

## CIRCULAR DATED 27 JULY 2018

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

**If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

If you have sold or transferred all your ordinary shares in the capital of Nam Cheong Limited ("**Company**"), you should immediately forward this Circular (as defined herein), the Notice of Special General Meeting (as defined herein) and the enclosed Proxy Form to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the (i) listing of and quotation for the Rights Shares (as defined herein), the Non-sustainable Debt Shares (as defined herein), the Term Loan Shares (as defined herein), the Plan Shares (as defined herein) and the Additional Loan Shares (as defined herein) on the Mainboard of the SGX-ST; and (ii) resumption of trading of its Shares (as defined herein) on the Mainboard of the SGX-ST, subject to certain conditions. The Rights Shares, the Non-sustainable Debt Shares, the Term Loan Shares, the Plan Shares and the Additional Loan Shares will be admitted to the Mainboard of the SGX-ST and official quotation is expected to commence after all conditions are satisfied, all certificates relating thereto having been issued and the notification letters from The Central Depository (Pte) Limited ("**CDP**") having been despatched. The Shares will resume trading on the SGX-ST on a date before the launch of the Proposed Rights Issue (as defined herein). **Shareholders should note that the Proposed Scheme (as defined herein) is subject to Court (as defined herein) approval and the terms of the Proposed Scheme may be subject to such amendments or conditions that the Court may order.**

Approval in-principle by the SGX-ST is not to be taken as an indication of the merits of the Proposed Rights Issue (as defined herein), the Rights (as defined herein), the Rights Shares, the Non-sustainable Debt Conversion (as defined herein), the Non-sustainable Debt Shares, the Term Loan Shares, the Nam Cheong Management Incentive Plan (as defined herein), the Plan Shares, the Additional Loan Shares and the Company and/or its subsidiaries.

This Circular does not constitute an offer to sell or a solicitation of an offer to buy shares nor shall there be any sale of any shares in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under any securities laws of such jurisdiction. This Circular is issued to Shareholders (as defined herein) solely for the purpose of providing Shareholders with the information pertaining to, and seeking Shareholders' approval for the resolutions to be proposed at the Special General Meeting. Shareholders are authorised to use this Circular solely for the purpose of considering the approvals sought. Persons to whom a copy of this Circular has been issued shall not circulate to any other person, reproduce or otherwise distribute this Circular or any information herein for any purpose whatsoever nor permit or cause the same to occur.

The distribution of this Circular and/or transfer of the Rights and the Rights Shares into jurisdictions other than Singapore may be prohibited or restricted by law. Persons into whose possession this Circular comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, opinions expressed or reports contained in this Circular.



### **NAM CHEONG LIMITED**

(Incorporated in Bermuda)  
(Company Registration No. 25458)

#### **CIRCULAR TO SHAREHOLDERS IN RELATION TO**

- (1) **THE PROPOSED CAPITAL REORGANISATION (AS DEFINED HEREIN);**
- (2) **THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 2,096,465,885 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE "RIGHTS SHARES") AT AN ISSUE PRICE OF S\$0.014 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING ORDINARY SHARE IN THE CAPITAL OF THE COMPANY HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT A BOOKS CLOSURE DATE (AS DEFINED HEREIN);**
- (3) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 3,883,587,031 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE "NON-SUSTAINABLE DEBT SHARES") AT AN ISSUE PRICE OF S\$0.045 PER NON-SUSTAINABLE DEBT SHARE TO ENTITLED CREDITORS (AS DEFINED HEREIN) PURSUANT TO THE NON-SUSTAINABLE DEBT CONVERSION (AS DEFINED HEREIN) UNDER THE PROPOSED SCHEME (AS DEFINED HEREIN);**
- (4) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 787,280,931 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE "TERM LOAN SHARES") AT AN ISSUE PRICE OF S\$0.045 PER TERM LOAN SHARE TO ENTITLED CREDITORS AS PART PAYMENT OF THE ACCRUED TERM LOAN INTEREST PURSUANT TO THE TERM LOAN FACILITY (AS DEFINED HEREIN) UNDER THE PROPOSED SCHEME;**
- (5) **THE PROPOSED TERMINATION OF THE 2013 PLAN (AS DEFINED HEREIN);**
- (6) **THE PROPOSED ADOPTION OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN (AS DEFINED HEREIN);**
- (7) **THE PROPOSED PARTICIPATION BY AND GRANT OF AWARD TO MR. TIONG CHIONG SOON, AN ASSOCIATE OF THE CONTROLLING SHAREHOLDER, UNDER THE NAM CHEONG MANAGEMENT INCENTIVE PLAN;**
- (8) **THE PROPOSED PARTICIPATION BY AND GRANT OF AWARD TO MR. TIONG CHIONG HIIUNG, AN ASSOCIATE OF THE CONTROLLING SHAREHOLDER, UNDER THE NAM CHEONG MANAGEMENT INCENTIVE PLAN; AND**
- (9) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 22,299,375 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE "ADDITIONAL LOAN SHARES") AT AN ISSUE PRICE OF S\$0.045 PER ADDITIONAL LOAN SHARE TO RHB BANK LABUAN AS PART PAYMENT OF THE POST-DISPOSAL SECURED TL BALANCE (AS DEFINED HEREIN).**

#### **IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	18 August 2018 at 10.15 a.m.
Date and time of Special General Meeting	:	20 August 2018 at 10.15 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place)
Place of Special General Meeting	:	Furama Riverfront, Venus I & II, Level 3, 405 Havelock Road Singapore 169633

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## DEFINITIONS

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In this Circular, the following definitions shall apply throughout unless the context otherwise requires:

- “12 April 2013 Circular”** : The Company’s circular dated 12 April 2013 to Shareholders
- “2013 Plan”** : The Nam Cheong Group 2013 Share Grant Plan
- “ACRA”** : The Accounting and Corporate Regulatory Authority of Singapore
- “Account Holders”** : A person who is recorded in the books of the CDP as being a holder of a book-entry interest in Notes in an account with the CDP or, as the context may require, is or was recorded in such books as being such a holder of Notes in such an account at the Cut-Off Date
- “Act”** : The Companies Act (Chapter 50) of Singapore, as may be amended or modified from time to time
- “Additional Loan Shares”** : Up to 22,299,375 new Shares to be allotted and issued by the Company pursuant to the Proposed Additional Loan Shares Issuance, and the term **“Additional Loan Share”** shall be construed accordingly
- “Adjudicated Amount”** : The amount of Claims of the Creditors which were reviewed and adjudicated by the Scheme Manager following an adjudication process in accordance with the Scheme Document
- “Adjusted Value”** : In relation to a Secured Asset (but only where provided for in the relevant Bilateral Facilities Agreement), the fair market value of the Secured Asset, based on the valuation of the Secured Asset conducted by independent valuers acceptable to the relevant Other Creditor, not earlier than three (3) months prior to the Maturity Date and not later than one (1) month prior to the Maturity Date, provided that such fair market value is higher than the relevant outstanding Bilateral Facilities Secured Debt at such point in time, prior to any adjustment pursuant to the relevant Bilateral Facilities Agreement.
- “Announcement”** : Has the meaning ascribed to it in Section 8.3(f) of this Circular
- “ARE”** : Application form for Rights Shares and Excess Rights Shares to be issued to an Entitled Depositor in respect of the provisional allotment of Rights Shares of such Entitled Depositor under the Proposed Rights Issue
- “ARS”** : Application form for Rights Shares to be issued to purchasers of the provisional allotments of Rights Shares under the Proposed Rights Issue traded on the SGX-ST through the book-entry (scripless) settlement system
- “Authorised Capital Diminution”** : The diminution of the authorised share capital of the Company in connection with the Proposed Capital Reorganisation, further details of which are set out in Section 3.3.1(b) of this Circular
- “Authorised Capital Increase”** : The increase in the authorised share capital of the Company to HK\$12,000,000 in connection with the Proposed Capital Reorganisation, further details of which are set out in Section 3.3.1(b) of this Circular

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## DEFINITIONS

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<b>“Authority”</b>	:	The Monetary Authority of Singapore
<b>“Associate”</b>	:	(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: <ul style="list-style-type: none"><li>(i) his immediate family;</li><li>(ii) the trustee of any trust of which he and his immediate family is a beneficiary of or, in the case of a discretionary trust, is a discretionary object; and</li><li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more;</li></ul> (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more
<b>“Award”</b>	:	A contingent award of fully paid Shares granted under the Nam Cheong Management Incentive Plan
<b>“Award Shares”</b>	:	The Shares which may be issued or transferred from time to time pursuant to the vesting of Awards granted under the Nam Cheong Management Incentive Plan
<b>“Bermuda Companies Act”</b>	:	Companies Act 1981 of Bermuda, as may be amended or modified from time to time
<b>“Books Closure Date”</b>	:	The time and date to be determined by the Directors at and on which, subject to the approval of the Proposed Rights Issue being obtained at the Special General Meeting, the Register of Members and Share Transfer Books of the Company will be closed to determine the provisional allotments of Entitled Shareholders under the Proposed Rights Issue
<b>“Business Day”</b>	:	A day (other than a Saturday or Sunday or public holiday) on which banks are open for general business in Kuala Lumpur.
<b>“Bye-laws”</b>	:	The bye-laws of the Company as amended, supplemented or modified from time to time
<b>“Capital Reduction”</b>	:	The reduction of the issued and paid-up share capital of the Company from HK\$210,314,448.20 divided into 2,103,144,482 Shares of HK\$0.10 each (including treasury Shares), to HK\$2,103,144.482 divided into 2,103,144,482 Shares of par value HK\$0.001 each (including treasury Shares) in connection with the Proposed Capital Reorganisation, further details of which are set out in Section 3.3.1(a) of this Circular
<b>“Cash Out Fund”</b>	:	The proceeds of the Committed Sum used to fund the Cash Out Option, as further described in Section 2.8.3(g) of this Circular

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## DEFINITIONS

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<b>“Cash Out Offered Debt”</b>	:	The Sustainable Debt associated with the Cash Out Option
<b>“Cash Out Option”</b>	:	The option under the Proposed Scheme for a Creditor to have all its portion of the Sustainable Debt fully repaid in cash subject to a maximum recovery of US\$0.20 per US\$1 of Sustainable Debt and a minimum recovery of US\$0.05 per US\$1 of Sustainable Debt, further details of which are set out in Section 2.8.3(g) of this Circular
<b>“Cash Out Payment”</b>	:	The payment made by the Company to each Creditor who had elected the Cash Out Option as consideration for extinguishing the Cash Out Offered Debt of such Creditor, further details of which are set out in Section 2.8.3(g) of this Circular
<b>“Cash Out Payment Ratio”</b>	:	The ratio of Cash Out Offered Debt to Cash Out Payment on the Implementation Date
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Circular”</b>	:	This circular to Shareholders dated 27 July 2018
<b>“Claim”</b>	:	Any claim or right in respect of the indebtedness or any other liability of the Company to any Creditor arising directly or indirectly out of, in relation to and/or in connection with the Notes, the Notes Documents (as such term is defined in the Scheme Document), the Corporate Guarantee, any and all agreements, transactions, dealings and matters effected or entered into or occurring at any time on or prior to the Cut-Off Date, including (a) the amount or proportionate amount secured by the Corporate Guarantee or a contribution claim by a co-surety in respect of an indebtedness or liability jointly and severally secured by the Corporate Guarantee that has yet to Crystallise on or prior to the Cut-Off Date; and (b) all interest, default interest, premium, principal, additional amounts, make whole amounts, fees and commissions accruing on, or payable in respect of, or any other accretions whatsoever arising in respect of, such claims, or rights whether on or prior to the Cut-Off Date, and the term <b>“Claims”</b> shall be construed accordingly
<b>“Closing Date”</b>	:	The time and date to be determined by the Directors, being 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
<b>“Code”</b>	:	The Singapore Code on Takeovers and Mergers, as may be amended or modified from time to time
<b>“Company”</b>	:	Nam Cheong Limited (Company Registration No. 25458), a company incorporated in Bermuda
<b>“Corporate Guarantee”</b>	:	The Corporate Guarantee For JV Company or Corporate Guarantee for Key Subsidiary, as the case may be

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## DEFINITIONS

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<b>“Corporate Guarantee For JV Company”</b>	:	Any corporate guarantee granted by the Company to a Creditor in respect of the indebtedness or indemnity or other document under which the Company incurs an obligation to assure to a creditor the proportionate payment of the indebtedness of the JV Company
<b>“Corporate Guarantee For Key Subsidiary”</b>	:	Any corporate guarantee granted by the Company to a Creditor in respect of the indebtedness or indemnity or other document under which the Company incurs an obligation to assure to a creditor the payment of the indebtedness of the Key Subsidiary
<b>“Committed Sum”</b>	:	RM50 million arising from the Irrevocable Undertaking given by the Major Shareholder in relation to the Proposed Rights Issue
<b>“Conditions”</b>	:	The conditions precedent to the effectiveness of the Proposed Scheme as set out in Section 2.8.4 of this Circular
<b>“Controlling Shareholder”</b>	:	A person who:  (a) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares in a company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or  (b) in fact exercises control over a company
<b>“Court”</b>	:	The High Court of the Republic of Singapore
<b>“Crediting of Contributed Surplus”</b>	:	The crediting of the sum of HK\$208,211,303.718 arising from the Capital Reduction to the contributed surplus account of the Company in connection with the Proposed Capital Reorganisation as set out in Section 3.3.1(c) of this Circular
<b>“Creditor”</b>	:	A creditor of the Company in respect of a Claim as at the Cut-Off Date and include (for the avoidance of doubt but without double counting in each case): (a) Noteholders, Account Holders and Intermediaries in connection with the Notes; (b) CDP and DBS Trustee Limited in their capacity as depositary and trustee of the Notes, respectively; and (c) any Other Creditors, except Excluded Creditors, and the term <b>“Creditors”</b> shall be construed accordingly
<b>“Crystallise”</b>	:	(and its derivative expressions) the occurrence of any event or the giving of any notice or the making of any demand where as a result thereof, the amounts secured by the Corporate Guarantee or the right of contribution in respect of an indebtedness or liability jointly and severally secured by the Corporate Guarantee (and by extension, the Eligible Debt in respect of such amounts), become a legally valid and binding debt then actually due from the Company
<b>“Crystallisation Date”</b>	:	The date where the Eligible Debt of the Other Creditor with Corporate Guarantee For JV Company Crystallises
<b>“Cut-Off Date”</b>	:	30 September 2017

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## DEFINITIONS

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<b>“Directors”</b>	:	The directors of the Company as at the date of this Circular
<b>“Disposal”</b>	:	Disposal of Secured Assets
<b>“Disposal Proceeds”</b>	:	The proceeds after deducting reasonable related costs, fees and expenses of the Disposal
<b>“Dispute”</b>	:	A dispute by a Creditor in relation to the adjudication of the Scheme Manager as regards any claim or the amount of any claim in its and/or another Creditor’s voting instruction form or proof of debt or the amount of its and/or another Creditor’s Adjudicated Amount or the value of its and/or another Creditor’s Secured Assets
<b>“Disputes Resolution Date”</b>	:	The date where all final and non-appealable judgements or orders on the adjudication of the Dispute have been obtained
<b>“Disputing Creditor”</b>	:	A Creditor who has a Dispute
<b>“Effective Date”</b>	:	The date on which the Proposed Scheme will become effective in accordance with the terms of the Proposed Scheme or on such earlier date as the Court may determine and as may be specified in the Court order sanctioning the Proposed Scheme
<b>“Eligible Debt”</b>	:	In respect of each Creditor, the (a) Adjudicated Amount; or (b) Final Amount (if applicable); in respect of the Non-Voting Other Creditor, the outstanding amount owing to the relevant Non-Voting Other Creditor in the books of the Company, the Key Subsidiary or the JV Company as at the Cut-Off Date less the Initial Value of such Non-Voting Creditor’s Secured Assets (if any); in respect of the Non-Voting Noteholder, the outstanding amount owing to the relevant Account Holder recorded in the books of CDP as at the Cut-Off Date and reduced by the amount of monies in the ISRA (if any)
<b>“Entitled Depositors”</b>	:	Shareholders with Shares standing to the credit of their Securities Accounts 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
<b>“Entitled Scripholders”</b>	:	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 Transfer Agent with addresses in Singapore for the service of notices and documents
<b>“Entitled Shareholders”</b>	:	Entitled Depositors and Entitled Scripholders
<b>“EPS”</b>	:	Earnings per Share

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## DEFINITIONS

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<b>“Escrow Account”</b>	:	The deposit account in the name of the Escrow Agent at United Overseas Bank (Malaysia) Bhd for the purposes of collecting the Cash Out Fund
<b>“Escrow Agent”</b>	:	Tricor Business Services Sdn Bhd.
<b>“Excess Rights Shares”</b>	:	Additional Rights Shares in excess of an Entitled Shareholder’s provisional allotments of Rights Shares under the Proposed Rights Issue
<b>“Excluded Creditor”</b>	:	Any of the following creditors of the Company: <ul style="list-style-type: none"><li>(a) essential operating expenses of a recurring nature;</li><li>(b) costs of inventory and related essential expenses owed to trade suppliers in the ordinary course of business;</li><li>(c) the professional and legal advisors to the Group to the extent of their claims for remuneration, costs, fees and expenses incurred before, on or after the Effective Date in connection with the Proposed Scheme;</li><li>(d) the Scheme Manager to the extent of his claim in respect of remuneration, costs, fees and expenses (including but not limited to the fees of his professional, legal and/or advisors) in respect of or in connection with the Proposed Scheme;</li><li>(e) subsidiaries of the Company;</li><li>(f) Bank Pembangunan Malaysia Berhad;</li><li>(g) Fujian Group Shipyards;</li><li>(h) Non-Fujian Group Shipyards;</li><li>(i) the Inland Revenue Authority of Singapore;</li><li>(j) the CDP (in its capacity other than as depository of the Notes); and</li><li>(k) the SGX-ST</li></ul>
<b>“Existing Issued Share Capital”</b>	:	The existing issued and paid up share capital of the Company comprising 2,096,465,885 Shares (excluding 6,678,597 treasury shares) as at the Latest Practicable Date
<b>“Final Amount”</b>	:	The amount under the final and non-appealable judgement or order on the adjudication of the Dispute
<b>“Foreign Shareholders”</b>	:	Shareholders whose registered addresses are out of Singapore as at the Books Closure Date, and who have not, at least three (3) Market Days prior to the Book Closure Date, provided to CDP or the Share Transfer Agent, as the case may be, addresses in Singapore for the service of notices and documents



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## DEFINITIONS

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<b>“Fujian Group Shipyards”</b>	:	Collectively, Fujian Mawei Shipbuilding Ltd., FSS, Xiamen Shipbuilding Industry Co. Ltd. and Fujian Funing Shipbuilding Co. Ltd.
<b>“FSS”</b>	:	Fujian Southeast Shipbuilding Co. Ltd.
<b>“FY”</b>	:	Financial year ended or ending on 31 December, as the case may be
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“Implementation Date”</b>	:	The date on which all the following steps have been fulfilled: <ul style="list-style-type: none"><li>(a) the Company launching the Proposed Rights Issue by lodging the Offer Information Statement in respect of the Proposed Rights Issue with the Authority, and the Company shall observe the relevant timetable published by the SGX-ST with respect to the Proposed Rights Issue;</li><li>(b) the Company allotting and issuing the Rights Shares to relevant Shareholders who have subscribed for the Rights Shares under the Proposed Rights Issue;</li><li>(c) the Company allotting and issuing the Non-sustainable Debt Shares to the relevant Creditors; and</li><li>(d) the Company making payment under the Cash Out Option to relevant Creditors who elected the Cash Out Option.</li></ul>
<b>“Initial Value”</b>	:	The forced sale value of the Secured Assets based on independent valuation
<b>“Interest Period”</b>	:	Each consecutive six-month period during the tenor of the Term Loan Facility, starting on 1 January 2018, as further described in Section 6.2 of this Circular
<b>“Intermediary”</b>	:	A person who holds an interest in any Notes on behalf of another person or persons (or, as the context may require, who held an interest at the Cut-Off Date), and the term <b>“Intermediaries”</b> shall be construed accordingly
<b>“Irrevocable Undertaking”</b>	:	The irrevocable undertaking dated 4 December 2017 given by the Major Shareholder to the Company, further details of which are set out in Section 4.5 of this Circular
<b>“ISRAs”</b>	:	The interest service reserve accounts in respect of each series of the Notes opened by the Company and maintained by it with DBS Trustee Limited.
<b>“JV Claim”</b>	:	The proportionate claims, obligations and liabilities howsoever arising (whether actual, contingent or otherwise) and indebtedness (whether as principal debtor or surety) of any creditor against any of the JV Companies accruing on or prior to the Cut-Off Date, whatsoever and howsoever arising out of or in connection with any and all agreements, transactions, dealings and matters effected or entered into by any of the JV Companies, and guaranteed by the Corporate Guarantee

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## DEFINITIONS

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- “JV Company”** : Each of PT Bahtera Niaga Indonesia and Marco Polo Offshore (IV) Pte Ltd, collectively, the **“JV Companies”**
- “Key Subsidiary”** : NCD, NCI, Nam Cheong Offshore Pte Ltd, Nam Cheong Labuan Ltd, Nam Cheong OSV Ltd, SK Venture Ltd, Nam Cheong Venture Ltd, Nam Cheong Property Pte Ltd, SK Machines Ltd and any of the other subsidiaries that (a) owns vessel, (b) owns properties, and collectively, the **“Key Subsidiaries”**
- “Last Trading Day”** : 20 July 2017, being the last trading day prior to the voluntary suspension of trading of the Shares on the Mainboard of the SGX-ST
- “Latest Practicable Date”** : 16 July 2018, being the latest practicable date prior to the printing of this Circular
- “Listing Manual”** : The listing manual of the SGX-ST as amended, varied or supplemented from time to time
- “Major Shareholder”** : 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 Latest Practicable Date
- “Management”** : Collectively, Leong Seng Keat, Tiong Chiong Soon, Tiong Chiong Hiiung and other members of the management as may be determined by the remuneration committee of the Company
- “Management Award Criteria”** : The following criteria subject to which the Company shall issue or transfer Award Shares to the Management under the Nam Cheong Management Incentive Plan:
- (a) 1% of the total number of issued Shares on the Implementation Date per Review Year from Review Year 1 to Review Year 7 if the Group meets the cashflow projections and scheduled interest payment of the Term Loan Facility to the Creditors who participated in the Term Loan Facility, for the relevant Review Year in accordance with the terms of the Proposed Scheme; and
  - (b) an additional 1% of the total number of issued Shares on the Implementation Date per Review Year from Review Year 4 to Review Year 7 if the Company meets the cashflow projections and scheduled interest payment and principal repayment of the Term Loan Facility to the Creditors who participated in the Term Loan Facility, for the relevant Review Year in accordance with the terms of the Proposed Scheme and either:
    - (i) the Group exceeds the cashflow projection in respect of net cash generated by the Group by at least 20%; or
    - (ii) the Group prepays the interest and principal of the Term Loan Facility by at least 20% above the scheduled interest payment and principal repayment.

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## DEFINITIONS

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“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Maturity Date”	:	The maturity date of the Bilateral Facilities Secured Debt (as defined in Section 2.6.2 of this Circular), being 31 December 2020 or such other date as may be mutually agreed by the parties
“Maximum Non-sustainable Debt: Shares Issuance Scenario”	:	For illustrative purposes, the scenario under which the maximum number of Non-sustainable Debt Shares may be issued as set out in Section 5.2 of this Circular
“Maximum Subscription Scenario”	:	For illustrative purposes, the scenario under which the maximum number of Rights Shares will be issued pursuant to the Proposed Rights Issue as set out in Section 4.3 of this Circular
“Maximum Term Loan Shares Issue Scenario”	:	For illustrative purposes, the scenario under which the maximum number of Term Loan Shares may be issued as set out in Section 6.3 of this Circular
“Memorandum and Bye-laws”	:	Memorandum of Association and Bye-laws of the Company
“Minimum Non-sustainable Debt: Shares Issuance Scenario”	:	For illustrative purposes, the scenario under which the minimum number of Non-sustainable Debt Shares may be issued as set out in Section 5.2 of this Circular
“Minimum Subscription Scenario”	:	For illustrative purposes, the scenario under which the minimum number of Rights Shares will be issued pursuant to the Proposed Rights Issue as set out in Section 4.3 of this Circular
“Monitoring Accountant”	:	The monitoring accountant appointed in relation to the Proposed Scheme, namely, PricewaterhouseCoopers Advisory Services Pte. Ltd. and PricewaterhouseCoopers Advisory Services Sdn. Bhd.
“Moratorium Shares”	:	The Shares (direct or deemed interests held by the Major Shareholder as at the Effective Date) of the Major Shareholder, excluding the 60,000,000 Shares pledged by the Major Shareholder to United Overseas Bank (Malaysia) Bhd.
“Nam Cheong Management Incentive Plan” or “Plan”	:	The proposed Nam Cheong Management Incentive Plan, the rules of which are set out in <b>Appendix B</b> of this Circular
“Nam Cheong Restructuring Group”	:	Collectively, the Company, NCD and NCI
“NCCPL”	:	Nam Cheong Capital Pte. Ltd. (Company No.: 201224521C), a company incorporated in Malaysia
“NCD”	:	Nam Cheong Dockyard Sdn Bhd (Company No.: 8278-X), a company incorporated in Malaysia
“NCI”	:	Nam Cheong International Ltd (Company No.: LL06122), a company incorporated in the Federal Territory of Labuan, Malaysia

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## DEFINITIONS

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“NCO”	:	Nam Cheong Offshore Pte Ltd (Company No.: 200713966D) a company incorporated in the Republic of Singapore
“Non-Fujian Group Shipyards”	:	Collectively, Wuhu Shipyard Co. Ltd., Cosco (Dalian) Shipyard Co., Ltd., Guangzhou Hangtong Shipbuilding & Shipping Co. Ltd., CIESCO (Singapore) Pte Ltd (and co-seller China Merchants Hoi Tung Trading Company Limited) and Fujian Baima Shipyard
“Non-sustainable Debt”	:	The financial indebtedness of the Group that is not supported by the projected cashflows and assets value of the Group for the Scheme Period
“Non-sustainable Debt Conversion”	:	The conversion of the Non-sustainable Debt into Non-sustainable Debt Shares at a conversion price of S\$0.045 per Non-sustainable Debt Share pursuant to the Proposed Scheme
“Non-sustainable Debt Ratio”	:	The ratio of the Non-sustainable Debt which constitutes 35% of the Eligible Debt
“Non-sustainable Debt Shares”	:	Up to 3,883,587,031 new Shares to be allotted and issued by the Company pursuant to the Non-sustainable Debt Conversion under the Proposed Scheme, and the term “ <b>Non-sustainable Debt Share</b> ” shall be construed accordingly
“Non-Voting Creditor”	:	Collectively, the Non-Voting Noteholders and Non-Voting Other Creditors
“Non-Voting Noteholder”	:	Any Noteholder who fails to submit a duly completed voting instruction form by the voting instruction form submission date through the Account Holder to Tricor Singapore Pte Ltd (trading as Tricor Barbinder Share Registration Services of 80 Robinson Road, #11-02, Singapore 068898 (being the Noteholders’ meeting agent) in accordance with the provisions of the Proposed Scheme
“Non-Voting Other Creditor”	:	Any Other Creditor who fails to submit a duly completed proof of debt in accordance with the provisions of the Proposed Scheme by the proof of debt submission date
“Noteholders”	:	Persons with an economic or beneficial interest as principal in the Notes at the voting instruction form submission date
“Notes”	:	Collectively, the Series 002 Notes, the Series 003 Notes and the Series 004 Notes
“Notice of SGM”	:	The notice of SGM as set out on pages N-1 to N-7 of this Circular
“NTA”	:	Net tangible assets
“Offer Information Statement”	:	The offer information statement referred to in Section 277 of the SFA, together with the PAL, the ARE, the ARS, and all other accompanying documents (where applicable, including any supplement or replacement document thereof to be issued by the Company and to be lodged with the Authority in connection with the Proposed Rights Issue)

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## DEFINITIONS

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<b>“Other Creditor(s)”</b>	:	A creditor that has (a) been granted a Corporate Guarantee; or (b) has a right of contribution against the Company in respect of an indebtedness or liability jointly and severally secured by the Corporate Guarantee
<b>“PAL”</b>	:	The provisional allotment letter to be issued to an Entitled Scripholder, setting out the provisional allotment of Rights Shares of the Entitled Scripholder under the Proposed Rights Issue
<b>“Plan Shares”</b>	:	The new Shares which may be allotted and issued from time to time pursuant to the vesting of Awards to be granted under the Nam Cheong Management Incentive Plan
<b>“Post-Disposal Secured TL Balance”</b>	:	A portion of the Bilateral Facilities Secured Debt up to US\$1.75 million owed to RHB Bank Labuan upon the disposal or deemed disposal of the vessel (SK715) in connection with the Term Loan 2 Facility (as described in Section 15.2 of this Circular) granted by RHB Bank Labuan to NCI, further details of which are set out in Section 15.2 of this Circular
<b>“PRC”</b>	:	The People’s Republic of China
<b>“Pre-Scheme Cash Out Payment”</b>	:	The payments made by the Company on 12 July 2018 to each Creditor that has elected the Cash Out Option, further details of which are set out in Section 1.1 of this Circular
<b>“Proposals”</b>	:	Collectively, the Proposed Capital Reorganisation, the Proposed Rights Issue, the proposed allotment and issue of the Non-sustainable Debt Shares and Term Loan Shares, the Proposed Termination of the 2013 Plan, the proposed adoption of the Nam Cheong Management Incentive Plan, the proposed participation by and grant of Awards to Mr. Tiong Chiong Soon and Mr. Tiong Chiong Hiiung, who are Associates of the Controlling Shareholder of the Company, under the Nam Cheong Management Incentive Plan, and the proposed allotment and issue of the Additional Loan Shares
<b>“Proposed Additional Loan Shares Issuance”</b>	:	The proposed allotment and issue of the Additional Loan Shares as part payment of the Post-Disposal Secured TL Balance, further details of which are set out in Section 15 of this Circular
<b>“Proposed Capital Reorganisation”</b>	:	The Capital Reduction, the Authorised Capital Diminution, the Authorised Capital Increase and the Crediting of Contributed Surplus, further details of which are set out in Section 3 of this Circular
<b>“Proposed Capital Reorganisation Effective Date”</b>	:	The effective date of the Proposed Capital Reorganisation, if approved, being 23 August 2018 or such other date as the Directors may determine
<b>“Proposed Non-sustainable Debt: Shares Issuance”</b>	:	The proposed allotment and issue of the Non-sustainable Debt Shares pursuant to the Non-sustainable Debt Conversion under the Proposed Scheme, further details of which are set out in Section 5 of this Circular

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## DEFINITIONS

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<b>“Proposed Rights Issue”</b>	:	The proposed renounceable non-underwritten rights issue of up to 2,096,465,885 Rights Shares at an issue price of S\$0.014 for each Rights Share, on the basis of one (1) Rights Share for every one (1) existing Share held by the Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded
<b>“Proposed Scheme”</b>	:	The scheme proposed under Sections 210 and 211B of the Act, which is to be approved or imposed by the Creditors or the Court, further details of which are set out in Section 2.8 of this Circular
<b>“Proposed Term Loan Shares Issuance”</b>	:	The proposed allotment and issue of the Term Loan Shares as part payment of the accrued Term Loan interest pursuant to the Term Loan under the Proposed Scheme, further details of which are set out in Section 6 of this Circular
<b>“Proposed Termination of the 2013 Plan”</b>	:	The proposed termination of the 2013 Plan
<b>“Register of Members”</b>	:	The register of members of the Company
<b>“Requisite Majority”</b>	:	Majority in number representing three-fourths in value of the Creditors present and voting in person or by proxy at the Scheme Meeting
<b>“Review Year”</b>	:	Each consecutive 12 month period commencing from 1 January 2018, with 2018 being referred to as “Review Year 1”, and 2019 being referred to as “Review Year 2”, and so forth
<b>“RHB Bank Labuan”</b>	:	RHB Bank (L) Ltd.
<b>“Rights”</b>	:	The “nil-paid” rights (evidenced by the provisional allotments of Rights Shares)
<b>“Rights Shares”</b>	:	Up to 2,096,465,885 new Shares to be allotted and issued by the Company pursuant to the Proposed Rights Issue, and the term “ <b>Rights Share</b> ” shall be construed accordingly
<b>“Rights Shares Issue Price”</b>	:	The issue price of S\$0.014 for each Rights Share
<b>“Scheme Document”</b>	:	The scheme document dated 23 November 2017 in relation to the Proposed Scheme between the Company and the Creditors
<b>“Scheme Manager”</b>	:	The proposed scheme manager who will administer the Proposed Scheme, being Mr Goh Thien Phong, Mr. Ling Tok Hong and/or Mr. Lie Kok Keong of PricewaterhouseCoopers Advisory Services Pte. Ltd.
<b>“Scheme Meeting”</b>	:	The meeting of the Creditors convened pursuant to the Company’s application pursuant to Section 210 of the Act for the purposes of considering, and if thought fit, approving the Proposed Scheme
<b>“Scheme Period”</b>	:	The period of time between the Effective Date and the Termination Date

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## DEFINITIONS

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“Secured Assets”	:	All assets of the relevant Key Subsidiaries or the JV Companies that are subject to any Security Interest to secure the Subsidiary Claim or the JV Claim, respectively
“Securities Account”	:	A securities account maintained by a Depositor with CDP, but does not include securities sub-accounts maintained with a Depository Agent
“Security Interest”	:	Any mortgage, pledge, lien, charge, assignment, debenture, hypothecation or other security interest given by any other persons from time to time as security
“Series 002 Notes”	:	The S\$90,000,000 5.00 per cent. Notes Due 2017 comprised in Series 002 (ISIN: SG57D8996134) issued pursuant to the S\$600,000,000 Multicurrency Medium Term Note Programme of the Company
“Series 003 Notes”	:	The S\$200,000,000 5.05 per cent. Notes Due 2019 comprised in SERIES 003 (ISIN: SG6SE6000003) issued pursuant to the S\$600,000,000 Multicurrency Medium Term Note Programme of the Company
“Series 004 Notes”	:	The S\$75,000,000 6.50 per cent. Notes due 2018 comprised in Series 004 (ISIN: SG6YE4000003) issued pursuant to the S\$600,000,000 Multicurrency Medium Term Note Programme of the Company
“SFA”	:	The Securities and Futures Act (Chapter 289) of Singapore, as may be amended or modified from time to time
“SGX-ST”	:	The Singapore Exchange Securities Trading Limited
“Share Transfer Books”	:	The share transfer books of the Company
“Shareholders”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “ <b>Shareholder</b> ” shall, where the context admits, mean the persons named as Depositors in the Depository Register maintained by the CDP and to whose Securities Accounts such Shares are credited
“Share Transfer Agent”	:	The Company’s Singapore share transfer agent, being RHT Corporate Advisory Pte. Ltd.
“Shares”	:	Ordinary shares in the capital of the Company
“SIC”	:	Securities Industry Council
“SK Global”	:	SK Global Ltd, a company incorporated in the Federal Territory of Labuan, Malaysia and an indirect wholly-owned subsidiary of the Company
“Special General Meeting” or “SGM”	:	The special general meeting of the Company to be convened and held on 20 August 2018 at 10.15 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place), notice of which is set out on pages N-1 to N-7 of this Circular

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## DEFINITIONS

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<b>“Subsidiary Claim”</b>	:	The claims, obligations and liabilities howsoever arising (whether actual, contingent or otherwise) and indebtedness (whether as principal debtor or surety) of any creditor against any of the Key Subsidiaries accruing on or prior to the Cut-Off Date, whatsoever and howsoever arising out of or in connection with any and all agreements, transactions, dealings and matters effected or entered into by any of the Key Subsidiaries, and guaranteed by the Corporate Guarantee For Key Subsidiary
<b>“subsidiary holdings”</b>	:	Has the meaning ascribed to it in the Listing Manual
<b>“Subsidiary Schemes”</b>	:	The proposed scheme of arrangement of NCD and/or NCI
<b>“Sustainable Debt”</b>	:	The financial indebtedness of the Group that the Group is able to sustain based on the projected cashflows and assets value of the Group
<b>“Sustainable Debt Ratio”</b>	:	The ratio of the Sustainable Debt which constitutes 65% of the Eligible Debt
<b>“Term Loan”</b>	:	The term loan arising from the restructuring of the Sustainable Debt of Creditors who elected or are deemed to have elected the Term Loan Option under the Proposed Scheme
<b>“Term Loan Facility”</b>	:	The term loan facility in respect of the Term Loan granted by the Creditors that elected or are deemed to have elected the Term Loan Option under the Proposed Scheme, further details of which are set out in Section 6 of this Circular
<b>“Term Loan 2 Facility”</b>	:	The additional term loan facility of US\$1.75 million granted by RHB Bank Labuan to NCI, further details of which are set out in Section 15.2 of this Circular
<b>“Term Loan Offered Debt”</b>	:	The Sustainable Debt associated with the Term Loan Option
<b>“Term Loan Option”</b>	:	The option under the Proposed Scheme for a Creditor to have all its portion of the Sustainable Debt fully repaid under the Term Loan option, further details of which are set out in Section 2.8.3(f) of this Circular
<b>“Term Loan Shares”</b>	:	Up to 787,280,931 new Shares to be allotted and issued by the Company as part payment of the accrued Term Loan interest under the Term Loan under the Proposed Scheme, and the term <b>“Term Loan Share”</b> shall be construed accordingly
<b>“Term Loan Shares Conversion Ratio”</b>	:	In connection with the Term Loan Facility, the conversion ratio whereby every US\$1 of accrued Term Loan interest under the Term Loan shall be converted into 30 Term Loan Shares
<b>“Term Loan Shares Issue Price”</b>	:	The issue price of S\$0.045 for each Term Loan Share
<b>“Termination Date”</b>	:	The date the Proposed Scheme is terminated in accordance to the terms of the Proposed Scheme
<b>“United States”</b>	:	United States of America



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## DEFINITIONS

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“Unpaid Amount”	:	The outstanding amount due to a Noteholder in respect of his Notes as at the Cut-Off Date
“VWAP”	:	Volume weighted average price
<b><u>Currencies, Units and Others</u></b>		
“%” or “per cent.”	:	Per centum or percentage
“EUR”	:	Euros, the lawful currency of the European Union
“HK\$”	:	Hong Kong dollar, the lawful currency of Hong Kong
“JPY”	:	Japanese Yen, the lawful currency of Japan
“NOK”	:	Norway Krone, the lawful currency of the Kingdom of Norway
“RM”	:	Malaysian Ringgit, the lawful currency of Malaysia
“S\$” and “cents”	:	Singapore dollars and cents, respectively, the lawful currency of the Republic of Singapore
“US\$”	:	United States of America dollars, the lawful currency of the United States of America

The terms “**Depositor**”, “**Depository**”, “**Depository Agent**” and “**Depository Register**” shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

Other capitalised terms are defined where they appear and have the respective meanings there indicated.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to “**persons**” shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Bermuda Companies Act, the SFA, the Listing Manual or any statutory modification thereof, and used in this Circular shall, where applicable, have the meaning ascribed to it under the Act, the Bermuda Companies Act, the SFA, the Listing Manual or such statutory modification thereof, as the case may be, unless the context requires otherwise.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date respectively, unless otherwise stated.

