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

DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 AND VARIANCE BETWEEN THE UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

DISCLAIMER OF OPINION

In compliance with Rule 704(5) of the Listing Manual, the Board ("Board") of Directors of Nam Cheong Limited (the "Company", and together with its subsidiaries, the "Group") would like to announce that its independent auditors, Foo Kon Tan LLP (the "Auditors"), have issued a disclaimer of opinion in their report (the "Independent Auditor's Report") with respect to the use of the going concern basis of accounting in the preparation of the financial statements of the Group for the financial year ended 31 December 2022 (the "Financial Statements").

A copy of the Independent Auditor's Report together with the extract of the relevant note to the Financial Statements is annexed to this announcement.

VARIANCE

The Board refers to the unaudited financial statement announcement for the financial year ended 31 December 2022 dated 1 March 2023 ("Unaudited FY2022 Results"), the Board wishes to announce that certain reclassifications have been made to Audited FY2022 Financial Statements as compared to what was disclosed in the Unaudited FY2022 Results.

The details and explanations of the variances between the Unaudited FY2022 Results and the Audited FY2022 Financial Statements are set out below:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Unaudited FY2022 Results RM'000	**Audited FY2022 Financial Statements RM'000**	**Variance RM'000**	**Notes**
Other income	80,148	63,465	(16,683)	Mainly due to the changes in presentation of the fair value of the investment in P.T. Pelayaran Nasional Bina Buana Raya Tbk ("BBR"), which was reclassified from associate to other investments during FY2022 and has a net carrying amount of nil as at 31 December 2021 and 31 December 2022.
Other operating expenses	(37,416)	(20,733)	16,683	

This announcement is to be read in conjunction with the attached Independent Auditor's Report and the Audited FY2022 Financial Statements.

BY ORDER OF THE BOARD
NAM CHEONG LIMITED

Kong Wei Fung
Cheok Hui Yee
Company Secretaries

12 April 2023

Independent auditor's report to the members of Nam Cheong Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Nam Cheong Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Liabilities and going concern

As discussed in Note 2(e) to the financial statements, as at 31 December 2022, the Group had net current liabilities and net liabilities of RM1,058,823,000 (2021 - RM1,056,125,000) and RM630,976,000 (2021 - RM675,837,000) respectively. The Company also had net current liabilities and net liabilities of RM852,696,000 (2021 - RM807,898,000) and RM852,696,000 (2021 - RM807,898,000) respectively, as at 31 December 2022.

The financial statements have been prepared by management on a going concern basis, the validity of which is premised on a cash flows forecast of the Group prepared for at least the next 12 months from the end of the reporting period. Key assumptions made in the cash flows forecast are the Group was not exposed to any additional liabilities in respect of its suspension of the remaining ten shipbuilding contracts (the "Contracts") awarded to the Non-Fujian Group Shipyards; and the completion of restructuring exercise in the financial year ending 31 December 2023.

As at 31 December 2022, the aggregate contract sum of the Contracts was US$121.1 million (RM531.6 million), of which payments of US$16.3 million (RM67.9 million) had been made. Based on the contract sums and payments made by the Group, the outstanding exposure to the Non-Fujian Group Shipyards under the Contracts is approximately US$104.8 million (RM460.1 million). An amount of US$24.7 million (RM108.3 million) had been recorded in liabilities under trade and other payables (Note 17) based on contractual milestones. Management had represented that the Group had reached an understanding without a written agreement with the Non-Fujian Group Shipyards to suspend construction or delivery of the vessels, with a view to extend the delivery period or terminate the Contracts to minimise any financial exposure.

Basis for Disclaimer of Opinion (Cont'd)

Liabilities and going concern (Cont'd)

No independently verifiable supporting evidence was available to corroborate management's representation that the balance sum of the Contracts had not been incurred and all liabilities related to the Contracts had been accounted for as at 31 December 2022. We were unable to assess the financial impact of any provision for onerous contracts, provision for restructuring expenses and/or contingent liabilities that may arise from the default on contractual obligations.

There were no alternative audit procedures that we could perform to satisfy ourselves by alternative means concerning the Group's liabilities in respect of the work performed on the Contracts as at 31 December 2022 and potential contingent liabilities that may arise from the default on contractual obligations.

