



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

EMPHASIS OF MATTER BY INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

In compliance with Rule 704(5) of the Listing Manual, the Board of Directors of Nam Cheong Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to announce that its independent auditors, BDO LLP (the “**Auditors**”), have included an emphasis of matter with respect to the material uncertainty related to going concern in their report (the “**Independent Auditor’s Report**”) on the financial statements of the Group for the financial year ended 31 December 2016 (the “**Financial Statements**”).

The opinion of the Auditors however remains unqualified.

A copy of the Independent Auditor’s Report together with the extract of the relevant note to the Financial Statements is annexed to this announcement.

BY ORDER OF THE BOARD
NAM CHEONG LIMITED

Tan Sri Datuk Tiong Su Kouk
Executive Chairman

17 March 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Nam Cheong Limited

Opinion

We have audited the financial statements of Nam Cheong Limited (the "Company") and its subsidiaries (the "Group"), which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards of Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 4 in the financial statements, which indicates that for the financial year ended 31 December 2016, the Group experienced a significant decrease in revenue and incurred a net loss of approximately RM42,771,000. As at 31 December 2016, the Group's loans and borrowings that were classified as current amounted to RM948,720,000 of which RM278,566,000 pertained to medium term notes that are due for repayment on 28 August 2017. These amounts exceeded the Group's cash and cash equivalents of RM162,618,000 as at 31 December 2016. As stated in Note 4, these events or conditions, along with other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Material uncertainty related to going concern

In assessing the appropriateness of the use of the going concern basis of accounting to prepare the financial statements, the Directors considered the following matters:

- (i) For the financial year ended 31 December 2016, the Group experienced a significant decrease in revenue and incurred a net loss of approximately RM42,771,000 due to deferment of the delivery of vessels that had been requested by several customers. The current downturn in the oil and gas industry may continue to add pressure to the Group's financial performance and its operating cash flows.
- (ii) As at 31 December 2016, the Group's loans and borrowings that were classified as current amounted to RM948,720,000 of which RM278,566,000 (S\$90 million) pertained to medium term notes that are due for repayment on 28 August 2017 (Note 29). These amounts exceeded the Group's cash and cash equivalents of RM162,618,000 as at 31 December 2016.
- (iii) To strengthen the Group's financial position and ensure the adequacy of funds to meet its external debt obligations and working capital needs, the following measures have been or are in the process of being put in place:
 - (a) Subsequent to the end of the financial year, the Group appointed a financial advisor to carry out a review of the financial position of the Group and to assist the Group in developing alternative options and solutions with a view to formulating a debt restructuring plan. As of the date of the financial statements, the Group has commenced and is in the midst of discussion with its bankers.
 - (b) The Group has sufficient unutilised banking facilities granted by its bankers which, subject to the fulfilment of certain conditions precedent, it can draw down for general working capital purposes where necessary.
 - (c) The Group continues to look for potential buyers and charterers for its fleet of vessels and has also tightened cost controls over various operating expense, including deferring certain construction projects, so as to improve its cash flow positions.

The above events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern, which is highly dependent on the successful implementation of the debt restructuring plan as well as continued support from its bankers and creditors.

In this regard, the Directors have considered the feasibility and effectiveness of the above measures and are of the view that preparing the financial statements using the going concern basis of accounting remains appropriate.

Should the Group and the Company be unable to continue its business as a going concern for the foreseeable future, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which may arise, and to reclassify non-current assets and non-current liabilities to current assets and liabilities respectively. No such adjustments have been reflected in the financial statements.