



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

RESPONSE TO QUESTIONS FROM SHAREHOLDERS

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

- (a) the Company’s annual report for the financial year ended 31 December 2023 (“**AR FY2023**”);
- (b) the notice of the annual general meeting (“**AGM**”) issued on 14 May 2024 informing the shareholders of the Company that the AGM will be convened on 30 May 2024 at 10.00 am; and
- (c) the accompanying announcement in relation to the AGM (“**AGM Announcement**”).

The Company would like to thank the shareholders for their co-operation in submitting their queries in accordance to the deadline set out in the AGM Announcement.

The Company has set out its responses to all questions in this announcement.

BY ORDER OF THE BOARD
NAM CHEONG LIMITED

Kong Wei Fung
Cheok Hui Yee
Company Secretaries

26 May 2024

Shareholder's Question 1:

During the 7-year period of debt repayment:

- a) Is there any scope for dividend payments to Nam Cheong shareholders?**
- b) Is there scope allowed under the agreement with creditors for Nam Cheong to voluntarily pare down the debt beyond the scheduled payment quantum?**

Company's Response:

Cash generated from the vessel chartering business is required to be prioritised for the repayment of the restructured term loans, and prepayment is allowed. Therefore, dividends will only be considered once these loans are fully settled.

Shareholder's Question 2:

How many vessels are outstanding from the China yards that Nam Cheong is to take delivery of? What is the delivery timeline? What about the financing?

On your books, have the value of these vessels been written down ?

Can you / Will you sell off the vessels to book a gain in order to help pare down your debt?

Shipbuilding in China - can the company give an update on the vessels under construction?

Company's Response:

Since 2017, the Group has been actively engaging the PRC subcontracted yards to restructure its liabilities arising from the shipbuilding contracts entered prior to 2015. This restructuring involved the suspension of construction or delivery of the remaining vessels, with a view to extend the delivery period or terminate the shipbuilding contracts. As of 31 March 2024, all the remaining vessels have been either delivered or cancelled pursuant to the settlement agreements with the PRC subcontracted yards. Therefore, there are no vessels pending delivery from these contracts.

Shareholder's Question 3:

What is the status of the shipbuilding business, which has had no revenue for several years already? Is there any opex & capex related to this segment?

Can the company provide an update on the shipyards / shipbuilding side of the business? Is there new orderbook? How many staff is still employed? Is the company retaining or selling this business?

What is happening to the 12.6 hectare site in Kuala Baram? Any plans to sell it if not in use?

Company's Response:

The oil and gas market has been gradually recovering since the collapse of the market in 2014/2015 and the unprecedented fall in oil prices caused by the pandemic in 2020.

Many oil companies are now in a position to increase their investments. Major players in the industry have indeed ramped up spending on both capital and operating expenses, with Petronas notably increasing its investments in Malaysia compared to the previous year.

Despite the positive development in the oil and gas industry, the lack of long-term charters for new built offshore support vessels has made it difficult for potential buyers to obtain fresh funding from capital providers. As a result, the Group's shipbuilding business has not found itself out of the woods and therefore has not received new orders for shipbuilding.

However, encouraged by the recent resurgence in demand for ships built with advanced technology, the Group remains optimistic about capturing new business opportunities in this sector. Hence, the Company has strategically continued to maintain the shipyard at Kuala Baram with minimum operating costs, maintenance capital expenditures, and human resources.

Shareholder's Question 4:

What are the primary sources of revenue when chartering vessels?

How do different types of charter contracts impact profitability?

Can the company provide a list of the vessels by age / size / type and book value for shareholders' information?

What were Nam Cheong's orderbooks (for chartering) at the start of FY22, FY23 and FY24? To what extent is Nam Cheong operating on spot charters?

Can the company provide a breakdown on the ship charter rates? Is it spot or long term charter? How many vessels are on dry docking?

Company's Response:

During FY2023, the Group chartered its vessels mainly to the national oil company and oil majors in Malaysia on a time charter basis, with charter durations of less than one year. The Group's orderbook for chartering at the beginning of 2023 would therefore be less than the full year chartering revenue for FY2023. On a positive note, the short-term charter contracts provide the Group with potential to capture higher chartering rates in favourable market condition. While the charter rates for individual vessels are confidential due to commercial sensitivity, revenue from the chartering business grew steadily from RM365.7 million in FY2022 to RM475.3 million in FY2023, driven by higher vessel utilisation of larger vessels and improved day rates.

The Group's fleet has an average age of about 7 years old. The information about the Group's fleet can be found on the website of the Group's subsidiary, SKOM Sdn Bhd, which specializes in ship management. The website link is: <https://skom.com.my/our-fleet/>

Shareholder's Question 5:

How does Nam Cheong see market conditions evolving in the next few years?

What strategies does the company employ to maximize profits in fluctuating market conditions?

Company's Response:

Benchmark crude oil prices fluctuated between US\$75 to US\$91 per barrel since the beginning of the year, reflecting the volatile and uncertain economic environment as well as heightening geopolitical tensions.

Oil and gas capital expenditures (“CAPEX”) are expected to remain elevated, with a projected growth rate reaching 17% in 2024, up from 16% in 2023 and 7% in 2022¹. The increasing offshore activities have driven up day rates for offshore support vessels (“OSV”).

According to the Bank Negara Malaysia, the Malaysian economy is projected to grow between 4% and 5% in 2024, up from 3.7% achieved in 2023, underpinned by resilient domestic demand and improvements in external demand. However, the inflation outlook is still subject to risks from potential price adjustments in consumer goods and energy, along with external pressures from exchange rates and global commodity prices.²

The sustaining oil and gas CAPEX and improving daily charter rates support a favourable long-term prospect for the Group as a significant player in the offshore oil and gas supply chain. Following the completion of the debt restructuring and great improvement in its capital structure, the Group is well-positioned to advance its business recovery and fully participate in the industry growth cycles.

Shareholder’s Question 6:

Since the release of 1Q results, is the company committed to engage shareholders with regular results briefing?

Company’s Response:

The Company is committed to establishing and maintaining effective communications with shareholders and stakeholders to enhance their understanding of the Company's business model, competitive strengths, growth strategy, and investment merits.

The Company's board of directors, senior management and external auditors will be present at all general meetings to address Shareholders' queries. Shareholders will be given reasonable opportunities to ask questions and share their views on issues impacting the Company and on the matters being tabled for consideration at these meetings. Moreover, results briefings will also be conducted as and when the needs arise.

For further information or inquiries, shareholders and investors are encouraged to contact the Company's IR team via e-mail at ir@ncl.com.sg or the Company’s appointed external investor relations consultants Kamal Samuel at kamal@financialpr.com.sg or Vicki Zhou at zhouyan@financialpr.com.sg.

¹ Offshore Magazine: Oil and gas capex to remain elevated, even grow marginally, 13 February 2024

² Bank Negara Malaysia: Bank Negara Malaysia Publishes Annual Report 2023, Economic and Monetary Review 2023 and Financial Stability Review for Second Half 2023, 20 March 2024