Any adjustment that would be required may have a consequential significant effect on the cash flows forecast, net liabilities of the Group as at 31 December 2022 and the profit or loss attributable to the owners for the year then ended and the related disclosures thereof in the financial statements.

On 1 October 2020, Corporate Debt Restructuring Committee of Malaysia (the "CDRC"), a committee under the purview of Bank Negara Malaysia has accepted an application by the Company's wholly owned subsidiary, Nam Cheong Dockyard Sdn Bhd ("NCD"), for the CDRC's assistance to mediate between NCD and its financial creditors ("NCD-FCs"). In November 2020, management has submitted the restructuring proposal to CDRC. Since November 2020, NCD has been engaging actively with both its FCs and trade creditors. After its admission into the CDRC process, NCD, together with its advisors, has prepared an initial debt restructuring proposal for review by the CDRC and was presented to the NCD-FCs.

On 25 May 2022, the Company made an announcement to provide an update on the restructuring that an in-principle agreement has been agreed with the FCs of the Group ("FCs") subject to conditions that will be set-out in definitive agreements ("DRMA"). As announced on 31 March 2023, majority of the FCs have provided written confirmation that, in principle, they do not have further comments on the draft DRMA in its current form. The Company expects the execution of the DRMA to take place by the middle of April 2023.

Prior to 31 March 2023, the Company, has on 15 February 2023 made an application to the High Court of Malaya ("Court Application") to seek the following orders:

- An order pursuant to Section 366(1) of the Companies Act 2016 of Malaysia to summon a meeting of the scheme creditors (the "Scheme Meeting") for the purpose of considering and, if thought fit, approving with or without modification (which modification can be made at any time prior to and/or at the Scheme Meeting) a scheme of arrangement and compromise to be proposed between the Company and the scheme creditors (the "New NCL Scheme');

- In the event that the New NCL Scheme is approved at the Scheme Meeting, that pursuant to section 366(4) of the Companies Act 2016, the Company be at liberty to apply for an order of Court approving the New NCL Scheme, with such modifications as are approved at the Scheme Meeting (if any), so as to be binding on the Company and its scheme creditors.

Independent auditor's report to the members of Nam Cheong Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

Liabilities and going concern (Cont'd)

On 21 March 2023, the Court Application has been granted and ordered that the Company convenes the Scheme Meeting within 6 months from the date of the Court Order. In the event that the New NCL Scheme is approved at the Scheme Meeting, pursuant to Section 366(4) of the Companies Act 2016, the Company will be at liberty to apply for an Order of Court approving the New NCL Scheme, with such modifications (if any) as may be approved at the Scheme Meeting, to be binding on the Company and its scheme creditors.

As of the date of this report, the Scheme Meeting is yet to convene to approve the New NCL Scheme. There is no assurance or reasonable certainty that the New NCL Scheme will be approved or successfully concluded.

Given these circumstances, which are more extensively described in Note 21, there were no practicable audit procedures that we could perform to form an opinion on whether management has considered all relevant events and conditions when making assessment on the Group's and the Company's ability to continue as going concern.

Provision for financial guarantee (Note 18)
As disclosed in Note 18, the Company has provided financial guarantee to its joint venture, P.T. Bahtera Niaga Indonesia ("BNI") in respect of term loan granted to BNI. In 2020, BNI has defaulted the term loan repayment and letter of demand was issued to the Company. Consequently, the Group and the Company have recognised a provision of RM48,125,000 (2021 – RM44,036,000) for the liabilities of the joint venture which it is obliged to settle with the banks due to the guarantee as mentioned above.

The Group has concluded that the carrying amount of the provision for financial guarantee remain reasonable and appropriate. However, as we did not receive an independent bank confirmation from the bank, we were unable to satisfy ourselves that the provision made by management is adequate, as we have no evidence to suggest that the bank will not charge the Company a financial penalty or accrue interest on the outstanding amount due to them. There were no alternative audit procedures that we could perform to satisfy ourselves by alternative means concerning the adequacy of the provision for financial guarantee. Consequently, we are unable to determine whether any adjustment is required which may have a consequential significant effect on the profit or loss for the year ended 31 December 2022 and statement of financial position as at 31 December 2022.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

Independent auditor's report to the members of Nam Cheong Limited (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

The engagement partner on the audit resulting in this independent auditor's report is Ong Soo Ann.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,

12 April 2023

2(e) Going concern

During the financial year 2017, the Group received demand letters from banks, and the Company breached the payment for Series 2 Notes and financial covenants as required for the Medium Term Notes. Consequently, all the non-current borrowings became repayable on demand and were classified as current liabilities. Following the debt restructuring exercise in 2018, those liabilities are classified into Non-sustainable Debt and Sustainable Debt.