Any discrepancies in figures included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

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## DEFINITIONS

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### Exchange Rates

#### Scheme Exchange Rate

For the purposes of calculation under the Proposed Scheme, insofar as the amount is in a currency other than US\$, the value of such amount shall be converted to US\$ at the following exchange rates published on the website of the International Monetary Fund as at 29 September 2017 ("**Scheme Exchange Rate**"):

- (a) US\$1: RM4.2275;
- (b) US\$1: S\$1.3584;
- (c) US\$1: EUR 0.8470;
- (d) US\$1: JPY112.66; and
- (e) US\$1: NOK7.9726.

#### Latest Exchange Rate

Unless otherwise specifically provided, the following exchange rates as at the Latest Practicable Date ("**Latest Exchange Rate**") have been used throughout this Circular:

S\$1.00: RM2.9690  
S\$1.00: HK\$5.7624  
HK\$1.00: RM0.5152

The Scheme Exchange Rate and the Latest Exchange Rate as set out above are used for illustration purposes only and should not be construed as a representation that the relevant amounts have been or could be converted at the rate above or at any other rate or at all.

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## LETTER TO SHAREHOLDERS

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### NAM CHEONG LIMITED

(Incorporated in Bermuda)  
(Company Registration No. 25458)

**Board of Directors:**

Tan Sri Datuk Tiong Su Kouk (Executive Chairman)  
Tiong Chiong Hiiung (Executive Vice Chairman and Finance Director)  
Leong Seng Keat (Chief Executive Officer)  
Ajaib Hari Dass (Lead Independent Director)  
Yee Kit Hong (Independent Director)  
Kan Yut Keong, Benjamin (Independent Director)

**Registered Office:**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

27 July 2018

To: The Shareholders of Nam Cheong Limited

Dear Sir/Madam

- (1) **THE PROPOSED CAPITAL REORGANISATION (AS DEFINED HEREIN);**
- (2) **THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 2,096,465,885 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE “RIGHTS SHARES”) AT AN ISSUE PRICE OF S\$0.014 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING ORDINARY SHARE IN THE CAPITAL OF THE COMPANY HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT A BOOKS CLOSURE DATE (AS DEFINED HEREIN);**
- (3) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 3,883,587,031 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE “NON-SUSTAINABLE DEBT SHARES”) AT AN ISSUE PRICE OF S\$0.045 PER NON-SUSTAINABLE DEBT SHARE TO ENTITLED CREDITORS (AS DEFINED HEREIN) PURSUANT TO THE NON-SUSTAINABLE DEBT CONVERSION (AS DEFINED HEREIN) UNDER THE PROPOSED SCHEME (AS DEFINED HEREIN);**
- (4) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 787,280,931 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE “TERM LOAN SHARES”) AT AN ISSUE PRICE OF S\$0.045 PER TERM LOAN SHARE TO ENTITLED CREDITORS AS PART PAYMENT OF THE ACCRUED TERM LOAN INTEREST PURSUANT TO THE TERM LOAN FACILITY (AS DEFINED HEREIN) UNDER THE PROPOSED SCHEME;**
- (5) **THE PROPOSED TERMINATION OF THE 2013 PLAN (AS DEFINED HEREIN);**
- (6) **THE PROPOSED ADOPTION OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN (AS DEFINED HEREIN);**
- (7) **THE PROPOSED PARTICIPATION BY AND GRANT OF AWARD TO MR. TIONG CHIONG SOON, AN ASSOCIATE OF THE CONTROLLING SHAREHOLDER, UNDER THE NAM CHEONG MANAGEMENT INCENTIVE PLAN;**
- (8) **THE PROPOSED PARTICIPATION BY AND GRANT OF AWARD TO MR. TIONG CHIONG HIIUNG, AN ASSOCIATE OF THE CONTROLLING SHAREHOLDER, UNDER THE NAM CHEONG MANAGEMENT INCENTIVE PLAN; AND**
- (9) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 22,299,375 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE “ADDITIONAL LOAN SHARES”) AT AN ISSUE PRICE OF S\$0.045 PER ADDITIONAL LOAN SHARE TO RHB BANK LABUAN AS PART PAYMENT OF THE POST-DISPOSAL SECURED TL BALANCE (AS DEFINED HEREIN).**

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## LETTER TO SHAREHOLDERS

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### 1. INTRODUCTION

#### 1.1 Overview

The Company had, on 23 April 2017 and 20 July 2017, announced the steps taken by the Company to review its options to restructure its businesses, operations and balance sheet to preserve value for the stakeholders of the Company, and to address various obligations owed by the Group that have fallen due and will fall due from time to time, including the Notes.

In order to restructure its debts and liabilities, the Company had on 6 October 2017 filed an application to the Court ("**SG Application**") to, *inter alia*, propose the Proposed Scheme with its creditors pursuant to Sections 210(1) of the Act, and the Court had on 27 October 2017 made certain orders including, *inter alia*, that (a) the Company be at liberty to convene a meeting of its creditors ("**Scheme Meeting**") within three (3) months (or such other period as the Court may order) from 27 October 2017 for the purposes of approving the Proposed Scheme; and (b) in the event that the Proposed Scheme is approved at the Scheme Meeting, pursuant to Section 210(4) of the Act, the Company be at liberty to apply for an order of Court approving the Proposed Scheme, with such modifications as are approved at the Scheme Meeting (if any), so as to be binding on the Company and its creditors ("**Court Approval**").

Parallel to the SG Application, NCD and NCI had also made an application in the High Court of Malaya to convene the requisite meeting of creditors to approve the Subsidiary Schemes with their respective scheme creditors. On 15 November 2017, the High Court of Malaya granted the application and ordered, *inter alia*, that (a) a meeting of creditors of NCD and NCI be convened for the purpose of considering, and if thought fit, approving with or without modification the scheme of arrangement and compromise proposed between each of NCD and NCI and its respective creditors ("**Malaysian Court Convened Meeting**"); and (b) NCD and NCI are at liberty to fix the date and venue of the Malaysian Court Convened Meeting within 90 days of 15 November 2017.

The Proposed Scheme and the Subsidiary Schemes are inter-conditional upon each other.

The Malaysian Court Convened Meeting and the Scheme Meeting were convened on 22 January 2018 and 24 January 2018, respectively, and the Proposed Scheme and Subsidiary Schemes were duly approved by the Creditors. As announced by the Company on 16 July 2018, the Subsidiary Schemes (with modifications) were sanctioned by the High Court of Malaya on 12 July 2018.

The implementation of the Proposed Scheme comprises the following components:

- (a) the Proposed Capital Reorganisation;
- (b) the Proposed Rights Issue;
- (c) the resolution of the Non-sustainable Debt by way of the proposed allotment and issue of Non-sustainable Debt Shares pursuant to the Non-sustainable Debt Conversion;
- (d) the resolution of the Sustainable Debt by way of (i) the Term Loan Option; and (ii) the Cash Out Option; and
- (e) the Proposed Termination of the 2013 Plan and the proposed adoption of the Nam Cheong Management Incentive Plan.

The Proposed Scheme shall only apply to the unsecured liabilities (whether actual, contingent or otherwise) owing to all Creditors who have Claims against the Company as at the Cut-Off Date, including (i) any Claim in connection with the Notes; and (ii) any Claim in connection with the Corporate Guarantees, but shall not apply to the Claims of Excluded Creditors.

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## LETTER TO SHAREHOLDERS

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Based on the notice of repayment exercise distributed to all Creditors following the Scheme Meeting, the amount admitted by the Scheme Manager for voting purposes was approximately US\$425 million, consisting of the following amounts:

- (a) secured liabilities, which are the Company's liabilities that were secured by the Secured Assets with a then aggregate Initial Value of approximately US\$45 million and monies in the ISRAs for Series 003 Notes and Series 004 Notes of approximately US\$1.3 million for partial repayment of principal. As the Proposed Scheme restructures only unsecured liabilities, these secured liabilities are excluded from the Proposed Scheme;
- (b) the Company's contingent liabilities in relation to the Corporate Guarantees to the Other Creditors For JV Companies of US\$19 million which have not Crystallised as at the Latest Practicable Date. Approximately US\$8 million of these contingent liabilities are secured, such that approximately US\$11 million of these contingent liabilities will form part of the unsecured liabilities to be restructured under the Proposed Scheme if the Eligible Debt Crystallises before or by the termination of the Proposed Scheme (see Section 2.6.3 of this Circular); and
- (c) the remaining total unsecured liabilities to be restructured under the Proposed Scheme of approximately US\$359 million (including the Notes held by SK Global of approximately US\$11 million and excluding the Company's unsecured contingent liabilities in relation to the Corporate Guarantees to the Other Creditors For JV Companies of approximately US\$11 million).

With respect to the secured liabilities and the Secured Assets of the Other Creditors with Corporate Guarantees for Key Subsidiary, the Company had subsequently announced the disposal of various Secured Assets of Other Creditors with Corporate Guarantee For Key Subsidiary, namely, the properties at 8 Temasek Boulevard, Suntec Tower Three #41-01, #41-02 and #41-03 (collectively, the "**Suntec Property**"). Proceeds from the disposal of the Suntec Property have been applied towards the settlement of outstanding amounts under credit facilities granted by DBS Bank Limited to NCI, which were secured by the Suntec Property.

In addition, on 30 April 2018, the Company announced the placement ("**NCLL Placement**") of new shares in the capital of Nam Cheong (Labuan) Ltd ("**NCLL**") to third party investors ("**NCLL Subscribers**") which resulted in a dilution of the Group's interest in NCLL from 100% to approximately 0.01% ("**Dilution**"). In connection with the NCLL Placement, the NCLL Subscribers also extended a shareholders' loan to NCLL ("**NCLL Shareholders' Loan**"). All proceeds from the NCLL Placement and the NCLL Shareholders' Loan have been applied towards the partial repayment of the outstanding amount under a credit facility granted by DBS Bank Limited ("**NCLL DBS Credit Facility**") to NCLL, which was secured by a vessel owned by NCLL and a Corporate Guarantee provided by the Company. Following the partial repayment, the security over the vessel will be discharged and no further drawdowns can be made on the NCLL DBS Credit Facility. For more details, please refer to the announcement dated 30 April 2018 made by the Company.

As the proceeds from the aforementioned disposal of the Suntec Property as well as from the NCLL Placement and the NCLL Shareholders' Loan have been applied towards the repayment of the Company's secured liabilities, the aggregate Initial Value of the Secured Assets have been reduced from US\$45 million to approximately US\$33 million, consisting of approximately US\$25 million in respect of Secured Assets that secured the Corporate Guarantees For Key Subsidiaries and approximately US\$8 million in respect of the Secured Assets that secure the Corporate Guarantees to the Other Creditors For JV Companies. Correspondingly, the Company's liabilities secured by the Initial Value of the Secured Assets have been reduced to approximately US\$33 million, consisting of approximately US\$25 million in respect of Secured Assets that secured the Corporate Guarantees For Key Subsidiaries and approximately US\$8 million in respect of the Secured Assets that secure the Corporate Guarantees to the Other Creditors For JV Companies. The total unsecured liabilities to be restructured under the Proposed Scheme remain unchanged at approximately US\$359 million (excluding the Company's unsecured contingent liabilities in relation to the Corporate Guarantees to the Other Creditors For JV Companies of approximately US\$11

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## LETTER TO SHAREHOLDERS

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million). The unsecured contingent liabilities of approximately US\$11 million will form part of the unsecured liabilities to be restructured under the Proposed Scheme if the Eligible Debt Crystallises before or by the termination of the Proposed Scheme.

The Company intends to undertake the Proposed Rights Issue, which involves a renounceable non-underwritten rights issue of up to 2,096,465,885 Rights Shares at an issue price of S\$0.014 for each Rights Shares, on the basis of one (1) Rights Share for every one (1) existing Share held by the Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded, to raise funds. It is intended that the proceeds raised from the subscription by the Major Shareholder for his entitlement of his Rights Shares (both direct and deemed interest) and any additional Rights Shares in excess of the Major's 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, and any remaining proceeds raised from the Proposed Rights Issue (that is, the remaining monies of the Committed Sum of RM50 million not used to fund the Cash Out Option and proceeds arising from the subscription by the other Shareholders in the Proposed Rights Issue) will be used for the operations of the Group. On 19 January 2018, the Company announced that the Major Shareholder has deposited the Committed Sum of RM50 million into an escrow account for the purposes of fulfilling his obligations under the Irrevocable Undertaking.

However, 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 Latest Practicable Date, 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 the Rights Shares of S\$0.014 per Rights Share (equivalent to approximately HK\$0.081 based on the Latest Exchange Rate) 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, and facilitate the proposed allotment and issue of Non-sustainable Debt Shares, Term Loan Shares and Plan Shares, the Company proposes to undertake the Proposed Capital Reorganisation to, *inter alia*, lower the par value of each Share to HK\$0.001 and increase the authorised capital of the Company to HK\$12,000,000 divided into 12,000,000,000 Shares with a par value of HK\$0.001 each.

In addition, the Company is of the view that the Management plays a critical role in the Group's businesses and operations, and their continued involvement in the Group is significant in ensuring the success of the Proposed Scheme. Accordingly, the Company intends to implement the Nam Cheong Management Incentive Plan to, *inter alia*, enable participants, including the Management, to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance and to give recognition to participants who have contributed significantly to the Group's growth and performance. Upon the adoption of the Nam Cheong Management Incentive Plan, the existing 2013 Plan shall be terminated.

For more information on the Proposed Scheme, the Proposed Capital Reorganisation, the Proposed Rights Issue, the Proposed Termination of the 2013 Plan, the proposed Nam Cheong Management Incentive Plan, please refer to Sections 2, 3, 4, 7 and 8 of this Circular, respectively.

**Shareholders are to note that the implementation of the Proposed Scheme is conditional upon the fulfilment of a number of conditions, including but not limited to, the approval of Shareholders being obtained for the Proposed Capital Reorganisation, the Proposed Rights Issue, the proposed Nam Cheong Management Incentive Plan, and the allotment and issue of the Rights Shares, Non-sustainable Debt Shares, Term Loan Shares and Plan Shares, further details of such conditions are set out in Section 2.8.4 of this Circular, and there is no certainty or assurance that the Proposed Scheme will become effective or be successfully concluded. Further, the Proposed Scheme is subject to Court approval and the terms of the Proposed Scheme may be subject to such amendments or conditions that the Court may order.**

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Notwithstanding that the Proposed Scheme and the Subsidiary Schemes are not yet effective, as a gesture of goodwill, the Company had, on 22 June 2018, announced that it will make the following payments to the Creditors from the Company's own funds and not out of the Series 003 Notes and Series 004 Notes ISRAs pursuant to the terms of the Proposed Scheme and the Subsidiary Schemes:

- (a) for each Creditor that has elected the Term Loan Option ("**Term Loan Creditor**"), a pre-scheme payment ("**Pre-Scheme Term Loan Payment**") of 2% per annum cash interest for the first Interest Period of six (6) months (that is, from 1 January 2018 to 30 June 2018), this being 1% on the Term Loan Offered Debt under the Term Loan Facility ("**First Interest Period Interest**"); and
- (b) for each Creditor that has elected the Cash Out Option ("**Cash Out Creditor**"), a pre-scheme payment of 1% of its relevant Cash Out Offered Debt ("**Pre-Scheme Cash Out Payment**")

(collectively the "**Scheme Payments**").

The Scheme Payments will be made on the following conditions, which shall be deemed accepted by each Creditor upon receipt of the same:

- (a) that upon the Proposed Scheme and the Subsidiary Schemes becoming effective, the Pre-Scheme Term Loan Payment to each Term Loan Creditor shall be deemed performance of the Nam Cheong Restructuring Group's obligations in relation to the First Interest Period Interest under the relevant terms of the Proposed Scheme and the Subsidiary Schemes; and
- (b) that upon the Proposed Scheme and the Subsidiary Schemes becoming effective, the Cash Out Payment due to each Cash Out Creditor shall be reduced by the Pre-Scheme Cash Out Payment.

### 1.2 Purpose of Circular

The purpose of this Circular is to provide Shareholders with relevant information relating to the Proposed Capital Reorganisation, the Proposed Rights Issue, the proposed allotment and issue of the Non-sustainable Debt Shares and Term Loan Shares, the Proposed Termination of the 2013 Plan, the proposed adoption of the Nam Cheong Management Incentive Plan, the proposed participation by and grant of Awards to Mr. Tiong Chiong Soon and Mr. Tiong Chiong Hiiung, who are Associates of the Controlling Shareholder of the Company, under the Nam Cheong Management Incentive Plan, and the proposed allotment and issue of the Additional Loan Shares (collectively, the "**Proposals**"), and to seek the approvals of Shareholders for the resolutions in respect thereof, at the SGM to be held at Furama Riverfront, Venus I & II, Level 3, 405 Havelock Road Singapore 169633, on 20 August 2018 at 10.15 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place), Singapore time. The Notice of SGM is set out on pages N-1 to N-7 of this Circular.

This Circular has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) or for any other purpose.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

### 1.3 Conditionality of Resolutions

**Shareholders should note that the resolutions in respect of the Proposals as set out in the Notice of SGM on pages N-1 to N-7 of this Circular are:**

- (a) **subject to the Proposed Scheme coming into effect; and**

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- (b) **special resolution (in relation to the Proposed Capital Reorganisation) and ordinary resolutions 1 to 10 (collectively, the “SGM Resolutions”) are inter-conditional upon the passing of one another, such that if any of SGM Resolutions is not approved by Shareholders, all of the SGM Resolutions shall be deemed not approved.**

## 2. THE PROPOSED RESTRUCTURING PLANS

### 2.1 Background to the Company’s financial difficulties

The principal activity of the Company is that of an investment holding company. As an investment holding company, the Company’s primary assets are its investments in its subsidiaries and the receivables from its subsidiaries. The Company does not have fixed assets and operational cash-flow and is thus dependent on returns from its subsidiaries to meet its own financial obligations. The key operating subsidiaries of the Group are NCD and NCI. Both NCD and NCI are incorporated in Malaysia. Please refer to **Appendix C** of this Circular for details of the Company’s subsidiaries, joint venture company and associated companies.

Prior to the collapse in oil prices in late 2014, the Group reported healthy profits in both its shipbuilding and chartering business. To finance its growing operations, the Company (together with NCCPL) established, on 12 October 2011, a multicurrency medium note programme under which the Company could issue a maximum aggregate principal amounting to S\$200,000,000 of notes from time to time. The maximum aggregated principal was subsequently increased to S\$600,000,000 on 17 December 2013. As at the Latest Practicable Date, the total Unpaid Amount under the Notes is approximately US\$266 million and the amount of monies in the ISRAs of the Series 003 Notes and Series 004 Notes is approximately US\$5.6 million. All monies in the ISRA of the Series 002 Notes have been released to Noteholders of Series 002 Notes on 28 August 2017 as payment of coupon and partial repayment of principal.

The Company also stood as guarantor for (a) the Key Subsidiaries in respect of certain credit facility agreements with the Other Creditors with Corporate Guarantee For Key Subsidiary, some of which are secured by the Secured Assets; and (b) the JV Companies in respect of certain credit facility agreements with the Other Creditors with Corporate Guarantee For JV Company, which are secured by the Secured Assets. As at 30 September 2017, the Company has provided guarantees to certain lenders for the Key Subsidiaries for a total amount of approximately US\$139 million and guarantees to certain lenders for the JV Companies for a total amount of approximately US\$19 million. For more information, please refer to Sections 2.5.2 and 2.6 of this Circular.

The Company believes that the Group’s recent financial difficulties resulted from the significant weakness and volatility in the oil price environment which has persisted as a result of the worldwide reduction in oil and gas activities since 2014. This weakness and volatility have caused global concerns to both oil and gas and oilfield services operators resulting in a worldwide reduction in all expenditure in the exploration, development and production of oil and natural gas, along with the deferment of projects.

The Group’s financial position has suffered as its business has been adversely impacted by an extremely challenging operating environment. The prolonged reduction in oil and gas activities led to the oversupply of offshore support vessels along with influx of newly built vessels and overall reduction in charter rates and utilisation. The Group’s businesses have been adversely impacted by the reduction in demand for the Group’s built vessels leading to deferment in delivery of the Group’s vessels and bringing about potential threats by shipyards.

The aforementioned factors have resulted in little or no returns from the Company’s investments in its business, contributing to liquidity constraints, and resulting in the Company’s difficult financial position today.

In January 2016, crude oil prices collapsed to approximately US\$27 per barrel, the lowest level since 2013. While oil prices did increase significantly through 2016, the volatility of oil prices caused a tapering in capital expenditure by oil companies. This has in turn depressed charter rates



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and reduced charter utilisation. An oversupply of offshore support vessels along with the influx of newly built vessels resulting in low competitive charter rates compounded the Group's financial difficulties. This resulted in an 84% decrease in the Group's ship chartering revenue in the financial year ended 31 December 2016 as compared to the financial year ended 31 December 2015.

### 2.2 Actions taken by the Company

To mitigate the slow down or deterioration in the business prospects of the Group arising from the significant and sustained volatility and weakness in the oil price environment and continued reduction in the exploration, development and production of oil and natural gas, the Group responded by deferring the delivery dates of vessels currently under construction.

However, the persistent depressed charter rates and reduced charter utilisation caused the Group to face a cash crunch and severely disrupted operations. Consequently, the Group recorded revenue of RM170.4 million (a reduction of RM779.6 million from FY2015) and suffered a net loss of RM42.6 million (compared to a profit of RM27.9 million for FY2015) for FY2016.

By the end of 2016, it became apparent to the Group that in light of its financial situation, the Group needed to focus its strategy on: (a) improving cash to be generated from sale of substantial stocks and receipts from receivables; (b) implementing cost control and operational efficiency measures; and (c) restructuring of its liabilities to creditors.

As a result of the cash crunch, the Group defaulted in payments under its bank facility agreements.

On 23 April 2017, the Company announced that in light of the severe and protracted downturn in the global oil and gas industry, the Company had taken steps to review its options to restructure its businesses, operations and balance sheet to preserve value for the stakeholders of the Company. The Group was in discussions with its principal lenders to address significant debt maturities, which may include, *inter alia*, refinancing and/or restructuring of existing loans ("**Restructuring**"). The Group had received, from time to time, letters of demand as well as reservation of rights letters from its counterparties, including financial lenders, further information on the claims made by certain banks are set out in Section 2.3 of this Circular. The Company has various obligations owed to financial lenders and trade creditors that have fallen due and will fall due from time to time. These obligations include the Group's loans and borrowings of an aggregate amount of RM948,720,000 that were classified as current as at 31 December 2016, of which RM278,566,000 pertained to the medium term notes that were due for repayment on 28 August 2017. The Group was in discussions with a number of its creditors and key stakeholders, including its financial lenders and vendors, in relation to the Restructuring options for these obligations.

Subsequently, the Company announced on 20 July 2017 that while the Restructuring is ongoing, the Company will temporarily cease repayment of all the Company's borrowings.

On 21 July 2017, on the Company's request, the Company's Shares were suspended from trading on the Mainboard of the SGX-ST.

In order to restructure its debts and liabilities, the Company had filed the SG Application to, *inter alia*, propose the Proposed Scheme, and parallel to the SG Application, NCD and NCI had also made an application in the High Court of Malaya to convene the requisite meeting of creditors to approve the Subsidiary Schemes with their respective scheme creditors. The Proposed Scheme and the Subsidiary Schemes are inter-conditional upon each other.

Further, the Company had also successfully sought an order from the Court pursuant to an application to the Court under Section 211B(1) of the Companies Act (Cap.50) and/or the inherent jurisdiction of the Court that for a period of six (6) months from 6 October 2017 or until further order:

- (a) no appointment shall be made of a receiver or manager over any property or undertaking of the Company;

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- (b) no action or proceedings in Singapore or elsewhere shall be commenced or continued against Company (other than proceedings under Sections 210, 211B, 211D, 211G, 211H or 212 of the Companies Act), except with the consent of Company or the leave of the Court and subject to such terms as the Court imposes;
- (c) no execution, distress or other legal process in Singapore or elsewhere against any property of the Company shall be commenced, continued or levied, except with the consent of the Company or the leave of the Court and subject to such terms as the Court imposes;
- (d) no step to enforce any security over any property of the Company, or to repossess any goods held by the Company under any chattels leasing agreement, hire-purchase agreement or retention of title agreement shall be taken or continued in Singapore or elsewhere, except with the consent of the Company or the leave of the Court and subject to such terms as the Court imposes; and
- (e) no enforcement of any right of re-entry or forfeiture under any lease in respect of any premises occupied by the Company in Singapore or elsewhere shall be commenced or continued (including any enforcement pursuant to Sections 18 or 18A of the Conveyancing and Law of Property Act (Cap. 61)), except with the consent of the Company or the leave of the Court and subject to such terms as the Court imposes.

As announced by the Company on 4 April 2018, the Company had, on 3 April 2018, successfully obtained an extension from the Court of the foregoing order for a period of four (4) months until 6 August 2018. The Company has made an application to the Court for a further extension of the foregoing order and the hearing date has currently been fixed for 15 August 2018. The Company is applying for the application to be heard before the current moratorium order expires.

The Malaysian Court Convened Meeting and the Scheme Meeting were convened on 22 January 2018 and 24 January 2018, respectively, and the Proposed Scheme and Subsidiary Schemes were duly approved by the Creditors. As announced by the Company on 16 July 2018, the Subsidiary Schemes (with modifications) were sanctioned by the High Court of Malaya on 12 July 2018.

Further details of the Proposed Scheme are set out in Section 2.8 of this Circular.

### 2.3 Claims by bank lenders

On 19 June 2017, the Company and NCI received a writ of summons dated 2 June 2017 and statement of claim dated 16 May 2017 by Oversea-Chinese Banking Corporation Limited (License No. 940026C) ("**OCBC Labuan**") in the High Court of Labuan, Malaysia. Pursuant to the writ of summons, OCBC Labuan is claiming against NCI as borrower under a credit facility granted by OCBC Labuan and against the Company as guarantor of the said facility for the sum of USD10,044,653.59 as at 30 April 2017, together with interest, late payment charges and costs allegedly due to OCBC Labuan for the breach of the facility agreement. The credit facility granted by OCBC Labuan is intended to be restructured under the Proposed Scheme, further details of which are set out in Section 2.6.2 of this Circular. The Company and NCI entered a defence on 24 July 2017. On 27 September 2017, OCBC Labuan filed a summary judgment application in the High Court of Labuan, Malaysia against the Company and NCI pursuant to the aforementioned claim ("**OCBC Labuan Summary Judgment Application**"). The hearing of the OCBC Labuan Summary Judgment Application has been adjourned to 13 November 2018. If the Proposed Scheme and Subsidiary Schemes come into effect, the relevant facilities with OCBC Labuan will be restructured under the Proposed Scheme and OCBC Labuan would have to withdraw its claim.

On 9 August 2017, the Company and NCD received a writ of summons and statement of claim dated 7 August 2017 filed by AmBank (M) Berhad ("**AmBank**") in the Malaysia Court at Kuala Lumpur, Malaysia. Pursuant to the said writ of summons, AmBank is claiming against NCD as borrower under credit facilities granted by AmBank and against the Company as guarantor of the said facilities for the sum of RM70,402,636.90 as at 31 July 2017, together with interest and costs on a solicitor-client basis allegedly due to AmBank for the breach of the facilities. The credit facilities granted by AmBank are intended to be restructured under the Proposed Scheme,

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further details of which are set out in Section 2.6.2 of this Circular. The Company and NCI entered a defence on 13 September 2017 and AmBank has since entered a reply to the Company and NCI's defence on 28 September 2017. On 13 October 2017, AmBank filed a summary judgment application in the High Court of Malaya at Kuala Lumpur against the Company and NCD pursuant to the aforementioned claim ("**AmBank Summary Judgment Application**"). The AmBank Summary Judgment Application was heard on 11 January 2018 and the Court had fixed 6 July 2018 to give its decision. On 5 July 2018, the Company and NCD had agreed with AmBank for AmBank to withdraw the AmBank Summary Judgment Application on the condition that if Company does not complete the listing of the Rights Shares pursuant to the terms of the Proposed Scheme by 30 September 2018 or such other date as may be agreed to by AmBank at its sole and absolute discretion, AmBank may enter consent judgment against the Company and NCD. The suit by AmBank is now fixed for case management on 9 October 2018. If the Proposed Scheme and Subsidiary Schemes come into effect, and the Company launches the Proposed Rights Issue under the Proposed Scheme and allots and issues the Rights Shares, the relevant facilities with AmBank will be restructured under the Proposed Scheme, the Subsidiary Schemes and the relevant Bilateral Facilities Agreement (as defined in Section 2.6.2 of this Circular) and AmBank would have to withdraw its claim.

### 2.4 Noteholders

The total Unpaid Amount under the Notes owed to the Noteholders based on the amount admitted by the Scheme Manager for voting purposes is approximately US\$267 million and the amount of monies in the ISRAs of the Series 003 Notes and Series 004 Notes is approximately US\$5.6 million. Please refer to Section 2.5.2 of this Circular for more details.

### 2.5 Financial information of the Group

Selected audited consolidated financial information of the Group for FY2015, FY2016 and FY2017 are set out in Appendix A of this Circular. Such selected financial information include the Group's income statement, statement of financial position, statement of cash flow and the working capital position as well as a review thereof, and should be read together with the annual reports, the consolidated audited accounts and consolidated financial statements of the Group for the relevant periods and the related notes thereto, which are available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

#### 2.5.1 Assets of the Company

As the Company is the ultimate holding company of the Group, the Company's primary assets are its investments in its subsidiaries and the receivables from its subsidiaries. The Company has no other fixed assets and operations cash flow.

As at 30 June 2017, the book value and estimated realisable value of significant assets of the Company are estimated at US\$546,512,700 and US\$18,295,370, respectively:

No.	Description of assets	Book value as at 30 June 2017 (US\$)	Estimated realisable value as at 30 June 2017 (US\$)
1.	Investment in NCD	235,217,701	0
2.	Investment in Nam Cheong Offshore Pte Ltd	20,060,264	0
3.	Amount owing to the Company by NCI	291,234,735	18,295,370
	<b>Total</b>	<b>546,512,700</b>	<b>18,295,370</b>

The estimated realisable value of the significant assets of the Company was calculated on the following bases and assumptions:

- (a) the realisable value of significant assets is estimated based on a fire sale basis. This is based on if available the latest selling price of a similar asset and applying an additional fire sale discount. If latest selling price is not available, a fire sale discount is applied on the current book value or contractual value of the asset based on the general sentiment of the marketability of said asset;

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- (b) the estimated realisable value for receivable and amount owed from a contract customer is based on a commercial view and the credit history of the debtor and at times a discount is applied to incentivise the completion of certain sales; and
- (c) the liquidation fee is assumed at 2% of gross realisation of assets and an additional agency cost (commission and brokerage) is applied during the fire sale of physical assets.

### 2.5.2 Liabilities of the Company

#### **Noteholders**

The total Unpaid Amount under the Notes owed to the Noteholders based on the amount admitted by the Scheme Manager for voting purposes is approximately US\$267 million and the amount of monies in the ISRAs of the Series 003 Notes and Series 004 Notes is approximately US\$5.6 million.

All monies in the ISRA of Series 002 Notes have been released to Noteholders of Series 002 Notes on 28 August 2017 as payment of coupon and partial repayment of principal. Interest accruing at 5% per annum on the outstanding principal amount in relation to the Series 002 Notes for the period of 28 August 2017 to 31 December 2017 (both dates inclusive) was paid on 24 January 2018.

