



**NAM CHEONG LIMITED**  
(Company Registration No. 25458)  
(Incorporated in Bermuda)

## **ANNOUNCEMENT**

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- 1. PROPOSED CAPITAL REORGANISATION**
  - 2. PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE**
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### **1 INTRODUCTION**

- 1.1. The Board of Directors ("**Board**") of Nam Cheong Limited ("**Company**") and its subsidiaries (together the "**Group**") refers to:
  - (a) its announcements dated 9 October 2017 and 24 October 2017 in relation to the Company's application on 6 October 2017 to the High Court of the Republic of Singapore ("**Court**") pursuant to (a) Section 210(1) of the Companies Act (Cap. 50) ("**Companies Act**"); and (b) Section 211B of the Companies Act and/or the inherent jurisdiction of the Court (collectively, the "**Application**");
  - (b) its announcement dated 30 October 2017 in relation to the grant of the Application by the Court to convene a meeting of its creditors for the purposes of considering and approving with or without modification a scheme of arrangement proposed to be made between the Company and its creditors pursuant to Section 210(1) of the Companies Act;
  - (c) its announcement dated 16 November 2017 in relation to the grant of the Company's key subsidiaries', namely, Nam Cheong Dockyard Sdn Bhd and Nam Cheong International Ltd, application to convene the requisite meeting of creditors to approve schemes of arrangement with their respective scheme creditors by the High Court of Malaya; and
  - (d) its announcement dated 23 November 2017 in relation to the Scheme Documents dated 23 November 2017 containing details of the scheme of arrangement ("**Proposed Scheme**") proposed to be made between the Company and its Creditors (as defined in the Proposed Scheme).
- 1.2. The Board wishes to announce that under the Proposed Scheme, the Company is proposing a renounceable non-underwritten rights issue of up to 2,096,465,885 new ordinary shares ("**Rights Shares**") in the capital of the Company at an issue price of S\$0.014 for each Rights Share ("**Issue Price**"), on the basis of one (1) Rights Share for every one (1) ordinary share in the capital of the Company ("**Share**") held by the shareholders of the Company ("**Shareholders**") at a books closure date ("**Books Closure Date**") to be determined by the Directors ("**Proposed Rights Issue**").
- 1.3. Under the laws of Bermuda, shares of a Bermuda company may not be issued for an amount less than the par value of the shares. As at the date of this announcement, the authorised share capital of the Company is HK\$400,000,000 divided into 4,000,000,000 Shares with a par value of HK\$0.10 each, of which 2,096,465,885 Shares (excluding 6,678,597 Shares held in treasury) have been issued and fully paid up. The Issue Price of S\$0.014 per Rights Share (equivalent to approximately HK\$0.081) is less than the par value of the Shares. Accordingly, in order to, *inter alia*, provide the Company with greater flexibility to issue new Shares in the future should fund raising opportunities arise, including the issue of the Rights Shares at the

Issue Price of S\$0.014 per Rights Share under the Proposed Rights Issue, the Company proposes to undertake a capital reorganisation (“**Proposed Capital Reorganisation**”) to, *inter alia*, lower the par value of each Share to HK\$0.001.

## 2 **DETAILS OF THE PROPOSED CAPITAL REORGANISATION**

The Proposed Capital Reorganisation will involve the following:

- (a) the reduction of the issued and paid-up share capital of the Company (“**Capital Reduction**”) from HK\$210,314,448 divided into 2,103,144,482 Shares of HK\$0.10 each (including treasury Shares), to HK\$2,103,144 divided into 2,103,144,482 Shares of par value HK\$0.001 each (including treasury Shares), by cancelling the paid-up capital of the Company to the extent of HK\$208,211,304 in aggregate on the Shares with a par value of HK\$0.10 in issue on the implementation of the Proposed Scheme (“**Implementation Date**”), such that each issued Share with a par value of HK\$0.10 shall be treated as one (1) fully paid Share with a par value of HK\$0.001 as at the Implementation Date, and any liability of the holder of such Shares to make any further contribution to the share capital of the Company on each such Share shall be treated as satisfied. As at the date of this announcement, all issued Shares in the capital of the Company have been fully paid-up;
- (b) subject to and forthwith upon the Capital Reduction taking effect, the cancellation of all of the authorised but unissued Shares with a par value of HK\$0.10 each in the Company and the diminution of the authorised share capital of the Company of HK\$400,000,000 by such amount representing the amount of Shares so cancelled (“**Authorised Capital Diminution**”), and forthwith upon the Authorised Capital Diminution, the authorised share capital of the Company be increased to HK\$4,000,000 by the creation of such number of Shares with a par value of HK\$0.001 each as shall represent the difference between 4,000,000,000 Shares with a par value of HK\$0.10 each and the number of Shares with a par value of HK\$0.001 in issue after the Capital Reduction; and
- (c) subject to and forthwith upon the Capital Reduction taking effect, the credit arising from the Capital Reduction in the sum of HK\$208,211,304 shall be credited to the contributed surplus account of the Company to be utilised in such manner as may be determined by the Directors in accordance with the Bye-laws (as defined below) and all applicable laws.

