

Nam Cheong Group

Informal Noteholders Meeting
19 July 2017

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Market conditions

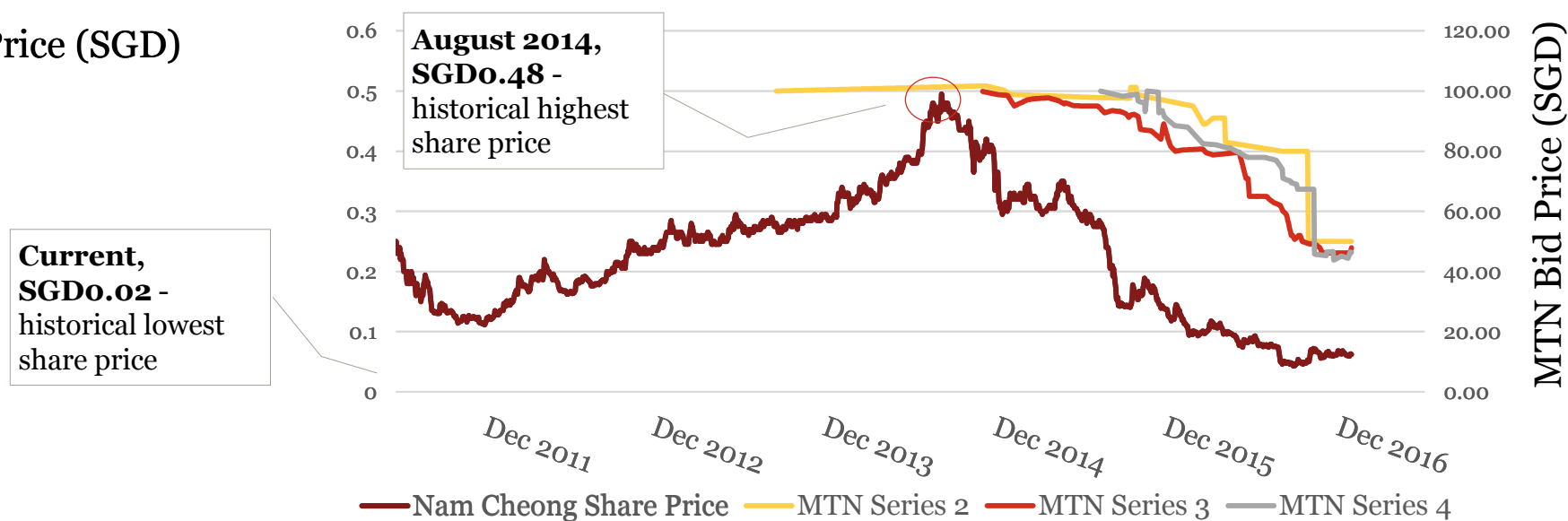
- Nam Cheong's financial position has suffered as its business has been adversely impacted by an extremely challenging operating environment
- Significant weakness and volatility in the oil price environment has persisted since worldwide reduction in oil and gas related activities in 2014
- Oversupply of offshore supply vessels along with influx of newly built vessels led to overall reduction in charter rates & utilisation
- Reduction in demand for vessels led to deferment in delivery of Nam Cheong's vessels and bring about potential threats by shipyards

Nam Cheong's historical financial performance

2011 - 2016

	2011	2012	2013	2014	2015	2016
No. of vessels delivered	¹ 13	¹ 13	20	24	11	2
Revenue (USD' m)	134.7	194.8	279.4	428.6	211.1	37.9
Profit / (Loss) (USD' m)	20.7	30.4	45.8	67.1	6.2	(9.5)

Share Price (SGD)



¹ These were inadvertently misstated in the presentation as 24 and 21 respectively.