The balance monies in the ISRAs for Series 003 Notes and Series 004 Notes, after payment of outstanding contractual interest (excluding default interest) up to 31 December 2017 by DBS Trustee Limited, shall be available for payment by DBS Trustee Limited to the Noteholders of Series 003 Notes and Series 004 Notes respectively as repayment of principal after the Proposed Scheme becomes effective. Approximately US\$1.3 million will be available in the ISRAs for principal repayment and will not form part of the Eligible Debt of the Noteholders of Series 003 Notes and Series 004 Notes, resulting in approximately US\$266 million owing under the Notes to be restructured under the Proposed Scheme.

A summary of the remaining unsecured liabilities of the Company owing to the Noteholders based on the amount admitted by the Scheme Manager for voting purposes is set out below:

Noteholders	Unpaid principal under the Notes (US\$)	Amount in the ISRA (US\$) <sup>(1)</sup>	Outstanding contractual interest up to 31 December 2017 (US\$)	Total unpaid amount under the Notes to be restructured under the Proposed Scheme (US\$)
Noteholders holding Series 002 Notes	64,575,530	–	–	64,575,530
Noteholders holding Series 003 Notes	147,232,038	3,768,531 <sup>(2)</sup>	2,607,419	146,128,981
Noteholders holding Series 004 Notes	55,212,014	1,805,820	1,592,829	54,999,023
<b>Total</b>	<b>267,019,582</b>	<b>5,574,350</b>	<b>4,200,248</b>	<b>265,703,535</b>

#### **Notes:**

- (1) Save for SK Global's entitlement as set out in note (2) below, the amounts in the ISRA will be applied towards the full repayment of the outstanding contractual interest up to 31 December 2017 and the balance amounts in the ISRAs after such interest repayment shall be applied towards the partial repayment of the unpaid principal under the Notes.
- (2) SK Global's entitlement of approximately US\$58,056 shall be used to defray the fees and expenses (including legal adviser's fees) of DBS Trustee Limited.

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### **Other Creditors**

A summary of the liabilities of the Company owing to Other Creditors based on the amount admitted by the Scheme Manager for voting purposes is set out below:

No.	Other Creditors	Borrower	Amount admitted <sup>(1)</sup> (US\$)
<b>Other Creditors with Corporate Guarantee For Key Subsidiary</b>			
1.	DBS Bank Limited <sup>(2)</sup>	Nam Cheong Labuan Ltd	46,279,461 <sup>(8)</sup>
		Nam Cheong OSV Ltd	
		SK Venture Ltd	
		Nam Cheong Venture Ltd	
		NCI	
2.	CIMB Bank Berhad <sup>(3)</sup>	NCI	2,820,317
3.	Ambank (M) Berhad <sup>(2)</sup>	NCD	16,477,719
4.	Malayan Banking Berhad <sup>(2)(4)</sup>	NCD	7,162,063
5.	Maybank Islamic Berhad <sup>(2)(4)</sup>	NCD	1,170,190
6.	RHB Bank Berhad <sup>(2)</sup>	NCD	11,893,468
7.	RHB Bank Labuan <sup>(2)</sup>	NCI	22,255,233
8.	Bank of China (Malaysia) Berhad <sup>(3)</sup>	NCD	5,609,078
9.	Hong Leong Bank Berhad <sup>(3)</sup>	NCI	15,000,000
10.	OCBC Labuan <sup>(3)</sup>	NCI	10,000,000
<b>Other Creditors with Corporate Guarantee For JV Company</b>			
1.	PT Bank OCBC NISP TBK ("PT Bank OCBC") <sup>(2)</sup>	PT Bahtera Niaga Indonesia <sup>(7)</sup>	3,390,450 <sup>(5)(6)</sup>
2.	Oversea-Chinese Banking Corporation Limited ("OCBC") <sup>(2)</sup>	Marco Polo Offshore (IV) Pte Ltd	15,911,040 <sup>(5)(6)</sup>
		PT Bahtera Niaga Indonesia <sup>(7)</sup>	
<b>Total</b>			<b>157,969,019</b>

#### **Notes:**

- (1) Subject to adjudication for entitlement under the Proposed Scheme and prior to deducting the Initial Value of the Secured Assets (if applicable).
- (2) Other Creditors whose Existing Facility or Existing JV Facility, as the case may be, is secured by Secured Assets.
- (3) Other Creditors whose Existing Facility is not secured by any Secured Assets.
- (4) Malayan Banking Berhad and Maybank Islamic Berhad share one common security.
- (5) As the borrower of this Existing JV Facility is a JV Company, this amount under the Corporate Guarantee provided by the Company is largely proportionate to the Company's effective equity interest in the JV Company.
- (6) These represent amounts that have been admitted for voting purposes in relation to the Proposed Scheme and are subject to adjustment by the Scheme Manager to determine the Eligible Debt of PT Bank OCBC and OCBC. Under the Proposed Scheme, the Corporate Guarantees For JV Company will be liable to be released on the Implementation Date and PT Bank OCBC and OCBC will receive entitlements in respect of its respective Eligible Debt if the Eligible Debt Crystallises before or by the termination of the Proposed Scheme.
- (7) PT Bank OCBC and Oversea-Chinese Banking Corporation Limited provided 30% and 70%, respectively, of the financing under this Existing JV Facility, and therefore have a proportionate claim on the security.
- (8) As the proceeds from the disposal of the Suntec Property as well as from the NCLL Placement and the NCLL Shareholders' Loan have been applied towards the repayment of the outstanding amounts under credit facilities granted by DBS Bank Limited, the resultant amount to be restructured under the Proposed Scheme for DBS Bank Limited is US\$25,795,598.

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### ***Excluded Creditors***

As mentioned in Section 1.1 of this Circular, the Proposed Scheme shall only apply to the unsecured liabilities (whether actual, contingent or otherwise) owing to all Creditors who have Claims against the Company as at the Cut-Off Date, including (i) any Claim in connection with the Notes; and (ii) any Claim in connection with the Corporate Guarantees, but shall not apply to the Claims of Excluded Creditors. Accordingly, the Proposed Scheme does not apply to any Claim in connection with the following:

- (a) corporate guarantee granted by the Company in respect of the indebtedness of Synergy Kenyalang Offshore Sdn Bhd (“**SKOSB**”) under a facility granted by Bank Pembangunan Malaysia Berhad to SKOSB. SKOSB is a joint venture company in which NCD holds 40% shareholding interest. As at the Cut-Off Date, SKOSB is in good financial health and there is no amount due under the facility granted by Bank Pembangunan Malaysia Berhad. The Secured Assets granted by SKOSB to secure SKOSB’s indebtedness under the facility granted by Bank Pembangunan Malaysia Berhad are in excess of the indebtedness of SKOSB; and
- (b) performance guarantee granted by the Company in respect of the indebtedness of NCI owing to Fujian Southeast Shipbuilding Co Ltd under a shipbuilding contract in respect of vessel SK511. All shipbuilders are excluded from the Proposed Scheme – for more details, please refer to Section 2.7.3 of this Circular. As at the Cut-Off Date, NCI and Fujian Southeast Shipbuilding Co Ltd have agreed on a repayment plan in respect of the indebtedness of NCI owing to Fujian Southeast Shipbuilding Co Ltd and there is no amount outstanding under the repayment plan.

For more details on the Excluded Creditors of the Company, please refer to Section 2.7 of this Circular.

## **2.6 Other Creditors**

### **2.6.1 Background**

As mentioned in Section 2.1 of this Circular, the Company also stood as guarantor for (a) the Key Subsidiaries in respect of certain credit facility agreements with the Other Creditors, some of which are secured by the Secured Assets; and (b) the JV Companies in respect of certain credit facility agreements with certain Other Creditors, which are secured by the Secured Assets. The aggregate amount admitted by the Scheme Manager for voting purposes and subject to adjudication for entitlement under the Proposed Scheme and prior to the deduction of the Initial Value of the Secured Assets (if applicable) is approximately US\$158 million, consisting of (i) approximately US\$139 million in respect of Corporate Guarantees to the Other Creditors For Key Subsidiaries; and (ii) approximately US\$19 million is in respect of the Corporate Guarantees to the Other Creditors For JV Companies. Following the disposal of the Suntec Property and the Dilution, the Initial Value of the Secured Assets (and correspondingly the secured liabilities of the Company) is approximately US\$33 million, consisting of approximately US\$25 million in respect of Secured Assets that secured the Corporate Guarantees For Key Subsidiaries and approximately US\$8 million in respect of the Secured Assets that secure the Corporate Guarantees to the Other Creditors For JV Companies. Please refer to Section 2.5.2 of this Circular for details of the Other Creditors.

### **2.6.2 Arrangements with Other Creditors with Corporate Guarantee For Key Subsidiary**

The Company has granted Corporate Guarantees in respect of certain credit facilities granted by the Other Creditors to the Key Subsidiaries, for more details, please refer to Section 2.5.2 of this Circular.

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Save for CIMB Bank Berhad, Bank of China (Malaysia) Berhad, Hong Leong Bank Berhad and OCBC Labuan (collectively, the “**Unsecured Other Creditors**”), the respective Existing Facility (as defined below) of the rest of the Other Creditors with Corporate Guarantee For Key Subsidiary are secured by Secured Assets. The Secured Assets comprise of vessels and real property.

At the Scheme Meeting for the Proposed Scheme, all the Other Creditors with Corporate Guarantee For Key Subsidiary elected or were deemed to have elected the Term Loan Option in relation to the portion of such Creditor’s Eligible Debt that falls under the Sustainable Debt portion under the Proposed Scheme. Further details of the Term Loan Facility are set out in Section 6.2 of this Circular.

### **Other Creditors with Secured Assets**

Where the existing credit facility between the relevant Other Creditor and the relevant Key Subsidiary (“**Existing Facility**”) is secured by Secured Assets, the relevant Other Creditor and the relevant Key Subsidiary will enter into respective bilateral agreements (“**Bilateral Facilities Agreements**”) to restructure the outstanding amount under the Existing Facility as at the Cut-Off Date into two (2) portions, namely the secured debt, which is the amount represented by the Initial Value of the Secured Asset(s) of approximately US\$25 million in aggregate (“**Bilateral Facilities Secured Debt**”) and the remaining unsecured debt, which is the amount not represented by any security of the relevant Other Creditor (“**Bilateral Facilities Unsecured Debt**”).

On 4 May 2018, DBS Bank Limited has entered into Bilateral Facilities Agreements with Nam Cheong OSV Ltd, SK Venture Ltd and Nam Cheong Venture Ltd. On 11 June 2018, Ambank (M) Berhad, Malayan Banking Berhad, Maybank Islamic Berhad, RHB Bank Berhad and RHB Bank Labuan have entered into their respective Bilateral Facilities Agreements with the relevant Key Subsidiaries.

The Bilateral Facilities Agreements are conditional upon the Proposed Scheme and the Subsidiary Schemes becoming effective and are on terms which are generally similar and the material terms include, *inter alia*, the following:

(a) Bilateral Facilities Secured Debt

- (i) The aggregate principal amount of the Bilateral Facilities Secured Debt is, at the outset, an amount equal to the Initial Value of the Secured Asset(s) (subject to adjustment as provided for in the relevant Bilateral Facilities Agreement). The Bilateral Facilities Secured Debt shall be excluded from the Proposed Scheme and the Subsidiary Schemes, for more details, please refer to Section 2.7.2 of this Circular. The maturity date of the Bilateral Facilities Secured Debt shall be 31 December 2020 or such other date as may be mutually agreed by both parties (“**Maturity Date**”).

(b) Bilateral Facilities Unsecured Debt

- (i) The Bilateral Facilities Unsecured Debt is the outstanding amount under the Existing Facility less the Bilateral Facilities Secured Debt;
- (ii) The Bilateral Facilities Unsecured Debt shall be divided into Sustainable Debt (i.e. 65% of the Bilateral Facilities Unsecured Debt) and Non-sustainable Debt (i.e. 35% of the Bilateral Facilities Unsecured Debt) and be restructured under the Proposed Scheme and, where the relevant Key Subsidiary is NCD or NCI, the Subsidiary Schemes;
- (iii) The Non-sustainable Debt portion of the Bilateral Facilities Unsecured Debt shall be converted into Non-sustainable Debt Shares which shall be allotted and issued to the relevant Other Creditor (A) on the Implementation Date (in the event the Secured Assets are disposed of before or on the Implementation Date); or (B) within 21 Business Days following: (i) the completion of the disposal of the Secured Assets (in the event that the Secured Assets are disposed of after the Implementation Date); or

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(ii) the Maturity Date (in the event there is no disposal of the Secured Assets by the Maturity Date). The Sustainable Debt portion of the Bilateral Facilities Unsecured Debt shall be restructured under the Term Loan Option.

(c) Interest

(i) From 1 October 2017 to 31 December 2017

(A) The interest on the outstanding amount under the Existing Facility for the period 1 October 2017 to 31 December 2017 shall be based on the terms of the Existing Facility.

(ii) From 1 January 2018 onwards until the Bilateral Facilities Secured Debt and Bilateral Facilities Unsecured Debt have been repaid

(A) Unless otherwise agreed between the relevant Other Creditor and the relevant Key Subsidiary, the interest on the Bilateral Facilities Secured Debt from 1 January 2018 onwards until the completion of the disposal of the Secured Asset(s) shall be based on the terms of the respective Existing Facility.

(B) The interest on the Sustainable Debt portion of the Bilateral Facilities Unsecured Debt shall follow the terms of the Term Loan Facility. Under the terms of the Term Loan Facility, interests on the outstanding amount of the Sustainable Debt portion of the Bilateral Facilities Unsecured Debt shall accrue from 1 January 2018 onwards at a rate of 4% per annum, 50% of such accrued interests shall be payable in cash half yearly in arrears and the remaining 50% of such accrued interests shall be payable by way of Term Loan Shares yearly in arrears - for more details, please refer to Section 6 of this Circular.

(d) Disposal of Secured Asset(s)

(i) The Secured Asset(s) shall be disposed of:

(A) by the relevant Key Subsidiary (or its related companies) prior to the Maturity Date, but any Disposal of the Secured Asset(s) initiated by the relevant Key Subsidiary (or its related companies) shall be subject to the consent of the relevant Other Creditor ("**Key Subsidiary Initiated Disposal**"); or

(B) when the relevant Other Creditor, at any time from 1 July 2019, exercises the option to dispose of the Secured Asset(s), which was granted to it, to dispose the Secured Asset(s) ("**Other Creditor Initiated Disposal**").

(ii) The Secured Assets may be sold separately.

(iii) The sale proceeds of the respective Secured Assets after deducting reasonable related costs, fees and expenses of the Disposal ("**Disposal Proceeds**") shall be used to repay the respective outstanding Bilateral Facilities Secured Debt (as represented by the Initial Value of each Secured Asset).

(iv) If there is no disposal of the Secured Assets by the Maturity Date:

(A) the relevant Key Subsidiary shall repay the Bilateral Facilities Secured Debt in cash based on either (a) the Initial Value less any interim prepayments made; or (b) if provided for in the relevant Bilateral Facilities Agreement, the Adjusted Value plus any interim prepayments made (which shall collectively be deemed to form the revised Bilateral Facilities Secured Debt) (in the case where the Other Creditor is RHB Bank Labuan, after deducting the amounts required to



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settle the Term Loan 2 Facility), whereupon sub-paragraph (e)(ii)(A)(I)(1.) below shall apply *mutatis mutandis*; and thereafter the security interest in respect of the relevant Secured Asset shall be released and discharged; and

- (B) the Company shall allot and issue the Non-sustainable Debt Shares in respect of the Non-sustainable Debt portion of the Bilateral Facilities Unsecured Debt to the relevant Other Creditor within 21 Business Days after the Maturity Date.

- (e) Shortfall or surplus arising from Disposal

- (i) In the event of a shortfall

- (A) if (1) the Disposal Proceeds of the respective Secured Assets; and (2) any other payments, if any (which may comprise of, amongst others, charter proceeds from the charter of the Secured Asset, if any) made to the relevant Other Creditor is less than the Initial Value of the Secured Asset, the relevant Key Subsidiary shall pay the shortfall (being the Initial Value less the Disposal Proceeds and any other payments made) to the relevant Other Creditor in cash; or (in the case of the Bilateral Facilities Agreement between RHB Bank Labuan and NCI) if the Disposal Proceeds of the relevant Secured Asset is less than the Initial Value of the relevant Secured Asset, the relevant Key Subsidiary shall pay the amount of the shortfall (being the difference between the Initial Value of the Secured Asset and the Disposal Proceeds) to the relevant Other Creditor in cash. Unlike in the event of a surplus arising from Disposal (as detailed below), there shall be no adjustment to the principal amount of the Bilateral Facilities Secured Debt (and accordingly, no adjustment to the interest thereon) and to the Bilateral Facilities Unsecured Debt.

Such shortfall shall be due and payable to the relevant Other Creditor as follows:

- (I) on Maturity Date in the case of an Other Creditor Initiated Disposal; or
      - (II) immediately on the date of Disposal in the case of a Key Subsidiary Initiated Disposal;
  - (B) the Company shall (1) on the Implementation Date (in the event the Secured Assets are disposed of before or on the Implementation Date); or (2) within 21 Business Days following the completion of the disposal of the Secured Assets (in the event that the Secured Assets are disposed of after the Implementation Date), allot and issue the Non-sustainable Debt Shares in respect of the Non-Sustainable Debt portion of the respective Bilateral Facilities Unsecured Debt to the relevant Other Creditor – for more details on the allotment and issue of the Non-sustainable Debt Shares, please refer to Section 5 of this Circular.

- (ii) In the event of a surplus

- (A) if (1) the Disposal Proceeds of the respective Secured Assets; and (2) any other payments, if any (which may comprise of, amongst others, charter proceeds from the charter of the Secured Asset, if any) made to the relevant Other Creditor exceeds the Initial Value of the Secured Asset (or in the case where the Other Creditor is RHB Bank Labuan, if (1) the Disposal Proceeds and (2) any other payments made to RHB Bank Labuan exceeds the sum of the Initial Value of the Secured Asset and the principal amounts owing under the Term Loan 2 Facility), the outstanding amount under the Existing Facility as at the Cut-Off Date shall be adjusted as follows:

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(I) Bilateral Facilities Secured Debt

1. The Disposal Proceeds of the respective Secured Assets and any other payments, if any (which may comprise of, amongst others, charter proceeds from the charter of the Secured Asset, if any) (but in the case where the Other Creditor is RHB Bank Labuan, after deducting the amounts required to settle Term Loan 2 Facility in full) shall be deemed to form the revised principal amount of the Bilateral Facilities Secured Debt effective from 1 January 2018 (“**Adjusted Bilateral Facilities Secured Debts**”); and
2. The interest on the Bilateral Facilities Secured Debt shall be increased accordingly in proportion to the increase in the deemed principal amount of the Adjusted Bilateral Facilities Secured Debt. The relevant Key Subsidiary shall pay any shortfall in interest (“**Additional Secured Debt Interest**”) to the relevant Other Creditor within 30 days from the completion of Disposal.

(II) Bilateral Facilities Unsecured Debt

The outstanding amount under the Existing Facility as at the Cut-Off Date less the Adjusted Bilateral Facilities Secured Debt (as adjusted pursuant to sub-paragraph (e)(ii)(A)(I)(1.) above) shall be deemed to be the revised Bilateral Facilities Unsecured Debt effective 1 January 2018 (“**Adjusted Bilateral Facilities Unsecured Debt**”) and shall be divided into Sustainable Debt and Non-sustainable Debt.

1. In relation to the Sustainable Debt portion of the Adjusted Bilateral Facilities Unsecured Debt:
  - (aa) the principal amount of the Term Loan Facility shall be reduced accordingly effective 1 January 2018; and
  - (bb) the cash interest on the Term Loan Facility shall be reduced accordingly based on the reduced principal amount of the Term Loan Facility. The excess cash interest paid to the relevant Other Creditor (“**Excess Cash Interest**”) shall be refunded to the relevant Key Subsidiary. The relevant Key Subsidiary shall be entitled to set-off/deduct from the Additional Secured Debt Interest an amount equivalent to the Excess Cash Interest. There shall be no adjustment to the Term Loan Shares allotted and issued to the relevant Other Creditor.
2. In relation to the Non-sustainable Debt portion of the Adjusted Bilateral Facilities Unsecured Debt, this shall be deemed reduced accordingly and the Company shall allot and issue the Non-sustainable Debt Shares to the relevant Other Creditor (aa) on the Implementation Date (in the event the Secured Assets are disposed of before or on the Implementation Date); or (bb) within 21 Business Days following; (i) the completion of the disposal of the Secured Assets (in the event that the Secured Assets are disposed of after the Implementation Date); or (ii) the Maturity Date (in the event there is no disposal of the Secured Assets by the Maturity Date) – for more details on the allotment and issue of the Non-sustainable Debt Shares, please refer to Section 5 of this Circular.

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In addition, on the occurrence of the Implementation Date, the Key Subsidiaries' obligations in relation to the Bilateral Facilities Secured Debt will be secured by corporate guarantees granted by the Company to the relevant Other Creditors pursuant to the relevant Bilateral Facilities Agreements to guarantee the payment of the secured indebtedness owing under the relevant Bilateral Facilities Agreement, in each case, up to a maximum amount equivalent to the Initial Value of the Secured Asset(s).

The Company believes that there are no material changes in the commercial terms made to the secured debt between the terms of the Existing Facility between the relevant Other Creditor and the relevant Key Subsidiary and the Bilateral Facilities Agreements, except as disclosed above and summarised below:

- (a) the secured debt is now an amount equal to the Initial Value of the Secured Asset(s);
- (b) the relevant Key Subsidiary has an obligation to dispose the Secured Asset(s) by the Maturity Date and the Disposal Proceeds shall be used to repay the outstanding Bilateral Facilities Secured Debt (as represented by the Initial Value of each Secured Asset); and
- (c) if there is no disposal of the Secured Assets by the Maturity Date, the relevant Key Subsidiary is to repay the Bilateral Facilities Secured Debt in cash based on either (a) the Initial Value less any interim prepayments made; or (b) if provided for in the relevant Bilateral Facilities Agreement, the Adjusted Value plus any interim prepayments made (in the case where the Other Creditor is RHB Bank Labuan, after deducting the amounts required to settle the Term Loan 2 Facility in full).

### ***Unsecured Other Creditors without Secured Assets***

The respective Existing Facilities of the Unsecured Other Creditors are not secured by Secured Assets. Accordingly, the liabilities of the Company under the Corporate Guarantee For Key Subsidiary in respect of the Unsecured Other Creditors, being unsecured, will be included and restructured under the Proposed Scheme and Subsidiary Schemes.

As all the Other Creditors with Corporate Guarantee For Key Subsidiary, including the Unsecured Other Creditors, have elected or are deemed to have elected the Term Loan Option at the Scheme Meeting, in accordance with the terms of the Proposed Scheme, 65% of their debt shall be considered as Sustainable Debt and repaid in accordance with the Term Loan Facility, and the remaining 35% of their debts shall be considered as Non-sustainable Debt and converted into Non-sustainable Debt Shares – for more details, please refer to Section 2.8 of this Circular.

### **2.6.3 Arrangement with Other Creditor with Corporate Guarantee For JV Company**

The Company has also granted Corporate Guarantees in respect of certain credit facilities granted by the relevant Other Creditors to the JV Companies – for more details, please refer to Section 2.5.2 of this Circular.

At the Scheme Meeting for the Proposed Scheme, all the Other Creditors with Corporate Guarantee For JV Company elected the Term Loan Option, further details of the Term Loan Facility are set out in Section 6.2 of this Circular.

All the Other Creditors with Corporate Guarantee For JV Company's Existing JV Facility (as defined below) are secured by Secured Asset(s). In respect of such existing credit facility between the relevant Other Creditor and the relevant JV Company ("**Existing JV Facility**") that is secured by Secured Asset(s), the liabilities of the Company under the Corporate Guarantee For JV Company (which is largely proportionate to the Group's effective equity interest in the JV Company) shall be divided into (i) an amount represented by the value of the Secured Assets ("**JV Facilities Secured Debt**"), and (ii) an amount not represented by any security ("**JV Facilities Unsecured Debt**") as follows:

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- (a) the JV Facilities Secured Debt is an amount equal to the Initial Value of the Secured Assets and shall be excluded from the Proposed Scheme – for more details, please refer to Section 2.7.2 of this Circular; and
- (b) the JV Facilities Unsecured Debt has been admitted by the Scheme Manager for voting purposes under the Proposed Scheme and will, subject to adjudication by the Scheme Manager for entitlement, form the Eligible Debt of the Other Creditor with Corporate Guarantee For JV Company under the Proposed Scheme.

As the Corporate Guarantees For JV Company have not Crystallised and the Company does not have control over the JV Companies, no date for the disposal of the Secured Asset(s) in relation to the Existing JV Facilities has been determined.

Under the Proposed Scheme, the Corporate Guarantee For JV Company will be liable to be released on the Implementation Date and the relevant Other Creditor with Corporate Guarantee For JV Company will receive its entitlements in respect of its Eligible Debt if the Eligible Debt Crystallises before or by the termination of the Proposed Scheme. In the event that the Eligible Debt does not Crystallise before or by the termination of the Proposed Scheme, such Eligible Debt is not a legally valid and binding debt actually due from the Company, and accordingly no payment shall be made and no Shares shall be issued to such relevant Other Creditor under the Proposed Scheme in respect thereof.

In the event the Eligible Debt of the Other Creditor with Corporate Guarantee(s) For JV Company Crystallises before or by the termination of the Proposed Scheme, the Other Creditor with Corporate Guarantee For JV Company will receive its entitlements in respect of its Eligible Debt (ie, the JV Facilities Unsecured Debt) under the Proposed Scheme in the following manner:

- (a) JV Facilities Unsecured Debt:
  - (i) The JV Facilities Unsecured Debt is the Company's liability under the Corporate Guarantee on the outstanding amount under the Existing JV Facility on the Crystallisation Date less the JV Facilities Secured Debt;
  - (ii) The JV Facilities Unsecured Debt shall be divided into Sustainable Debt (i.e. 65% of the JV Facilities Unsecured Debt) and Non-sustainable Debt (i.e. 35% of the JV Facilities Unsecured Debt) which shall be restructured under the Proposed Scheme;
  - (iii) The Non-sustainable Debt portion of the JV Facilities Unsecured Debt shall be converted into Non-sustainable Debt Shares which shall be allotted and issued to the relevant Other Creditor (A) on the Implementation Date (in the event the Secured Assets are disposed of before or on the Implementation Date); or (B) as soon as practicable following the disposal of the Secured Assets (in the event that the Secured Assets are disposed of after the Implementation Date), and the Sustainable Debt portion of the JV Facilities Unsecured Debt shall be repaid under the Term Loan Option as follows:
    - (A) the relevant Other Creditor will be a party to the Term Loan Facility effective from the Crystallisation Date, and the principal amount of the Term Loan Facility shall be increased accordingly effective from the Crystallisation Date; and
    - (B) the interest on the Term Loan Facility to the relevant Other Creditor shall accrue from the Crystallisation Date and payment shall commence from the Crystallisation Date in accordance with the terms of the Term Loan Facility – for more details, please refer to Section 6 of this Circular,

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(b) Disposal Proceeds are less than the Initial Value:

If the Disposal Proceeds are less than the Initial Value of the Secured Asset:

- (i) the Company shall pay the amount of the shortfall being the difference between the Initial Value and the Disposal Proceeds to the relevant Other Creditor in cash; and
- (ii) the Company shall allot and issue the Non-sustainable Debt Shares in respect of the Non-sustainable Debt portion of the JV Facilities Secured Debt to the relevant Other Creditor (1) on the Implementation Date (in the event the Secured Assets are disposed of before or on the Implementation Date); or (2) as soon as practicable following the disposal of the Secured Assets (in the event that the Secured Assets are disposed of after the Implementation Date).

(c) In the event that the Disposal Proceeds are higher than the Initial Value:

If the Disposal Proceeds exceed the Initial Value, the JV Facilities Secured Debt and the JV Facilities Unsecured Debt shall be adjusted as follows:

(i) JV Facilities Secured Debt

- (A) the Disposal Proceeds shall be deemed to form the principal amount of the JV Facilities Secured Debt effective from the Crystallisation Date ("**Adjusted JV Facilities Secured Debt**"); and
- (B) the interest on the JV Facilities Secured Debt shall be increased accordingly in proportion to the increase in the deemed principal amount of the JV Facilities Secured Debt ("**Adjustment**"). The Company shall pay in cash any shortfall in interest ("**Adjusted JV Secured Debt Interest**") to the relevant Other Creditor within 30 days from the completion of the disposal of the Secured Asset(s).

(ii) JV Facilities Unsecured Debt

Following the Adjustment, the outstanding liabilities of the Company under the Corporate Guarantee For JV Company less the Adjusted JV Facilities Secured Debt (as adjusted pursuant to sub-paragraph (d)(i)(A) above) shall be deemed to form the JV Facilities Unsecured Debt effective from the Crystallisation Date ("**Adjusted JV Facilities Unsecured Debt**"), and be divided into Sustainable Debt and Non-sustainable Debt:

(A) In relation to the Sustainable Debt portion of the JV Facilities Unsecured Debt:

- (1) the principal amount of the Term Loan Facility shall be reduced accordingly from the Crystallisation Date; and
- (2) the cash interest on the Term Loan Facility shall be deemed reduced accordingly based on the reduced principal amount of the Term Loan Facility. The relevant Other Creditor shall refund or return to the Company any excess of cash interest paid to the relevant Other Creditor as soon as practicable upon the completion of the disposal of the Secured Asset(s). The Company shall be entitled to set-off/deduct from the Adjusted JV Secured Debt Interest an amount equivalent to the excess cash interest. There shall be no adjustment to the Term Loan Shares allotted and issued to the relevant Other Creditor.

- (B) In relation to the Non-sustainable Debt portion of the Adjusted JV Facilities Unsecured Debt, this shall be deemed reduced accordingly and the Company shall allot and issue the Non-sustainable Debt Shares to the relevant Other Creditor (1) on the Implementation Date (in the event the Secured Assets are

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disposed of before or on the Implementation Date); or (2) as soon as practicable following the disposal of the Secured Assets (in the event that the Secured Assets are disposed of after the Implementation Date) – for more details on the allotment and issue of the Non-sustainable Debt Shares, please refer to Section 5 of this Circular.

### 2.7 Liabilities excluded from the Proposed Scheme

#### 2.7.1 Bank Pembangunan Malaysia Berhad

As mentioned in Section 2.5.2 of this Circular, the Company has granted a corporate guarantee in respect of the indebtedness of SKOSB under a facility granted by Bank Pembangunan Malaysia Berhad to SKOSB. As at the Cut-Off Date, SKOSB is in good financial health and there is no amount due under the facility granted by Bank Pembangunan Malaysia Berhad. The Secured Assets granted by SKOSB to secure SKOSB's indebtedness under the facility granted by Bank Pembangunan Malaysia Berhad are in excess of the indebtedness of SKOSB.

#### 2.7.2 Bilateral Facilities Secured Debt and JV Facilities Secured Debt

The Bilateral Facilities Secured Debt shall be excluded from the Proposed Scheme and the Subsidiary Schemes and shall be repaid using the Disposal Proceeds and other payments, if any (which may comprise of, amongst others, charter proceeds from the charter of the Secured Asset, if any). In the event that there is no disposal of the Secured Assets by the Maturity Date, the relevant Key Subsidiary shall repay the Bilateral Facilities Secured Debt in cash based on either (a) the Initial Value less any interim prepayments made; or (b) if provided for in the relevant Bilateral Facilities Agreement, the Adjusted Value plus any interim prepayments made (which shall collectively be deemed to form the revised Bilateral Facilities Secured Debt) (in the case where the Other Creditor is RHB Bank Labuan, after deducting the amounts required to settle the Term Loan 2 Facility in full), whereupon Section 2.6.2(e)(ii)(A)(I)(1.) of this Circular shall apply *mutatis mutandis*; and thereafter, the Security Interest in respect of the Secured Asset shall be released and discharged. In the event that the Disposal Proceeds and any other payments, if any, are less than the Initial Value of the Secured Assets, the relevant Key Subsidiary shall pay the shortfall (being the Initial Value less the Disposal Proceeds and any other payments made) to the relevant Other Creditor in cash; or (in the case of the Bilateral Facilities Agreement between RHB Bank Labuan and NCI) if the Disposal Proceeds of the relevant Secured Asset is less than the Initial Value of the relevant Secured Asset, the relevant Key Subsidiary shall pay the amount of the shortfall (being the difference between the Initial Value of the Secured Assets and the Disposal Proceeds) to the relevant Other Creditor in cash (a) on the Maturity Date in the case of an Other Creditor Initiated Disposal; or (b) immediately on the date of Disposal in the case of a Key Subsidiary Initiated Disposal.

Following the disposal of the Suntec Property and the Dilution (the proceeds of which have been applied towards the repayment of the Company's secured liabilities), the Initial Value of the Secured Assets of the Other Creditors with Corporate Guarantees for Key Subsidiary (being the Bilateral Facilities Secured Debt), is approximately US\$25 million. For more details on the arrangements for the repayment of the Bilateral Facilities Secured Debt, please refer to Section 2.6.2 of this Circular.

The JV Facilities Secured Debt shall also be excluded from the Proposed Scheme and, in the event that the Eligible Debt of the Other Creditor with Corporate Guarantee(s) For JV Company Crystallises, the JV Facilities Secured Debt shall be repaid using the Disposal Proceeds. In the event that the Disposal Proceeds are less than the Initial Value, the Company shall pay the amount of the shortfall being the difference between the Initial Value and the Disposal Proceeds to the relevant Other Creditor in cash as soon as practicable after the completion of the disposal of the Secured Assets. For more details on the arrangements for the repayment of the JV Facilities Secured Debt, please refer to Section 2.6.3 of this Circular.

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### 2.7.3 Shipyards in the PRC

The Group has outsourced the construction of its vessels to shipyards in the PRC. These shipyards are excluded from the Proposed Scheme.

The shipyards in the PRC can be categorised into the Fujian Group Shipyards and the Non-Fujian Group Shipyards as follows:

- (a) NCI has reached an agreement with the Fujian Group Shipyards in respect of its liabilities under the relevant shipbuilding contracts. In particular, NCI has, on 7 February 2018, entered into an agreement (“**MFA**”) in relation to an overall package arrangement in respect of 38 vessels which are under various shipbuilding contracts with the Fujian Group Shipyards. The purpose of the MFA is to reduce outstanding liabilities to the Fujian Group Shipyards from approximately US\$496 million to US\$62.7 million by taking delivery of certain vessels and terminating remaining shipbuilding contracts. Pursuant to the MFA, NCI shall take delivery of seven (7) vessels over the next two (2) years for an aggregate consideration of approximately US\$62.7 million on a credit basis, mostly for a period of five (5) years. The shipbuilding contracts for all the remaining 31 vessels will be mutually terminated on the basis that each party releases and discharges the other party from all claims or demands under or in connection with the relevant shipbuilding contracts. Under the MFA, if the approval of the Singapore court on sanctioning the Proposed Scheme is not obtained, this shall be treated as a breach of the MFA.
- (b) For the Non-Fujian Group Shipyards, NCI has also entered into shipbuilding contracts for 25 vessels with the Non-Fujian Group Shipyards (“**Non-Fujian Shipbuilding Contracts**”). Three (3) shipbuilding contracts with the relevant Non-Fujian Group Shipyards have already been mutually terminated, while the shipbuilding contracts for another three (3) vessels have been fully settled. NCI has also reached an in-principle understanding with the Non-Fujian Group Shipyards in relation to the remaining 19 existing Non-Fujian Shipbuilding Contracts with the view to take delivery of certain vessels while deferring or terminating the remaining Non-Fujian Shipbuilding Contracts to minimise any financial exposure. The outstanding liabilities to the Non-Fujian Group Shipyards under the remaining Non-Fujian Shipbuilding Contracts are approximately US\$247 million.

