>
	<u>109,731</u>
Amounts due from associates and joint ventures (non-trade)	39,613
Deposits and other receivables	24,890
Less: Allowance for impairment losses	
- amounts due from associate and joint ventures (non-trade)	(22,189)
- other receivables	<u>(2,205)</u>
	<u>40,109</u>
Total trade and other receivables	<u><u>149,840</u></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 trade receivables were mainly arisen from the billing of vessel chartering and related services provided to the customers. The contractual duration and value of the chartering services ranges from 1 to 36 months and from RM0.4 million to RM19.1 million respectively. The services provided are billable in arrears on a monthly basis with payment terms ranging between 1 to 2 months from the date of invoice.

The aging analysis of trade receivables are as follows:

	31.03.2021 RM'000
The Group	
Not impaired:	
Not past due	41,782
Past due 1 to 3 months	44,091
Past due 3 to 6 months	12,315
Past due more than 6 months	<u>11,543</u>
	109,731
Past due and impaired	<u>33,110</u>
	<u><u>142,841</u></u>

As at even date, RM47.3 million (or 43.1%) of the net trade receivables of RM109.7 million in 1Q2021 has been collected from the customers subsequent to 1Q2021. 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.

SGX-ST Query 2

Given the Group's significant liabilities of RM 1,520 million and cash and bank balance of only RM 91.6 million and noting that the Company incurred losses of RM 16.8 million in the period ending 31 March 2021, please disclose the Board's assessment: (i) whether the Company's current assets are adequate to meet the Company's short term liabilities of RM 1,381 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 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 RM266 million in 1Q2021 is unlikely to adequately meet the Group's short-term liabilities of RM1,381 million in 1Q2021, which mainly comprised loans and borrowings of RM1,007 million and trade and other payables of RM327 million.

The following steps, which has been announced previously, have been taken by the Group as part of 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 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 creditors and trade creditors, with more steady progress in the latter, and the Group is hopeful for a positive outcome.

- b) The Group has been reviewing it's cash flow projections, in the face of the great business uncertainties, operational disruptions and costs containment measures. It has been entering into discussions with various parties regarding possible actions to contain operating costs and to preserve working capital to fund the Group's operations.
- b) 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 3

As at 31 March 2021, the Group has net debt of RM 1,007 million with cash and cash equivalents of RM 91.6 million. The Group is also in a net current liability and net liability position. Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong. In this regard, please assess the Company's ability to:-

- (i) operate as a going concern;
- (ii) meet its debt covenants (if any); and
- (iii) meet its short-term obligations when they fall due.

Company's Response

Please refer to the Company's response in Query 2.

BY ORDER OF THE BOARD
NAM CHEONG LIMITED

Kong Wei Fung
Cheok Hui Yee
Company Secretaries

18 June 2021