Key events and measures taken by Nam Cheong

- 16 Feb 2017 – Appointed PwC as financial advisor to review the financial position
- 17 Mar 2017 – Auditors highlight material uncertainty on Nam Cheong Group's ability to continue as a going concern
- 23 Apr 2017 – Announced that the Group is undertaking a restructuring exercise
- Apr 2017 – Appointed Drew & Napier and Skrine as legal advisors to assist in the restructuring exercise
- Apr - Jun 2017 – Engaging bank lenders in Singapore and Malaysia to address significant debt maturities and restructuring of loans in preparation for noteholders meeting
 - Negotiations with shipyards, suppliers and customers to review and manage cash flow projections
 - Informal standstill of principal repayment to bank lenders to conserve cash for operations
- 19 Jun 2017 – Received a writ of summons from a bank
- 19 July 2017 – First informal noteholders meeting with the help of SIAS

Nam Cheong: Financial position as at 31 Dec 2016

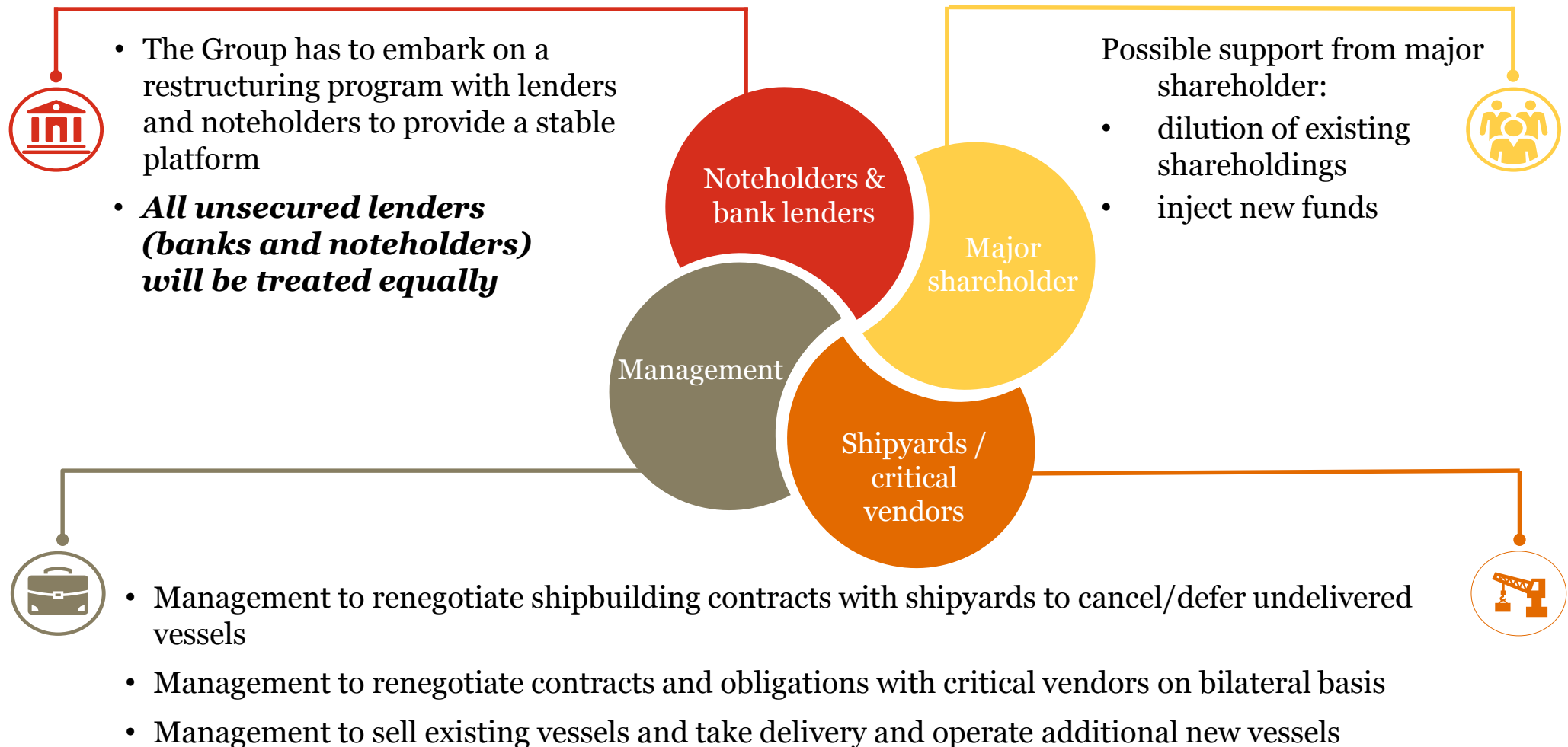
Key entities	Assets (USD'mil)	Liabilities (USD'mil)
SG Holding company (incorporated in Bermuda) Nam Cheong Limited	Amount due from a subsidiary 273 Investment in subsidiaries 240 Other assets 35 <hr/> 548	Medium term notes (255) Contingent liabilities (395) <hr/> (650)
MY Shipbuilding Nam Cheong Dockyard Sdn Bhd	Vessels under construction 533 Completed vessels 64 Vessels sold 101 Other assets 198 <hr/> 896	Accounts payable (200) Amount due to NCL (273) Bank loans (161) Shipbuilding contracts Note 1 <hr/> (634)
MY Labuan Shipbuilding Nam Cheong International Ltd Other SPVs	<p>Important note Under liquidation, assets value is likely to be significantly reduced while all contingent liabilities and commitments will be immediately due and payable. E.g.</p> <ol style="list-style-type: none"> Shipbuilding contracts for approx. 74 vessels at different stages of completion, mainly with China shipyards, may not be fulfilled. The deposits may be forfeited and the unbilled contract sum amount to approx. USD770 mil may become due and payable immediately. Realisable value of other assets will be significantly reduced. Investment in and amount due from subsidiary companies likely to suffer huge write offs as the subsidiary companies are not able to fully pay off own liabilities 	
		<p>Liquidation will result in high uncertainty in amount and timing of recovery</p>

