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

RESPONSE TO SGX-ST QUERIES IN RELATION TO FIRST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2023 ("1Q2023")

The Board of Directors (the "**Board**") of Nam Cheong Limited (the "**Company**") and its subsidiaries (together the "**Group**") refers to the queries from Singapore Exchange Securities Trading Limited (SGX-ST) on 5 July 2023 in relation to the Company's First Quarter Results for 1Q2023 as follows:

SGX-ST Query 1

Please explain why interest income amounted to only RM218K during the financial period ended 31 Mar 2023 when the Company has significant cash and bank balance amounting to RM 65.7 mil.

Company's Response

During the financial period ended 31 March 2023, the Group's cash and bank balances, which are mainly denominated in Malaysia Ringgit, fluctuated between RM52.9 million to RM65.7 million and earned interest from the commercial banks at the rates averaging between 0.95% to 2.05% per annum.

SGX-ST Query 2

In regard to the Company's trade and other receivables, please disclose the following: -

a) Aging of the Group's trade receivables;
b) How the allowances for impairment losses for both non-current and current trade receivables were determined;
c) The Company's plans to recover the trade and other receivables;
d) How long the debts have been outstanding and when the sales were reported;
e) What actions have been taken to recover trade and other receivables;
f) Reasons for the allowances for impairment losses on trade and other receivables, including the reasons for delays or non-payment, where applicable;
g) The Board's assessment of the recoverability of the remaining trade and other receivables;
h) The Company's policy in trade receivables collection;
i) The general credit term extended to customers;
j) Whether they are major customer(s) and whether the Company continues to transact with these customer(s) and if so, the commercial reasons in doing so;
k) Nature of the non-current receivables from a third party.

Company's Response

The aging analysis of trade receivables are as follows:

The Group	31.03.2023 RM'000	Financial year which respective sales were reported
Not impaired:		
Not past due	25,730	2023
Past due 1 to 3 months	36,136	2022-2023
Past due 3 to 6 months	3,676	2022
Past due more than 6 months	38,412	2022
	103,954	
Past due and impaired	31,415	2016-2022
	135,369	

The allowances for impairment losses for both non-current and current trade receivables were determined in accordance to the Group's accounting policies mentioned on page 78-79 of the Annual Report for FY2022. In assessing the recoverability of these receivables, the Group took into consideration of the historical bad debt losses based on the age of the receivables and the customers' current financial position to identify any expected credit losses. Receivables that were determined to be impaired as at 31 March 2023 are related to those which have been past due and have insufficient information to justify recoverability of the respective receivables, including those which are related to customers who are facing financial difficulties in fulfilling their obligations. Those receivables that were determined to be impaired were not from the Group's major customers. The Group has ceased to transact with customers which outstanding debts are deemed doubtful of collection.

Based on the above and barring any unforeseen circumstances, the Board is of the view that the carrying value of the net trade and other receivables represents the recoverable amount as at 31 March 2023.

The Group continue to monitor the aging and collection of receivables on an on-going basis. For those receivables which are past due and doubtful of collection, reminders have been sent to the relevant customers before issuance of demand letters and the recovery of debts via legal proceedings where necessary.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The credit quality of the customer is assessed after taking into account of its financial position and the Group's past experiences with the customer. The general credit term extended to customers is ranging from one to two months.

Non-current receivables from a third party mainly refer to the remaining outstanding balances of the sales proceeds for two vessels previously sold to a customer under a long term credit arrangement in 2016.

BY ORDER OF THE BOARD
NAM CHEONG LIMITED

Kong Wei Fung
Cheok Hui Yee
Company Secretaries

6 July 2023