### 2.7.4 Other Excluded Creditors

Other Excluded Creditors comprise mainly:

- (a) creditors in relation to essential operating expenses of a recurring nature;
- (b) creditors in relation to the costs of inventory and related essential expenses owed to trade suppliers in the ordinary course of business;
- (c) the professional and legal advisors to the Group and the informal steering committee of the Noteholders to the extent of their claims for remuneration, costs, fees and expenses incurred before, on or after the Effective Date in connection with the Proposed Scheme;
- (d) the Scheme Manager to the extent of his claim in respect of remuneration, costs, fees and expenses (including but not limited to the fees of his professional, legal and/or other advisors) in respect of or in connection with the Proposed Scheme;
- (e) subsidiaries of the Company;
- (f) the Inland Revenue Authority of Singapore;
- (g) the CDP (in its capacity other than as depository of the Notes); and
- (h) the SGX-ST.

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As at 31 December 2017, the aggregate amount of debts due and owing to the aforementioned Excluded Creditors (other than subsidiaries of the Company) is approximately RM2.3 million and shall be satisfied by the Company in cash. In the case of Excluded Creditors who are subsidiaries of the Company, such debts shall be settled by the creation of new intercompany loans.

### 2.8 The Proposed Scheme

#### 2.8.1 Background

In order to restructure its debts and liabilities, the Company had filed the SG Application to, *inter alia*, propose the Proposed Scheme, and parallel to the SG Application, NCD and NCI had also made an application in the High Court of Malaya to convene the requisite meeting of creditors to approve the Subsidiary Schemes with their respective scheme creditors. The Proposed Scheme and the Subsidiary Schemes are inter-conditional upon each other.

The Malaysian Court Convened Meeting and the Scheme Meeting were convened on 22 January 2018 and 24 January 2018, respectively, and the Proposed Scheme and Subsidiary Schemes were duly approved by the Creditors. As announced by the Company on 16 July 2018, the Subsidiary Schemes (with modifications) were sanctioned by the High Court of Malaya on 12 July 2018.

**Shareholders are to note that the implementation of the Proposed Scheme is conditional upon the fulfilment of a number of conditions, including but not limited to, the approval of Shareholders being obtained for the Proposed Capital Reorganisation, the Proposed Rights Issue, the proposed Nam Cheong Management Incentive Plan, and the allotment and issue of the Rights Shares, Non-sustainable Debt Shares, Term Loan Shares and Plan Shares, further details of such conditions are set out in Section 2.8.4 of this Circular, and there is no certainty or assurance that the Proposed Scheme will become effective or be successfully concluded.**

#### 2.8.2 Rationale for the Proposed Scheme and business prospects of the Group

The Company, NCD and NCI (collectively, the “**Nam Cheong Restructuring Group**”) is presently not in a position to meet all its liabilities as and when they fall due. The Proposed Scheme would allow for a restructuring of its debts and liabilities to enable the Group to strengthen and rebuild its balance sheet and cash flow situations.

The Group expects the offshore and marine sector to gradually recover from the current downturn over the next few years, where the vessel selling prices and charter rates are expected to recover back to the pre-crisis price levels in 2014.

In response to the challenging current market condition for shipbuilding, the Group has switched its focus from shipbuilding to vessel chartering by actively participating in the tendering of charter contracts. The Group has also deployed vessels that were initially categorised as inventories to its chartering fleet to enable the utilisation of idle assets while waiting for buyers. This has, in turn, helped strengthened the Group’s financial position through the generation of charter income to cover operating expenses, general and administrative expenses and also interest payments.

The Group believes that it can recover in the near future if given the chance to do so. This should, in turn, allow the Group to return to profitability and allow the creditors to recover a higher proportion of their claims from the Group than they otherwise would if the Nam Cheong Restructuring Group is liquidated prematurely. Based on the financial position of the Group for the second quarter ended 30 June 2017, liquidation of NCL is estimated to provide only a return of approximately 6% for the Creditors. Accordingly, the Company proposes the Proposed Scheme which seeks to repay and discharge the outstanding liabilities of the Company in a manner that would be beneficial to the Company and all its Creditors. The Company believes that the implementation of the Proposed Scheme will improve the Group’s ability to restructure and consolidate its finances and operations and improve the Group’s operational performance which, in turn, will allow the Creditors to recover a larger part of their claims from the Company than they otherwise would if the Company is liquidated prematurely. It is believed that if the Company is wound up, it would most likely be that there will be negligible funds available for distribution to the Creditors.



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In this connection, the objectives of the Proposed Scheme are: (i) to avoid a compulsory winding up of the Company, as this will result in the Creditors receiving significantly less than they would have under the Proposed Scheme; (ii) to enable the business of the Company and the Group to continue as a going concern; (iii) to enable the Creditors to realise a higher return than otherwise possible in a compulsory winding up; (iv) to prevent a scramble for the assets of the Company by the Creditors; (v) to ensure an orderly distribution of monies to the Creditors; and (vi) to allow the Company to recover its debts.

Upon the Implementation Date, the Company shall be completely and absolutely released and discharged from all liabilities in relation to or in connection with the Claims of the Creditors, other interest payable from 30 September 2017 to 31 December 2017 in accordance with the Proposed Scheme and all obligations and liabilities arising under the Proposed Scheme.

As at the Latest Practicable Date, the Board of Directors is of the view that assuming that the Proposed Scheme becomes effective (whereby the outstanding liabilities owing to the Creditors will consequently be substantially reduced) and no material claims from the Excluded Creditors, which are not part of the Proposed Scheme and Subsidiary Schemes, that are reasonably likely to have a material effect on the Group's financial conditions and operations are brought against the Group, and taking into account the Group's internal resources, operating cashflows, working capital facilities and the estimated minimum Net Proceeds 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.

### 2.8.3 Key Terms of the Proposed Scheme

(a) The creditors and debts which the Proposed Scheme applies to

The Proposed Scheme shall only apply to the unsecured liabilities (whether actual, contingent or otherwise) owing to all Creditors (who will not be divided into classes and will constitute a single class of creditors of the Company) who have Claims against the Company as at the Cut-Off Date, including:

- (i) any Claim in connection with the Notes; and
- (ii) any Claim in connection with Corporate Guarantees,

but shall not apply to the Claims of the Excluded Creditors.

Each Creditor shall accept the distribution and payment pursuant to the Proposed Scheme as full and final satisfaction and discharge of all its Eligible Debt against the Company.

(b) Excluded Creditors

The Proposed Scheme shall not apply to the Excluded Creditors.

(c) Eligible Debt

Details of the liabilities of the Company are set out in Section 2.5.2 of this Circular. Under the Proposed Scheme:

- **Default interest**

The Creditors waive all default interest, premium, additional amounts, make whole amounts, fees, commissions and penalties chargeable accruing on, or payable in respect of, or any other accretions whatsoever arising in respect of the Eligible Debt, as at or after the Cut-Off Date under or in connection with any other agreement relating to a Claim.

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- **Noteholders**

The balance monies (if any) in the ISRAs for Series 003 Notes and Series 004 Notes, after payment of outstanding contractual interest (excluding default interest) up to 31 November 2017 by DBS Trustee Limited, shall be available for payment by DBS Trustee Limited to the Noteholders of Series 003 Notes and Series 004 Notes respectively as repayment of principal.

- **Unsecured Creditors**

Based on the notice of repayment exercise distributed to all Creditors following the Scheme Meeting, the amount admitted by the Scheme Manager for voting purposes was approximately US\$425 million, of which unsecured liabilities amounting to an aggregate of approximately US\$359 million (including the Note held by SK Global of approximately US\$11 million and excluding the Company's unsecured contingent liabilities in relation to the Corporate Guarantees to the Other Creditors For JV Companies of approximately US\$11 million) will be restructured under the Proposed Scheme. The unsecured contingent liabilities of approximately US\$11 million will form part of the unsecured liabilities to be restructured under the Proposed Scheme if the Eligible Debt Crystallises before or by the termination of the Proposed Scheme. Please refer to Section 1.1 of the Circular for more details.

The unsecured debt shall be restructured into:

- (i) the financial indebtedness of the Group that is not supported by the projected cashflows and assets value of the Group for the Scheme Period ("**Non-sustainable Debt**"); and
- (ii) the financial indebtedness of the Group that the Group is able to sustain based on the projected cashflows and assets value of the Group ("**Sustainable Debt**").

The projected cashflows (and the assumptions thereto) of the Group were prepared by the Company, in consultation with the financial advisers of the Group, PricewaterhouseCoopers Advisory Services Pte. Ltd., and were considered by the Creditors at the Scheme Meeting. The assets value of the Group refers to the projected realisable value of the assets owned by the Group. The Non-sustainable Debt shall constitute 35% of the aggregate of the Eligible Debt of all Creditors ("**Total Eligible Debt**") ("**Non-sustainable Debt Ratio**"); and the Sustainable Debt shall constitute 65% of the Total Eligible Debt ("**Sustainable Debt Ratio**").

Accordingly, the amount of:

- (i) Sustainable Debt as at the Cut-Off Date owed to each Creditor shall be determined by the following formula:

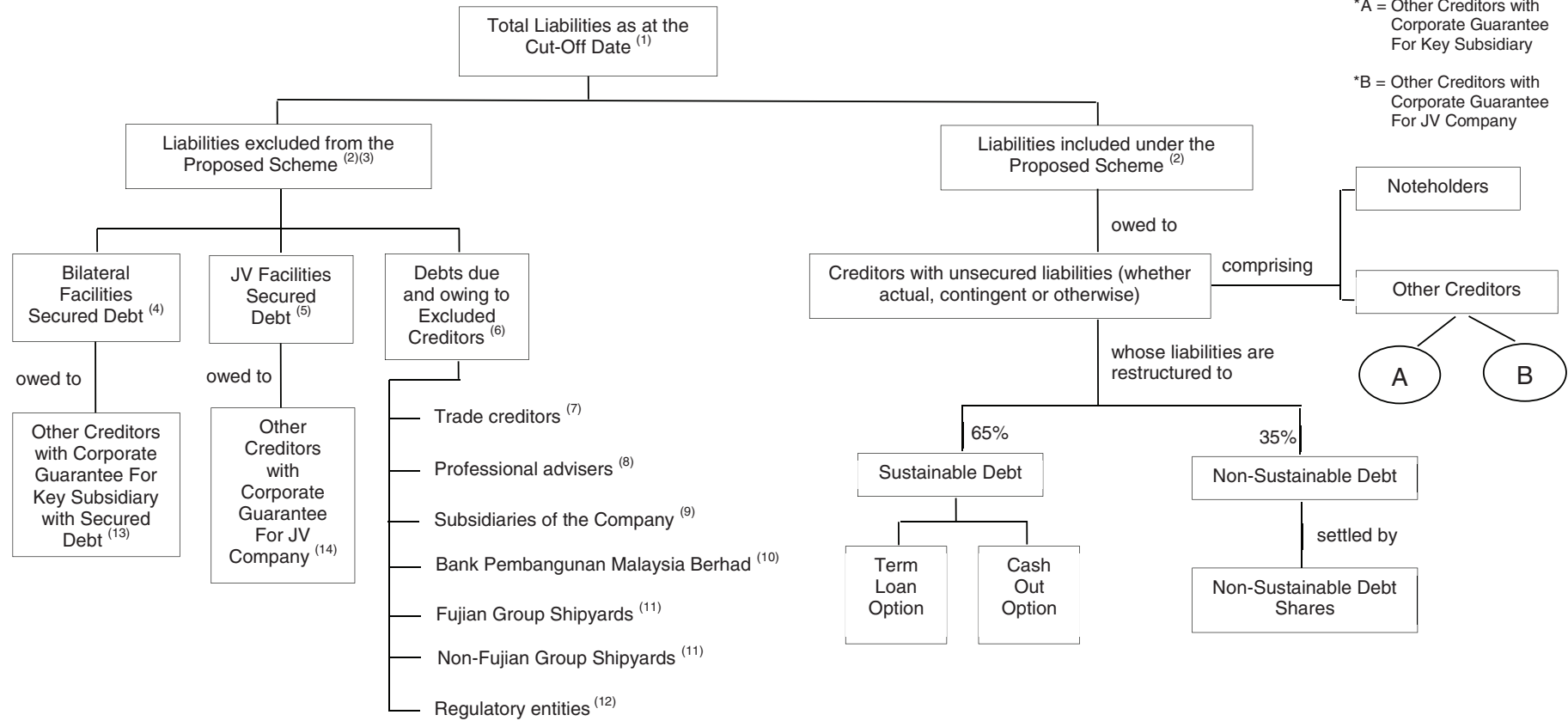
$$\begin{array}{ccc} \text{Eligible Debt} & & \text{Sustainable Debt} \\ \text{of the Creditor} & \times & \text{Ratio} \end{array}$$

- (ii) Non-sustainable Debt as at the Cut-Off Date owed to each Creditor shall be determined by the following formula:

$$\begin{array}{ccc} \text{Eligible Debt} & & \text{Non-sustainable Debt} \\ \text{of the Creditor} & \times & \text{Ratio} \end{array}$$

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For illustration purposes:



\*A = Other Creditors with Corporate Guarantee For Key Subsidiary

\*B = Other Creditors with Corporate Guarantee For JV Company

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### Notes:

- (1) Being 30 September 2017.
- (2) The Proposed Scheme shall only apply to the unsecured liabilities (whether actual, contingent or otherwise) owing to all Creditors who have Claims against the Company as at the Cut-Off Date, including (i) any Claim in connection with the Notes; and (ii) any Claim in connection with the Corporate Guarantees, but shall not apply to the Claims of Excluded Creditors.
- (3) For more information on the liabilities excluded from the Proposed Scheme, please refer to Section 2.7 of this Circular.
- (4) The Bilateral Facilities Secured Debt shall be excluded from the Proposed Scheme and the Subsidiary Schemes and shall be repaid using the Disposal Proceeds and other payments, if any (which may comprise of, amongst others, charter proceeds from the charter of the Secured Asset, if any). For more details on the arrangements for the repayment of the Bilateral Facilities Secured Debt, please refer to Section 2.6.2 of this Circular.
- (5) The JV Facilities Secured Debt shall be excluded from the Proposed Scheme and, in the event that the Eligible Debt of the Other Creditor with Corporate Guarantee(s) For JV Company Crystallises, the JV Facilities Secured Debt shall be repaid using the Disposal Proceeds. For more details on the arrangements for the repayment of the JV Facilities Secured Debt, please refer to Section 2.6.3 of this Circular.
- (6) For more details on the Excluded Creditors, please refer to Sections 2.7.1, 2.7.3 and 2.7.4 of this Circular.
- (7) Trade creditors comprise creditors in relation to essential operating expenses of a recurring nature and creditors in relation to the costs of inventory and related essential expenses owed to trade suppliers in the ordinary course of business. Debts due and owing to this Excluded Creditor shall be satisfied by the Company in cash, please refer to Section 2.7.4 of this Circular for more information.
- (8) Professional advisers comprise the professional and legal advisors to the Group and the informal steering committee of the Noteholders to the extent of their claims for remuneration, costs, fees and expenses incurred before, on or after the Effective Date in connection with the Proposed Scheme and the Scheme Manager to the extent of his claim in respect of remuneration, costs, fees and expenses (including but not limited to the fees of his professional, legal and/or other advisors) in respect of or in connection with the Proposed Scheme. Debts due and owing to this Excluded Creditor shall be satisfied by the Company in cash, please refer to Section 2.7.4 of this Circular for more information.
- (9) In the case of Excluded Creditors who are subsidiaries of the Company, such debts shall be settled by the creation of new intercompany loans.
- (10) As mentioned in Section 2.5.2 of this Circular, the Company has granted a corporate guarantee in respect of the indebtedness of SKOSB under a facility granted by Bank Pembangunan Malaysia Berhad to SKOSB. As at the Cut-Off Date, SKOSB is in good financial health and there is no amount outstanding under the facility granted by Bank Pembangunan Malaysia Berhad. The Secured Assets granted by SKOSB to secure SKOSB's indebtedness under the facility granted by Bank Pembangunan Malaysia Berhad are in excess of the indebtedness of SKOSB.
- (11) The Group has outsourced the construction of its vessels to shipyards in the PRC. The shipyards in the PRC can be categorized into the Fujian Group Shipyards and the Non-Fujian Group Shipyards. For more information on the arrangements in respect of the shipbuilding contracts with the Fujian Group Shipyards and the Non-Fujian Group Shipyards, please refer to Section 2.7.3 of this Circular.
- (12) Regulatory entities comprise the Inland Revenue Authority of Singapore, the CDP (in its capacity other than as depository of the Notes) and the SGX-ST. Debts due and owing to this Excluded Creditor shall be satisfied by the Company in cash, please refer to Section 2.7.4 of this Circular for more information.
- (13) The list of Other Creditors with Corporate Guarantee For Key Subsidiary is set out in Section 2.5.2 of this Circular. Save for CIMB Bank Berhad, Bank of China (Malaysia) Berhad, Hong Leong Bank Berhad and OCBC Labuan (collectively, the "**Unsecured Other Creditors**"), the respective Existing Facility of the rest of the Other Creditors with Corporate Guarantee For Key Subsidiary are secured by Secured Assets. The liabilities of the Company under the Corporate Guarantee For Key Subsidiary in respect of the Unsecured Other Creditors, being unsecured, will be included and restructured under the Proposed Scheme and Subsidiary Schemes.
- (14) The list of Other Creditors with Corporate Guarantee For JV Company is set out in Section 2.5.2 of this Circular. The Existing JV Facility of all the Other Creditors with Corporate Guarantee For JV Company are secured by Secured Asset(s).

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(d) Repayment of Non-sustainable Debt

Every US\$1 of Non-sustainable Debt shall be converted into 30 Non-sustainable Debt Shares on a *pari passu* basis at an issue price of S\$0.045 per Non-sustainable Debt Share. For more details on the Proposed Non-sustainable Debt Shares Issuance, please refer to Section 5 of this Circular.

(e) Repayment of Sustainable Debt

In respect of the repayment of the Sustainable Debt, each Creditor may elect only once either of the following two (2) options to have:

- (i) all its portion of the Sustainable Debt be fully repaid under the Term Loan option (“**Term Loan Option**”); or
- (ii) all its portion of the Sustainable Debt be fully repaid under the Cash Out option (“**Cash Out Option**”).

At the Scheme Meeting convened on 24 January 2018, a majority of 97.047% in number, representing 94.139% of the total value of the Creditors present and voting, approved the Proposed Scheme. Of the 94.139% of the total value of Creditors who have voted “For the Scheme”:

- (ii) 94.420% in value of such Creditors have elected the Term Loan Option; and
- (iii) 5.580% in value of such Creditors have elected the Cash Out Option.

Of the 5.861% in value of the Creditors who have voted “Against the Scheme”, all such Creditors are deemed to have elected the Term Loan Option.

(f) Term Loan Option

The Creditors who elect the Term Loan Option or are deemed to have elected the Term Loan Option will have its portion of Sustainable Debt restructured as a term loan (“**Term Loan**”) facility (“**Term Loan Facility**”) granted by it to the Company. Pursuant to the results of the Scheme Meeting, approximately US\$228 million of the Sustainable Debt, which includes the sustainable debt portion of the Bilateral Facilities Unsecured Debt and subject to adjudication for entitlement and Crystallisation of and adjudication of the Eligible Debt of the Other Creditor with Corporate Guarantees For JV Company, will be restructured as the Term Loan. For more details on the Term Loan Option and the Proposed Term Loan Shares Issuance, please refer to Section 6 of this Circular, respectively.

(g) Cash Out Option

A Creditor who wants to exit the Proposed Scheme early by accepting a voluntary haircut in exchange for cash may elect the Cash Out Option to cash out its portion of its Sustainable Debt.

The Cash Out Option will be funded by the proceeds of RM50 million (“**Committed Sum**”) arising from (i) the Major Shareholder’s irrevocable undertaking to subscribe for his entitlement of the Rights Shares through his direct and deemed interest in the Shares and any Excess Rights Shares under the Proposed Rights Issue of up to the Committed Sum; or (ii) 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 actual subscription consideration paid by the Major Shareholder for the subscription for his entitlement of the Rights Shares through his direct and deemed interest in the Shares and any Excess Rights Shares (“**Actual Subscription Amount**”), and an interest-free loan granted by the Major Shareholder to the Company of an amount equivalent to the shortfall between the Committed Sum and

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the Actual Subscription Amount (“**Cash Out Fund**”). Such loan shall be subordinated to the indebtedness or liabilities of all Creditors who participate in the Term Loan Facility and will be repayable by the Company on a date to be determined by the Company after full repayment of the Term Loan Facility. For more information on the Proposed Rights Issue, please refer to Section 4 of this Circular.

Subject to a minimum recovery of US\$0.05 per US\$1 of Sustainable Debt and a maximum recovery capped at US\$0.20 per US\$1 of Sustainable Debt, the Company shall pay, as consideration for extinguishing the debt offered by the Creditor under the Cash Out Option (“**Cash Out Offered Debt**”), an amount (each such amount, a “**Cash Out Payment**”) determined by the following formula:

$$\frac{\text{Cash Out Offered Debt of that Creditor}}{\text{Total Cash Out Offered Debt}} \times \text{Cash Out Fund}$$

The Cash Out Payment as determined by the formula above shall be reduced by the aggregate Pre-Scheme Cash Out Payment which the Company had on 12 July 2018, prior to the Effective Date, paid to all Creditors who elected the Cash Out Option (including their successors, transferees and assigns).

Pursuant to the results of the Scheme Meeting, 5.580% of Creditors who voted “For the Scheme” elected the Cash Out Option, representing approximately US\$19 million of the total debt to be restructured under the Proposed Scheme. Accordingly, the total Cash Out Offered Debt is approximately US\$12 million (being 65% of US\$19 million). Accordingly, recovery under the Cash Out Option shall be at the maximum recovery cap of US\$0.20 per US\$1 of the Cash Out Offered Debt of the relevant Creditor. Accordingly, the total Cash Out Payment to be made to all the relevant Creditors who elected the Cash Out Option is approximately US\$2.4 million.

The remainder of the Cash Out Payments, after deduction of the aggregate Pre-Scheme Cash Out Payments that were made by the Company on 12 July 2018 amounting to approximately S\$165,000, shall be paid to the relevant Creditor on (1) the Implementation Date; (2) as soon as practicable after the Disputes Resolution Date; or (3) as soon as practicable after the Crystallisation Date, as the case may be.

The payment of the remainder of the Cash Out Payments shall constitute full and final settlement of the Cash Out Offered Debt.

After the payment of the Cash Out Payments (including the Pre-Scheme Cash Out Payments), the Cash Out Fund shall be reduced by an amount equal to the aggregate Cash Out Payments made (that is, approximately US\$2.4 million or approximately RM10.3 million based on the Scheme Exchange Rate) and the remaining monies of approximately RM39.7 million shall be used for the operations of the Group.

(h) Proposed Capital Reorganisation and Proposed Rights Issue

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 Latest Practicable Date, 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.

In connection with the Proposed Scheme, the Company intends to (i) undertake the Proposed Rights Issue, which involves a renounceable non-underwritten rights issue of up to 2,096,465,885 Rights Shares at an issue price of S\$0.014 for each Rights Shares (equivalent to approximately HK\$0.081 per Share based on the Latest Exchange Rate),

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which is less than the par value of the Shares; and (ii) issue new Shares pursuant to the Proposed Rights Issue, Proposed Non-sustainable Debt Shares Issuance, Proposed Term Loan Shares Issuance and Nam Cheong Management Incentive Plan.

Accordingly, 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, such as the proposed allotment and issue of Rights Shares, Non-sustainable Debt Shares, Term Loan Shares and Plan Shares, 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. For more information on the Proposed Capital Reorganisation, please refer to Section 3 of this Circular.

Under the Proposed Rights Issue, if all Shareholders were to subscribe for their entitlements, the Proposed Rights Issue will raise up to S\$29,350,522.39. 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's 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, and any remaining proceeds raised from the Proposed Rights Issue will to be used for the operations of the Group. Pursuant to the results of the Scheme Meeting, approximately RM10.3 million of the Committed Sum will be used to fund the Cash Out Option with the balance of approximately RM39.7 million to be used as working capital of the Group – for more details, please refer to Section 2.8.3(g) of this Circular. For more information on the Proposed Rights Issue (including the use of proceeds from the Proposed Rights Issue), please refer to Section 4 of this Circular.

(i) Nam Cheong Management Incentive Plan

Notwithstanding the implementation of the Proposed Scheme, the day to day management of the Company will still continue, as presently done, to be vested in the Management, which is authorised by the Board of Directors of the Company to carry out the day to day management of the Company. The Scheme Manager will perform their duties in consultation with the Management.

The Company is of the view that the Management plays a critical role in the Group's businesses and operations, and their continued involvement in the Group is significant in ensuring the success of the Proposed Scheme. Accordingly, the Company intends to implement the Nam Cheong Management Incentive Plan to enable the Management to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance and to give recognition to the Management who have contributed significantly to the Group's growth and performance.

The Management comprises of Leong Seng Keat (Chief Executive Officer), Tiong Chiong Soon (General Manager), Tiong Chiong Hiiung (Executive Vice-Chairman cum Financial Director) and other members of the management as may be determined by the Remuneration Committee of the Company.

Under the proposed Nam Cheong Management Incentive Plan, the Company shall issue or transfer Shares free of charge ("**Award Shares**") to the Management, if the Company satisfies the following criteria ("**Management Award Criteria**"):

- (i) 1% of the total number of issued Shares on the Implementation Date per Review Year from Review Year 1 to Review Year 7 if the Group meets the cashflow projections and scheduled interest payment of the Term Loan Facility to the Creditors who participated in the Term Loan Facility, for the relevant Review Year in accordance with the terms of the Proposed Scheme; and

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- (ii) an additional 1% of the total number of issued Shares on the Implementation Date per Review Year from Review Year 4 to Review Year 7 if the Company meets the cashflow projections and scheduled interest payment and principal repayment of the Term Loan Facility to the Creditors who participated in the Term Loan Facility, for the relevant Review Year in accordance with the terms of the Proposed Scheme and either:
  - (A) the Group exceeds the cashflow projection in respect of net cash generated by the Group by at least 20%; or
  - (B) the Group prepays the interest and principal of the Term Loan Facility by at least 20% above the scheduled interest payment and principal repayment.

After taking into consideration the Excess Cash (as defined in the Cash Management Principles), the management of the Company will recommend whether to make any prepayment and the amount of prepayment to the Board of Directors for approval. Directors who are participants of the Plan (if any) will abstain from recommending, approving or voting on any resolution relating to such prepayment. Prepayment (if any) of the Term Loan Facility will be made in accordance with the terms of the Term Loan Facility and the Cash Management Principles as set out in Appendix 1 to the Rules of the Nam Cheong Management Incentive Plan as set out in Appendix B of this Circular.

In addition, the Monitoring Accountant appointed in relation to the Proposed Scheme shall, *inter alia*:

- (i) review the Group's financial performance and compare to the cash flow projections (as set out in the Scheme Document) at the end of each Review Year;
- (ii) review and confirm the calculation of the Excess Cash by the Group;
- (iii) review the entitlement under the Nam Cheong Management Incentive Plan; and
- (iv) review the amount of interest and principal to be repaid to each Creditor who has participated in the Term Loan Facility in accordance with the repayment terms of the Proposed Scheme prepared by the Company.

The Monitoring Accountant shall provide an update to the Creditors who have participation in the Term Loan Facility on its review.

For each Review Year where the Group satisfies the Management Award Criteria, the Committee shall grant the Award Shares that the Management is entitled to in that Review Year and such Award Shares shall be released to the Management as follows:

- (ii) 50% of the entitlement shall be released to the Management as soon as practicable after the Group's audited financial statements for the applicable Review Year is announced on the SGXNET by the Company ("**Announcement**"); and
- (iii) the remaining 50% of the entitlement shall be released to the Management on the first anniversary of the Announcement.

For more information on the proposed Nam Cheong Management Incentive Plan, please refer to Section 8 of this Circular.

(j) Moratorium imposed on Major Shareholder

In order to demonstrate the Major Shareholder's commitment on the Proposed Scheme, the Major Shareholder will not sell, grant options over, transfer, charge, pledge or dispose of or enter into any agreement to dispose of: (i) the Moratorium Shares for the Scheme Period; and (ii) the Rights Shares held by the Major Shareholder, for a period of 12 months from the Implementation Date.



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### 2.8.4 Conditions precedent to the effectiveness of the Proposed Scheme

The Proposed Scheme is subject to and conditional upon, the following:

- (a) the Committed Sum of RM50 million being deposited into Escrow Account;
- (b) the approval by the Requisite Majority at the Scheme Meeting;
- (c) the approval by a majority of seventy-five per centum of the total value of the scheme creditors of NCD present and voting in person or by proxy at the Malaysian Court Convened Meeting of NCD;
- (d) the approval by a majority of seventy-five per centum of the total value of the scheme creditors of NCI present and voting in person or by proxy at the Malaysian Court Convened Meeting of NCI;
- (e) the approval of the Court with or without modifications, additions or conditions imposed by the Court pursuant to Section 210 of the Act sanctioning the Proposed Scheme;
- (f) the approval of the High Court of Malaya with or without modifications, additions or conditions imposed by the High Court of Malaya pursuant to Section 366(4) of the Companies Act 2016 of Malaysia and a copy of the order of the High Court of Malaya sanctioning the Subsidiary Scheme of NCD being lodged with the Registrar of the Companies Commission of Malaysia;
- (g) the approval of the High Court of Malaya with or without modifications, additions or conditions imposed by the High Court of Malaya pursuant to Section 366(4) of the Companies Act 2016 of Malaysia and a copy of the order of the High Court of Malaya sanctioning the Subsidiary Scheme of NCI being lodged with the Labuan Financial Services Authority;
- (h) the approval of the SGX-ST for the listing and quotation of the Rights Shares, the Non-sustainable Debt Shares, the Term Loan Shares and the Plan Shares;
- (i) the approval of the SGX-ST for the trading resumption proposal submitted by the Company with a view to resuming trading in its securities;
- (j) the approval of the Shareholders of the Company being obtained for the Proposed Capital Reorganisation, the Proposed Rights Issue, the proposed Nam Cheong Management Incentive Plan, and the allotment and issue of the Rights Shares, the Non-sustainable Debt Shares, the Term Loan Shares and the Plan Shares at the SGM;
- (k) the entry into the Bilateral Facilities Agreement with the relevant Other Creditor and the relevant Key Subsidiary to amend or replace the existing Facility Agreement;
- (l) the SIC granting a waiver to the Major Shareholder and his parties acting in concert from the requirement of making a general mandatory offer in connection with the Proposed Management Incentive Plan (if applicable) and the Shareholders passing a resolution to waive the making of any general mandatory offer pursuant to the Code (if applicable); and
- (m) a copy of the Order of Court sanctioning the Proposed Scheme being lodged with ACRA in accordance with Section 210(5) of the Act,

(collectively, the “**Conditions**”).

The Condition in sub-paragraph (l) may be waived by the Major Shareholder in his sole and absolute discretion. All the Conditions are inter-conditional and are required to be fulfilled or waived in order for the Proposed Scheme to become effective. Accordingly, if any of the above Conditions are not fulfilled or waived, the Proposed Scheme will not become effective.

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As at the date of this Circular, the Conditions set out at sub-paragraphs (a), (b), (c), (d), (f), (g), (h), (i) and (k) above have been satisfied and the Major Shareholder has waived the Condition set out at sub-paragraph (l). In relation to the Condition set out at sub-paragraph (e), the Company has made an application to the Court for approval with or without modifications, additions or conditions imposed by the Court sanctioning the Proposed Scheme. The hearing date has currently been fixed for 15 August 2018 and the Company is applying for the application to be heard earlier.

### 2.8.5 Repayment to Creditors

Pursuant to the terms of the Proposed Scheme, the Company shall:

- (a) allot and issue the Non-sustainable Debt Shares and Term Loan Shares;
- (b) make cash payment under the Cash Out Option. The cash payments under the Cash Out Option will be funded by the proceeds of RM50 million of Committed Sum from the Major Shareholder; and
- (c) repay the Term Loan Facility in accordance with the provisions of the cash management principles set out in the Scheme Document, to all the Creditors (where applicable), on a *pari passu* basis.

### 2.8.6 Effectiveness and Implementation of the Proposed Scheme

Upon the Effective Date, the arrangement and compromise effected by the Proposed Scheme shall be binding on all Creditors and their respective predecessors, successors and assigns, regardless of whether such Creditors attended or voted (in favour of or against the Proposed Scheme) at the Scheme Meeting.

All rights of each Creditor to the distribution in accordance with the Proposed Scheme shall be accepted in full and final settlement and absolute discharge of all of its Claims.

Upon the effectiveness of the Proposed Scheme, the Company shall take the necessary steps to implement the Proposed Scheme, whereby the Company shall:

- (a) launch the Proposed Rights Issue by lodging the Offer Information Statement in respect of the Proposed Rights Issue with the Authority, and the Company shall observe the relevant timetable published by the SGX-ST with respect to the Proposed Rights Issue;
- (b) allot and issue the Rights Shares to relevant Shareholders who have subscribed for the Rights Shares under the Proposed Rights Issue;
- (c) allot and issue the Non-sustainable Debt Shares to the relevant Creditors; and
- (d) make payment under the Cash Out Option to relevant Creditors who elected the Cash Out Option.

The date on which all the steps set out in paragraphs (a) to (d) above have been fulfilled is referred to as the “**Implementation Date**”.

### 2.8.7 Resumption of Trading and Indicative Timetable of Events

The Shares were suspended from trading on the Mainboard of the SGX-ST on 21 July 2017 on the Company’s request.

As set out in Section 2.8.2 of this Circular, the Company believes that with the implementation of the Proposed Scheme, the outstanding liabilities owing to the Creditors will be substantially reduced and the Group will be able to strengthen and rebuild its balance sheet and cash flow situation. Assuming that the Proposed Scheme becomes effective and no material claims from the Excluded Creditors, which are not part of the Proposed Scheme and Subsidiary Schemes, that are reasonably likely to have a material effect on the Group’s financial conditions and operations

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are brought against the Group, and taking into account the Group's internal resources, operating cashflows, working capital facilities and the estimated minimum Net Proceeds raised from the Proposed Rights Issue in the Minimum Subscription Scenario, the Company believes that it will have sufficient resources to meet the Company's obligations and continue to operate as a going concern. Accordingly, the Company has submitted a trading resumption proposal to the SGX-ST.

On 16 July 2018, the SGX-ST granted its in-principle approval for (i) the listing and quotation of the Rights Shares, the Non-sustainable Debt Shares, the Term Loan Shares, the Plan Shares and the Additional Loan Shares; and (ii) the resumption of trading of the Shares on the Mainboard of the SGX-ST, subject to the following:

- (a) Compliance with the SGX-ST's listing requirements;
- (b) Shareholders' approval for the issue of the Rights Shares, Non-sustainable Debt Shares, the Term Loan Shares, the Additional Loan Shares and the Plan Shares;
- (c) A written undertaking from the Company that it will comply with Listing Rules 704(30), 815 and 1207(20) in relation to the use of the proceeds from the issue of Rights Shares and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report;
- (d) A written undertaking from the Company that it will comply with Listing Rule 803;
- (e) A written undertaking from the Company that it will comply with Listing Rule 812(1);
- (f) A written undertaking from the Company that it will comply with Listing Rule 877(10) with regards to the allotment of any excess Rights Shares; and
- (g) A written confirmation from financial institution(s) as required under Listing Rule 877(9) that the undertaking shareholders who have given the irrevocable undertakings have sufficient financial resources to fulfil their obligations under its undertakings.

