



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

RESPONSE TO SGX-ST QUERIES IN RELATION TO THE ANNOUNCEMENT ON THRID QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018 FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT

The Board of Directors of Nam Cheong Limited (the “**Company**”) would like to provide the following additional information in reply to the queries raised by SGX-ST on 11 December 2018:

SGX-ST Query 1

With regards to page 5 to 6 of the Financial Statements, please provide explanations on the following: -

- (i) An increase in “*Inventory*” as at the Group level from RM382,043,000 as at 31 December 2017 to RM418,179,000 as at 30 September 2018.
- (ii) An increase in “*Trade and other Receivables*” at the Group level from RM65,079,000 as at 31 December 2017 to RM94,426,000 as at 30 September 2018.
- (iii) A decrease in the “*Contract Assets*” at the Group Level from RM38,484,000 as at 31 December 2017 to RM0 as at 30 September 2018.
- (iv) An increase in “*Loans and borrowings*” under “*Non-current Liabilities*” at the Group Level by RM1,007,726,000 as at 30 September 2018.
- (v) A decrease in “*Loans and borrowings*” under “*Current Liabilities*” at the Group Level by RM1,639,247,000 as at 30 September 2018.
- (vi) A decrease in “*Trade and other payables*” under “*Current Liabilities*”, at the Group Level from RM1,098,475,000 in 31 December 2017 to RM292,787,000 as at 30 September 2018.

Company’s Response

- (i) The increase in inventory of approximately RM36.1 million was mainly due to the additional construction work-in-progress achieved for certain offshore support vessels, which were being constructed by the Group through its subcontracted shipyards in the People’s Republic of China, during the period.
- (ii) The increase in trade and other receivables was mainly due to the delivery of one vessel to a customer in September 2018 for which a payment of RM 27.0 million was received in October 2018.
- (iii) As a result of the new accounting standard ‘*IFRS 15 - Revenue from Contracts with Customers*’ which was effective for the financial year beginning on 1 January 2018, shipbuilding revenue is recognised at the point of delivery instead of over time. Consequently, “*Contract Assets*” are nil as at 30 September 2018.

- (iv) As previously announced on 28 September 2018, the Group has successfully concluded the debt restructuring exercise. The reclassification from current liabilities to non-current liabilities is reflective of the revised debt maturity profiles.
- (v) Same response as (iv).
- (vi) The decrease in trade and other payables was mainly due to cash settlement made by the Group as well as the termination of shipbuilding contracts with certain shipyards which resulted in waiver of liabilities.

SGX-ST Query 2

With regards to page 16 of the Financial Statements, please explain the nature of the “*extinguishment of debt of RM353.8 million*”.

Company’s Response

In accordance to the Nam Cheong Limited’s Scheme of Arrangement, which was sanctioned by the High Court of the Republic of Singapore on 3 August 2018 and implemented on 28 September 2018, the Non-Sustainable Scheme Debt was converted into Non-Sustainable Debt Shares. As a result, there is an extinguishment of debt of RM353.8 million.

BY ORDER OF THE BOARD
NAM CHEONG LIMITED

Tan Sri Datuk Tiong Su Kouk
Executive Chairman
13 December 2018