Nam Cheong's restructuring framework

Liquidation will very likely result in very minimal recovery for the lenders and noteholders, if at all

The Group's position

- The Group is in need of additional working capital
- The Group needs to conserve its cash reserve for operational purposes. As such, it will not be able to make principal repayment in the near future



Proposed restructuring of bank lenders and MTN debts

- Secured assets to be sold (if applicable) and repaid to the secured creditors. This means that all amounts in the Interest Service Reserve Accounts will be paid to the Noteholders
- Secured debts which are not represented by the value of the secured assets will be settled pari-passu with unsecured debts
- All unsecured debts will be treated equally under the Schemes of Arrangement of the Company and its subsidiaries (“Scheme Companies”)

Proposed restructuring of bank lenders and MTN debts

- For the portion of the unsecured debt which is supported by the cash flow and assets of the Group:
 - An initial period of moratorium on principal repayment
 - Interest to be paid in cash as and when due and as Redeemable Convertible Bonds
 - A cash sweep mechanism on excess cash after the moratorium period
 - Option for creditors who want to exit early by accepting a volunteer haircut to the debt in exchange for immediate cash or share conversion. This may involve:
 - › The Company raising new money through rights issue to fund the cash-out
 - › The debt to be converted into new shares of the Company
- For the portion of the unsecured debt which is not supported by value of the Group, such debt may be converted into new shares of the Company