## 3 **RATIONALE FOR THE PROPOSED CAPITAL REORGANISATION**

- 3.1 The concept of par value is applicable to the Company as it is a company incorporated in Bermuda. Under the laws of Bermuda, shares of a Bermuda company may not be issued for an amount less than the par value of the shares. The Proposed Capital Reorganisation will provide the Company with greater flexibility to issue new Shares in the future should fund raising opportunities or requirements arise and facilitate corporate actions which may require the issuance of new Shares, such as the issue of the Rights Shares at the Issue Price of S\$0.014 per Rights Share under the Proposed Rights Issue.
- 3.2 The amount of credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company. The crediting of contributed surplus will increase the balance in the contributed surplus account of the Company. No cash is required to support such increase in the contributed surplus account of the Company.
- 3.3 The Directors will, as long as the Company is solvent, be authorised to utilise any credit balance in the contributed surplus account of the Company in such manner as they may determine in accordance with the bye-laws of the Company as amended, supplemented or modified from time to time (“**Bye-law**”) and all applicable laws. Subject to the Bye-laws and all applicable laws, the proposed crediting of contributed surplus will increase the credit balance in the contributed surplus account of the Company and provide the Company with greater

flexibility in relation to future distributions, if any, out of contributed surplus. Shareholders should note that whether or not the Company will make a distribution out of contributed surplus and the timing and amount of distribution to be paid will depend on the Company's earnings, financial position including cash flow position, future capital requirements, future plans and other relevant factors. As at the date of this announcement, Shareholders should note that there are currently no plans to make any distribution out of the increased contributed surplus arising from the Proposed Capital Reorganisation.

- 3.4 The Directors are therefore of the view that the Proposed Capital Reorganisation will mitigate the limitations generally associated with the concept of par value and provide the Company with flexibility on its future capital structure to enable the Company to take advantage of opportunities as and when they arise, such as the issue of the Rights Shares at the Issue Price of S\$0.014 per Right Share under the Proposed Rights Issue.

#### **4 EFFECT OF THE PROPOSED CAPITAL REORGANISATION**

- 4.1 Upon the Proposed Capital Reorganisation taking effect:

- (a) the par value of each issued and unissued Share will be reduced from HK\$0.10 to HK\$0.001;
- (b) the issued and paid-up share capital (based on the number of issued Shares as at the date of this announcement) will be HK\$2,103,144 (divided into 2,103,144,482 Shares with a par value of HK\$0.001 each). The number of issued Shares will remain unchanged at 2,103,144,482 Shares (including treasury Shares); and
- (c) the authorised share capital will be reduced from HK\$400,000,000, divided into 4,000,000,000 Shares with a par value of HK\$0.10 each, to HK\$4,000,000, divided into 4,000,000,000 Shares with a par value of HK\$0.001 each.

- 4.2 The Proposed Capital Reorganisation will take effect on the implementation of the Proposed Scheme. Upon the Proposed Capital Reorganisation becoming effective, there is no change in the number of issued and paid-up Shares held by, or the percentage level of shareholding of, each Shareholder or depositor as a result of the Proposed Capital Reorganisation. The Shares with a par value of HK\$0.001 each will rank *pari passu* in all respects with each other. Other than the costs and expenses incurred in relation to the Proposed Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company.

- 4.3 The Proposed Capital Reorganisation will also not result in a return of capital or cash to Shareholders. The amount of credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company.

