



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

RESPONSE TO SGX-ST QUERIES IN RELATION TO THE DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Board of Directors (the “**Board**”) of Nam Cheong Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) refers to its announcement made on 2 April 2019 in relation to the disclaimer of opinion by Independent Auditors on the Financial Statements for the financial year ended 31 December 2018 (the “**Announcement**”). Unless otherwise defined, capitalised 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 3 April 2019:

SGX-ST Query 1

In the Independent Auditor’s Report, the Independent Auditors has, *inter alia*, stated that they “*have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements*” and accordingly, “*do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position of the Company*”. In this regard, the Independent Auditors noted, *inter alia*, that they were “*were unable to conclude whether the use of going concern basis in the preparation of these financial statements is appropriate*”.

In light of the above, the Company is required to disclose the following in a clarification announcement via SGXNet as soon as practicable and in any event, no later than **Friday, 5 April 2019**:

- (a) the Board’s opinion as to: (i) whether the Company and the Group can continue to operate as a going concern; and (ii) the bases for its views;
- (b) the Board’s opinion as to whether trading in the Company’s securities should be suspended pursuant to Listing Rule 1303(3); and
- (c) the Board’s confirmation as to: (i) whether sufficient information is disclosed for trading of the Company’s securities to continue in an orderly manner; and (ii) the bases for its views.

Company's Response

- (a) The independent auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves on certain key assumptions supporting the cash flow forecast related to the outcome assumed by the management for the remaining 15 shipbuilding contracts that the Group had previously contracted with certain subcontracted shipyards in the PRC prior to 2015 (the "**Contracts**") because the negotiation with the subcontracted shipyards in relation to the Contracts are still ongoing.

Since 2017, the Group has been actively negotiating with all its subcontracted shipyards to restructure its debt obligations of the remaining shipbuilding contracts. Over this period, the Group has managed to conclude settlement arrangements for the shipbuilding contracts for 48 vessels. As the negotiations were conducted in an amicable manner and involved multi-levelled and frequent discussions, it has required an extended period of time to conclude. Notwithstanding such challenges faced, the Group believes that it is able to restructure the debt obligations of the Contracts subsequent to the end of the financial year ended 31 December 2018, based on the management's most recent discussions and the working relationship of more than 5 years with these subcontracted shipyards, and their experience and track records in concluding the settlement arrangements for the shipbuilding contracts for 48 vessels with other subcontracted shipyards.

In assessing whether the Group and the Company can meet their debt obligations for at least the next 12 months, the management has prepared cash flows forecasts for the financial year ending 31 December 2019, up to the financial year ending 31 December 2021, when the Group and the Company are required to commence repayment of the Term Loan. The key assumptions relied on, which are consistent with those applied in the Group's restructuring settlement with the creditors, include:

- (i) sufficient cash inflows to be generated by the Group's shipbuilding and chartering segments based on certain projected revenue, with reasonable expectations of vessel selling prices, daily charter rates, vessel utilisation and that the customers are able to pay;
- (ii) no material claims from creditors, particularly those subcontracted shipyards, which the Group has yet to terminate the Contracts or restructure the debts owing to such subcontracted shipyards, that are reasonably likely to have a material effect on the Group's financial condition and operations are brought against the Group; and
- (iii) the positive outlook expected for Anchor Handling Tug Supply vessels, Platform Supply vessels as well as accommodation and maintenance vessels due to the pickup in drilling and development activities and an expected increase in man hours required in the Brownfield Hook-up & Commissioning (HUC) segment, according to the most recent Activity Outlook 2019-2021 report released by Petronas in December 2018.

Based on the cash flow forecast, barring any unforeseen adverse macro economic and industry wide circumstances, the Board believes that the Group and the Company will have sufficient working capital and financial resources to meet their obligations as and when they fall due for at least the next 12 months from the end of the reporting period, and are of the view that the going concern assumption is appropriate for the preparation of the financial statements for the financial year ended 31 December 2018.

- (b) Based on the responses provided above, the Board is of the opinion that the Company is able to continue as a going concern and therefore trading in the Company's securities should not be suspended pursuant to Listing Rule 1303(3).

- (c) To the best of its knowledge and belief, the Board confirms that all material disclosures have been made for the trading of the Company's securities to continue in an orderly manner.

BY ORDER OF THE BOARD
NAM CHEONG LIMITED

Tan Sri Datuk Tiong Su Kouk
Executive Chairman
4 April 2019