Implication to noteholders

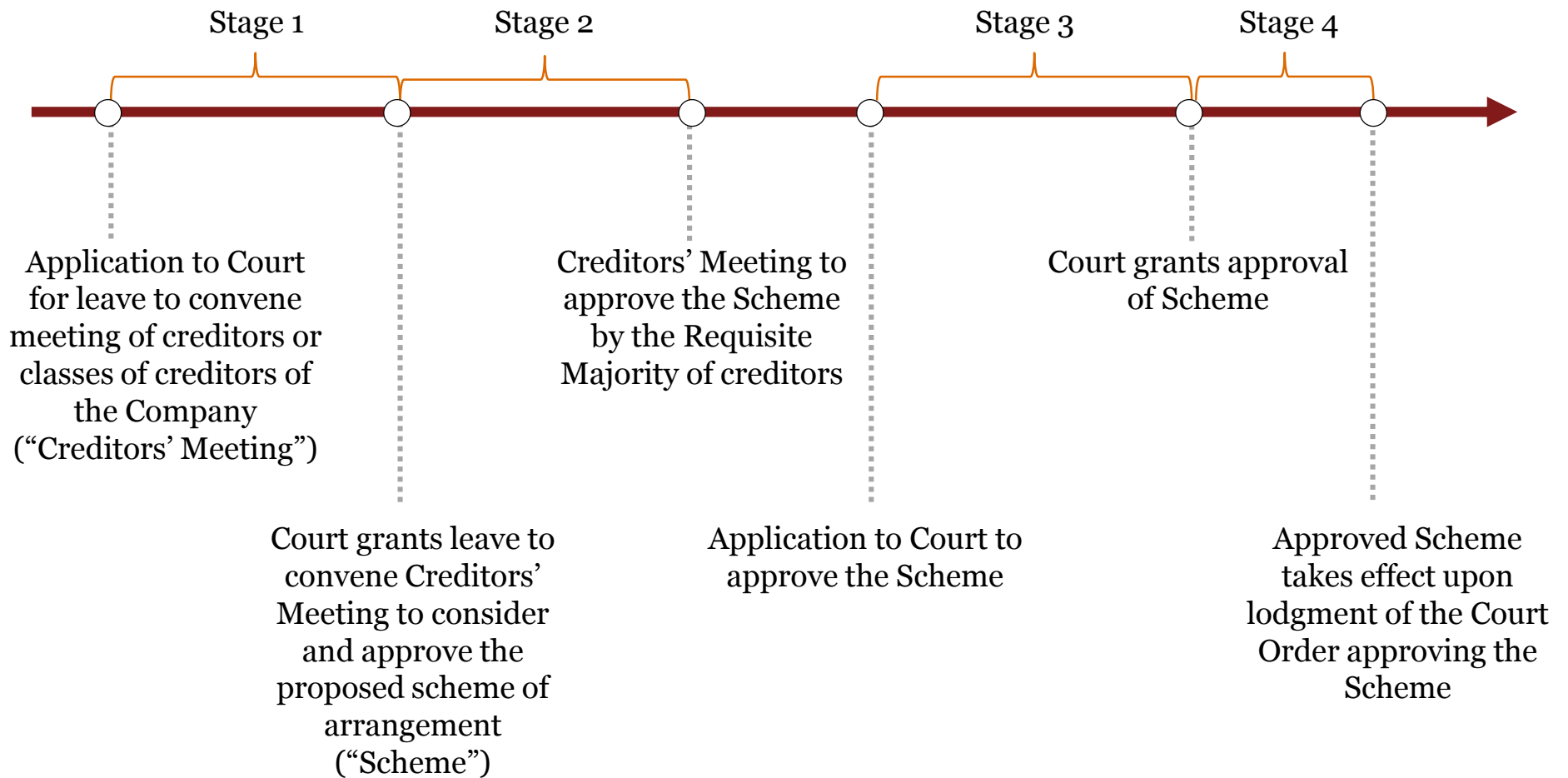
- **Under a liquidation scenario**, noteholders are in the most disadvantaged position: -
 - Being unsecured; and
 - Borrowing entity does not have fixed assets and operational cashflows
- **Under the proposed restructuring**
 - i. ISRA secured to the noteholders will be paid to the noteholders
 - ii. Remaining unsecured portion will be treated the same as the unsecured bank lenders
 - iii. No more coupon. Restructured interest will apply
- ***Under the restructuring, all noteholders will be treated fairly and equitably and rank equally with the unsecured bank lenders***
- ***A steering committee will be formed with the help of SIAS***
- ***Company will engage lawyers to support the steering committee***

Restructuring – Legal process

- Scheme of Arrangement (SOA) – no consent solicitation exercise
- The Scheme Companies will have their own SOA. For the Group’s restructuring exercise to be successful, all SOAs must be approved by the requisite majority and the Court
- The SOA of the Company shall be approved by a majority in number representing 75% in value (“Requisite Majority”) of the Company’s creditors or all classes of creditors

Restructuring – Legal process

Indicative process



Summary

- The proposed scheme offers significantly higher recovery than a liquidation scenario
- Shares and convertible bonds to be issued provide potential equity upside
- Opportunity to exit immediately through Cash Out or Immediate Share Conversion options
- Timing and amount of recovery under a liquidation scenario is highly uncertain given depressed OSV sector

Conclusion

For the restructuring to be successful,

the Company needs your support.

Please vote for the scheme!

Q&A session