#### **5 CONDITIONS PRECEDENT FOR THE PROPOSED CAPITAL REORGANISATION**

- 5.1 The implementation of the Proposed Capital Reorganisation is subject to, *inter alia*, the following:

- (a) the approval by the Shareholders of the Proposed Capital Reorganisation by way of a special resolution (as defined in the Bye-laws) at the Company's special general meeting ("**SGM**"), that is to say, the Proposed Capital Reorganisation has to be approved by a resolution passed by a majority of not less than three-fourths (3/4) of the votes cast by the Shareholders, being entitled so to do, present and voting at the SGM (either voting in person or by duly authorised corporate representative or by proxy) of which not less than twenty-one (21) clear days' notice shall be given;
- (b) compliance with relevant legal procedures and requirements under Bermuda law and Singapore law (if any) to effect the Proposed Capital Reorganisation, including but not limited to the following:

- (i) the publication of a notice in an appointed newspaper in Bermuda at a date not more than thirty (30) days and not less than fifteen (15) days before the effective date of the Proposed Capital Reorganisation (“**Proposed Capital Reorganisation Effective Date**”) as required under Section 46(2)(a) of the Bermuda Companies Act;
  - (ii) the publication of a books closure notice in an appointed newspaper in Bermuda;
  - (iii) the filing of a certified true copy of the special resolution approving the Capital Reduction, a memorandum of reduction of share capital and the Capital Reduction newspaper notice with the Bermuda Registrar within 30 days of the Proposed Capital Reorganisation Effective Date; and
- (c) the receipt of all necessary approvals (if any) from the regulatory authorities, as may be required in respect of the Proposed Capital Reorganisation.

5.2 Section 46(2)(b) of the Bermuda Companies Act in respect of share capital reduction provides that no company shall reduce the amount of its share capital if, on the date the reduction is to be effected, there are reasonable grounds for believing that the company is, or after the reduction would be, unable to pay its liabilities as they become due. The Proposed Capital Reorganisation will take effect on the implementation of the Proposed Scheme. After the implementation of the Proposed Scheme, the outstanding liabilities owing to the Creditors will be substantially reduced.

## 6 **FINANCIAL EFFECTS OF THE PROPOSED CAPITAL REORGANISATION**

6.1 The *pro forma* financial effects of the Proposed Capital Reorganisation on the share capital, Shareholders’ funds and reserves, net tangible assets (“**NTA**”), earnings and gearing of the Group are set out below. The *pro forma* financial effects have been prepared based on the unaudited financial statement of the Group for the nine months ended 30 September 2017. The *pro forma* financial effects are purely for illustrative purposes only and therefore not necessarily indicative of the actual results of the Company and the Group or the related effect on the financial position that would have been attained had the Proposed Capital Reorganisation taken place.

### 6.2 **Effect on share capital**

The effects of the Proposed Capital Reorganisation on the share capital of the Company as at the date of this announcement are follows:

	<b>Before the Proposed Capital Reorganisation</b>	<b>After the Proposed Capital Reorganisation</b>
<b><u>Authorised share capital</u></b>		
<b>Number of shares ('000)</b>	4,000,000	4,000,000
<b>Par value (HK\$)</b>	0.10	0.001
<b>Total (HK\$'000)</b>	400,000	4,000
<b><u>Issued and paid-up share capital</u></b>		
<b>Number of shares</b>	2,103,144,482	2,103,144,482
<b>Par value (HK\$)</b>	0.10	0.001
<b>Total (HK\$)</b>	210,314,448	2,103,144

### 6.3 Effect on Shareholders' funds and reserves

The Shareholders' funds and reserves of the Group before and after the Proposed Capital Reorganisation are as follows:

RM ('000)	Before the Proposed Capital Reorganisation	After Capital Reduction and crediting of retained earnings
Share capital	81,192	812
Share premium	82,347	82,347
Treasury shares	(4,097)	(4,097)
Other reserves	346,835	346,835
Contributed Surplus	-	80,380 <sup>(1)</sup>
Accumulated losses	(1,238,984)	(1,238,984)
Total	(732,707)	(732,707)

**Note:**

- (1) The increase in contributed surplus occurs as the reduction in par value of the Shares did not result in any return of capital to Shareholders. Accordingly, the capital remained intact but it has been presented with a reduced share capital and a corresponding increase in contributed surplus.

### 6.4 Effect on NTA, earnings and gearing

Save for the costs and expenses relating to the Proposed Capital Reorganisation, the implementation of the Proposed Capital Reorganisation will not have any effect on the NTA, earnings and gearing of the Group. No capital will be returned to Shareholders and there will be no change in the number of Shares held by Shareholders immediately after the Proposed Capital Reorganisation.

**The *pro forma* financial effects of the Proposed Capital Reorganisation on the Company above have been prepared for illustrative purpose only and do not reflect the actual future financial situation of the Group after the completion of the Proposed Capital Reorganisation.**

## 7 EFFECTIVE DATE OF THE CAPITAL REORGANISATION

Upon the approval of Shareholders for the Proposed Capital Reorganisation by way of a special resolution being duly passed at the SGM as mentioned above, an announcement will be issued by the Company to confirm the Proposed Capital Reorganisation Effective Date.