The in-principle approval granted by the SGX-ST is not to be taken as an indication of the merits of the Proposed Rights Issue, the Rights, the Rights Shares, the Non-sustainable Debt Conversion, the Non-sustainable Debt Shares, the Term Loan Shares, the Nam Cheong Management Incentive Plan, the Plan Shares, the Additional Loan Shares and the Company and/or its subsidiaries.

The indicative timetable for the resumption of trading and implementation of the Proposed Scheme is set out below for reference:

Indicative date	Event
20 August 2018	SGM
21 August 2018	Resumption of trading
3 September 2018	Books closure date for the Proposed Rights Issue
3 September 2018	Lodgement of the Offer Information Statement for the Proposed Rights Issue
6 September 2018	Commencement of trading of nil-paid Rights
14 September 2018, 5.00 p.m.	Last date and time for trading of nil-paid Rights
20 September 2018, 5.00 p.m.	Last date and time for acceptance and payment of Rights Shares
28 September 2018, 9.00 a.m.	Listing and quotation of Rights Shares and Non-sustainable Debt Shares

The above timetable is indicative only and is subject to change at the Company's discretion, with the agreement of the Scheme Managers. It assumes that approval of the Court sanctioning the Proposed Scheme will be obtained and a copy of the Order of Court sanctioning the Proposed

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Scheme will be lodged with ACRA before 21 August 2018, the resumption of trading will be on 21 August 2018, the lodgement of the Offer Information Statement for the Proposed Rights Issue will be on 3 September 2018, and the listing and quotation of the Rights Shares and Non-sustainable Debt Shares will be 28 September 2018. All dates and times referred to above are Singapore dates and times.

The above timetable and procedure may be subject to such modifications as the SGX-ST may, in its discretion, decide, including the decision to permit the resumption of trading and the listing and quotation of the Rights Shares and Non-sustainable Debt Shares.

### 2.8.8 Release and Discharge

Should the Proposed Scheme become effective, on and from the Implementation Date, the Creditors shall completely and absolutely discharge and release the Company from all Claims, obligations and liabilities (whether actual, contingent or otherwise) and indebtedness whether as principal debtor or surety) of the Company to each and all the Creditors (regardless of whether or not it has submitted a proof of debt or voting instruction form under the Proposed Scheme or the Subsidiary Schemes) whatsoever and howsoever arising out of or in connection with any and all agreements, transactions, dealings and matters effected or entered into or occurring at any time on or prior to the Cut-Off Date, other than the contractual interest payable from the Cut-Off Date to 31 December 2017 in accordance with the Proposed Scheme and all obligations and liabilities arising under the Proposed Scheme.

### 2.8.9 Termination of the Proposed Scheme

The Proposed Scheme shall terminate by performance when:

- (a) the Scheme Manager (acting reasonably) certifies under hand that the Proposed Scheme has been completed or so substantially completed that it cannot be continued without needlessly protracting the Proposed Scheme;
- (b) the Creditors in general meeting resolve by Special Resolution to terminate the Proposed Scheme upon issuance of the Scheme Manager's certification pursuant to clause (a) above that the Proposed Scheme has been completed or so substantially completed that it cannot be continued without needlessly protracting the Proposed Scheme; and
- (c) an order of the Singapore Court sanctioning the termination of the Proposed Scheme is obtained.

In addition, the Proposed Scheme shall also terminate if the Creditors in a general meeting resolve by Special Resolution to terminate the Proposed Scheme upon any of the following events occurring:

- (a) if the Company does not comply with any provision of the Proposed Scheme, provided that no failure of the Company to comply with any provision of the Proposed Scheme shall be deemed to have occurred if the failure to comply is capable of remedy and is remedied within thirty (30) days of any Creditor giving notice to the Company;
- (b) if the Company ceases or threatens to cease to carry on its business or any material part thereof or materially changes the nature or mode of conduct of its trading in any material respect;
- (c) if an order is made for the Company to be placed under judicial management and for the appointment of a judicial manager;
- (d) if a receiver and/or manager or other similar officer is appointed over the undertakings, properties, assets, or revenues of the Company;
- (e) if an order is made for the winding-up of the Company or a resolution passed or if a notice is issued convening a meeting for the purpose of passing any such resolution;

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- (f) if, in Singapore or elsewhere, the Company is declared by the Minister to be a declared company under the provisions of Part IX of the Act;
- (g) if any of the Subsidiary Schemes is terminated; or
- (h) if a material situation shall arise which in the opinion of any of the Creditors (acting reasonably) makes it improbable that the Company will be able to perform its obligations under the Proposed Scheme.

### 3. THE PROPOSED CAPITAL REORGANISATION

#### 3.1 Overview

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 Latest Practicable Date, 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.

In connection with the Proposed Scheme, the Company intends to undertake the Proposed Rights Issue, which involves a renounceable non-underwritten rights issue of up to 2,096,465,885 Rights Shares at an issue price of S\$0.014 for each Rights Share, on the basis of one (1) Rights Share for every one (1) existing Share held by the Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded, to raise funds. Please refer to Section 4 of this Circular for more information on the Proposed Rights Issue. Accordingly, the issue price of the Rights Shares under the Proposed Rights Issue is S\$0.014 per Rights Share (equivalent to approximately HK\$0.081 per Share based on the Latest Exchange Rate), which is less than the par value of the Shares.

Bye-law 6 of the Bye-laws provides that the Company may from time to time by special resolution (as defined in the Bye-laws), subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by law.

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 Shares under the Proposed Rights Issue, and to facilitate the proposed allotment and issue of Non-sustainable Debt Shares, Term Loan Shares and Plan Shares, the Company proposes to undertake the Proposed Capital Reorganisation to, *inter alia*, lower the par value of each Share to HK\$0.001 and increase the authorised capital of the Company to HK\$12,000,000, divided into 12,000,000,000 Shares with a par value of HK\$0.001 each.

#### 3.2 Rationale for the Proposed Capital Reorganisation

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, such as the proposed allotment and issue of Rights Shares, Non-sustainable Debt Shares, Term Loan Shares and Plan Shares, 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.

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.

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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 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 Circular, 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.

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, and the Authorised Capital Increase will allow the Company to issue more Shares in future.

### 3.3 Details of the Proposed Capital Reorganisation

#### 3.3.1 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 (the "**Capital Reduction**") from HK\$210,314,448.20 divided into 2,103,144,482 Shares of HK\$0.10 each (including treasury Shares), to HK\$2,103,144.482 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\$208,211,303.718 in aggregate on the Shares with a par value of HK\$0.10 in issue on the Proposed Capital Reorganisation Effective 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 Proposed Capital Reorganisation Effective 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 Latest Practicable Date, 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, all of the authorised but unissued Shares with a par value of HK\$0.10 each in the share capital of the Company be cancelled, and the authorised share capital of the Company of HK\$400,000,000 be diminished by such amount representing the amount of Shares so cancelled (the "**Authorised Capital Diminution**"), and forthwith upon the Authorised Capital Diminution, the authorised share capital of the Company be increased to HK\$12,000,000 by the creation of such number of Shares with a par value of HK\$0.001 each as shall represent the difference between 12,000,000,000 Shares with a par value of HK\$0.001 each and the number of Shares with a par value of HK\$0.001 each in issue after the Capital Reduction (the "**Authorised Capital Increase**"); and
- (c) subject to and forthwith upon the Capital Reduction taking effect, the credit arising from the Capital Reduction in the sum of HK\$208,211,303.718 shall be credited to the contributed surplus account of the Company (the "**Crediting of Contributed Surplus**"), to be utilised in such manner as may be determined by the Directors in accordance with the Bye-laws and all applicable laws.

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.

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The Proposed Capital Reorganisation will take effect on the Proposed Capital Reorganisation Effective Date. With the implementation of the Proposed Scheme, the outstanding liabilities owing to the Creditors will be substantially reduced. As at the Latest Practicable Date, the Directors are of the opinion that, there are no reasonable grounds for believing that, on the Proposed Capital Reorganisation Effective Date, the Company is, or after the Proposed Capital Reorganisation would be, unable to pay its liabilities as they become due.

### 3.3.2 Effect of the Proposed Capital Reorganisation

Upon the Proposed Capital Reorganisation taking effect on the Proposed Capital Reorganisation Effective Date:

- (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 Latest Practicable Date) will be HK\$2,103,144.482 (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 increased from HK\$400,000,000, divided into 4,000,000,000 Shares with a par value of HK\$0.10 each, to HK\$12,000,000, divided into 12,000,000,000 Shares with a par value of HK\$0.001 each.

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.

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.**

**Please refer to Section 3.4 of this Circular for more information regarding the financial effects of the Proposed Capital Reorganisation.**

### 3.3.3 Implementation of the Proposed Capital Reorganisation

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 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:

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- (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 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.

### 3.3.4 Proposed Capital Reorganisation Effective Date

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 (“**Capital Reorganisation Announcement**”).

### 3.3.5 Issue of Share Certificates

(a) **Deposit of Share Certificates with CDP**

Shareholders who hold physical share certificates for Shares with a par value of HK\$0.10 in their own names (the “**Old Share Certificates**”) and who wish to deposit the same with CDP and have their Shares with a par value of HK\$0.001 each credited to their Securities Accounts must deposit their Old Share Certificates, together with the duly executed instruments of transfer in favour of CDP, no later than twelve (12) Market Days prior to the Proposed Capital Reorganisation Effective Date. After the Proposed Capital Reorganisation Effective Date, CDP will only accept for deposit share certificates for Shares which reflect a par value of HK\$0.001 each (the “**New Share Certificates**”). Shareholders who wish to have their Shares credited to their Securities Accounts after the Proposed Capital Reorganisation Effective Date must first deliver their Old Share Certificates to the Share Transfer Agent, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, in exchange for New Share Certificates. The New Share Certificates will then be sent by ordinary mail to the registered addresses of the Shareholders at their own risk within ten (10) Market Days from the date of receipt of the Old Share Certificates. Upon receipt of the New Share Certificates in their own names, Shareholders may then proceed to deposit these New Share Certificates in their own names with CDP.

(b) **Issue of New Shares Certificates**

Depositors having Shares standing to the credit of their Securities Accounts and Shareholders who have deposited their Old Share Certificates with CDP at least twelve (12) Market Days prior to the Proposed Capital Reorganisation Effective Date need not take any action. The Company will arrange with CDP to facilitate the exchange of the Old Share Certificates for the New Share Certificates pursuant to the Proposed Capital Reorganisation.

Shareholders who have not deposited their Old Share Certificates as aforesaid or who do not wish to deposit their Old Share Certificates with CDP are advised to forward all their Old Share Certificates to the Share Transfer Agent, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, as soon as possible after the Capital Reorganisation Announcement and, preferably, not later than twelve (12) Market Days after the Proposed Capital Reorganisation Effective Date for cancellation and exchange for New Share Certificates. The New Share Certificates will be sent by ordinary



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mail to the registered addresses of the Shareholders at their own risk, within ten (10) Market Days from the Proposed Capital Reorganisation Effective Date or the date of receipt of the Old Share Certificates, whichever is the later.

(c) **Share Certificates Not Valid for Settlement of Trades on the SGX-ST**

Shareholders who hold physical share certificates are reminded that their Old Share Certificates are no longer good for settlement of trading in the Shares on the SGX-ST, as the Company is under a book-entry (scripless) settlement system, but will continue to be accepted for cancellation and issue of New Share Certificates in replacement thereof for an indefinite period by the Share Transfer Agent. The New Share Certificates will not be valid for delivery pursuant to trades done on the SGX-ST although they will continue to be *prima facie* evidence of legal title.

Shareholders are to deliver their respective Old Share Certificates to the Share Transfer Agent or CDP in accordance with the provisions set out in this Section 3.3.5 only after the Capital Reorganisation Announcement is made.

No receipts will be issued by the Share Transfer Agent for the receipt of physical Old Share Certificates tendered.

**Shareholders should note that New Share Certificates will not be issued to Shareholders unless their Old Share Certificates have been tendered to the Share Transfer Agent for cancellation.**

Please notify the Share Transfer Agent if you have lost any of your existing Old Share Certificates or if there is any change in your address from that reflected in the Register of Members.

### 3.4 Financial Effects of the Proposed Capital Reorganisation

The *pro forma* financial effects of the Proposed Capital Reorganisation on the share capital, Shareholders' funds and reserves, NTA, earnings and gearing of the Company are set out below. The *pro forma* financial effects have been prepared based on the audited financial statements of the Group for FY2017. The *pro forma* financial effects are purely for illustrative purposes only and are 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.

#### 3.4.1 Effect on share capital

The effects of the Proposed Capital Reorganisation on the share capital of the Company as at the Latest Practicable Date are as follows:

	Before the Proposed Capital Reorganisation	After the Proposed Capital Reorganisation
<b><u>Authorised share capital</u></b>		
Number of shares ('000)	4,000,000	12,000,000
Par value (HK\$)	0.10	0.001
Total (HK\$'000)	400,000	12,000
<b><u>Issued and paid-up share capital</u></b>		
Number of shares	2,103,144,482	2,103,144,482
Par value (HK\$)	0.10	0.001
Total (HK\$)	210,314,448.20	2,103,144.482

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### 3.4.2 Effect on Shareholders' funds and reserves

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

RM ('000)	Before the Proposed Capital Reorganisation	After Capital Reduction and Crediting of Contributed Surplus
Share capital	81,192	812
Share premium	82,347	82,347
Treasury shares	(4,097)	(4,097)
Other reserves	318,614	318,614
Contributed Surplus	–	80,380 <sup>(1)</sup>
Accumulated losses	(2,138,467)	(2,138,467)
Total	(1,660,411)	(1,660,411)

**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.

### 3.4.3 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 net tangible assets, 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.**

## 4. THE PROPOSED RIGHTS ISSUE

### 4.1 Overview

On 4 December 2017, the Company announced that the Company is proposing to undertake a renounceable non-underwritten rights issue of up to 2,096,465,885 Rights Shares at an issue price of S\$0.014 for each Rights Share ("**Rights Shares Issue Price**"), on the basis of one (1) Rights Share for every one (1) existing Share held by the Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.

In this connection, as the Rights Shares Issue Price of S\$0.014 per Rights Share (approximately HK\$0.081 based on the Latest Exchange Rate) is lower than the existing par value of HK\$0.10 per Share, the Company will have to first undertake the Proposed Capital Reorganisation, further details of which are set out in Section 3 of this Circular, before it is able to issue the Rights Shares at the Rights Shares Issue Price.

On 16 July 2018, the SGX-ST granted in-principle approval for, *inter alia*, the listing and quotation of the Rights Shares on the Mainboard of the SGX-ST to be issued pursuant to the Proposed Rights Issue, subject to certain conditions, further details of which are set out in Section 12 of this Circular.

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The Rights Shares Issue Price of S\$0.014 per Rights Share 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 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).

The Rights Shares are payable in full upon acceptance and (if applicable) application. 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.

Entitled Shareholders will be at liberty to accept (in full or in part), decline or otherwise renounce or, in the case of Entitled Depositors only, trade their Rights during the provisional allotment trading period prescribed by the SGX-ST and will be eligible to apply for Excess Rights Shares under the Proposed Rights Issue. Rights which would otherwise have been allotted to Foreign Shareholders will be dealt with in the manner described in the Section 4.8 of this Circular. In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots and Directors and 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 of the Company, including the Major Shareholder, will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares.

**Shareholders should note that the Proposed Right 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.**

### 4.2 Principal Terms of the Proposed Rights Issue and Rights Shares

<b>Basis of provisional allotment</b>	:	One (1) Rights Share for every one (1) existing Share standing to the credit of the Securities Account 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.
<b>Number of Rights Shares</b>	:	Based on the Existing Issued Share Capital (excluding treasury shares) of the Company comprising 2,096,465,885 Shares as at the Latest Practicable Date, up to 2,096,465,885 Rights Shares will be issued.
<b>Rights Shares Issue Price</b>	:	S\$0.014 for each Rights Share, payable in full on acceptance and/or application.  The Rights Shares 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 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).
<b>Status of Rights Shares</b>	:	The Rights Shares will, upon allotment and issue, rank <i>pari passu</i> 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.

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<b>Eligibility of Shareholders to participate in the Proposed Rights Issue</b>	:	Please refer to Section 4.8 of this Circular.
<b>Listing of the Rights Shares</b>	:	On 16 July 2018, the SGX-ST granted its in-principle approval for the dealing in, listing of and quotation of, <i>inter alia</i> , the Rights Shares on the Mainboard of the SGX-ST, subject to certain conditions, further details of which are set out in Section 12 of the Circular.
<b>Trading of the Rights Shares</b>	:	Upon the listing and quotation of the Rights Shares on the Mainboard of the SGX-ST, the Rights Shares will be traded under the book-entry (scripless) settlement system. For the purposes of trading on the SGX-ST, each board lot of Shares will comprise 100 Shares. Shareholders who hold odd lots of the Rights Shares (that is, less than 100 Shares) and who wish to trade in odd lots on the SGX-ST should note that they are able to trade odd lots of Shares in board lots of one (1) Share on the unit share market of the SGX-ST.
<b>Trading of “nil-paid” Rights</b>	:	Entitled Depositors who wish to trade all or part of their provisional allotments of Rights Shares on the SGX-ST can do so during the trading period for the “nil-paid” Rights.
<b>Acceptance, excess application and payment procedures</b>	:	<p>Entitled Shareholders will be at liberty to accept (in full or in part), decline or transfer their provisional allotments of the Rights Shares and are eligible to apply for Excess Rights Shares. Provisional allotments which are not taken up for any reason shall be used to satisfy the applications for Excess Rights Shares or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. Excess Rights Shares will be allotted in such manner as the Board may, in its absolute discretion, deem fit in the interests of the Company, subject to applicable laws, the Listing Manual and the Irrevocable Undertaking. In the allotment of Excess Rights Shares, preference will be given to the rounding of odd lots and Directors and 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 of the Company including the Major Shareholder, will rank last in priority for the rounding of odd lots and the allotment of Excess Rights Shares.</p> <p>Please refer to the Offer Information Statement, to be despatched by the Company to the Entitled Shareholders in due course subject to, <i>inter alia</i>, the Proposed Rights Issue being approved by the Shareholders at the SGM, for more information on the acceptance, excess application and payment procedures.</p>
<b>Irrevocable Undertaking</b>	:	Please refer to Section 4.5 of this Circular.

## LETTER TO SHAREHOLDERS

<b>Non-underwritten</b>	:	The Proposed Rights Issue will not be underwritten. In view of the Irrevocable Undertaking, further details of which are set out in Section 4.5 of this Circular, 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.
<b>Use of SRS Funds</b>	:	<p>Members under the Supplementary Retirement Scheme (“SRS”) (“SRS Members”) who bought their Shares previously using their account opened with the relevant approved bank (“SRS Account”) and who wish to accept their provisional allotments of Rights Shares and apply for Excess Rights Shares (if applicable) can only do so, subject to applicable SRS rules and regulations, using monies standing to the credit of their respective SRS Accounts. Such SRS Members who wish to accept their provisional allotments of Rights Shares and apply for Excess Rights Shares (if applicable) using SRS monies, must instruct the relevant approved banks in which they hold their SRS Accounts to accept their provisional allotments of Rights Shares and apply for Excess Rights Shares (if applicable) on their behalf in accordance with the terms and conditions in the Offer Information Statement.</p> <p>SRS Members who have insufficient funds in their SRS Account may, subject to the SRS contribution cap, deposit cash into their SRS Account with their approved banks before instructing their respective approved banks to accept their provisional allotments of Rights Shares and (if applicable) apply for Excess Rights Shares.</p> <p>Any acceptance and/or (if applicable) application made directly through CDP, the Share Transfer Agent, the Company and/or the ATM of any participating bank appointed and named in the Offer Information Statement will be rejected.</p> <p>Monies in the SRS Account may not be used for the purchase of the provisional allotments of Rights Shares directly from the market.</p>
<b>Governing Law</b>	:	Laws of Singapore

The terms and conditions of the Proposed Rights Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Proposed Rights Issue will be contained in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course, subject to, *inter alia*, the Proposed Rights Issue being approved by the Shareholders at the SGM.

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## LETTER TO SHAREHOLDERS

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### 4.3 Size of the Proposed Rights Issue

As at the Latest Practicable Date, the Existing Issued Share Capital of the Company comprises 2,096,465,885 Shares (excluding treasury Shares). The Company does not have any outstanding warrants or convertible securities. As mentioned in Section 3.3.2 of this Circular, the number of issued Shares will remain unchanged after the completion of the Proposed Capital Reorganisation.

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 subscribes for up to RM50 million worth of Rights Shares and 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, 1,202,906,221 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 3,299,372,106 Shares (excluding treasury Shares) (“**Minimum Post-Rights Enlarged Share Capital**”) based on the Latest Exchange Rate.

### 4.4 Conditions of the Proposed Rights Issue

In addition to the conditions set out in the in-principle approval granted by the SGX-ST on 16 July 2018, further details of which are set out in Section 12 of this Circular, 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 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, together with all other accompanying documents (if applicable), by the Company in connection with the Proposed Rights Issue with the Authority.

As at the Latest Practicable Date, conditions set out at sub-paragraphs (c), (e) and (f) above have been satisfied.

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## LETTER TO SHAREHOLDERS

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### 4.5 Irrevocable Undertaking

To show support for the Proposed Rights Issue and to demonstrate his commitment to and confidence in the Company, the Major Shareholder had on 4 December 2017, given an irrevocable undertaking pursuant to which he has unconditionally and irrevocably undertaken to the Company, *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;
- (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 the Escrow Account for the purposes of fulfilling his obligations pursuant to the Irrevocable Undertaking; and
- (e) that 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.

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**").

If any of the Undertaking Conditions is not fulfilled, the Irrevocable Undertaking shall terminate and the Committed Sum in the Escrow Account shall be returned to the Major Shareholder, and no party shall have any claim against the other party.

On 19 January 2018, the Company announced that the Major Shareholder has deposited the Committed Sum of RM50 million into an escrow account for the purposes of fulfilling his obligations under the Irrevocable Undertaking.

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The Major Shareholder had obtained a confirmation from the Escrow Agent that he has sufficient financial resources to satisfy the Committed Sum of RM50 million to fulfil his obligations under the Irrevocable Undertaking.

In connection with the Irrevocable Undertaking, the Company had, on 6 June 2018, entered into a side letter with the Major Shareholder pursuant to which the parties agreed that:

- (a) upon the fulfilment of the Undertaking Conditions, they shall procure the Escrow Agent to release the Committed Sum of RM50 million to NCD, as the Company's nominee, in fulfilment of the Major Shareholder's obligations under the Irrevocable Undertaking; and
- (b) for the purpose of paying the aggregate subscription amount due from the Major Shareholder for his subscription of the Rights Shares and Excess Rights Shares under the Proposed Rights Issue, the exchange rate to be used to convert the Committed Sum from RM to SGD shall be Bank Negara Malaysia's mid-day rate on the day NCD receives the Committed Sum from the Escrow Agent.

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 Listing Rules) is zero, no shareholders' approval for the Major Shareholder's Loan is required.

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 69.03% of the Minimum Post-Rights Enlarged Share Capital, in the case of the Minimum Subscription Scenario.

#### 4.6 Non-underwritten Proposed Rights Issue

The Proposed Rights Issue will not be underwritten. In view of the Irrevocable Undertaking, further details of which are set out in Section 4.5 of this Circular, 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.

#### 4.7 Rationale of the Proposed Rights Issue and Use of Proceeds

Pursuant to the terms of the Proposed Scheme, the Company shall, *inter alia*, make cash payment under, *inter alia*, the Cash Out Option. In this connection, the Company intends to undertake the Proposed Rights Issue to raise funds. It is intended that the proceeds raised from the subscription by the Major Shareholder for his entitlement of his Rights Shares (both direct and deemed interest) and any additional Rights Shares in excess of the Major's 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 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.

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.



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Based on the Maximum Subscription Scenario and the Minimum Subscription Scenario, the gross and net proceeds from the Proposed Rights Issues (“**Net Proceeds**”) is expected to be approximately S\$29.4 million and S\$16.8 million, respectively, based on the Latest Exchange Rate. The Company intends to fund all the expenses in relation to the Proposed Rights Issue by internal resources.

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)
1) To meet the Company’s obligation under the Cash Out Option <sup>(1)</sup> pursuant to the Proposed Scheme <sup>(2)</sup>	11	3.3	20	3.3
2) Available for the operations of the Group	89	26.1	80	13.5
<b>Total</b>	<b>100</b>	<b>29.4</b>	<b>100</b>	<b>16.8</b>

**Notes:**

- (1) The Total Cash Out Payment to be made to all the relevant Creditors who elected the Cash Out Option is approximately US\$2.4 million (or approximately S\$3.3 million based on the Scheme Exchange Rate).
- (2) Payments under the Cash Out Option will be funded by the proceeds arising from the 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 Irrevocable Undertaking, please refer to Section 4.5 of this Circular. Proceeds from the subscription by other Shareholders shall be used for the operations of the Group.

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.

Pending deployment of the gross/net proceeds (as the case may be) of the Proposed Rights Issue, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets or marketable securities or used for any other purposes on a short-term basis as the Directors may, in their absolute discretion, deem fit in the interest of the Company.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when such proceeds are materially disbursed, 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.

In relation to the Net Proceeds which are set aside for general working capital purposes, the Company will disclose a breakdown with specific details on the use of the Net Proceeds for working capital in announcements and annual reports.

#### 4.8 Eligibility of Shareholders to participate in the Proposed Rights Issue

(a) Entitled Shareholders

Entitled Shareholders will be eligible to participate in the Proposed Rights Issue and to receive the Offer Information Statement together with the ARE or the 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 CDP during the period from the date the Proposed Rights Issue commences

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## LETTER TO SHAREHOLDERS

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up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PAL may obtain them from the Share Transfer Agent during the period from the date the Rights Issue commences up to the Closing Date.

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 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.

**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 Proposed 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.**

(i) Entitled Scripholders

Entitled Scripholders are encouraged to open Securities Accounts 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 may be credited by CDP with their Shares and the Rights. Entitled Scripholders should note that their Securities Accounts 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.

(ii) 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 11 North Buona Vista Drive, #06-07 The Metropolis Tower 2, Singapore 138589, at least three (3) Market Days before the Books Closure Date.

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.

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Shareholders (not being Depositors) 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.

(b) 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 distribution of the Offer Information Statement and its accompanying documents and/or 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 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.

No person receiving a copy of this Circular, the Offer Information Statement, a PAL, ARE or ARS and/or a credit of Rights or Rights Shares to a Securities Account in any territory other than Singapore may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such PAL, ARE or ARS and/or accept any credit of Rights or Rights Shares to a Securities Account unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such PAL, ARE or ARS and/or credit of Rights or Rights Shares to a Securities Account could lawfully be used or accepted, and any transaction resulting from such use or acceptance could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this Circular, the Offer Information Statement, the PAL, ARE or ARS must be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this Circular, the Offer Information Statement, and/or a PAL, ARE or ARS or whose Securities Account is credited with Rights or Rights Shares should not distribute or send the same or transfer Rights or Rights Shares in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If the Offer Information Statement, a PAL, ARE or ARS or a credit of Rights or Rights Shares is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the Rights, the Rights Shares renounce such PAL, ARE or ARS or transfer the Rights or the Rights Shares unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees)

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who forwards this Circular, the Offer Information Statement, or a PAL, ARE or ARS or transfers Rights or Rights Shares into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section as well as relevant sections of the Offer Information Statement.

The Company reserves the right to treat as invalid any ARE, ARS or PAL which (a) appears to the Company or its agents to have been executed in any jurisdiction outside Singapore which may violate the applicable legislation of such jurisdiction; (b) provides an address outside Singapore for the receipt of the share certificate(s) for the Rights Shares or which requires the Company to despatch the share certificate(s) to an address in any jurisdiction outside Singapore; or (c) purports to exclude any deemed representation or warranty. The Company further reserves the right to reject any acceptances of the Rights Shares and (if applicable) applications for excess Rights Shares where it believes, or has reason to believe, that such acceptances and (if applicable) applications may violate the applicable legislation of 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.

(c) Treatment of Un-allotted Rights of Foreign Shareholders

To the extent it is practicable to do so, arrangements may, at the absolute discretion of the Company, be made for the Rights which would otherwise have been provisionally allotted to Foreign Shareholders to be sold "nil-paid" on the SGX-ST as soon as practicable after commencement of trading of the Rights on a "nil-paid" basis. The net proceeds of such sales (after deducting any applicable brokerage, commissions and expenses, including goods and services tax) will be aggregated and paid to Foreign Shareholders in proportion to their respective shareholdings as at the Books Closure Date, save that no payment will be made of amounts of less than S\$10.00 to a single or joint Foreign Shareholder and the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

No Foreign Shareholder or persons acting for the account or benefit of any such persons shall have any claim whatsoever against the Company, CDP or the Share Transfer Agent and their respective officers in connection therewith.

Where such Rights are sold "nil-paid" on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, CDP or the Share Transfer Agent and their respective officers in respect of such sales or the proceeds thereof.

If such Rights cannot be sold or are not sold on the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading of the Rights, the Rights Shares represented by such Rights will be allotted and issued to satisfy excess applications for Rights Shares or disposed of or dealt with in such manner as the Directors

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## LETTER TO SHAREHOLDERS

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may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, CDP or the Share Transfer Agent and their respective officers in connection therewith.

Shareholders should note that the special arrangements described above will apply only to Foreign Shareholders. However, the Company reserves the right to make similar arrangements for the Rights which would otherwise have been allotted to certain Entitled Shareholders to be sold "nil-paid" on the SGX-ST as soon as practicable after dealings in the Rights commence, where the beneficial holders of such Rights are restricted or prohibited by the laws of the jurisdiction in which they are located or resident from participating in the Proposed Rights Issue.

Notwithstanding anything herein, Shareholders and any other person receiving the Offer Information Statement and/or its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside Singapore receiving the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares unless such offer, invitation or solicitation could lawfully be made without violating any regulatory or legal requirements in such territory.

#### 4.9 Financial Information and Review of Past Performance of the Group

Selected audited consolidated financial information of the Group for FY2015, FY2016 and FY2017 are set out in Appendix A of this Circular. Such selected financial information include the Group's income statement, statement of financial position, statement of cash flow and the working capital position as well as a review thereof, and should be read together with the annual reports, the consolidated audited accounts and consolidated financial statements of the Group for the relevant periods and the related notes thereto, which are available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

#### 4.10 Adequacy of Working Capital

As at the Latest Practicable Date, the Directors are of the opinion that (a) the estimated Net Proceeds of S\$16.8 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 (whereby the outstanding liabilities owing to the Creditors will consequently be substantially reduced) and no material claims from the Excluded Creditors, which are not part of the Proposed Scheme and Subsidiary Schemes, that are reasonably likely to have a material effect on the Group's financial conditions and operations are brought against the Group, and taking into account the Group's internal resources, operating cashflows, working capital facilities and the estimated minimum Net Proceeds of S\$16.8 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.

#### 4.11 Financial Effects of the Proposed Rights Issue

Please refer to Section 13 of this Circular for further details on the financial effects of, *inter alia*, the Proposed Rights Issue.

#### 4.12 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.

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### 4.13 Books Closure Date

Subject to 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.

### 4.14 Interests of Directors and Substantial Shareholders in the Proposed Rights Issue

Save for the Major Shareholder who has provided the Irrevocable Undertaking as set out in Section 4.5 of this Circular and save as disclosed in Section 16 of this Circular, none of the Directors or Substantial Shareholders of the Company has any direct or indirect interest in the Proposed Rights Issue (other than through their respective shareholdings in the Company).

## 5. THE PROPOSED NON-SUSTAINABLE DEBT SHARES ISSUANCE

### 5.1 Background

Pursuant to the terms of the Proposed Scheme, the Non-sustainable Debt shall be converted into Non-sustainable Debt Shares on a *pari passu* basis at an issue price of S\$0.045 per Non-sustainable Debt Share ("**Non-sustainable Debt Share Issue Price**").

### 5.2 Non-sustainable Debt Shares

Every US\$1 of Non-sustainable Debt shall be converted into 30 Non-sustainable Debt Shares.

The number of Non-sustainable Debt Shares to be allotted and issued to each Creditor shall be determined by the following formula:

$$\frac{\text{Non-sustainable Debt owed to the Creditor}}{\text{Non-sustainable Debt Share Issue Price}}$$

Briefly:

- (a) in respect of the arrangement with the Other Creditor with Corporate Guarantee for Key Subsidiary (other than the Unsecured Other Creditors):
  - (i) the Bilateral Facilities Secured Debt prior to the Disposal is an amount equal to the Initial Value of the Secured Assets ("**Pre-Disposal Bilateral Facilities Secured Debt**"), and the Bilateral Facilities Unsecured Debt prior to Disposal is the outstanding amount under the Existing Facility less the Pre-Disposal Bilateral Facilities Secured Debt ("**Pre-Disposal Bilateral Facilities Unsecured Debt**"); and
  - (ii) in the event that there is no Disposal or if following the Disposal of the Secured Assets the Disposal Proceeds are lower than the Initial Value, the relevant Key Subsidiary will pay the shortfall amount between the Initial Value and the Disposal Proceeds using cash. Accordingly, the amount of unsecured debt under the Existing Facility post-Disposal ("**Maximum Post-Disposal Bilateral Facilities Unsecured Debt**") remains unchanged (that is, the amount of Maximum Post-Disposal Bilateral Facilities Unsecured Debt is the amount of Pre-Disposal Bilateral Facilities Unsecured Debt) ("**Scenario A**"); and
  - (iii) in the event that following the Disposal of the Secured Assets the Disposal Proceeds are higher than the Initial Value, the Disposal Proceeds shall be deemed to form the principal amount of the Bilateral Facilities Secured Debt ("**Post-Disposal Bilateral Facilities Secured Debt**"). Accordingly, the amount of unsecured debt under the

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Existing Facility post-Disposal will be the outstanding amount under the Existing Facility minus the Post-Disposal Bilateral Facilities Secured Debt ("**Minimum Post-Disposal Bilateral Facilities Unsecured Debt**") ("**Scenario B**").

Under Scenario A, the aggregate Maximum Post-Disposal Bilateral Facilities Unsecured Debt owed to the Other Creditor(s) with Secured Assets is estimated to be US\$45 million, and the Non-sustainable Debt portion of the Bilateral Facilities Unsecured Debt is estimated to be US\$14 million. Under Scenario B and assuming that the Disposal Proceeds is equal to the entire outstanding amount under the Existing Facility, the Minimum Post-Disposal Bilateral Facilities Unsecured Debt is zero, and the Non-sustainable Debt portion of the Bilateral Facilities Unsecured Debt will be zero.