During the financial year 2020, the Group breached the payment for Bilateral Facilities Debt and Term Loan Cash Interest of Sustainable Debt. Consequently, all the non-current borrowings became repayable on demand and were classified as current liabilities.

Schemes of Arrangement
During the financial year ended 31 December 2018, the Group concluded the debt restructuring exercise via Schemes of Arrangement. The Group and the Company obtained creditors' approval for the Schemes on 22 January 2018 and 24 January 2018, respectively, upon which the Group and the Company applied to The High Court of the Republic of Singapore and The High Court of Malaya for the sanction of the Schemes. Nam Cheong Dockyard Sdn. Bhd. ("NCD") Scheme and Nam Cheong International Ltd. ("NCI") Scheme were sanctioned by the Malaysia Court on 12 July 2018, subsequent to which the Nam Cheong Limited ("NCL") Scheme was sanctioned by the Singapore Court on 3 August 2018. On 20 August 2018, the NCL Scheme was approved by the Company's shareholders at a Special General Meeting for *inter alia* the issuance of new shares pursuant to the restructuring.

Following the issuance and allotment of the Rights Shares and Non-sustainable Debt Shares by the Company on 26 September 2018, and together with the payment by the Company under the Cash Out Option to eligible creditors pursuant to the Schemes on 28 September 2018, the Group and the Company have fulfilled the necessary steps to implement the Schemes.

Non-sustainable Debt
Each Non-sustainable Debt Share is allotted and issued at a conversion price of S$0.045. Pursuant to the Schemes, an aggregate of 3,348,250,793 and 416,918,605 Non-Sustainable Debt Shares were allotted and issued in the financial year 2018 and 2021 respectively.

Bilateral Facilities Debt
The Bilateral Facilities Debt is excluded from the Schemes. The maturity date of the Bilateral Facilities Debt is 31 December 2020. The Group breached the payment for Bilateral Facilities Debt amounting to RM100,568,000 which was due on 31 December 2020. The Group is currently under restructuring exercise, with the mediation from Corporate Debt Restructuring Committee of Malaysia (the "CDRC").

Sustainable Debt
US$221,619,000 (RM923,043,135) of the Sustainable Debt was restructured as the Term Loan. The tenure of the Term Loan is from 1 January 2018 to 31 December 2024. Interest is charged at 4% per annum. There will be no repayment of the principal from 2018 to 2020. The principal shall be repaid in eight half-yearly instalments from 2021 to 2024 in the percentage of 10%, 20%, 30% and 40%, respectively. The Group breached the payment for Term Loan Principal of 10% and 20% which was due on 31 December 2021 and 31 December 2022 respectively. The Group also breached the payment for Term Loan Cash Interest for the interest period from 1 January 2020 to 30 June 2020 which was due on 30 June 2020, interest period from 1 July 2020 to 31 December 2020 which was due on 31 December 2020, interest period from 1 January 2021 to 30 June 2021 which was due on 30 June 2021, interest period from 1 July 2021 to 31 December 2021 which was due on 31 December 2021, interest period from 1 January 2022 to 30 June 2022 which was due on 30 June 2022 and interest period from 1 July 2022 to 31 December 2022 which was due on 31 December 2022. The Group is currently under restructuring exercise, with the mediation from CDRC.

2(e) Going concern (cont'd)

Non-Fujian Group Shipyards

As at 31 December 2022 and 31 December 2021, seven shipbuilding contracts had been mutually terminated, while the shipbuilding contracts for another five vessels had been fully settled. The Group has reached an understanding without a written agreement with the Non-Fujian Group Shipyards in relation to the remaining ten shipbuilding contracts to delay construction or delivery of the vessels, with a view to extend the contract period or terminate the shipbuilding contracts to minimise any financial exposure. Based on the contract sums and payments made by the Group, the outstanding exposure to the Non-Fujian Group Shipyards under the remaining ten shipbuilding contracts is approximately US$104.8 million (RM460.1 million).