## 8 PROPOSED PRINCIPAL TERMS OF THE PROPOSED RIGHTS ISSUE

- 8.1 **Basis of provisional allotment.** The Company is proposing the Proposed Rights Issue to be offered on a renounceable non-underwritten basis to Entitled Shareholders (as defined below) on the basis of one (1) Rights Share for every one (1) existing Share standing to the credit of the Securities Account (as defined below) of the Entitled Depositors or held by the Entitled Scripholders, as the case may be, as at the Books Closure Date, fractional entitlements to be disregarded.
- 8.2 **Non-underwritten.** The Proposed Rights Issue will not be underwritten. In view of the Irrevocable Undertaking (as defined below), further details of which are set out in Section 11 of this announcement, and the savings in underwriting costs which the Company will enjoy, the Company has decided to proceed with the Proposed Rights Issue on a non-underwritten basis. The Proposed Rights Issue will not be withdrawn after commencement of the ex-rights trading of the Shares pursuant to Rule 820(1) of the Listing Manual.

- 8.3 **Number of Rights Shares.** Based on the existing issued and paid up share capital of the Company (excluding treasury shares) (the "**Existing Issued Share Capital**") of the Company comprising 2,096,465,885 Shares as at the date of this announcement, up to 2,096,465,885 Rights Shares will be issued.
- 8.4 **Right Shares Issue Price.** The Issue Price is proposed to be S\$0.014 per Rights Share, payable in full on acceptance and/or application. The Issue Price represents a discount of approximately 30% to the last trading share price of S\$0.02 per Share for trades done on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 20 July 2017 (being the last trading day immediately before the Company's request for its Shares to be suspended from trading on the Mainboard of the SGX-ST).
- 8.5 **Status Right Shares.** The Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls before the date of issue of the Rights Shares.

## 9 **SIZE OF THE PROPOSED RIGHTS ISSUE**

9.1 As at the date of this announcement, the Existing Issued Share Capital of the Company comprises 2,096,465,885 Shares. The Company does not have any outstanding convertible securities. As mentioned in Section 4.2 of this announcement, the number of issued Shares will remain unchanged after the completion of the Proposed Capital Reorganisation.

9.2 For illustrative purposes only, based on the Existing Issued Share Capital:

- (a) if the Proposed Rights Issue is fully subscribed for and no new Shares are issued on or prior to completion of the Proposed Rights Issue, 2,096,465,885 Rights Shares will be issued pursuant to the Proposed Rights Issue ("**Maximum Subscription Scenario**") and the issued share capital of the Company will be increased to 4,192,931,770 Shares (excluding treasury Shares) ("**Maximum Post-Rights Enlarged Share Capital**"); and
- (b) if only the Major Shareholder (as defined below) subscribes for up to RM50 million worth of Rights Shares and additional Rights Shares in excess of an Entitled Shareholder's provisional allotments of Rights Shares under the Proposed Rights Issue ("**Excess Rights Shares**") pursuant to the Irrevocable Undertaking, and none of the other Shareholders subscribe for their entitlement to the Rights Shares, and no new Shares are issued on or prior to the completion of the Proposed Rights Issue, 1,147,587,038 Rights Shares will be issued under the Proposed Rights Issue ("**Minimum Subscription Scenario**") and the issued share capital of the Company will be increased to 3,244,052,923 Shares (excluding treasury Shares) ("**Minimum Post-Rights Enlarged Share Capital**") based on the exchange rate of S\$1 to RM3.11 on 29 September 2017.

## 10 **CONDITIONS OF THE PROPOSED RIGHTS ISSUE**

10.1 Shareholders should note that the Proposed Rights Issue is subject to, *inter alia*, the following:

- (a) the Proposed Capital Reorganisation becoming effective;
- (b) the Proposed Scheme becoming effective;
- (c) the in-principle approval from the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Mainboard of the SGX-ST being obtained and not having been withdrawn or revoked on or prior to the completion of the Proposed Rights Issue;

- (d) the Proposed Rights Issue being approved by Shareholders at the SGM;
- (e) the in-principle approval from the SGX-ST on the trading resumption proposal to be submitted by the Company with a view to resuming trading in the Shares (“**Trading Resumption AIP**”) being obtained and not having been withdrawn or revoked on or prior to the completion of the Proposed Rights Issue;
- (f) all other necessary consents, approvals and waivers from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to the Company and/or application laws for the Proposed Rights Issue and to give effect to the Proposed Rights Issue, being obtained and not having been revoked or amended before completion of the Proposed Rights Issue; and
- (g) the lodgement of the offer information statement to be issued for the Rights Issue (“**Offer Information Statement**”), together with all other accompanying documents (if applicable), by the Company in connection with the Proposed Rights Issue with the Monetary Authority of Singapore (“**Authority**”).