- (b) similarly, in respect of the arrangement with the Other Creditor with Corporate Guarantee for JV Company:
- (i) in the event that the Eligible Debt of the Other Creditor with Corporate Guarantee For JV Company Crystallises, the JV Facilities Secured Debt prior to the Disposal is an amount equal to the Initial Value of the Secured Assets ("**Pre-Disposal JV Facilities Secured Debt**"), and the unsecured debt under the Existing JV Facility prior to Disposal is the outstanding amount under the Existing JV Facility less the Pre-Disposal JV Facilities Secured Debt ("**Pre-Disposal JV Facilities Unsecured Debt**"); and
  - (ii) in the event that there is no Disposal or if following the Disposal of the Secured Assets the Disposal Proceeds are lower than the Initial Value, the Company will pay the shortfall amount between the Initial Value and the Disposal Proceeds using cash. Accordingly, the amount of unsecured debt under the Existing JV Facility ("**Maximum Post-Disposal JV Facilities Unsecured Debt**") remains unchanged (that is, the amount of Maximum Post-Disposal JV Facilities Unsecured Debt is the amount of Pre-Disposal JV Facilities Unsecured Debt) ("**Scenario C**"); and
  - (iii) in the event that following the Disposal of the Secured Assets the Disposal Proceeds are higher than the Initial Value, the Disposal Proceeds shall be deemed to form the principal amount of the JV Facilities Secured Debt ("**Post-Disposal JV Facilities Secured Debt**"). Accordingly, the amount of unsecured debt under the Existing JV Facility will be the outstanding amount under the Existing JV Facility minus the Post-Disposal JV Facilities Secured Debt ("**Scenario D**").

Under Scenario C, the aggregate Maximum Post-Disposal JV Facilities Unsecured Debt owed to the Other Creditor(s) with Corporate Guarantee for JV Company is estimated to be US\$11 million, and the Non-sustainable Debt portion of the JV Facilities Unsecured Debt that will be restructured under the Term Loan Facility is estimated to be US\$4 million. Under Scenario D and in the event that the Disposal Proceeds is equal to the entire outstanding amount under the Existing JV Facility, there will be no Post-Disposal JV Facilities Unsecured Debt, and accordingly, there will be no Non-sustainable Debt portion of the JV Facilities Unsecured Debt.

Please refer to Sections 2.6.2 and 2.6.3 of this Circular for more information on the arrangement with the Other Creditor with Corporate Guarantee for Key Subsidiary (other than the Unsecured Other Creditors) and the arrangement with the Other Creditor with Corporate Guarantee for JV Company, respectively.

Purely for illustrative purposes:

- (a) (i) assuming Scenario A and Scenario C apply to the Other Creditors with Secured Assets and Other Creditors with Corporate Guarantee for JV Company; and; (ii) the estimated amount of Non-sustainable Debt owed to other Creditors under the Proposed Scheme ("**Non-Corporate Guarantee Creditors**") is US\$112 million, an aggregate estimated Non-sustainable Debt of US\$129 million shall be converted into an aggregate of 3,883,587,031

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Non-sustainable Debt Shares, at the Non-sustainable Debt Share Issue Price of S\$0.045 per Non-sustainable Debt Share (“**Maximum Non-sustainable Debt Shares Issuance Scenario**”); and

- (b) (i) assuming Scenario B (whereby the Disposal Proceeds is equal to the entire outstanding amount under the Existing Facility) and Scenario D (whereby the Disposal Proceeds is equal to the entire outstanding amount under the Existing JV Facility); and (ii) the estimated amount of Non-sustainable Debt owed to Non-Corporate Guarantee Creditors is US\$112 million, an aggregate estimated Non-sustainable Debt of US\$112 million shall be converted into an aggregate of Non-sustainable Debt Shares of 3,348,856,129, at the Non-sustainable Debt Share Issue Price of S\$0.045 per Non-sustainable Debt Share (“**Minimum Non-sustainable Debt Shares Issuance Scenario**”).

In the Maximum Non-sustainable Debt Shares Issuance Scenario, the 3,883,587,031 Non-sustainable Debt Shares to be allotted and issued represent approximately (i) 185% of the Company’s Existing Issued Share Capital of 2,096,465,885 Shares as at the Latest Practicable Date; (ii) 118% of the Company’s Minimum Post-Rights Enlarged Share Capital of 3,299,372,106 Shares; and (iii) 93% of the Company’s Maximum Post-Rights Enlarged Share Capital of 4,192,931,770 Shares.

In the Minimum Non-sustainable Debt Shares Issuance Scenario, the 3,348,856,129 Non-sustainable Debt Shares to be allotted and issued represent approximately (i) 160% of the Company’s Existing Issued Share Capital of 2,096,465,885 Shares as at the Latest Practicable Date; (ii) 101% of the Company’s Minimum Post-Rights Enlarged Share Capital of 3,299,372,106 Shares; and (iii) 80% of the Company’s Maximum Post-Rights Enlarged Share Capital of 4,192,931,770 Shares.

The Non-sustainable Debt Shares shall (a) be duly authorised, validly issued and credited as fully paid up; (b) rank *pari passu* in all respects with any other Shares in the Company then in issue; and (c) free from all encumbrances and entitled to all the rights attached thereto in or after the date of issue.

### 5.3 Non-sustainable Debt Share Issue Price

In accordance with the terms of the Proposed Scheme, the Non-sustainable Debt Share Issue Price is S\$0.045 per Non-sustainable Debt Share. This represents a premium of approximately 125% to the closing price of the Shares of S\$0.02 per Share, on 20 July 2017, being the Last Trading Day prior to the voluntary suspension of trading of the Shares on the Mainboard of the SGX-ST.

The rationales for the Proposed Scheme and, more particularly, the proposed allotment and issue of the Non-sustainable Debt Shares pursuant to the Non-sustainable Debt Conversion under the Proposed Scheme (“**Proposed Non-sustainable Debt Shares Issuance**”) are set out in Sections 2.8.2 and 5.4 of this Circular, respectively.

### 5.4 Rationale for the Proposed Non-sustainable Debt Shares Issuance

The Company believes that the Proposed Non-sustainable Debt Shares Issuance will allow the Company to address its solvency issues, eliminate the need for cash repayment of its Non-sustainable Debt thereby alleviating pressures on the Group’s cash flow, facilitate the continuing operations of the Company and provide an opportunity for entitled Creditors to benefit from the potential rehabilitation of the Company. The approval of Shareholders of the Company for the Proposed Non-sustainable Debt Shares Issuance is a condition precedent to the Proposed Scheme. Accordingly, if Shareholders’ approval of the Proposed Non-sustainable Debt Shares Issuance is not obtained, the Proposed Scheme will not be able to come into effect. The rationale for the Proposed Scheme is set out in Section 2.8.2 of this Circular.



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### 5.5 Approval in-principle from the SGX-ST

On 16 July 2018, the SGX-ST granted its in-principle approval for the dealing in, listing of and quotation of, *inter alia*, the Non-sustainable Debt Shares on the Mainboard of the SGX-ST, subject to certain conditions, further details of which are set out in Section 12 of the Circular.

### 5.6 Use of proceeds

There will not be any proceeds in cash from the Proposed Non-sustainable Debt Shares Issuance as the Non-sustainable Debt Shares are issued in consideration of the repayment of outstanding Non-sustainable Debts of the Company in accordance with the terms of the Proposed Scheme.

### 5.7 Rule 812(1) of the Listing Manual

None of the Non-sustainable Debt Shares will be placed by the Company to any person who is a Director or substantial shareholder of the Company, or any other person in the categories set out in Rule 812(1) of the Listing Manual.

### 5.8 Financial Effects of the Proposed Non-sustainable Debt Shares Issuance

Please refer to Section 13 of this Circular for further details on the financial effects of, *inter alia*, the Proposed Non-sustainable Debt Shares Issuance.

## 6. THE PROPOSED TERM LOAN SHARES ISSUANCE

### 6.1 Background

In relation to the portion of the Creditor's Eligible Debt that falls under the Sustainable Debt portion, each Creditor may elect either the Term Loan Option or the Cash Out Option. Creditors who elect the Term Loan Option or are deemed to have elected the Term Loan Option pursuant to the terms of the Proposed Scheme will have its portion of Sustainable Debt restructured as a Term Loan granted by it to the Company. The Sustainable Debt owed by the Company to SK Global arising from the Notes held by SK Global shall be restructured as the Term Loan. To demonstrate the commitment of the Group on the Proposed Scheme, as SK Global is an indirect wholly-owned subsidiary of the Company, the entitlement of SK Global under the Term Loan Facility (whether principal or interest) shall be subordinated to the indebtedness or liabilities of all Creditors who participate in the Term Loan Facility.

Pursuant to the results of the Scheme Meeting, approximately US\$228 million of the Sustainable Debt, which includes the sustainable debt portion of the Bilateral Facilities Unsecured Debt and subject to adjudication for entitlement and Crystallisation of and adjudication of the Eligible Debt of the Other Creditor with Corporate Guarantees For JV Company, will be restructured as the Term Loan.

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### 6.2 Term Loan Option

The material terms of the Term Loan Facility include, *inter alia*, as set out below:

<b>Principal</b>	:	<p>Subject to the Principal Amount Adjustments as described below, the principal on the Implementation Date shall be an amount equal to the aggregate amount of Sustainable Debt associated with the Term Loan Option or deemed associated with the Term Loan Option granted by the Creditors that elected the Term Loan Option or are deemed to have elected the Term Loan Option (other than the Other Creditors with Corporate Guarantee For JV Company). Accordingly, pursuant to the results of the Scheme Meeting, the principal amount of the Term Loan Facility (including the sustainable debt portion of the Bilateral Facilities Unsecured Debt) is US\$228 million.</p> <p>The principal shall be adjusted (i) when the Other Creditors with Corporate Guarantee For JV Company become a party to the Term Loan Facility on Crystallisation Date; and (ii) from time to time in accordance with the Proposed Scheme ("<b>Principal Amount Adjustments</b>").</p>
<b>Tenor</b>	:	From 1 January 2018 to 31 December 2024
<b>Repayment of Principal</b>	:	<p>There shall be no repayment of the principal from Review Year 1 to Review Year 3 although prepayment of the principal may be made in Review Year 4 based on the Excess Cash calculation for Review Year 3 subject to the terms outlined under the cash management principles set out in <b>Appendix D</b> of this Circular.</p> <p>The Company shall repay the principal outstanding under the Term Loan Facility in eight (8) half-yearly instalments commencing from Review Year 4 in the following percentages on the last day of the Interest Period (as defined below):</p> <ul style="list-style-type: none"> <li>(a) Review Year 4: 10%;</li> <li>(b) Review Year 5: 20%;</li> <li>(c) Review Year 6: 30%; and</li> <li>(d) Review Year 7: 40%.</li> </ul> <p>The Company shall repay and/or prepay the Term Loan Facility in accordance with the cash management principles set out in <b>Appendix D</b> of this Circular.</p>

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<b>Interest</b>	:	<p>The applicable interest rate on the amount outstanding under the Term Loan Facility shall be 4% per annum. 50% of the accrued interest shall be payable in cash and the remaining 50% of the accrued interest shall be payable by way of Term Loan Shares.</p> <p>The interest period shall be six (6) months (“<b>Interest Period</b>”). The first Interest Period shall start on 1 January 2018.</p> <p>On the last day of the Interest Period, the Company shall pay 50% of the accrued interest by cash to the Creditors on a <i>pari passu</i> basis, save that the Company had on 12 July 2018, prior to the Effective Date, paid all Creditors who have participation in the Term Loan Facility as at 5 July 2018, 5.00 p.m. (including their successors, transferees and assigns) 50% of the accrued interest payable in cash for the first Interest Period (i.e., from 1 January 2018 to 30 June 2018), and such payment shall be deemed payment of the first Interest Period and the Company shall have no further obligations whatsoever to make payment of the first Interest Period.</p> <p>On the last day of each Review Year, the Company shall convert the remaining 50% of the accrued interest for the Review Year into Term Loan Shares.</p> <p>Every US\$1 of accrued interest shall be converted into 30 Term Loan Shares (“<b>Term Loan Shares Conversion Ratio</b>”). Accordingly, every one (1) Term Loan Share is allotted and issued at a conversion price of S\$0.045 per Term Loan Share.</p>
<b>Adjustment to the Term Loan Facility arising from disposal of the Secured Assets in respect of Other Creditors with Corporate Guarantee For Key Subsidiary (other than the Unsecured Other Creditors)</b>	:	<p>If the Disposal Proceeds and any other payments made to the relevant Other Creditor (if any) exceed the Initial Value (and in the case where the relevant Other Creditor is RHB Bank Labuan, after deducting the amounts required to settle the Term Loan 2 Facility in full), such amount shall be deemed to form the principal amount of the Bilateral Facilities Secured Debt effective from 1 January 2018. The outstanding amount under the Existing Facility less the Bilateral Facilities Secured Debt (as adjusted) shall be deemed to form the Bilateral Facilities Unsecured Debt effective 1 January 2018 and be divided into Sustainable Debt and Non-sustainable Debt.</p> <p>In relation to the Sustainable Debt portion of the Bilateral Facilities Unsecured Debt, where the relevant Other Creditor had elected the Term Loan Option:</p> <p>(a) the principal amount of the Term Loan Facility shall be reduced accordingly effective from 1 January 2018; and</p>

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		(b) the cash interest on the Term Loan Facility shall be reduced accordingly based on the reduced principal amount of the Term Loan Facility. The relevant Other Creditor shall refund or return to the relevant Key Subsidiary any excess of cash interest paid to the relevant Other Creditor. There shall be no adjustment to the Term Loan Shares allotted and issued to the relevant Other Creditor.
<b>Adjustment to the Term Loan Facility arising from the disposal of the Secured Assets in respect of Other Creditors with Corporate Guarantee For JV Company</b>	:	<p>If the Disposal Proceeds and any other payments made to the relevant Other Creditor (if any) exceed the Initial Value, such amount shall be deemed to form the principal amount of the JV Facilities Secured Debt effective from the Crystallisation Date. The outstanding liabilities of the Company under the Corporate Guarantee For JV Company less the JV Facilities Secured Debt (as adjusted) shall be deemed to form the JV Facilities Unsecured Debt effective from the Crystallisation Date and be divided into Sustainable Debt and Non-sustainable Debt.</p> <p>In relation to the Sustainable Debt portion of the JV Facilities Unsecured Debt, where the relevant Other Creditor had elected the Term Loan Option:</p> <p>(a) the principal amount of the Term Loan Facility shall be deemed reduced accordingly effective from the Crystallisation Date; and</p> <p>(b) the cash interest on the Term Loan Facility shall be reduced accordingly based on the reduced principal amount of the Term Loan Facility. The relevant Other Creditor shall refund or return to the Company any excess of cash interest paid as soon as practicable upon the completion of the disposal of the Secured Asset(s). There shall be no adjustment to the Term Loan Shares allotted and issued to the relevant Other Creditor.</p>
<b>Security</b>	:	The Term Loan Facility shall be unsecured.

### 6.3 Term Loan Shares

In the event where the Disposal Proceeds after the disposal of the Secured Assets exceed the Initial Value, the relevant Other Creditors (other than the Unsecured Other Creditors) who have elected or are deemed to have elected the Term Loan Option in respect of their Bilateral Facilities Unsecured Debt or JV Facilities Unsecured Debt, as the case may be, will have the principal amount of the Term Loan Facility reduced, which in turn, reduces the cash interests payable on the Term Loan, and any excess of cash interest already paid to the Other Creditor will have to be refunded or returned, but there will be no adjustment to the Term Loan Shares allotted and issued to the relevant Other Creditor. Please refer to Sections 2.6.2 and 2.6.3 of this Circular for more information.

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Purely for illustrative purposes only, based on US\$228 million being the principal amount of the Term Loan Facility (including the sustainable debt portion of the Bilateral Facilities Unsecured Debt) and the Term Loan Shares Conversion Ratio:

- (a) assuming Scenario A (in the event that the Post-Disposal Bilateral Facilities Unsecured Debt owed to the Other Creditors with Secured Assets is at its maximum) and Scenario C (in the event that the Post-Disposal JV Facilities Unsecured Debt owed to the Other Creditors with Corporate Guarantee for JV Company is at its maximum) as illustrated in Section 5.2 of this Circular, the estimated aggregate Sustainable Debt will be US\$228 million, and the Company shall allot and issue an aggregate of 787,280,931 Term Loan Shares to the entitled Creditors in accordance with the terms of the Proposed Scheme by the end of the facility period of the Term Loan (assuming that there is no prepayment of the principal amount of the Term Loan Facility over the Scheme Period), on a *pari passu* basis, at the Term Loan Shares Issue Price (“**Maximum Term Loan Shares Issue Scenario**”); and
- (b) assuming (i) Scenario B (in the event that the Post-Disposal Bilateral Facilities Unsecured Debt owed to the Other Creditors with Secured Assets is at its minimum) and that the Disposal of the Secured Assets occurs before the end of Review Year 1; (ii) the Eligible Debt of the Other Creditor with Corporate Guarantee For JV Company does not Crystallise before or by the termination of the Proposed Scheme (that is, no amount is owed to the Other Creditors with Corporate Guarantee for JV Company); and (iii) the Company makes a full prepayment of the Term Loan Facility in June of Review Year 4, the Company shall allot and issue an aggregate of 409,699,463 Term Loan Shares to the entitled Creditors in accordance with the terms of the Proposed Scheme in June of Review Year 4, on a *pari passu* basis, at the Term Loan Shares Issue Price (“**Minimum Term Loan Shares Issue Scenario**”).

Under the Maximum Term Loan Shares Issue Scenario, the 787,280,931 Term Loan Shares to be allotted and issued represent approximately (i) 38% of the Company’s Existing Issued Share Capital of 2,096,465,885 Shares as at the Latest Practicable Date; (ii) 12% of the Company’s enlarged issued share capital of 6,648,228,235 Shares following the Minimum Subscription Scenario and the Minimum Non-sustainable Debt Shares Issuance Scenario; (iii) 11% of the Company’s enlarged issued share capital of 7,182,959,137 Shares following the Minimum Subscription Scenario and the Maximum Non-sustainable Debt Shares Issuance Scenario; (iv) 10% of the Company’s enlarged issued share capital of 7,541,787,899 Shares following the Maximum Subscription Scenario and the Minimum Non-sustainable Debt Shares Issuance Scenario; and (v) 10% of the Company’s enlarged issued share capital of 8,076,518,801 Shares following the Maximum Subscription Scenario and the Maximum Non-sustainable Debt Shares Issuance Scenario.

Under the Minimum Term Loan Shares Issue Scenario, the 409,699,463 Term Loan Shares to be allotted and issued represent approximately (i) 20% of the Company’s Existing Issued Share Capital of 2,096,465,885 Shares as at the Latest Practicable Date; (ii) 6% of the Company’s enlarged issued share capital of 6,648,228,235 Shares following the Minimum Subscription Scenario and the Minimum Non-sustainable Debt Shares Issuance Scenario; (iii) 6% of the Company’s enlarged issued share capital of 7,182,959,137 Shares following the Minimum Subscription Scenario and the Maximum Non-sustainable Debt Shares Issuance Scenario; (iv) 5% of the Company’s enlarged issued share capital of 7,541,787,899 Shares following the Maximum Subscription Scenario and the Minimum Non-sustainable Debt Shares Issuance Scenario; and (v) 5% of the Company’s enlarged issued share capital of 8,076,518,801 Shares following the Maximum Subscription Scenario and the Maximum Non-sustainable Debt Shares Issuance Scenario.

The Term Loan Shares shall be (a) duly authorised, validly issued and credited as fully paid up; (b) rank *pari passu* in all respects with any other Shares in the Company then in issue; and (c) free from all encumbrances and entitled to all the rights attached thereto on or after the date of issue.

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### 6.4 Term Loan Shares Issue Price

In accordance with the terms of the Proposed Scheme, the issue price of each Term Loan Share is S\$0.045 (“**Term Loan Shares Issue Price**”). This represents a premium of approximately 125% to the closing price of the Shares of S\$0.02 per Share, on 20 July 2017, being the Last Trading Day prior to the voluntary suspension of trading of the Shares on the Mainboard of the SGX-ST.

The rationales for the Proposed Scheme and, more particularly, the Proposed Term Loan Shares Issuance are set out in Sections 2.8.2 and 6.5 of this Circular, respectively.

### 6.5 Rationale for the Proposed Term Loan Shares Issuance

The Company believes that the proposed allotment and issue of the Term Loan Shares as part payment of the accrued Term Loan interest pursuant to the Term Loan under the Proposed Scheme (“**Proposed Term Loan Shares Issuance**”) will allow the Company to address its solvency issues and eliminate the need for cash repayment of all of the accrued Term Loan interest under the Term Loan thereby alleviating pressures on the Group’s cash flow. The approval of Shareholders of the Company for the Proposed Term Loan Shares Issuance is a condition precedent to the Proposed Scheme. Accordingly, if Shareholders’ approval of the Proposed Term Loan Shares Issuance is not obtained, the Proposed Scheme will not be able to come into effect. The rationale for the Proposed Scheme is set out in Section 2.8.2 of this Circular.

### 6.6 Approval in-principle from the SGX-ST

On 16 July 2018, the SGX-ST granted its in-principle approval for the dealing in, listing of and quotation of, *inter alia*, the Term Loan Shares on the Mainboard of the SGX-ST, subject to certain conditions, further details of which are set out in Section 12 of the Circular.

### 6.7 Use of proceeds

There will not be any proceeds in cash from the Proposed Term Loan Shares Issuance as the Term Loan Shares are issued in consideration of the part payment of the accrued Term Loan interest under the Term Loan Facility in accordance with the terms of the Proposed Scheme.

### 6.8 Rule 812(1) of the Listing Manual

None of the Term Loan Shares will be placed by the Company to any person who is a Director or substantial shareholder of the Company, or any other person in the categories set out in Rule 812(1) of the Listing Manual.

### 6.9 Financial effects of the Proposed Term Loan Shares Issuance

#### (a) Share Capital

The number of Shares and issued and paid up share capital of the Company will increase when the Term Loan Shares are issued. The number of Term Loan Shares to be issued will depend on, *inter alia*, (i) the principal amount of the term loan, which may be adjusted under certain circumstances, further details of which are set out in Section 6.2 of this Circular; and (ii) actual amount of interest incurred. Please refer to Section 6.3 of this Circular for more information on the Maximum Term Loan Shares Issue Scenario.

#### (b) NTA

Under the Maximum Term Loan Shares Issue Scenario, there will be no impact on the NTA as the increase in share capital account and share premium account will be offset by the movement in retained earnings/accumulated losses account.

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(c) EPS

While the allotment and issuance of the Term Loan Shares will have a dilutive impact on the Company's consolidated EPS as new Shares will be allotted and issued, the impact is not expected to be material in any given financial year due to the increase in the enlarged share base after the allotment and issuance of the Rights Shares and Non-sustainable Debt Shares.

(d) Gearing

Under the Maximum Term Loan Shares Scenario, there will be no impact on the gearing as there is no change to the equity and borrowings of the Group.

**Shareholders should note that the financial effects described above are purely for illustration purposes only. Shareholders should also note that the financial effects described above are not to be regarded as advice on the tax position of any person or a full statement regarding the financial or tax implications arising from the Proposed Term Loan Shares Issuance. Shareholders who are in doubt as to their respective tax position or financial or tax implications should consult their own professional advisers.**

## 7. THE PROPOSED TERMINATION OF THE 2013 PLAN

### 7.1 2013 Plan

The Company has an existing performance share plan named "The Nam Cheong Group 2013 Share Grant Plan", which was adopted on 29 April 2013 ("**2013 Plan Adoption Date**"). The 2013 Plan shall continue in force at the discretion of the remuneration committee (or such other committee comprising Directors duly authorised and appointed by the Board to administer the 2013 Plan) ("**2013 Plan Committee**"), subject to a maximum period of ten years commencing on the 2013 Plan Adoption Date, provided always that the 2013 Plan may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required. The 2013 Plan may be terminated at any time by the 2013 Plan Committee or by resolution of the Company in general meeting, subject to all relevant approvals which may be required. For more details on the 2013 Plan, please refer to the 12 April 2013 Circular.

The Company proposes to terminate the 2013 Plan ("**Proposed Termination of the 2013 Plan**") and replace it with the Nam Cheong Management Incentive Plan, further details of which are set out in Section 8 of this Circular. The proposed Nam Cheong Management Incentive Plan will allow persons who are Controlling Shareholders or Associates of a Controlling Shareholder who meet the eligibility criteria of the Nam Cheong Management Incentive Plan to participate in the Plan, and the Company believes that the Plan will better attract, retain and incentivise the Management of the Group whose contributions are essential to the successful implementation of the Proposed Scheme, the long term growth, well-being and prosperity of the Group.

### 7.2 Awards granted under the 2013 Plan

Since the adoption of the 2013 Plan on the 2013 Plan Adoption Date, awards in respect of a total 14,368,000 Shares have been granted to nine (9) participants and 9,849,403 Shares have been delivered upon the vesting of the awards under the 2013 Plan.

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Details of all awards granted under the 2013 Plan as at the Latest Practicable Date are as follows:

Date of grant	No. of participants	No. of Shares comprised in the awards	Vesting date	No. of Shares vested	No. of Shares lapsed	No. of Shares remaining in outstanding award
18 October 2013	9	14,368,000	27 June 2014	5,010,843	4,346,314	5,010,843
			17 April 2015	4,838,560	172,283	–
<b>Total</b>		<b>14,368,000</b>		<b>9,849,403</b>	<b>4,518,597</b>	<b>–</b>

Details of awards granted under the 2013 Plan to any Director as at the Latest Practicable Date are as follows:

Director	Date of grant	No. of Shares comprised in the awards	Vesting date	No. of Shares vested	No. of Shares lapsed	No. of Shares remaining in outstanding awards
Leong Seng Keat	18 October 2013	8,364,000	27 June 2014	2,916,945	2,530,110	2,916,945
			17 April 2015	2,916,945	–	–

Save as disclosed in this Circular and the prescribed performance-based and/or other conditions attached to the abovementioned outstanding awards, these awards granted under the 2013 Plan are not subjected to any material conditions as at the Latest Practicable Date.

Controlling Shareholders and their Associates are not eligible to participate in the 2013 Plan.

### 7.3 Termination of the 2013 Plan

**Shareholders should note that the Proposed Termination of the 2013 Plan is inter-conditional upon all the other resolutions at the SGM being passed, including the Proposed Adoption of the Nam Cheong Management Incentive Plan.** The termination of the 2013 Plan (and the adoption of the Nam Cheong Management Incentive Plan) will take effect on the relevant Shareholders' approval being obtained and no further awards shall be granted under the 2013 Plan upon its termination.

## 8. THE PROPOSED ADOPTION OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

### 8.1 Background

In connection with the Proposed Scheme, the Company proposes to adopt a performance share plan to be named as "Nam Cheong Management Incentive Plan", subject to Shareholders' approval at the SGM. A summary of the key terms of the Nam Cheong Management Incentive Plan is set out in Section 8.3 of this Circular. Capitalised terms as used throughout in this section and Sections 9 to 11 of this Circular, unless otherwise defined, shall bear the meanings as defined in the section entitled "Rules of the Nam Cheong Management Incentive Plan", which contains the rules of the Nam Cheong Management Incentive Plan in full, as set out in **Appendix B** to this Circular.

Save for the 2013 Plan, which the Company proposes to terminate and replace with the Nam Cheong Management Incentive Plan, the Company does not currently have any other employee share scheme or employee share option scheme in place. Please refer to Section 7 of this Circular for more information on the Proposed Termination of the 2013 Plan.



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### 8.2 Rationale for the Proposed Adoption of the Nam Cheong Management Incentive Plan

Notwithstanding the implementation of the Proposed Scheme, the day to day management of the Company will still continue, as presently done, to be vested in the Management, which is authorised by the Board of Directors of the Company to carry out the day to day management of the Company. The Scheme Manager will perform their duties in consultation with the Management. Accordingly, the Company is of the view that the Management, comprising Leong Seng Keat (Chief Executive Officer), Tiong Chiong Soon (General Manager), Tiong Chiong Hiiung (Executive Vice-Chairman and Financial Director) and other members of the management as may be determined by the Remuneration Committee, plays a critical role in the Group's businesses and operations, and their continued involvement in the Group is significant in ensuring the success of the Proposed Scheme.

The Nam Cheong Management Incentive Plan is intended to provide the Company with the flexibility to reward the Management for their contribution to the Group, in particular, the successful implementation of the Proposed Scheme, with Awards without any consideration payable by the Management, subject to the Management fulfilling the relevant financial and performance targets. The adoption of the Nam Cheong Management Incentive Plan will also enable the Company to structure a competitive remuneration package for compensating the Management rather than merely through salaries and cash bonuses.

Hence, the Company intends to implement the Nam Cheong Management Incentive Plan to enable the Management to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance and to give recognition to the Management who have contributed significantly to the Group's growth and performance.

It is important for the Company to attract, retain and incentivise the Management of the Group whose contributions are essential to the long term growth, well-being and prosperity of the Group, including the successful implementation of the Proposed Scheme. At the same time, it will give such Management an opportunity to have a direct interest in the Company, which will, in turn, help to attain the following objectives:

- (a) to attract, retain and incentivise Participants whose contributions are essential to the successful implementation of the Proposed Scheme, the long term growth, well-being and prosperity of the Group;
- (b) to motivate Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to the Group and create value for Shareholders;
- (c) to promote greater commitment and dedication, instil loyalty and a stronger identification by the Participants with the long-term development and growth of the Group;
- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders; and
- (e) to align the interests of Participants with the interests of the Shareholders.

Unlike the 2013 Plan, persons who are Controlling Shareholders or Associates of a Controlling Shareholder who meet the eligibility criteria of the Plan will also be eligible to participate in the Plan. The Company is of the view that all deserving and eligible employees (including executive directors) of the Group, regardless of whether they are Controlling Shareholders or Associates of the same, should be similarly remunerated for their contributions to the Group on the same basis as other employees (including executive directors) who are not Controlling Shareholders or their Associates.

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### 8.3 Summary of key terms of the Nam Cheong Management Incentive Plan

The following is a selective summary of certain key terms of the Nam Cheong Management Incentive Plan. The full set of the Rules of the Nam Cheong Management Incentive Plan is set out in **Appendix B** to this Circular.

(a) Eligibility

Employees (including executive directors) of Group Companies and Associated Companies, as the case may be, whose employment have been confirmed and who have attained the age of 21 years, provided that such persons are not undischarged bankrupts and have not entered into compositions with their respective creditors at the relevant time, may be eligible to participate in the Plan at the absolute discretion of the Committee.

Controlling Shareholders and their Associates are also eligible to participate in the Plan provided that they meet the aforesaid eligibility criteria and that all conditions for their participation in the Plan as may be required by the Listing Rules from time to time, including but not limited to obtaining the necessary approvals of independent Shareholders for such participation, are satisfied.

Directors and employees of an Associated Company may also be eligible to participate in the Plan at the discretion of the Committee, where the Committee considers that such persons have the ability to contribute significantly to the overall performance and prosperity of the Group. The Company believes that extending the Plan to include such persons is an appropriate and efficient means of further aligning their interests with those of the Shareholders and would serve to incentivise their further and continued contribution to the Group.

There shall be no restriction on the eligibility of any Participant in the Plan to participate in any other share option schemes or share schemes implemented or to be implemented by the Company or any other Group Company.

As at the Latest Practicable Date, 92 persons are eligible for the Plan.

(b) Awards

An Award granted under the Plan represents the right to receive fully paid Shares free of charge upon the Participant achieving the prescribed performance conditions (if any) as set out in the relevant Award. The selection of the Participants under the Plan and the number of Shares which are the subject of the relevant Award to be granted to a Participant in accordance with the Plan shall be determined at the absolute discretion of the Committee.

The Committee may take into account criteria such as the financial performance of the Group, as well as the Participant's rank, job, performance, potential for future development and contribution to the success and development of the Group. Performance conditions to the vesting of Awards may be set by the Committee depending on the relevant Participant's particular job scope, responsibilities and circumstances.

In particular, the Management shall be granted Awards based on the following criteria ("**Management Award Criteria**"):

- (i) 1% of the total number of issued Shares on the Implementation Date per Review Year from Review Year 1 to Review Year 7 if the Group meets the cashflow projections and scheduled interest payment of the Term Loan Facility to the Creditors who participated in the Term Loan Facility, for the relevant Review Year in accordance with the terms of the Proposed Scheme; and

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- (ii) an additional 1% of the total number of issued Shares on the Implementation Date per Review Year from Review Year 4 to Review Year 7 if the Group meets the cashflow projections and scheduled interest payment and principal repayment of the Term Loan Facility to the Creditors who participated in the Term Loan Facility, for the relevant Review Year in accordance with the terms of the Proposed Scheme and either:
  - (A) the Group exceeds the cashflow projection in respect of net cash generated by the Group by at least 20%; or
  - (B) the Group prepays the interest and principal of the Term Loan Facility by at least 20% above the scheduled interest payment and principal repayment.

A summary of the terms of the Term Loan Facility in relation to the payment of the interest and principal of the Term Loan Facility is set out in Appendix 1 to the Rules of the Nam Cheong Management Incentive Plan as set out in **Appendix B** of this Circular.

An award letter notifying the Award will be sent to each Participant to whom an Award is intended to be granted as soon as reasonably practicable after the Committee has decided on an Award, specifying, *inter alia*, the following (where applicable):

- (i) the date of grant of such Award;
- (ii) the number of Shares which are the subject of the Award;
- (iii) the prescribed vesting period(s) of the Award;
- (iv) the extent to which Shares which are the subject of that Award shall be released at the end of each prescribed vesting period; and
- (v) in the case of a performance-related Award, the performance period and the performance condition.

When setting performance conditions and performance periods, the Committee shall also take into account both the medium and long-term corporate objectives of the Group such as growth in earnings and return on investment, as well as the individual performance of each Participant such as the Participant's length of service with the Group, achievement of past performance targets, value-add to the Group's performance, and development and overall enhancement to Shareholders' value.

The Participant may accept or refuse the whole or part of the Award. If only part of the Award is accepted, the Participant shall accept the Award in multiples of 1,000 Shares. The Participant shall, within five (5) days from the date of the award letter, notify the Committee in writing whether he or she would accept all or part of the number of Shares which are the subject of the Award as set out in the award letter. The number of Shares provided by the Participant to the Committee in writing shall be the final number of Shares which are the subject of the Award, provided that such number does not exceed the original number of Shares set out in the award letter. The Participant shall have no claim in any manner against the Company for the number of Shares which he or she does not accept. In the event that the Committee does not receive a written notice from the Participant within five (5) days from the date of the award letter, the Participant shall be deemed to have accepted all of the number of Shares which are the subject of the Award as set out in the award letter.

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(c) Date of grant

Subject to Sections 8.4(a) and 8.4(d) of this Circular, the Committee may grant Awards to such persons as the Committee may select in its absolute discretion, at any time during the period when the Plan is in force, except that no grant of Awards shall be made during the period of two (2) weeks or one (1) month immediately preceding the date of announcement of the Company's interim or final results respectively. In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made by the Company, grant of Awards may only be made on or after the second Market Day following the release of such announcement.

(d) Size and duration of the Plan

The aggregate number of Shares over which the Committee may grant Awards on any date under the Plan, when added to the number of Shares issued or issuable in respect of:

- (i) all other Awards granted under the Plan; and
- (ii) all options or awards granted under any share option schemes or other share schemes implemented by the Company and for the time being in force (if any),

shall not exceed 15.0% of the number of all issued Shares (excluding Treasury Shares and subsidiary holdings) on the day preceding the relevant date of grant.

