



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

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## **RESPONSE TO SGX-ST QUERIES IN RELATION TO REPAYMENT OF TERM LOAN**

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The Board of Directors (the “**Board**”) of Nam Cheong Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) refers to:

- (a) its announcement dated 29 June 2020 in relation to the Term Loan Interest (the “**29 June 2020 Announcement**”);
- (b) its announcement dated 1 October 2020 in relation to NCD’s admission into the Corporate Debt Restructuring Committee of Malaysia (“**CDRC**”) (the “**1 October 2020 Announcement**”);
- (c) its announcement dated 8 January 2021 in relation to the Term Loan Interest (the “**8 January 2021 Announcement**”); and
- (d) its announcement dated 25 June 2021 in relation to the suspension of repayment of the Term Loan Principal due on 30 June 2021 and Term Loan Cash Interest for the 7th Interest Period (the “**25 June 2021 Announcement**”).

Unless otherwise defined, capitalized terms used herein shall bear the same meaning ascribed to them in the 25 June 2021 Announcement.

The Board would like to provide the following additional information in reply to the queries raised by SGX-ST on 29 June 2021:

### **SGX-ST Query 1**

Please disclose whether there is an acceleration clause under the Term Loan Facility and quantify the maximum financial exposure to the Group under the Loan Facility.

### **Company’s Response**

The tenor of the Term Loan Facility runs from 1 January 2018 to 31 December 2024. As previously mentioned in the 25 June 2021 Announcement, pursuant to the terms of the Schemes, the Company is required to repay the principal and service accrued interest on the Term Loan Facility in the following manner:

- (a) repay the Term Loan Principal in 8 half-yearly instalments commencing from Review Year 4 in the following percentages on the last day of the Interest Period. The first repayment shall fall on 30 June 2021:
  - a. Review Year 4 – 10%;
  - b. Review Year 5 – 20%;
  - c. Review Year 6 – 30%; and
  - d. Review Year 7 – 40%.

- (b) Term Loan Cash Interest on the last day of each Interest Period, with the first Interest Period having commenced on 1 January 2018; and
- (c) 2% per annum accrued interest for each Interest Period payable by way of the Term Loan Shares to be allotted and issued on the last day of each Review Year, or as soon as practicable after the Review Year.

There is no acceleration clause under the Term Loan Facility.

As of the date of this response, the maximum financial exposure to the Group under the Term Loan Facility is as follows:

- (a) Total Term Loan Principal: US\$234.2 million
- (b) Term Loan Principal due and payable: US\$11.1 million; and
- (c) Accrued Term Loan Cash Interest due and payable: US\$6.6 million.

Interest will continue accruing in accordance with the terms of the Schemes up until full repayment of the Term Loan Facility.

## **SGX-ST Query 2**

Please disclose whether there are any risks of cross defaults.

### **Company's Response**

As previously announced in the 29 June 2020 Announcement and 8 January 2021 Announcement respectively, the Company had suspended the repayment of the Term Loan Cash Interest for the 5th Interest Period (as defined in the 29 June 2020 Announcement) and the 6th Interest Period (as defined in the 8 January 2021 Announcement). As mentioned in the 29 June 2020 Announcement, the primary reason for suspending the repayment of the Term Loan Cash Interest since the 5th Interest Period is the severe cash flow constraints faced by the Group for the foreseeable future, as a result of the declining vessel daily charter rates and utilisation as well as the realisable value of the Group's vessels. This has also been further exacerbated by various other factors, such as the imposition of the FMCO in Malaysia, and the continued volatility in oil prices.

A number of the Company's operating subsidiaries (in particular, NCD, NCI, Nam Cheong OSV Ltd, SK Venture Ltd and Nam Cheong Venture Ltd) were parties to various facility agreements ("**Facility Agreements**") (which were restructured as part of the restructuring in 2018). Principal payments under these restructured Facility Agreements ("**Restructured Facility Agreements**") have been suspended. The suspension of payment under the Restructured Facility Agreements and the Term Loan Facility may also result in cross default of various other agreements or facilities that the Company and its subsidiaries are parties to.

As mentioned previously, the Group is also currently actively engaging and negotiating with its secured and trade creditors on a restructuring plan. As mentioned in the 1 October 2020 Announcement, NCD (which is a key subsidiary of the Company) was admitted into the CDRC for assistance to mediate a debt restructuring between NCD and its financial creditors. Since November 2020, NCD has been engaging actively with both its financial creditors and trade creditors. Notwithstanding the difficult operating environment, discussions with the financial creditors and trade creditors are still in progress.

There is no assurance or reasonable certainty that any discussions or any Restructuring options will materialise or be successfully concluded. In the event the Restructuring is not concluded within a timely manner, the Company/Group will continue to be faced with a going concern issue.

### **SGX-ST Query 3**

Please disclose the implications of the “suspension” of repayment of the Term Loan Facility including but not limited to the Group’s operations, business and financial performance.

#### **Company’s Response**

As explained earlier, the Group is currently facing severe cash flow constraints. The suspension of repayment of the portion of the Term Loan Principal that is due and the Term Loan Cash Interest for the 7th Interest Period allows the Group to conserve cash for the purposes of operation, while the Group is undergoing restructuring.

If repayment is not suspended, it is very likely that the Group will not be able to continue its business operations. The suspension has ensured continuation of the Group’s operations and business by allowing the limited cash reserve to meet operational needs. Sustaining the business and operations of the Group is critical as it provides the basis for the ongoing restructuring and preserves the ability to optimise value for all stakeholders.

### **SGX-ST Query 4**

Who are the Term Loan Creditors and actions taken by the Company in view of the suspension of repayment of the Term Loan Facility.

#### **Company’s Response**

As explained earlier, a number of the Company’s operating subsidiaries were parties to various Facility Agreements. The Company had provided support to these subsidiaries by providing various guarantees, guaranteeing its subsidiaries’ performance of their obligations under the aforementioned Facility Agreements.

The Company had also issued medium term notes (the “**Notes**”) to the non-retail investors (the “**Noteholders**”), to obtain financing for its subsidiaries’ operations.

In 2018, the Group faced financial difficulties, and underwent a restructuring exercise. Pursuant to the restructuring exercise, the Company restructured its unsecured debts – being the Notes, undersecured portions of the Facility Agreements and facility agreements entered into by joint venture companies (“**JV Facility Agreements**”) of which the Company co-guarantees with its joint venture partners (“**JV Guarantees**”). The lenders under the JV Facility Agreements (the “**JV Lenders**”) were also included as creditors under the Schemes.

The Term Loan Creditors thus refers to the creditors (the Secured Creditors, Noteholders, as well as the JV Lenders) who elected the Term Loan Option under the Schemes in 2018.

As mentioned above, the Company had suspended repayment of Term Loan Cash Interest from the 5th Interest Period onwards, while looking to restructure the obligations of the debts. Since the suspension of repayment, the Group had appointed financial and legal advisors, and are exploring avenues to restructure its obligations.

The Group has taken steps in furtherance of its restructuring efforts, including the admission of NCD into the CDRC process, as mentioned above. Since November 2020, NCD has been engaging actively with both its financial creditors and trade creditors. Discussions with the financial creditors and trade creditors are still in progress, we remain optimistic of a positive outcome.

The Company shall revert to the Term Loan Creditors in the near future with an update of the ongoing negotiations with the financial creditors and trade creditors, and updates on the proposed business plan.

BY ORDER OF THE BOARD  
NAM CHEONG LIMITED

Kong Wei Fung  
Cheok Hui Yee  
Company Secretaries

2 July 2021