10.2 Shareholders should note that the Proposed Rights Issue is conditional upon, *inter alia*, the approval of Shareholders being obtained for the Proposed Capital Reorganisation, and the actual completion of the Proposed Capital Reorganisation, if the Proposed Capital Reorganisation is approved.

10.3 An application will be made to the SGX-ST for permission to deal in and for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST. The Company will make an appropriate announcement upon receipt of the in-principle approval of the SGX-ST.

## 11 **IRREVOCABLE UNDERTAKING FOR THE PROPOSED RIGHTS ISSUE**

11.1 To show support for the Proposed Rights Issue and to demonstrate his commitment to and confidence in the Company, Tan Sri Datuk Tiong Su Kouk, a shareholder of the Company holding (both direct and deemed) 1,074,704,632 Shares, representing approximately 51.26% of the issued Shares (excluding Shares held in treasury), as at the date of this announcement (“**Major Shareholder**”) had provided an irrevocable undertaking pursuant to which he has unconditionally and irrevocably undertaken to the Company (“**Irrevocable Undertaking**”) that, *inter alia*:

- (a) to fully subscribe and/or procure subscription for all of his Rights Shares entitlement through his direct and deemed interest in the Shares as at the Books Closure Date under the Proposed Rights Issue;
- (b) to fully subscribe and/or procure subscription for any Excess Rights Shares which are not subscribed for or otherwise taken up and/or applied for by the other Entitled Shareholders, on the basis that he will rank last in priority for the allotment of Excess Rights Shares which are not taken up by the other Entitled Shareholders, provided that the aggregate amount payable by the Major Shareholder pursuant to (a) and (b) above shall not be more than the committed sum of RM50 million (“**Committed Sum**”);
- (c) to vote or procure the voting of, all of his shareholding, whether held directly or indirectly, in favour of the Proposed Rights Issue in order to procure the passing of the resolutions for the Proposed Rights Issue to be tabled at the SGM;
- (d) to deposit the Committed Sum of RM50 million into an escrow account for the purposes of fulfilling his obligations pursuant to the Irrevocable Undertaking; and
- (e) in the event that the value of the Rights Shares and Excess Rights Shares made available for the Major Shareholder’s subscription in the Proposed Rights Issue does not amount to the Committed Sum of RM50 million, the shortfall between the

Committed Sum of RM50 million and the actual subscription amount paid by the Major Shareholder which remains in the escrow account shall be transferred to the Company pursuant to an interest-free loan granted by the Major Shareholder to the Company (“**Major Shareholder’s Loan**”), and such loan shall be subordinated to the indebtedness or liabilities of all Creditors who participate in the Term Loan Facility (as defined in the Proposed Scheme) under the Proposed Scheme.

- 11.2 The Irrevocable Undertaking is subject to and conditional upon the following:
- (a) the Proposed Scheme becoming effective;
  - (b) the in-principle approval being granted by the SGX-ST for the dealing in, listing of and quotation of the Rights Shares under the Proposed Rights Issue on the Mainboard of the SGX-ST being obtained and such in-principle approval not being withdrawn or revoked as at the completion of the Proposed Rights Issue;
  - (c) the Proposed Rights Issue being approved by the Shareholders at the SGM; and
  - (d) the lodgement of the Offer Information Statement, together with all other accompanying documents (if applicable), by the Company in respect of the Proposed Rights Issue with the Authority,
- (collectively, the “**Undertaking Conditions**”).
- 11.3 The Irrevocable Undertaking shall terminate upon the non-fulfilment of any of the Undertaking Conditions, on the date of such non-fulfilment.
- 11.4 For the purposes of fulfilling his obligations under the Irrevocable Undertaking, the Major Shareholder will obtain a confirmation from a financial institution (or such other entity acceptable to the SGX-ST) that he has sufficient financial resources to fulfil his obligations under the Irrevocable Undertaking.
- 11.5 The Company shall make further announcement when the Major Shareholder has deposited the Committed Sum of RM50 million into an escrow account in the name of the escrow agent.
- 11.6 The Committed Sum in the escrow account will be returned to the Major Shareholder if the Proposed Scheme does not come into effect.
- 11.7 As the Major Shareholder’s Loan to be granted by the Major Shareholder, who is an interested person, to the Company (being an entity at risk) is interest-free, the value of the transaction, which in the case of borrowing of funds from an interested person, is the interest payable on the borrowing, in accordance with Rule 909(3) of the Mainboard Rules of the SGX-ST) is zero, no shareholders’ approval for the Major Shareholder’s Loan is required.
- 11.8 Based on the terms of the Proposed Rights Issue and the Irrevocable Undertaking, the interest of the Major Shareholder immediately after the close of the Proposed Rights Issue will be:
- (a) approximately 51.26% of the Maximum Post-Rights Enlarged Share Capital, in the case of the Maximum Subscription Scenario; and
  - (b) approximately 68.50% of the Minimum Post-Rights Enlarged Share Capital, in the case of the Minimum Subscription Scenario.