Taking into consideration the total number of Shares (excluding Treasury Shares) of the Company as at the Latest Practicable Date, as well as the potential number of Participants in the Plan, the Directors believe that the proposed limit of 15.0% is appropriate for the purposes of enabling the Plan to attain the stated objectives and to accommodate a reasonably large pool of potential participants.

The aggregate number of Shares over which the Committee may grant Awards to the Controlling Shareholders and their Associates under the Plan shall not exceed 25.0% of the total Shares available under the Plan, and the number of Shares over which Awards may be granted under the Plan to each Controlling Shareholder or each of his Associates shall not exceed 10% of the total Shares available under the Plan.

It should however be noted that this does not indicate that the Committee will definitely grant Awards under the Plan up to the abovementioned prescribed limits. The Committee will exercise its discretion in deciding the number of Shares subject to release under the Awards granted to each Participant under the Plan. This, in turn, will depend on and be commensurate with the performance of the Participant and his/her value to the Group.

The Committee shall monitor the grant of Awards carefully to ensure that the size of the Plan will comply with the rules of the Plan as well as the Listing Rules.

The Plan shall continue to be in force at the discretion of the Committee for a maximum duration of ten (10) years commencing from the date of its adoption by the Company. Subject to compliance with any applicable laws and regulations in Singapore, the Plan may be continued beyond the above stipulated period with the approval of the Shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the Plan and subject to any other applicable rules of the Plan capable of surviving termination, any Awards granted to Participants prior to such expiry or termination will continue to remain valid.

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(e) Events prior to vesting date

An Award, to the extent not yet released, shall forthwith become void and cease to have effect (unless the Committee in its absolute discretion determines otherwise) upon the occurrence of the following events:

- (i) a Participant ceasing, for any reason whatsoever, to be an employee of a Group Company or an Associated Company (as the case may be) or in the event the company by which the employee is employed ceases to be a company in the Group or an Associated Company (as the case may be);
- (ii) upon the bankruptcy of a Participant or the happening of any event which results in him being deprived of the legal or beneficial ownership of or interest in such Award;
- (iii) upon the death of a Participant;
- (iv) if a Participant commits a breach of any of the terms of the Award; and/or
- (v) misconduct, gross negligence or incompetence on the part of a Participant as determined by the Committee in its absolute discretion.

Without prejudice to Section 8.4(f) of this Circular and to the extent of an Award yet to be released, the Committee may consider in its discretion, whether or not to release such Award on the occurrence of the following events:

- (i) a general offer (whether conditional or unconditional) being made for all or any part of the Shares;
- (ii) save for the Proposed Scheme, a scheme of arrangement or compromise being sanctioned by the Court under the Singapore Companies Act or Bermuda Companies Act, as the case may be;
- (iii) an order for the compulsory winding-up of the Company is made; or
- (iv) a resolution for a voluntary winding-up (other than for amalgamation or reconstruction) of the Company being made.

(f) Vesting and release of Awards

In relation to a performance-related Award, as soon as practicable after the end of the relevant performance period, the Committee shall review and in its discretion determine whether the performance conditions have been satisfied (whether fully or partially) or exceeded, and in making any such determination, the Committee shall have the right to make computational adjustments to the audited results of the Company or the Group to take into account such factors as the Committee may determine to be relevant, including changes in accounting methods, taxes and extraordinary events.

The Committee may also waive any such performance conditions if it, in its discretion, concludes that a change in such performance conditions would be a fairer measure of performance and would be no less difficult to satisfy, or that the Participant has achieved a level of performance that the Committee considers satisfactory notwithstanding that the performance conditions may not have been fulfilled.

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In particular, in respect of Awards granted to Management when the Management Award Criteria is met, for each Review Year where the Group satisfies the Management Award Criteria, the Committee shall grant the Awards that the Management is entitled to in that Review Year and such Award Shares shall be released to the Management as follows:

- (i) 50% of the entitlement shall be released to the Management as soon as practicable after the Group's audited financial statements for the applicable Review Year is announced on the SGXNET by the Company ("**Announcement**");
- (ii) the remaining 50% of the entitlement shall be released to the Management as soon as practicable after the first anniversary of the Announcement.

Subject to prevailing legislation and regulations, guidelines applicable to the Company, the Listing Rules and the rules of the Plan, the Committee will procure the allotment or transfer to each Participant of the Shares which are the subject of the release of an Award.

In determining whether to issue new Shares or to purchase existing Shares to satisfy Awards, the Company shall have the right to take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing new Shares or purchasing existing Shares.

New Shares which are allotted or transferred pursuant to the release of an Award shall be subject to all the provisions of the Memorandum and Bye-laws and the Bermuda Companies Act, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the date of such issue or delivery of the Shares, and shall in all other respects have the same voting rights and rank *pari passu* with other existing Shares then in issue.

The illustrative financial effects of the Plan on the Group are set out in Section 8.4 of this Circular.

(g) Committee and administration of the Plan

The remuneration committee of the Company will be designated as the Committee responsible for the administration of the Plan in accordance with such powers and duties as are conferred on it by the Board.

The Committee shall have the power, from time to time, to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the rules of the Plan) for the implementation and administration of the Plan as it thinks fit.

Any decision or determination of the Committee made pursuant to any provision of the Plan (other than a matter to be certified by the Auditors) shall be final, binding and conclusive (including any decision pertaining to disputes and uncertainty as to the interpretation of, or any rules, regulation or procedure of or as to any right under the Plan).

In compliance with the requirements of the Listing Rules, any Participant of the Plan who is concurrently a member of the Committee shall not be involved in the Committee's deliberations in respect of Awards granted or to be granted to him or her.

(h) Adjustments

In the event of a capitalisation issue of the Company (whether by way of a capitalisation of profits or reserves, rights issue, capital reduction, subdivision or consolidation of shares or distribution or otherwise), the rules of Plan provides for the adjustment of the class and/or number of Shares under the Awards not yet Vested, and the rights attached thereto, or Awards which may be granted under the Plan.

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The above adjustments will be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive. Any other adjustments to the Plan which are not on a capitalisation issue of the Company will have to be confirmed by the Auditors (acting only as experts and not arbitrators) to be fair and reasonable.

The issue of securities as consideration for an acquisition of any asset by the Company or a private placement of securities, or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares by the Company on SGX-ST during the period when a share buyback mandate granted by Shareholders is in force and in accordance with the Listing Rules, will be not regarded as a circumstance requiring adjustment under the rules of the Plan.

### 8.4 Financial Effects of the Plan

(a) Cost of the Company

Based on the International Financial Reporting Standards 2 – Share-based payment (“IFRS 2”), the cost to the Company would be the fair value of the Plan Shares granted at the measurement date. The fair value of the Plan Shares granted shall be measured at the measurement date based on market prices. The measurement date is the date when the Plan Shares are granted.

(b) Share Capital

The issued and paid up share capital of the Company will increase when new Shares are issued to Participants. The number of new Shares issued will depend on, *inter alia*, the size of the Awards granted under the Plan, subject to the limits set out in Section 8.3(d) of this Circular.

(c) NTA

The grant of Awards under the Plan is likely to result in a change to the Company's profit and loss account over the period from the date of grant of the Awards to the relevant vesting date of the Awards. If new Shares are issued to the Participants the NTA would be impacted by the cost of the Shares purchased.

However, it should be noted that the delivery of Shares to Participants of the Plan is contingent upon the Participants meeting certain criteria (for example, any performance or time based conditions) as set out in the Plan. In meeting such criteria, the Participants would have added significant value to the Company's consolidated NTA before the Shares are delivered.

(d) EPS

While the Plan will have a dilutive impact on the Company's consolidated EPS to the extent that the new Shares are allotted and issued upon the grant of Awards, the impact is not expected to be material in any given financial year.

**Shareholders should note that the financial effects described above are purely for illustration only. Shareholders should also note that the financial effects described above are not to be regarded as advice on the tax position of any person or a full statement regarding the financial or tax implications arising from the Plan. Shareholders who are in doubt as to their respective tax position or financial or tax implications should consult their own professional advisers.**

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### 9. THE PROPOSED PARTICIPATION OF CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES AND THE EMPLOYEES AND DIRECTORS OF ASSOCIATED COMPANIES IN THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

#### 9.1 Rationale for the participation of Controlling Shareholders and their Associates in the Plan

The key objectives of the Plan are to motivate employees to optimise their performance standards and efficiency and to reward them for their significant contributions with participation in the equity of the Company. The Company believes that the Plan may be effective in motivating employees to put in their best efforts whilst at the same time allowing the Company to offer incentives and remuneration packages compatible with multinational companies.

These objectives of the Plan apply equally to employees and directors of the Group who are Controlling Shareholders or Associates of Controlling Shareholders. The Company is of the view that all deserving and eligible Participants should be motivated, regardless of whether they are Controlling Shareholders or Associates of Controlling Shareholders. It is in the Group's interest that these Participants who are actively contributing to the Group's progress and development are given the incentive to contribute and to remain with the Company and contribute towards the Group's future progress and development.

In respect of the determination as to eligibility and grant of Awards, the terms of the Plan do not differentiate between employees and directors of the Group who are Controlling Shareholders or Associates of Controlling Shareholders and other employees and directors of the Group who are not such persons. As such, employees and directors of the Group who are Controlling Shareholders or Associates of Controlling Shareholders will be subject to the same rules as other employees.

As a safeguard against abuse, only members of the Committee who are not Controlling Shareholders or their Associates will be involved in deliberations in respect of Awards to be granted to Controlling Shareholders and/or their Associates and the terms and conditions attached to such Awards. The limits on the aggregate number of Shares comprised in Awards that may be granted to Controlling Shareholders or their Associates is set out in Section 8.3(d) of this Circular.

Furthermore, specific approval from independent Shareholders is required for the grant of Awards to Controlling Shareholders and their Associates as well as the actual number of and terms of such Awards.

The Company is of the view that there are sufficient safeguards against abuse resulting from the participation of Controlling Shareholders and their Associates in the Plan.

The rationales for the participation of the Associates of the Controlling Shareholder, namely Mr. Tiong Chiong Soon and Mr. Tiong Chiong Hiiung who are the sons of Tan Sri Datuk Tiong Su Kouk (the Executive Chairman and Controlling Shareholder of the Company) and General Manager and Executive Vice-Chairman and Financial Director, respectively, are set out in Sections 10 and 11 of this Circular, respectively.

Under the Listing Rules and the Rules of the Plan, Associates of Controlling Shareholders are eligible to participate in the Plan if their participation and Awards are approved by independent Shareholders in separate resolutions for each such person and for each such Award.

#### 9.2 Rationale for the participation of employees and directors of associated companies in the Plan

It is desirable for the Company to have a share plan which caters to the employees and directors who are employed by our associated companies (that is, a company in which at least 20.0% but not more than 50.0% of its shares are held by the Company or Group, and over which the Company has control) and work closely with the Company or Group and who, by reason of their relationship with the Company or Group, are in a position to input and contribute their experience, knowledge and expertise to the significant development and prosperity of the Group.



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### 10. THE PROPOSED PARTICIPATION BY AND GRANT OF AWARD TO MR. TIONG CHIONG SOON, AN ASSOCIATE OF THE CONTROLLING SHAREHOLDER, UNDER THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

#### 10.1 Rationale for participation by Mr. Tiong Chiong Soon in the Plan

Mr. Tiong Chiong Soon is the General Manager. He is also the son of Tan Sri Datuk Tiong Su Kouk, who is the Executive Chairman and Controlling Shareholder of the Company. Accordingly, Mr. Tiong Chiong Soon is an Associate of Tan Sri Datuk Tiong Su Kouk. As at the Latest Practicable Date, Tan Sri Datuk Tiong Su Kouk holds (both direct and deemed) 1,074,704,632 Shares, representing approximately 51.3% of the total number of issued Shares and Mr. Tiong Chiong Soon holds (both direct and deemed) 4,506,169 Shares, representing approximately 0.2% of the total number of issued Shares.

As General Manager, Mr. Tiong Chiong Soon is primarily responsible for the Group's shipbuilding operation which includes vessels chartering, repairs, procurement and sourcing of equipment required for the shipbuilding operations. He reports directly to the Executive Chairman and Chief Executive Officer of the Group.

The Company is of the view that Mr. Tiong Chiong Soon's contributions are invaluable towards the successful implementation of the Proposed Scheme and the long-term development and success of the Group. Participation in the Plan would enable the Company to acknowledge Mr. Tiong Chiong Soon's valuable contributions and give recognition to his services while reducing the need for the Company compensate him entirely through salary and cash bonuses, thereby alleviating pressure on the Company's cash flow.

#### 10.2 Existing remuneration of Mr. Tiong Chiong Soon

For the financial year ended 31 December 2017, Mr. Tiong Chiong Soon received remuneration for his services to the Company in the band of S\$250,001 and above. This remuneration comprises entirely of salary.

#### 10.3 Proposed grant of Award to Mr. Tiong Chiong Soon

Assuming that:

- (a) the enlarged issued share capital of the Company assuming the Maximum Subscription Scenario, the Maximum Non-sustainable Debt Shares Issue Scenario and the issuance of the maximum possible number of Additional Loan Shares is 8,094,893,801 Shares; and
- (b) the Management Award Criteria is satisfied in its entirety, that is (1) satisfying limb (i) of the Management Award Criteria every Review Year from Review Year 1 to Review Year 7; and (2) satisfying limb (ii) of the Management Award Criteria every Review Year from Review Year 4 to Review Year 7,

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subject to the actual fulfilment of the Management Award Criteria and the approval by independent Shareholders for the participation in the Nam Cheong Management Incentive Plan by and grant of Award to Mr. Tiong Chiong Soon, the Company proposes to grant an Award for up to 89,043,832 Shares to Mr. Tiong Chiong Soon on the following terms:

Review Year	Subject to satisfaction of Limb (i)	Subject to satisfaction of Limb (ii)	Total number of Award Shares to be awarded for each Review Year	Maximum number of Award Shares that may be awarded to Mr. Tiong Chiong Soon for each Review Year <sup>(1)</sup>	Release and Vesting of the Awards
1	1%	-	80,948,938	8,094,894	For each Review Year where the Group satisfies the Management Award Criteria, the Committee shall grant the Awards that the Management is entitled to in that Review Year and such Award Shares shall be released to the Management as follows:  (a) 50% of the entitlement shall be released to the Management as soon as practicable after the Announcement; and  (b) the remaining 50% of the entitlement shall be released to the Management as soon as practicable after the first anniversary of the Announcement.
2	1%	-	80,948,938	8,094,894	
3	1%	-	80,948,938	8,094,894	
4	1%	1%	161,897,876	16,189,788	
5	1%	1%	161,897,876	16,189,788	
6	1%	1%	161,897,876	16,189,788	
7	1%	1%	161,897,876	16,189,788	
<b>Total</b>			<b>890,438,318</b>	<b>89,043,832</b>	

**Note:**

- (1) The aggregate number of Shares under the Award to be awarded to Mr. Tiong Chiong Soon is calculated based on the multiplication of (a) the enlarged issued share capital of the Company assuming the Maximum Subscription Scenario and the Maximum Non-sustainable Debt Shares Issuance Scenario; and (b) maximum percentage of Shares which may be awarded to each Associate of a Controlling Shareholder under the Plan (being 10%). Shareholders should note that the aggregate number of Shares to be finally awarded to Mr. Tiong Chiong Soon will depend on the achievement of the Management Award Criteria.

As soon as reasonably practicable after the end of the relevant performance period, the Committee shall review the performance targets and determine at its discretion whether they have been satisfied and, if so, the extent to which they have been satisfied, and provided that Mr. Tiong Chiong Soon has continued to be in the employment of the Group from the award date up to the end of the relevant performance period, shall release to Mr. Tiong Chiong Soon the Shares to which the Award relates in accordance with the release schedule specified in respect of the Award. Under the Rules of the Plan, Mr. Tiong Chiong Soon may accept or refuse the whole or part of the Award.

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Based on the theoretical share price of S\$0.009<sup>1</sup> per Share, 10% of the total number of Award Shares to be awarded for each Review Year (assuming the satisfaction of the Management Award Criteria) represents approximately S\$72,854 (being, S\$0.009 x 8,094,894) for each of Review Year 1 to Review Year 3, and approximately S\$145,708 (being S\$0.009 x 16,189,788) for each of Review Year 4 to Review Year 7. For each of FY2015, FY2016 and FY2017, Mr. Tiong Chiong Soon received remuneration for his services to the Company in the band of S\$250,001 and above.

The Remuneration Committee is of the view that Mr. Tiong Chiong Soon, as General Manager, will be instrumental to whether the Proposed Scheme may be successfully implemented and whether the Management Award Criteria may be satisfied, and in the event that the Management Award Criteria is satisfied in its entirety, that 10% of the total number of Award Shares to be awarded for each Review Year as a performance related bonus, will be appropriate to the expected level of his contribution.

In accordance with the Listing Rules and the Rules of the Plan, the participation of and grant of the Award (including the actual number and the terms of the Award to be granted) to Mr. Tiong Chiong Soon must be specifically approved by independent Shareholders in separate resolutions.

### **11. THE PROPOSED PARTICIPATION BY AND GRANT OF AWARD TO MR. TIONG CHIONG HIIUNG, AN ASSOCIATE OF THE CONTROLLING SHAREHOLDER, UNDER THE NAM CHEONG MANAGEMENT INCENTIVE PLAN**

#### **11.1 Rationale for participation by Mr. Tiong Chiong Hiiung in the Plan**

Mr. Tiong Chiong Hiiung is the Executive Vice-Chairman and Financial Director of the Company. He is also the son of Tan Sri Datuk Tiong Su Kouk, who is the Executive Chairman and Controlling Shareholder of the Company. Accordingly, Mr. Tiong Chiong Hiiung is an Associate of Tan Sri Datuk Tiong Su Kouk. As at the Latest Practicable Date, Tan Sri Datuk Tiong Su Kouk holds (both direct and deemed) 1,074,704,632 Shares, representing approximately 51.3% of the total number of issued Shares and Mr. Tiong Chiong Hiiung holds (both direct and deemed) 23,889,121 Shares, representing approximately 1.14% of the total number of issued Shares.

As Financial Director of the Company, Mr. Tiong Chiong Hiiung's primary areas of responsibility include handling the Company's corporate affairs and finance, and as Executive Vice-Chairman, he serves to strengthen the Board in light of the increasing demands of an evolving and fast growing business and to assist the Chairman in reviewing Board matters and in supporting the implementation of growth and business strategy.

The Company is of the view that Mr. Tiong Chiong Hiiung's contributions are invaluable towards the successful implementation of the Proposed Scheme and the long-term development and success of the Group. Participation in the Plan would enable the Company to acknowledge Mr. Tiong Chiong Hiiung's valuable contributions and give recognition to his services while reducing the need for the Company compensate him entirely through salary and cash bonuses, thereby alleviating pressure on the Company's cash flow.

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<sup>1</sup> Calculated using the following formula:

$$T = (A + B) / C$$

where:

A = the Company's market capitalisation based on the last trading price of S\$0.02 per Share on the SGX-ST on 20 July 2017, being the Last Trading Day

B = the gross proceeds from the Proposed Rights Issue assuming the completion of the Proposed Rights Issue under the Maximum Subscription Scenario based on the Existing Issue Share Capital of 2,096,465,885 Shares

C = the enlarged issued share capital of the Company assuming after the Maximum Subscription Scenario and the Maximum Non-sustainable Debt Shares Issue Scenario of 8,076,518,801 Shares

According,  $T = [(0.02 \times 2,096,465,885) + (0.014 \times 2,096,465,885)] / 8,076,518,801 = (41,929,317.7 + 29,350,522.39) / 8,076,518,801 = 71,279,840.09 / 8,076,518,801 = 0.009$

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### 11.2 Existing remuneration of Mr. Tiong Chiong Hiiung

For the financial year ended 31 December 2017, Mr. Tiong Chiong Hiiung received remuneration for his services to the Company of approximately S\$351,090. This remuneration comprises salary of S\$283,090 and Directors' fees and meeting allowances of S\$68,000.

### 11.3 Proposed grant of Award to Mr. Tiong Chiong Hiiung

Assuming that:

- (a) the enlarged issued share capital of the Company assuming the Maximum Subscription Scenario, the Maximum Non-sustainable Debt Shares Issue Scenario and the issuance of the maximum possible number of Additional Loan Shares is 8,094,893,801 Shares; and
- (b) the Management Award Criteria is satisfied in its entirety, that is (1) satisfying limb (i) of the Management Award Criteria every Review Year from Review Year 1 to Review Year 7; and (2) satisfying limb (ii) of the Management Award Criteria every Review Year from Review Year 4 to Review Year 7,

subject to the fulfilment of the Management Award Criteria and the approval by independent Shareholders for the participation in the Nam Cheong Management Incentive Plan by and grant of Award to Mr. Tiong Chiong Hiiung, the Company proposes to grant an Award for up to 89,043,832 Shares to Mr. Tiong Chiong Hiiung on the following terms:

Review Year	Subject to satisfaction of Limb (i)	Subject to satisfaction of Limb (ii)	Total number of Award Shares to be awarded for each Review Year	Maximum number of Award Shares that may be awarded to Mr. Tiong Chiong Hiiung for each Review Year <sup>(1)</sup>	Release and Vesting of the Awards
1	1%	-	80,948,938	8,094,894	For each Review Year where the Group satisfies the Management Award Criteria, the Committee shall grant the Awards that the Management is entitled to in that Review Year and such Award Shares shall be released to the Management as follows:
2	1%	-	80,948,938	8,094,894	
3	1%	-	80,948,938	8,094,894	
4	1%	1%	161,897,876	16,189,788	
5	1%	1%	161,897,876	16,189,788	
6	1%	1%	161,897,876	16,189,788	
7	1%	1%	161,897,876	16,189,788	
<b>Total</b>			<b>890,438,318</b>	<b>89,043,832</b>	

**Note:**

- (1) The aggregate number of Shares under the Award to be awarded to Mr. Tiong Chiong Hiiung is calculated based on the multiplication of (a) the enlarged issued share capital of the Company assuming the Maximum Subscription Scenario and the Maximum Non-sustainable Debt Shares Issuance Scenario; and (b) maximum percentage of Shares which may be awarded to each Associate of a Controlling Shareholder under the Plan (being 10%). Shareholders should note that the aggregate number of Shares to be finally awarded to Mr. Tiong Chiong Hiiung will depend on the achievement of the Management Award Criteria.

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## LETTER TO SHAREHOLDERS

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As soon as reasonably practicable after the end of the relevant performance period, the Committee shall review the performance targets and determine at its discretion whether they have been satisfied and, if so, the extent to which they have been satisfied, and provided that Mr. Tiong Chiong Hiiung has continued to be in the employment of the Group from the award date up to the end of the relevant performance period, shall release to Mr. Tiong Chiong Hiiung the Shares to which the Award relates in accordance with the release schedule specified in respect of the Award. Under the Rules of the Plan, Mr. Tiong Chiong Hiiung may accept or refuse the whole or part of the Award.

Based on the theoretical share price of S\$0.009<sup>2</sup> per Share, 10% of the total number of Award Shares to be awarded for each Review Year (assuming the satisfaction of the Management Award Criteria) represents approximately S\$72,854 (being, S\$0.009 x 8,094,894) for each of Review Year 1 to Review Year 3, and approximately S\$145,708 (being S\$0.009 x 16,189,788) for each of Review Year 4 to Review Year 7. The total remuneration (including performance related bonuses) for Mr. Tiong Chiong Hiiung amounted to approximately S\$932,000, S\$644,000 and S\$351,090 for each of FY2015, FY2016 and FY2017, respectively.

The Remuneration Committee is of the view that Mr. Tiong Chiong Hiiung, as Financial Director, will be instrumental to whether the Proposed Scheme may be successfully implemented and whether the Management Award Criteria may be satisfied, and in the event that the Management Award Criteria is satisfied in its entirety, that 10% of the total number of Award Shares to be awarded for each Review Year as a performance related bonus, will be appropriate to the expected level of his contribution.

In accordance with the Listing Rules and the Rules of the Plan, the participation of and grant of the Award (including the actual number and the terms of the Award to be granted) to Mr. Tiong Chiong Hiiung must be specifically approved by independent Shareholders in separate resolutions.

## 12. IN-PRINCIPLE APPROVAL FROM THE SGX-ST

### 12.1 Approval In-Principle

On 16 July 2018, the SGX-ST granted in-principle approval for:

- (a) the listing and quotation of:
  - (i) up to 2,096,465,885 Rights Shares;
  - (ii) up to 3,883,587,031 Non-sustainable Debt Shares;
  - (iii) up to 787,280,931 Term Loan Shares;
  - (iv) up to 22,299,375 Additional Loan Shares, and
  - (v) the Plan Shares; and
- (b) the resumption of trading in the Company's shares.

### 12.2 Conditions

The in-principle approval from the SGX-ST is subject to the following:

- (a) Compliance with the SGX-ST's listing requirements;
- (b) Shareholders' approval for the issue of the Rights Shares, Non-sustainable Debt Shares, the Term Loan Shares, the Additional Loan Shares and the Plan Shares;

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<sup>2</sup> Please refer to footnote 1.

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## LETTER TO SHAREHOLDERS

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- (c) A written undertaking from the Company that it will comply with Listing Rules 704(30), 815 and 1207(20) in relation to the use of the proceeds from the issue of Rights Shares and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report;
- (d) A written undertaking from the Company that it will comply with Listing Rule 803;
- (e) A written undertaking from the Company that it will comply with Listing Rule 812(1);
- (f) A written undertaking from the Company that it will comply with Listing Rule 877(10) with regards to the allotment of any excess Rights Shares; and
- (g) A written confirmation from financial institution(s) as required under Listing Rule 877(9) that the undertaking shareholders who have given the irrevocable undertakings have sufficient financial resources to fulfil their obligations under its undertakings.

### 12.3 No indication of Merits

The in-principle approval granted by the SGX-ST for the listing and quotation of the Rights Shares, Non-sustainable Debt Shares, Term Loan Shares, Plan Shares and Additional Loan Shares on the Mainboard of the SGX-ST is not to be taken as an indication of the merits of the Proposed Rights Issue, the Rights, the Rights Shares, the Non-sustainable Debt Conversion, the Non-sustainable Debt Shares, the Term Loan Shares, the Nam Cheong Management Incentive Plan, the Plan Shares, the Additional Loan Shares and the Company and/or its subsidiaries.

## 13. FINANCIAL EFFECTS

The *pro forma* financial effects of the Proposed Rights Issue and Proposed Non-sustainable Debt Shares Issuance in the various scenarios are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Group following the completion of the Proposed Rights Issue and Proposed Non-sustainable Debt Shares Issuance under the various scenarios. The *pro forma* financial effects of the Proposed Rights Issue and Proposed Non-sustainable Debt Shares Issuance in the various scenarios on the number of Shares of the Company, share capital of the Company, NTA, EPS and gearing of the Group have been prepared based on the audited financial statements of the Group for FY2017 and the bases and assumptions set out in Section 13.1 of this Circular.

### 13.1 Bases and assumptions

For the purposes of illustration, the *pro forma* financial effects of the Proposed Rights Issue and Proposed Non-sustainable Debt Shares Issuance under the various scenarios are computed based on, *inter alia*, the following assumptions:

- (a) the Proposed Capital Reorganisation has been approved and completed; and
- (b) in respect of the maximum Non-sustainable Debt Shares issuance of 3,883,587,031 Non-sustainable Debt Shares and the minimum Non-sustainable Debt Shares issuance of 3,348,856,129 Non-sustainable Debt Shares, the contingent liability under the Corporate Guarantee granted by the Company in respect of the indebtedness of a JV Company is Crystallised.

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### 13.2 Effect on number of Shares

	(I)		(II)			
	After the completion of the Proposed Rights Issue		(C) After (I)(A)		(D) After (I)(B)	
	(A) Minimum Subscription Scenario	(B) Maximum Subscription Scenario	(1) Maximum Non-sustainable Debt Shares Issuance Scenario	(2) Minimum Non-sustainable Debt Shares Issuance Scenario	(1) Maximum Non-sustainable Debt Shares Issuance Scenario	(2) Minimum Non-sustainable Debt Shares Issuance Scenario
	'000	'000	'000	'000	'000	'000
<b>Before the Proposed Rights Issue and the Proposed Non-sustainable Debt Shares Issuance</b>	2,096,466	2,096,466	2,096,466	2,096,466	2,096,466	2,096,466
Add: Allotment and Issue of Rights Shares	1,202,906	2,096,466	1,202,906	1,202,906	2,096,466	2,096,466
<b>Number of issued Shares immediately after the Proposed Rights Issue</b>	3,299,372	4,192,932	3,299,372	3,299,372	4,192,932	4,192,932
Add: Allotment and Issue of Non-sustainable Debt Shares	-	-	3,883,587	3,348,856	3,883,587	3,348,856
<b>Number of issued Shares immediately after the Proposed Rights Issue and Proposed Non-sustainable Debt Issue</b>	-	-	7,182,959	6,648,228	8,076,519	7,541,788

Purely for illustrative purposes, the table below illustrates the effect on the number of Shares after the Proposed Rights Issue, Proposed Non-sustainable Debt Shares Issuance, Proposed Term Loan Shares Issuance and proposed allotment and issuance of the Plan Shares pursuant to the Nam Cheong Management Incentive Plan in the (a) minimum scenario; and (b) maximum scenario:

	Minimum Scenario	Maximum Scenario
	Assuming (i) Minimum Subscription Scenario; (ii) Minimum Non-sustainable Debt Shares Issuance Scenario; (iii) Minimum Term Loan Shares Issue Scenario; and (iv) no allotment and issuance of Award Shares	Assuming (i) Maximum Subscription Scenario; (ii) Maximum Non-sustainable Debt Shares Issuance Scenario; (iii) Maximum Term Loan Shares Issue Scenario; and (iv) maximum Award Shares are awarded
	'000	'000
<b>Before the Proposed Rights Issue, the Proposed Non-sustainable Debt Shares Issuance, the Proposed Term Loan Shares Issuance and the proposed allotment and issuance of the Plan Shares pursuant to the Nam Cheong Management Incentive Plan</b>	2,096,466	2,096,466
Add: Allotment and Issue of Rights Shares	1,202,906	2,096,466
Add: Allotment and Issue of Non-sustainable Debt Shares	3,348,856	3,883,587
Add: Allotment and Issue of Term Loan Shares	409,699	787,281

## LETTER TO SHAREHOLDERS

	Minimum Scenario	Maximum Scenario
	<b>Assuming (i) Minimum Subscription Scenario; (ii) Minimum Non-sustainable Debt Shares Issuance Scenario; (iii) Minimum Term Loan Shares Issue Scenario; and (iv) no allotment and issuance of Award Shares</b>	<b>Assuming (i) Maximum Subscription Scenario; (ii) Maximum Non-sustainable Debt Shares Issuance Scenario; (iii) Maximum Term Loan Shares Issue Scenario; and (iv) maximum Award Shares are awarded</b>
	'000	'000
Add: Allotment and Issue of Award Shares	-	890,438
<b>Resultant number of Shares</b>	<b>7,057,928</b>	<b>9,776,537</b>

The tables above are purely for illustrative purposes only. Shareholders are reminded that the information in the tables above must be read together with the relevant bases and assumptions.

### 13.3 Effect on share capital<sup>(1)</sup>

	(I)		(II)			
	After the completion of the Proposed Rights Issue		(C) After (I)(A)		(D) After (I)(B)	
	(A) Minimum Subscription Scenario	(B) Maximum Subscription Scenario	(1) Maximum Non-sustainable Debt Shares Issuance Scenario	(2) Minimum Non-sustainable Debt Shares Issuance Scenario	(1) Maximum Non-sustainable Debt Shares Issuance Scenario	(2) Minimum Non-sustainable Debt Shares Issuance Scenario
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>After the Proposed Capital Reorganisation and before the Proposed Rights Issue and the Proposed Non-sustainable Debt Shares Issuance</b>	812	812	812	812	812	812
Add: Allotment and Issue of Rights Shares	620	1,080	620	620	1,080	1,080
<b>Share capital immediately after the Proposed Rights Issue</b>	1,432	1,892	1,432	1,432	1,892	1,892
Add: Allotment and Issue of Non-sustainable Debt Shares	-	-	2,001	1,725	2,001	1,725
<b>Share capital immediately after the Proposed Rights Issue and Proposed Non-sustainable Debt Issue</b>	-	-	3,433	3,157	3,893	3,617

**Note:**

- (1) The effects on share capital have been prepared on the basis of the par value of the Shares being HK\$0.001 per Share after the Proposed Capital Reorganisation (or approximately RM0.00052 per Share using the Latest Exchange Rate).



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Purely for illustrative purposes, the table below illustrates the effect on the share capital after the Proposed Rights Issue, Proposed Non-sustainable Debt Shares Issuance, Proposed Term Loan Shares Issuance and proposed allotment and issuance of the Plan Shares pursuant to the Nam Cheong Management Incentive Plan in the (a) minimum scenario; and (b) maximum scenario:

	Minimum Scenario	Maximum Scenario
	Assuming (i) Minimum Subscription Scenario; (ii) Minimum Non-sustainable Debt Shares Issuance Scenario; (iii) Minimum Term Loan Shares Issue Scenario; and (iv) no allotment and issuance of Award Shares	Assuming (i) Maximum Subscription Scenario; (ii) Maximum Non-sustainable Debt Shares Issuance Scenario; (iii) Maximum Term Loan Shares Issue Scenario; and (iv) maximum Award Shares are awarded
	RM'000	RM'000
<b>Before the Proposed Rights Issue, the Proposed Non-sustainable Debt Shares Issuance, the Proposed Term Loan Shares Issuance and the proposed allotment and issuance of the Plan Shares pursuant to the Nam Cheong Management Incentive Plan</b>	812	812
Add: Allotment and Issue of Rights Shares	620	1,080
Add: Allotment and Issue of Non-sustainable Debt Shares	1,725	2,001
Add: Allotment and Issue of Term Loan Shares	211	406
Add: Allotment and Issue of Award Shares	-	458
<b>Resultant share capital</b>	<b>3,368</b>	<b>4,757</b>

**The tables above are purely for illustrative purposes only. Shareholders are reminded that the information in the tables above must be read together with the relevant bases and assumptions.**

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### 13.4 Effect on NTA

	(I)		(II)				
	Before the Proposed Rights Issue and the Proposed Non-sustainable Debt Shares Issuance	After the completion of the Proposed Rights Issue		(C) After (I)(A)		(D) After (I)(B)	
		(A) Minimum Subscription Scenario	(B) Maximum Subscription Scenario	(1) Maximum Non-sustainable Debt Shares Issuance Scenario	(2) Minimum Non-sustainable Debt Shares Issuance Scenario	(1) Maximum Non-sustainable Debt Shares Issuance Scenario	(2) Minimum Non-sustainable Debt Shares Issuance Scenario
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Before the Proposed Rights Issue and the Proposed Non-sustainable Debt Shares Issuance</b>	(1,660,411)	(1,660,411)	(1,660,411)	(1,660,411)	(1,660,411)	(1,660,411)	(1,660,411)
Add: Allotment and Issue of Rights Shares	-	50,000	87,142	50,000	50,000	87,142	87,142
<b>NTA immediately after the Proposed Rights Issue</b>	-	(1,610,411)	(1,573,269)	(1,610,411)	(1,610,411)	(1,573,269)	(1,573,269)
Add: Allotment and Issue of Non-sustainable Debt Shares	-	-	-	543,878	468,991	543,878	468,991
<b>NTA immediately after the Proposed Rights Issue and Proposed Non-sustainable Debt Issue</b>	-	-	-	(1,066,533)	(1,141,420)	(1,029,391)	(1,104,278)
<b>NTA Immediately after Cash Out Option Settlement</b>	-	-	-	(1,025,221)	(1,100,108)	(988,080)	(1,062,966)
<b>No. of Shares ('000)</b>	2,096,466	3,299,372	4,192,932	7,182,959	6,648,228	8,076,519	7,541,788
<b>NTA per Share (Sen)</b>	(79.2)	(48.8)	(37.5)	(14.3)	(16.5)	(12.2)	(14.1)

**The table above is purely for illustrative purposes only. Shareholders are reminded that the information in the table above must be read together with the relevant bases and assumptions.**

Subsequent to FY2017, as a result of the successful cancellation of certain shipbuilding contracts in February 2018, the Group's trade payables amounting to RM558.2 million will be waived. Incorporating such waiver, the NTA per Share will increase to approximately (5.3) sen under (D)(1) in the table above and approximately (6.7) sen under (D)(2) in the table above.