Admission into the Corporate Debt Restructuring Committee of Malaysia (the "CDRC")

On 1 October 2020, the CDRC, a committee under the purview of Bank Negara Malaysia has accepted an application by the Company's wholly owned subsidiary, NCD, for the CDRC's assistance to mediate between NCD and its financial creditors ("NCD-FCs"). In November 2020, management has submitted the restructuring proposal to CRDC.

On 25 May 2022, the Company made an announcement to provide an update on the restructuring that an in-principle agreement has been agreed with the financial creditors of the Group ("FCs") subject to conditions that will be set-out in definitive agreements ("DRMA"). As announced on 31 March 2023, majority of the FCs have provided written confirmation that, in principle, they do not have further comments on the draft DRMA in its current form. The Company expects the execution of the DRMA to take place by the middle of April 2023.

Prior to 31 March 2022,-the Company, has on 15 February 2023 made an application to the High Court of Malaya ("Court Application") to seek the following orders:

- An order pursuant to Section 366(1) of the Companies Act 2016 of Malaysia to summon a meeting of the scheme creditors (the "Scheme Meeting") for the purpose of considering and, if thought fit, approving with or without modification (which modification can be made at any time prior to and/or at the Scheme Meeting) a scheme of arrangement and compromise to be proposed between the Company and the scheme creditors (the "New NCL Scheme').
- In the event that the New NCL Scheme is approved at the Scheme Meeting, that pursuant to section 366(4) of the Companies Act 2016, the Company be at liberty to apply for an order of Court approving the New NCL Scheme, with such modifications as are approved at the Scheme Meeting (if any), so as to be binding on the Company and its scheme creditors.

On 21 March 2023, the Court Application has been granted and ordered that the Company convenes the Scheme Meeting within 6 months from the date of the Court Order. In the event that the New NCL Scheme is approved at the Scheme Meeting, pursuant to Section 366(4) of the Companies Act 2016, the Company will be at liberty to apply for an Order of Court approving the New NCL Scheme, with such modifications (if any) as may be approved at the Scheme Meeting, to be binding on the Company and its scheme creditors.

As of the date of this report, the Scheme Meeting is yet to convene to approve the New NCL Scheme. There is no assurance or reasonable certainty that the New NCL Scheme will be approved or successfully concluded.

2(e) Going concern (cont'd)

Assessment of the Group's and the Company's ability to continue as going concern

As at 31 December 2022, the Group had net current liabilities and net liabilities of RM1,058,823,000 (2021 - RM1,056,125,000) and RM630,976,000 (2021 - RM675,837,000) respectively. The Company also had net current liabilities and net liabilities of RM852,696,000 (2021 - RM807,898,000) and RM852,696,000 (2021 - RM807,898,000) respectively, as at 31 December 2022.

In assessing whether the Group and the Company can meet their debt obligations for at least 12 months from the end of the reporting period, management has prepared cash flows forecast for the financial year ending 31 December 2023. The key assumptions include (i) sufficient cash inflows are generated by the Group's chartering segment, based on reasonable expectations of daily charter rates, vessel utilisation and low default rates by its customers, to generate sufficient operating cash inflows; (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 conditions and operations are brought against the Group; (iii) the continued recovery of offshore activities in Malaysia; and (iv) completion of restructuring exercise in the financial year ending 31 December 2023.

Based on the cash flows forecast, premised on the completion of restructuring exercise and barring any further unforeseen adverse, macroeconomic and industry-wide circumstances, the directors believe 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 twelve months from the end of the reporting period, and are of the view that the going concern assumption is appropriate for the preparation of these financial statements. As at the date of the financial statements, the Group is not able to ascertain the full extent of the probable impact to the offshore and marine industry, arising from the geographical tension and the volatility in oil prices but will continually assess as the situation develops.

If the Group and the Company were unable to continue their operational existence or their capabilities to do so were significantly impaired, for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to the financial statements.