## 12 **RATIONALE OF THE PROPOSED RIGHTS ISSUE**

- 12.1 Pursuant to the terms of the Proposed Scheme, the Company shall, *inter alia*, make cash payment to the Creditors who elect to receive cash payment for a portion of their unsecured debt. It is intended that the proceeds raised from the subscription by the Major Shareholder



for entitlement of his Rights Shares (both direct and deemed interest) and any additional Rights Shares in excess of the Major Shareholder's provisional allotments of Rights Shares of an aggregate value up to the Committed Sum of RM50 million will be used to fund the cash out option where Creditors will cash out part of its debt by accepting a haircut in exchange for cash ("**Cash Out Option**"), and any remaining proceeds raised from the Proposed Rights Issue (that is, the remaining monies of the Committed Sum not used to fund the Cash Out Option and the proceeds arising from the subscription by the other Shareholders in the Proposed Rights Issue) will be used for the operations of the Group.

- 12.2 In addition, the Proposed Rights Issue will also provide Shareholders who are confident of the future prospects of the Company with the opportunity to further participate in the equity of the Company.
- 12.3 Based on the Maximum Subscription Scenario and the Minimum Subscription Scenario, the estimated gross proceeds from the Proposed Rights Issues ("**Net Proceeds**") is approximately S\$29 million and S\$16 million, respectively, based on the exchange rate of S\$1 to RM3.11 on 29 September 2017.
- 12.4 For illustrative purposes only, the table below sets out the proposed use of Net Proceeds by the Company based on the Maximum Subscription Scenario and the Minimum Subscription Scenario:

Purpose	Maximum Subscription Scenario		Minimum Subscription Scenario	
	% of Net Proceeds	S\$ (million)	% of Net Proceeds	S\$ (million)
To meet the Company's obligation under the Cash Out Option <sup>(1)</sup> pursuant to the Proposed Scheme <sup>(2)</sup>	52	15	100	16
Operations of the Group	48	14	0	0
<b>Total</b>	<b>100</b>	<b>29</b>	<b>100</b>	<b>16</b>

**Notes:**

- (1) Assuming that all Creditors elect to cash out their portion of the Sustainable Debt (as defined under the Proposed Scheme) pursuant to the Cash Out Option.
- (2) Payments under the Cash Out Option will be funded by the proceeds arising from the Major Shareholder's Irrevocable Undertaking to subscribe for his entitlement of the Rights Shares through his direct and deemed interests in the Shares and any Excess Rights Shares under the Proposed Rights Issue of up to the Committed Sum. For more information on the Major Shareholders' Irrevocable Undertaking, please refer to Section 11 of this announcement. Proceeds from the subscription by other Shareholders shall be used for the operations of the Group.

- 12.5 The above allocations are based on the Maximum Subscription Scenario and the Minimum Subscription Scenario only and subject to certain assumptions. In the event that the Net Proceeds falls in between the Maximum Subscription Scenario and the Minimum Subscription Scenario, the Company will make the necessary announcements on the revised allocations once the final Net Proceeds have been determined. It is anticipated that the allocations will not deviate significantly from the above illustrations.
- 12.6 As at the date of this announcement, the Directors are of the opinion that (a) the estimated net proceeds of S\$16 million in the Minimum Subscription Scenario will be sufficient to meet the Company's obligations in respect of the Cash Out Option; and (b) assuming that the Proposed Scheme becomes effective and taking into account the Group's internal resources, operating cashflows, working capital facilities and the estimated minimum Net Proceeds of S\$16 million raised from the Proposed Rights Issue in the Minimum Subscription Scenario,

the Group will have sufficient resources to meet the Company's obligations and continue to operate as a going concern.

- 12.7 The Company will make periodic announcements on the utilisation of the Net Proceeds as and when such proceeds are materially disbursed and will disclose a breakdown with specific details on the use of the Net Proceeds which are set aside for general working capital purposes, and provide a status report on the use of the Net Proceeds in the annual report of the Company. Where there is a material deviation in the use of Net Proceeds, the Company will state the reason(s) for such deviation.

### 13 **ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE PROPOSED RIGHTS ISSUE**

- 13.1 **Eligibility of Shareholders to Participate in the Proposed Rights Issue.** The Company proposes to provisionally allot Rights Shares to all Shareholders who are eligible to participate in the Proposed Rights Issue ("**Entitled Shareholders**"), comprising Entitled Depositors and Entitled Scripholders (both as defined below).

Entitled Shareholders will be eligible to participate in the Proposed Rights Issue and to receive the Offer Information Statement together with the application forms for rights shares and excess rights shares ("**ARE**") or the provisional allotment letters ("**PAL**"), as the case may be, and other accompanying documents at their respective Singapore addresses. Entitled Depositors who do not receive the Offer Information Statement and the ARE may obtain them from The Central Depository (Pte) Limited ("**CDP**"), during the period from the date the Proposed Rights Issue commences up to the last time and date for acceptance of and (if applicable) excess application and payment for (and in the case of Entitled Scripholders, renunciation of and payment for) the Rights Shares under the Proposed Rights Issue ("**Closing Date**"). Entitled Scripholders who do not receive the Offer Information Statement and the PAL may obtain them from RHT Corporate Advisory Pte. Ltd. ("**Share Transfer Agent**") during the period from the date the Rights Issue commences up to the Closing Date.

- 13.2 **Provisional Allotments and Excess Applications.** Entitled Shareholders will be provisionally allotted the Rights Shares under the Proposed Rights Issue on the basis of their shareholdings as at the Books Closure Date. They are at liberty to accept (in full or in part) or decline their provisional allotment of the Rights Shares, renounce (in the case of the "nil-paid" rights ("**Rights**")) or, in the case of Entitled Depositors only, trade on the SGX-ST (during the provisional allotment trading period prescribed by the SGX-ST) their provisional allotment of Rights Shares, and are eligible to apply for additional Rights Shares in excess of their provisional allotments under the Proposed Rights Issue.

The procedures for, and the terms and conditions applicable to, acceptances, splitting and/or renunciation of the Rights Shares and sales of the Rights and for the applications for Excess Rights Shares, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement to be despatched by the Company to the Entitled Shareholders in due course.

- 13.3 All fractional entitlements to the Rights Shares will be disregarded in arriving at the entitlements of the Entitled Shareholders and will, together with the entitlements not allotted or taken up for any reason, be aggregated and issued to satisfy applications, if any, for Excess Rights Shares, or dealt with in such manner as the Directors in their absolute discretion deem fit. In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots and the Directors and the substantial shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Proposed Rights Issue, or have representation (direct or through a nominee) on the Board, including the Major Shareholder, will rank last in priority for the rounding of odd lots and the allotment of Excess Rights Shares.

- 13.4 **Entitled Depositors.** Entitled Depositors are Shareholders with Shares standing to the credit of their Securities Accounts (as defined below) and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior

to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents ("**Entitled Depositors**").

Entitled Depositors should note that all notices and documents will be sent to their last registered addresses with CDP. Entitled Depositors are reminded that any request to CDP to update their records or to effect any change in address must reach CDP, at least three (3) Market Days before the Books Closure Date.

Shareholders (not being Depositors (as defined in the Securities and Futures Act (Cap. 289))) who do not presently have an address in Singapore for the service of notices and documents and who wish to be eligible to participate in the Proposed Rights Issue should provide such an address in Singapore not later than three (3) Market Days before the Books Closure Date by notifying the Company (c/o the Share Transfer Agent) at RHT Corporate Advisory Pte. Ltd. of 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619.

- 13.5 **Entitled Scripholders.** Entitled Scripholders are Shareholders whose share certificates have not been deposited with the CDP and who have tendered to the Share Transfer Agent valid transfers of their Shares and the certificates thereto for registration up to the Books Closure Date and whose registered addresses with the Company are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents ("**Entitled Scripholders**").

Entitled Scripholders are encouraged to open Securities Accounts (as defined below) if they have not already done so and to deposit such share certificates with CDP prior to the Books Closure Date so that their Securities Accounts (as defined below) may be credited by CDP with their Shares and the Rights. Entitled Scripholders should note that their Securities Accounts (as defined below) will only be credited with the Shares on the twelfth Market Day from the date of lodgement of the share certificates with CDP or such later date as CDP may determine.

**All dealings in and transactions of the Rights through the SGX-ST will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs for the Proposed Rights Issue which are issued to Entitled Scripholders will not be valid for delivery pursuant to trades done on the SGX-ST.**

**ENTITLED SHAREHOLDERS WITH REGISTERED ADDRESSES OUTSIDE SINGAPORE WHO WISH TO PARTICIPATE IN THE RIGHTS ISSUE SHOULD PROVIDE CDP OR THE SHARE TRANSFER AGENT, AS THE CASE MAY BE, WITH ADDRESSES IN SINGAPORE FOR THE SERVICE OF NOTICES AND DOCUMENTS, AT LEAST THREE (3) MARKET DAYS PRIOR TO THE BOOKS CLOSURE DATE.**

- 13.6 **Foreign Shareholders.** The Offer Information Statement and its accompanying documents have not been and will not be lodged, registered or filed in any jurisdiction other than Singapore. The making or acceptance of the proposed offer of the Rights and the Rights Shares to persons who have registered addresses outside Singapore, or who are resident in, or citizens of, countries other than Singapore, may be restricted, prohibited or otherwise affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to take up their provisional allotment of Rights Shares and (if applicable) apply for Excess Rights Shares.

It is also the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside Singapore wishing to take up their provisional allotment of Rights Shares and (if applicable) apply for Excess Rights Shares under the Proposed Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this section are

intended as a general guide only and any Foreign Shareholder who is in doubt as to his position should consult his professional advisers without delay.

The Offer Information Statement, PALs and AREs will not be sent to, and Rights will not be credited to securities account maintained with CDP (“**Securities Accounts**”) of, Shareholders with registered addresses in the United States or other jurisdictions outside Singapore or to their agent or intermediary outside Singapore, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

**Foreign Shareholders will not be allowed to participate in the Proposed Rights Issue. Accordingly, no provisional allotment of Rights Shares will be made to Foreign Shareholders and no purported acceptance or application for Rights Shares by Foreign Shareholders will be valid.**

**The Offer Information Statement and its accompanying documents relating to the Proposed Rights Issue will also not be despatched to Foreign Shareholders. Foreign Shareholders may not accept any Rights or Rights Shares credited to their Securities Accounts unless the Company and its counsels are satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.**

For the avoidance of doubt, even if a Foreign Shareholder has provided a Singapore address as aforesaid, the offer of Rights and/or Rights Shares to him will be subject to compliance with applicable securities laws outside Singapore.

- 13.7 As mentioned in Section 10 of this announcement, the Proposed Rights Issue (including any provisional allotment of the Rights Shares and trading of Rights) is subject to, *inter alia*, the Trading Resumption AIP being obtained and not having been withdrawn or revoked on or prior the completion of the Proposed Rights Issue. There is no certainty or assurance that as at the date of this announcement (a) the Trading Resumption AIP will be obtained; (b) the trading in the Shares will be resumed; and (c) the Proposed Rights Issue (including any provisional allotment of the Rights Shares and trading of Rights) will be implemented. The Company shall make further announcement on the status of the Trading Resumption AIP in due course.

#### **14 OFFER INFORMATION STATEMENT**

An Offer Information Statement will be despatched by the Company to Entitled Shareholders subject to the relevant conditions being fulfilled, including the approval of the Shareholders for the Proposed Rights Issue being obtained. Please refer to the Offer Information Statement for more information on the acceptances and applications under the Proposed Rights Issue.

#### **15 BOOKS CLOSURE DATE**

Subject to the relevant scheme approvals being obtained and the Proposed Scheme coming into effect and Shareholders’ approval for the Proposed Rights Issue being obtained, the Register of Members and the register of transfers of the Company will be closed at a time and date to be determined by the Directors for the purpose of determining the entitlements of Shareholders under the Proposed Rights Issue.

#### **16 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

Save for Tan Sri Datuk Tiong Su Kouk who has provided the Irrevocable Undertaking in relation to the Proposed Rights Issue, none of the Directors and substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Capital Reorganisation and the Proposed Rights Issue (other than through their respective shareholdings in the Company).

17 **CIRCULAR TO SHAREHOLDERS**

Further details of the Proposed Capital Reorganisation and the Proposed Rights Issue will be announced and/or included in the circular to be despatched to Shareholders. The circular will also enclose the notice of the SGM for, *inter alia*, the Proposed Capital Reorganisation and the Proposed Rights Issue.

18 **RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Rights Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

**BY ORDER OF THE BOARD  
NAM CHEONG LIMITED**

Tan Sri Datuk Tiong Su Kouk  
Executive Chairman

4 December 2017