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### 13.5 Effect on EPS<sup>(1)</sup>

		(I)		(II)			
		After the completion of the Proposed Rights Issue		(C) After (I)(A)		(D) After (I)(B)	
		(A) Minimum Subscription Scenario	(B) Maximum Subscription Scenario	(1) Maximum Non-sustainable Debt Shares Issuance Scenario <sup>(1)</sup>	(2) Minimum Non-sustainable Debt Shares Issuance Scenario <sup>(2)</sup>	(1) Maximum Non-sustainable Debt Shares Issuance Scenario <sup>(1)</sup>	(2) Minimum Non-sustainable Debt Shares Issuance Scenario <sup>(2)</sup>
<b>Net (Loss)/Profit attributable to Shareholders (RM'000)</b>	(3,020,051)	(3,020,051)	(3,020,051)	(3,020,051)	(3,020,051)	(3,020,051)	(3,020,051)
<b>No. of Shares ('000)</b>	2,096,466	3,299,372	4,192,932	7,182,959	6,648,228	8,076,519	7,541,788
<b>EPS/(LPS) (Sen)(5)</b>	(144.1)	(91.5)	(72.0)	(42.0)	(45.4)	(37.4)	(40.0)

**Note:**

(1) Earnings/(loss) per Share has been calculated using the net loss for the financial year ended 31 December 2017.

**The table above is purely for illustrative purposes only. Shareholders are reminded that the information in the table above must be read together with the accompanying footnotes and the relevant bases and assumptions.**

### 13.6 Gearing

		(I)		(II)			
		After the completion of the Proposed Rights Issue		(C) After (I)(A)		(D) After (I)(B)	
		(A) Minimum Subscription Scenario	(B) Maximum Subscription Scenario	(1) Maximum Non-sustainable Debt Shares Issuance Scenario	(2) Minimum Non-sustainable Debt Shares Issuance Scenario	(1) Maximum Non-sustainable Debt Shares Issuance Scenario	(2) Minimum Non-sustainable Debt Shares Issuance Scenario
<b>Total Borrowings (RM'000)</b>	1,639,247	1,639,247	1,639,247	1,091,985	1,167,337	1,091,985	1,167,337
<b>Equity attributable to Shareholders (RM'000)</b>	(1,660,411)	(1,610,411)	(1,573,269)	(1,066,533)	(1,141,420)	(1,029,391)	(1,104,278)
<b>Gearing (times)</b>	(1.0)	(1.0)	(1.0)	(1.5)	(1.4)	(1.6)	(1.5)

**The table above is purely for illustrative purposes only. Shareholders are reminded that the information in the tables above must be read together with the accompanying footnotes and the relevant bases and assumptions.**

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### 14. SHAREHOLDING EFFECTS OF THE PROPOSED ISSUANCE OF RIGHTS SHARES AND NON-SUSTAINABLE DEBT SHARES

The shareholding effects of the proposed issuance of Rights Shares and Non-sustainable Debt Shares (collectively, the “**Proposed Shares Issue**”) as set out below are for illustrative purposes only and based on assumptions set out herein, and do not reflect the actual position of the Shareholders after the completion of the Proposed Shares Issue:

	As at the Latest Practicable Date				(I)							
					After completion of the Proposed Rights Issue							
					(A) Minimum Subscription Scenario				(B) Maximum Subscription Scenario			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	
<b>Directors</b>												
Tan Sri Datuk Tiong Su Kouk <sup>(1)(5)</sup>	104,936,517	5.0	969,768,115	46.3	222,390,918	6.7	2,055,219,935	62.3	209,873,034	5.0	1,939,536,230	46.3
Tiong Chiong Hiiung <sup>(2)</sup>	14,259,240	0.7	9,629,881	0.5	14,259,240	0.4	9,629,881	0.3	28,518,480	0.7	19,259,762	0.5
Leong Seng Keat <sup>(3)(9)</sup>	16,815,790	0.8	75,886,187	3.6	16,815,790	0.5	75,886,187	2.3	33,631,580	0.8	151,772,374	3.6
Ajaib Hari Dass	-	-	-	-	-	-	-	-	-	-	-	-
Yee Kit Hong	-	-	-	-	-	-	-	-	-	-	-	-
Kan Yut Keong, Benjamin	-	-	-	-	-	-	-	-	-	-	-	-
<b>Substantial Shareholders (other than Directors)</b>												
Hung Yung Enterprise Sdn. Bhd. <sup>(1)(4)(5)</sup>	319,954,845	15.3	-	-	678,077,125	20.6	-	-	639,909,690	15.3	-	-
S.K. Tiong Enterprise Sdn. Bhd. <sup>(1)(4)(5)</sup>	574,342,840	27.4	319,954,845	15.3	1,217,199,077	36.9	678,077,125	20.6	1,148,685,680	27.4	639,909,690	15.3
Puan Sri Datin Wong Bak Hee <sup>(1)(5)</sup>	15,420,430	0.7	1,059,284,202	50.5	32,680,364	1.0	2,244,930,489	68.0	30,840,860	0.7	2,118,568,404	50.5

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	As at the Latest Practicable Date				(I)							
					After completion of the Proposed Rights Issue							
	(A)		(B)		(A)				(B)			
Minimum Subscription Scenario		Maximum Subscription Scenario		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		
Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		
No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	
<b>Other Creditors</b>												
RHB Bank Nominees Pte Ltd <sup>(6)</sup>	-	-	-	-	-	-	-	-	-	-	-	-
DBS Nominees Pte. Ltd. <sup>(7)</sup>	-	-	-	-	-	-	-	-	-	-	-	-
Rest of the Other Creditors <sup>(8)</sup>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other Shareholders</b>												
Tiong Eng Ming <sup>(3)(9)</sup>	18,231,340	0.9	74,470,637	3.6	18,231,340	0.6	74,470,637	2.3	36,462,680	0.9	148,941,274	3.6
Kong Sing Ching <sup>(12)</sup>	11,777,785	0.6	-	-	11,777,785	0.4	-	-	23,555,570	0.6	-	-
Tiong Chiong Soon <sup>(10)(11)</sup>	5,000	0.0	4,501,169	0.2	5,000	0.0	4,501,169	0.1	10,000	0.0	9,002,338	0.2
Pau Kiu Fung <sup>(10)(11)</sup>	4,501,169	0.2	5,000	0.0	4,501,169	0.1	5,000	0.0	9,002,338	0.2	10,000	0.0
Starcity Housing Sdn Bhd <sup>(2)</sup>	9,629,881	0.5	-	-	9,629,881	0.3	-	-	19,259,762	0.5	-	-
Dominion Energy Sdn Bhd <sup>(3)(9)</sup>	57,654,847	2.8	-	-	57,654,847	1.7	-	-	115,309,694	2.8	-	-
Tiong Chiong Hing <sup>(12)</sup>	-	-	11,777,785.00	0.6	-	0.0	11,777,785	0.4	-	0.0	23,555,570	0.6
UOB Nominees (Private) Ltd (as nominee) <sup>(1)(5)</sup>	60,000,000	2.9	-	-	127,157,404	3.9	-	-	120,000,000	2.9	-	-
Phillip Securities Pte Ltd (as nominee) <sup>(5)</sup>	50,000	0.0	-	-	106,199	0.0	-	-	100,000	0.0	-	-
Public	888,886,201	42.4	-	-	888,886,201	26.9	-	-	1,777,772,402	42.4	-	-
<b>Total</b>	<b>2,096,465,885</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>3,299,372,106</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>4,192,931,770</b>	<b>100</b>	<b>-</b>	<b>-</b>

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	(II)															
	(C) After (I)(A)								(D) After (I)(B)							
	(1) Maximum Non-sustainable Debt Shares Issuance Scenario				(2) Minimum Non-sustainable Debt Shares Issuance Scenario				(1) Maximum Non-sustainable Debt Shares Issuance Scenario				(2) Minimum Non-sustainable Debt Shares Issuance Scenario			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
No. of Shares		%		No. of Shares		%		No. of Shares		%		No. of Shares		%		
<b>Directors</b>																
Tan Sri Datuk Tiong Su Kouk <sup>(1)(5)</sup>	222,390,918	3.1	2,055,219,935	28.6	222,390,918	3.3	2,055,219,935	30.9	209,873,034	2.6	1,939,536,230	24.0	209,873,034	2.8	1,939,536,230	25.7
Tiong Chiong Hiiung <sup>(2)</sup>	14,259,240	0.2	9,629,881	0.1	14,259,240	0.2	9,629,881	0.1	28,518,480	0.4	19,259,762	0.2	28,518,480	0.4	19,259,762	0.3
Leong Seng Keat <sup>(3)(9)</sup>	16,815,790	0.2	75,886,187	1.1	16,815,790	0.3	75,886,187	1.1	33,631,580	0.4	151,772,374	1.9	33,631,580	0.4	151,772,374	2.0
Ajaib Hari Dass	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yee Kit Hong	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kan Yut Keong, Benjamin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Substantial Shareholders (other than Directors)</b>																
Hung Yung Enterprise Sdn. Bhd. <sup>(1)(4)(5)</sup>	678,077,125	9.4	-	-	678,077,125	10.2	-	-	639,909,690	7.9	-	-	639,909,690	8.5	-	-
S.K. Tiong Enterprise Sdn. Bhd. <sup>(1)(4)(5)</sup>	1,217,199,077	16.9	678,077,125	9.4	1,217,199,077	18.3	678,077,125	10.2	1,148,685,680	14.2	639,909,690	7.9	1,148,685,680	15.2	639,909,690	8.5
Puan Sri Datin Wong Bak Hee <sup>(1)(5)</sup>	32,680,364	0.5	2,244,930,489	31.3	32,680,364	0.5	2,244,930,489	33.8	30,840,860	0.4	2,118,568,404	26.2	30,840,860	0.4	2,118,568,404	28.1
<b>Other Creditors</b>																
RHB Bank Nominees Pte Ltd <sup>(6)</sup>	539,757,464	7.5	-	-	539,757,464	8.1	-	-	539,757,464	6.7	-	-	539,757,464	7.2	-	-
DBS Nominees Pte. Ltd. <sup>(7)</sup>	873,624,905	12.2	-	-	873,624,905	13.1	-	-	873,624,905	10.8	-	-	873,624,905	11.6	-	-
Rest of the Other Creditors <sup>(8)</sup>	2,470,204,662	34.4	-	-	1,935,473,760	29.1	-	-	2,470,204,662	30.6	-	-	1,935,473,760	25.7	-	-

## LETTER TO SHAREHOLDERS

	(II)															
	(C) After (I)(A)								(D) After (I)(B)							
	(1) Maximum Non-sustainable Debt Shares Issuance Scenario				(2) Minimum Non-sustainable Debt Shares Issuance Scenario				(1) Maximum Non-sustainable Debt Shares Issuance Scenario				(2) Minimum Non-sustainable Debt Shares Issuance Scenario			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
No. of Shares		%		No. of Shares		%		No. of Shares		%		No. of Shares		%		
<b>Other Shareholders</b>																
Tiong Eng Ming <sup>(3)(9)</sup>	18,231,340	0.3	74,470,637	1.1	18,231,340	0.3	74,470,637	1.2	36,462,680	0.5	148,941,274	1.8	36,462,680	0.5	148,941,274	2.0
Kong Sing Ching <sup>(12)</sup>	11,777,785	0.2	-	-	11,777,785	0.2	-	-	23,555,570	0.3	-	-	23,555,570	0.3	-	-
Tiong Chiong Soon <sup>(10)(11)</sup>	5,000	0.0	4,501,169	0.1	5,000	0.0	4,501,169	0.1	10,000	0.0	9,002,338	0.1	10,000	0.0	9,002,338	0.1
Pau Kiu Fung <sup>(10)(11)</sup>	4,501,169	0.1	5,000	0.0	4,501,169	0.1	5,000	0.0	9,002,338	0.1	10,000	0.0	9,002,338	0.1	10,000	0.0
Starcity Housing Sdn Bhd <sup>(2)</sup>	9,629,881	0.1	-	-	9,629,881	0.2	-	-	19,259,762	0.2	-	-	19,259,762	0.3	-	-
Dominion Energy Sdn Bhd <sup>(3)(9)</sup>	57,654,847	0.8	-	-	57,654,847	0.9	-	-	115,309,694	1.4	-	-	115,309,694	1.5	-	-
Tiong Chiong Hing <sup>(12)</sup>	-	-	11,777,785	0.2	-	0.0	11,777,785	0.2	-	-	23,555,570	0.3	-	-	23,555,570	0.3
UOB Nominees (Private) Ltd (as nominee) <sup>(1)(5)</sup>	127,157,404	1.8	-	-	127,157,404	1.9	-	-	120,000,000	1.5	-	-	120,000,000	1.6	-	-
Phillip Securities Pte Ltd (as nominee) <sup>(5)</sup>	105,965	0.0	-	-	105,965	0.0	-	-	100,000	0.0	-	-	100,000	0.0	-	-
Public	888,886,201	12.4	-	-	888,886,201	13.9	-	-	1,777,772,402	22.0	-	-	1,777,772,402	23.6	-	-
<b>Total</b>	<b>7,182,959,137</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>6,648,228,235</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>8,076,518,801</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>7,541,787,899</b>	<b>100</b>	<b>-</b>	<b>-</b>

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## LETTER TO SHAREHOLDERS

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### Notes:

- (1) Tan Sri Datuk Tiong Su Kouk is deemed to have an interest in the shares held by Hung Yung Enterprise Sdn. Bhd., S.K. Tiong Enterprise Sdn. Bhd. and his wife, Puan Sri Datin Wong Bak Hee, and 60,000,000 shares held by UOB Nominees (Private) Limited (as nominee) by virtue of Section 4 of the SFA.
- (2) Tiong Chiong Hiiung is deemed to have an interest in the shares held by Starcity Housing Sdn. Bhd. by virtue of Section 4 of the SFA.
- (3) Leong Seng Keat is deemed to have an interest in the shares held by Dominion Energy Sdn. Bhd and his wife, Tiong Eng Ming, by virtue of Section 4 of the SFA.
- (4) S.K. Tiong Enterprise Sdn. Bhd. is deemed to have an interest in the shares held by Hung Yung Enterprise Sdn. Bhd. by virtue of Section 4 of the SFA.
- (5) Puan Sri Datin Wong Bak Hee is deemed to have an interest in the shares held by S.K. Tiong Enterprise Sdn. Bhd., Hung Yung Enterprise Sdn. Bhd., her husband, Tan Sri Datuk Tiong Su Kouk and 50,000 shares held by Phillip Securities Pte. Ltd. (as nominee) and 60,000,000 shares held by UOB Nominees (Private) Limited (as nominee) by virtue of Section 4 of the SFA.
- (6) RHB Bank Nominees Pte Ltd will be holding some of the Non-sustainable Debt Shares on trust for Noteholders. Pursuant to the terms of the Proposed Scheme, the Company shall allot and issue the Non-sustainable Debt Shares to RHB Bank Nominees Pte Ltd and RHB Bank Nominees Pte Ltd shall transfer or credit such Non-sustainable Debt Shares to the respective Noteholders unless otherwise instructed by such Noteholders. As at the Latest Practicable Date, the Company has not been informed by RHB Bank Nominees Pte Ltd as to their deemed interests, if any, in the Non-sustainable Debt Shares.
- (7) DBS Nominees Pte. Ltd. will be holding some of the Non-sustainable Debt Shares on trust for Noteholders. Pursuant to the terms of the Proposed Scheme, the Company shall allot and issue the Non-sustainable Debt Shares to DBS Nominees Pte. Ltd. and DBS Nominees Pte. Ltd. shall transfer or credit such Non-sustainable Debt Shares to the respective Noteholders unless otherwise instructed by such Noteholders. As at the Latest Practicable Date, the Company has not been informed by DBS Nominees Pte. Ltd. as to their deemed interests, if any, in the Non-sustainable Debt Shares.
- (8) Comprises the Other Creditors and Account Holders excluding RHB Bank Nominees Pte Ltd and DBS Nominees Pte. Ltd., and, to the best of the Company's knowledge and belief, none of them will hold 5% or more of the issued share capital of the Company. As at the Latest Practicable Date, the Company has not been informed by any of such Other Creditors and Account Holders as to their deemed interests, if any, in the Non-sustainable Debt Shares arising from the Proposed Shares Issue.
- (9) Tiong Eng Ming is deemed to have an interest in the shares held by Dominion Energy Sdn Bhd and her husband, Leong Seng Keat, by virtue of Section 4 of the SFA.
- (10) Tiong Chiong Soon is deemed to have an interest in the shares held by his wife, Pau Kiu Fung, by virtue of Section 4 of the SFA.
- (11) Pau Kiu Fung is deemed to have an interest in the shares held by her husband, Tiong Chiong Soon, by virtue of Section 4 of the SFA.
- (12) Tiong Chiong Hing is deemed to have an interest in the shares held by his wife, Kong Sing Ching, by virtue of Section 4 of the SFA.

**Shareholders are reminded that the information in the tables above must be read together with the accompanying footnotes and the tables above are purely for illustrative purposes only and do not reflect the actual shareholdings effect after the Proposed Shares Issue.**

## 15. THE PROPOSED ADDITIONAL LOAN SHARES ISSUANCE

### 15.1 Background

As set out in Section 2.5.2 of this Circular, RHB Bank Labuan had granted a credit facility to NCI ("RHB Labuan Facility"), and pursuant to the Proposed Scheme, the amount admitted by the Scheme Manager for voting purposes (subject to adjudication for entitlement under the Proposed Scheme and prior to netting off of value of the Secured Assets (if applicable)) as outstanding under the RHB Labuan Facility is approximately US\$22.3 million. In addition to the Corporate Guarantee provided by the Company, the RHB Labuan Facility is also secured by a charge over a vessel (SK715) that is currently owned by NCI.



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## LETTER TO SHAREHOLDERS

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### 15.2 Agreement with RHB Bank Labuan

Pursuant to the Bilateral Facilities Agreement entered into between RHB Bank Labuan and NCI, RHB Bank Labuan has agreed to grant an additional term loan facility of US\$1.75 million (“**Term Loan 2 Facility**”) to be secured by a first ranking ship mortgage over the vessel (SK715) and it is agreed, *inter alia*, that:

- (a) after the Implementation Date and upon the due registration of the first ranking ship mortgage of the vessel (SK715) to RHB Bank Labuan and the execution of other security documents in connection with the vessel (SK715), RHB Bank Labuan shall allow NCI to drawdown the entire amount of US\$1.75 million (“**Term Loan 2**”) from the Term Loan 2 Facility;
- (b) the Term Loan 2 shall be repaid in one (1) lump sum on the Maturity Date in priority to the Bilateral Facilities Secured Debt. Consequently, upon the disposal or deemed disposal of the vessel (SK715), a portion of the Bilateral Facilities Secured Debt up to US\$1.75 million (“**Post-Disposal Secured TL Balance**”) will be restructured as follows:
  - (i) 65% of the Post-Disposal Secured TL Balance (“**Sustainable Secured TL Balance**”) shall be repaid in eight (8) half-yearly instalments commencing in Review Year 4, each in an amount equal to the relevant percentage of the Sustainable Secured TL Balance, set out below:

<b>Repayment date</b>	<b>Percentage of the Sustainable Secured TL Balance</b>
Review Year 4: 30 June 2021	5.0%
Review Year 4: 31 December 2021	5.0%
Review Year 5: 30 June 2022	10.0%
Review Year 5: 31 December 2022	10.0%
Review Year 6: 30 June 2023	15.0%
Review Year 6: 31 December 2023	15.0%
Review Year 7: 30 June 2024	20.0%
Review Year 7: 31 December 2024	20.0%

Upon the disposal or deemed disposal of the vessel (SK715), interest shall accrue on the Sustainable Secured TL Balance at the rate of 4.0% per annum. 50% of the yearly accrued interest shall be paid on the last day of the relevant Review Year by way of Additional Loan Shares. Every US\$1 of such accrued interest shall be converted into 30 Additional Loan Shares. Accordingly, every one (1) Additional Loan Share is issued and allotted at an issue price of S\$0.045 per Additional Loan Share.

Prepayment of the Sustainable Secured TL Balance may be made in and from Review Year 4 based on the excess cash calculations for Review Year 3 onwards, subject to the terms outlined under the Cash Management Principles set out in Appendix D of this Circular, as though RHB Bank Labuan was a Creditor of NCI referred to in such Cash Management Principles.

Pursuant to the foregoing, an aggregate of up to 3,924,375 Additional Loan Shares will be issued at an issue price of S\$0.045 per Additional Loan Share as part payment of the accrued interest on the Sustainable Secured TL Balance.

- (ii) 35% of the Post-Disposal Secured TL Balance (“**Non-Sustainable Secured TL Balance**”) shall be repaid by way of NCI procuring the issue and allotment of Additional Loan Shares by the Company to RHB Bank Labuan, on the basis of 30 Additional Loan Shares for every US\$1.00 of the Non-Sustainable Secured TL

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## LETTER TO SHAREHOLDERS

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Balance, such issuance and allotment to be completed within 21 Business Days of (a) the completion of the disposal of the vessel (SK715); or (b) if there has been no disposal of the vessel (SK715), the Maturity Date.

Pursuant to the foregoing, an aggregate of 18,375,000 Additional Loan Shares will be issued at an issue price of S\$0.045 per Additional Loan Share to repay the Non-Sustainable Secured TL Balance.

The Post-Disposal Secured TL Balance and the repayment thereof are separate from the Proposed Scheme.

### 15.3 Additional Loan Shares

Pursuant to the agreement with RHB Bank Labuan as set out in Section 15.2 of this Circular, up to 22,299,375 Additional Loan Shares will be allotted and issued to RHB Bank Labuan at an issue price of S\$0.045 per Additional Loan Shares. The 22,299,375 Additional Loan Shares to be allotted and issued represent approximately (i) 1.1% of the Company's Existing Issued Share Capital of 2,096,465,885 Shares as at the Latest Practicable Date; (ii) 0.3% of the Company's enlarged issued share capital of 7,057,927,698 Shares following the Minimum Subscription Scenario, the Minimum Non-sustainable Debt Shares Issuance Scenario and the Minimum Term Loan Shares Issue Scenario; and (iii) 0.3% of the Company's enlarged issued share capital of 8,863,799,732 Shares following the Maximum Subscription Scenario, the Maximum Non-sustainable Debt Shares Issuance Scenario and the Maximum Term Loan Shares Issue Scenario.

### 15.4 Rationale for the Term Loan 2 Facility and Proposed Additional Loan Shares Issuance

The Term Loan 2 Facility will be used as general working capital. As RHB Bank Labuan is one of the Other Creditors with Secured Assets, upon the disposal of SK715, the Bilateral Facilities Unsecured Debt to be settled under the Proposed Scheme will be reduced, thereby reducing the risk of default under the Proposed Scheme.

The Company believes that the proposed allotment and issue of the Additional Loan Shares as part payment of the Post-Disposal Secured TL Balance ("**Proposed Additional Loan Shares Issuance**") will reduce the need for cash repayment of the Post-Disposal Secured TL Balance thereby alleviating pressures on the Group's cash flow and facilitating the continuing operations of the Company.

The approval of Shareholders of the Company for the Proposed Additional Loan Shares Issuance is not a condition precedent to the Proposed Scheme as the Post-Disposal Secured TL Balance and the repayment thereof are separate from the Proposed Scheme; however, the Proposed Additional Loan Shares Issuance is conditional upon the Proposed Scheme coming into effect.

### 15.5 Approval in-principle from the SGX-ST

On 16 July 2018, the SGX-ST granted its in-principle approval for the dealing in, listing of and quotation of, *inter alia*, the Additional Loan Shares on the Mainboard of the SGX-ST, subject to certain conditions, further details of which are set out in Section 12 of the Circular.

### 15.6 Use of proceeds

There will not be any proceeds in cash from the Proposed Additional Loan Shares Issuance as the Additional Loan Shares are issued in consideration of the partial repayment of the Post-Disposal Secured TL Balance.

### 15.7 Rule 812(1) of the Listing Manual

None of the Additional Loan Shares will be placed by the Company to any person who is a Director or substantial shareholder of the Company, or any other person in the categories set out in Rule 812(1) of the Listing Manual.

## LETTER TO SHAREHOLDERS

### 15.8 Financial Effects of the Proposed Additional Loan Shares Issuance

The Proposed Additional Loan Shares Issuance is not expected to have a material impact on the share capital, net tangible assets or earnings per share of the Group for the financial year ending 31 December 2018.

As set out in Section 15.2 of this Circular, the Sustainable Secured TL Balance shall be repaid in eight (8) half-yearly instalments commencing in Review Year 4 and prepayment of the Sustainable Secured TL Balance may be made in and from Review Year 4 based on the excess cash calculations for Review Year 3 onwards. Assuming (a) the maximum number of Additional Loan Shares are issued as part payment of the accrued interest on the Sustainable Secured TL Balance, and (b) the maximum number of Rights Shares, Non-sustainable Debt Shares, Term Loan Shares and Award Shares are issued under the Proposed Scheme, the resultant share capital of the Company shall be RM4.8 million (based on the Latest Exchange Rate) comprising 9,776,537,425 Shares.

### 16. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of Directors and substantial shareholders in the Shares as recorded in the Register of Directors' Shareholdings and Register of Substantial Shareholders, respectively, as at the Latest Practicable Date, are as follow:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% <sup>(*)</sup>	Number of Shares	% <sup>(*)</sup>	Number of Shares	% <sup>(*)</sup>
<b>Directors</b>						
Tan Sri Datuk Tiong Su Kouk <sup>(1)</sup>	104,936,517	5.01%	969,768,115	46.26%	1,074,704,632	51.26%
Tiong Chiong Hiiung <sup>(2)</sup>	14,259,240	0.68%	9,629,881	0.46%	23,889,121	1.14%
Leong Seng Keat <sup>(3)</sup>	16,815,790	0.80%	75,886,187	3.62%	92,701,977	4.42%
Ajaib Hari Dass	–	–	–	–	–	–
Yee Kit Hong	–	–	–	–	–	–
Kan Yut Keong, Benjamin	–	–	–	–	–	–
<b>Substantial Shareholders (other than Directors)</b>						
S.K. Tiong Enterprise Sdn. Bhd. <sup>(4)</sup>	574,342,840	27.40%	319,954,845	15.26%	894,297,685	42.66%
Hung Yung Enterprise Sdn. Bhd.	319,954,845	15.26%	–	–	319,954,845	15.26%
Puan Sri Datin Wong Bak Hee <sup>(5)</sup>	15,420,430	0.74%	1,059,284,202	50.53%	1,074,704,632	51.26%

(\*) – Based on 2,096,465,885 Shares as at the Latest Practicable Date

**Notes:**

- (1) Tan Sri Datuk Tiong Su Kouk is deemed to have an interest in the shares held by Hung Yung Enterprise Sdn. Bhd., S.K. Tiong Enterprise Sdn. Bhd. and his wife, Puan Sri Datin Wong Bak Hee, and 60,000,000 shares held by UOB Nominees (Private) Limited (as nominee) by virtue of Section 4 of the SFA.
- (2) Tiong Chiong Hiiung is deemed to have an interest in the shares held by Starcity Housing Sdn. Bhd. by virtue of Section 4 of the SFA.
- (3) Leong Seng Keat is deemed to have an interest in the shares held by Dominion Energy Sdn. Bhd and his wife, Tiong Eng Ming, by virtue of Section 4 of the SFA.
- (4) S.K. Tiong Enterprise Sdn. Bhd. is deemed to have an interest in the shares held by Hung Yung Enterprise Sdn. Bhd. by virtue of Section 4 of the SFA.
- (5) Puan Sri Datin Wong Bak Hee is deemed to have an interest in the shares held by S.K. Tiong Enterprise Sdn. Bhd., Hung Yung Enterprise Sdn. Bhd., her husband, Tan Sri Datuk Tiong Su Kouk and 50,000 shares held by Phillip Securities Pte. Ltd. (as nominee) and 60,000,000 shares held by UOB Nominees (Private) Limited (as nominee) by virtue of Section 4 of the SFA.

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## LETTER TO SHAREHOLDERS

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### 17. DIRECTORS' RECOMMENDATIONS

#### 17.1 The Proposed Capital Reorganisation

Having considered, *inter alia*, the rationale of the Proposed Capital Reorganisation, the Directors, are of the opinion that the Proposed Reorganisation is in the best interests of the Company and, accordingly, recommend that Shareholders vote in favour of the proposed resolution relating thereto to be proposed at the SGM.

#### 17.2 The Proposed Rights Issue

Having considered, *inter alia*, the rationale and the terms of the Proposed Rights Issue, the Directors, are of the opinion that the Proposed Rights Issue is in the best interests of the Company and, accordingly, recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the SGM.

#### 17.3 The Proposed Non-sustainable Debt Shares Issuance

Having considered, *inter alia*, the rationale and the terms of the Proposed Non-sustainable Debt Shares Issuance, the Directors are of the opinion that the Proposed Non-sustainable Debt Shares Issuance is in the best interests of the Company and, accordingly, recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the SGM.

#### 17.4 The Proposed Term Loan Shares Issuance

Having considered, *inter alia*, the rationale and the terms of the Proposed Term Loan Shares Issuance, the Directors are of the opinion that the Proposed Term Loan Shares Issuance is in the best interests of the Company and, accordingly, recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the SGM.

#### 17.5 The Proposed Termination of the 2013 Plan

Based on the eligibility criteria of the 2013 Plan, all Executive Directors of the Company who are not Controlling Shareholders or Associates of Controlling Shareholders, namely, Leong Seng Keat (who is Chief Executive Officer of the Company), are eligible to participate in, and are therefore interested in the 2013 Plan. Accordingly, Leong Seng Keat has abstained from making any recommendation to the Shareholders in respect of the 2013 Plan.

The remaining Directors, namely, Tan Sri Datuk Tiong Su Kouk, Tiong Chiong Hiiung, Ajaib Hari Dass, Yee Kit Hong and Kan Yut Keong, Benjamin, are not entitled to participate in the 2013 Plan, and are independent for the purposes of the ordinary resolution in relation to the Proposed Termination of the 2013 Plan to be proposed at the SGM. Having considered, *inter alia*, the rationale of the Proposed Termination of the 2013 Plan, the aforementioned Directors are of the view that the Proposed Termination of the 2013 Plan is in the best interests of the Company and, accordingly, recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the SGM.

#### 17.6 The Proposed Adoption of the Nam Cheong Management Incentive Plan

Based on the eligibility criteria of the Plan, all Executive Directors of the Company, Controlling Shareholders and their Associates, namely Tan Sri Datuk Tiong Su Kouk (who is Executive Chairman and a Controlling Shareholder of the Company), Tiong Chiong Hiiung (who is Executive Vice-Chairman and an Associate of a Controlling Shareholders of the Company) and Leong Seng Keat (who is Chief Executive Officer of the Company), are eligible to participate in, and are therefore interested in the Plan. Accordingly, Tan Sri Datuk Tiong Su Kouk, Tiong Chiong Hiiung and Leong Seng Keat have abstained from making any recommendation to the Shareholders in respect of the Plan.

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## LETTER TO SHAREHOLDERS

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The remaining Directors, namely, Ajaib Hari Dass, Yee Kit Hong and Kan Yut Keong, Benjamin, are not entitled to participate in the Plan, and are independent for the purposes of the ordinary resolution in relation to the proposed adoption of the Nam Cheong Management Incentive Plan to be proposed at the SGM. Having considered, *inter alia*, the terms and the rationale of the Nam Cheong Management Incentive Plan, the aforementioned Directors are of the view that the adoption of the Nam Cheong Management Incentive Plan is in the best interests of the Company and, accordingly, recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the SGM.

**17.7 The Proposed Participation by Mr. Tiong Chiong Soon, an Associate of the Controlling Shareholder, in the Nam Cheong Management Incentive Plan**

The Committee, comprising Ajaib Hari Dass, Yee Kit Hong and Kan Yut Keong, Benjamin, has been tasked to review the proposed participation by Mr. Tiong Chiong Soon, an Associate of the Controlling Shareholder, in the Nam Cheong Management Incentive Plan, and is of the view that such participation is in the interests of the Company.

Having considered, *inter alia*, the rationale and benefits of the proposed participation in the Plan by Mr. Tiong Chiong Soon in the Nam Cheong Management Incentive Plan, the Directors (save for Tan Sri Datuk Tiong Su Kouk, Tiong Chiong Hiiung and Leong Seng Keat, who have for the reasons set out in Section 17.6 of this Circular, abstained from making any recommendation to the Shareholders in respect of the Plan) are of the view that the proposed participation by Mr. Tiong Chiong Soon, an Associate of the Controlling Shareholder, in the Nam Cheong Management Incentive Plan, is in the interest of the of the Company and, accordingly, recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the SGM.

**17.8 The Proposed Grant of an Award comprising up to 89,043,832 Shares over Review Year 1 to Review Year 7 to Mr. Tiong Chiong Soon, an Associate of the Controlling Shareholder, under the Nam Cheong Management Incentive Plan**

The Committee, comprising Ajaib Hari Dass, Yee Kit Hong and Kan Yut Keong, Benjamin, has been tasked to review the proposed grant of an Award comprising up to 89,043,832 Shares over Review Year 1 to Review Year 7 as set out in Section 10.3 of this Circular to Mr. Tiong Chiong Soon, an Associate of the Controlling Shareholder, under the Nam Cheong Management Incentive Plan, and is of the view that such grant is in the interest of the Company.

The Directors (save for Tan Sri Datuk Tiong Su Kouk, Tiong Chiong Hiiung and Leong Seng Keat, who have for the reasons set out in Section 17.6 of this Circular, abstained from making any recommendation to the Shareholders in respect of the Plan) are of the view that the proposed grant of an Award comprising up to 89,043,832 Shares over Review Year 1 to Review Year 7 as set out in Section 10.3 of this Circular to Mr. Tiong Chiong Soon, an Associate of the Controlling Shareholder, under the Nam Cheong Management Incentive Plan, is in the interest of the Company and, accordingly, recommend the Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the SGM.

**17.9 The Proposed Participation by Mr. Tiong Chiong Hiiung, an Associate of the Controlling Shareholder, in the Nam Cheong Management Incentive Plan**

The Committee, comprising Ajaib Hari Dass, Yee Kit Hong and Kan Yut Keong, Benjamin, has been tasked to review the proposed participation by Mr. Tiong Chiong Hiiung, an Associate of the Controlling Shareholder, in the Nam Cheong Management Incentive Plan, and is of the view that such participation is in the interests of the Company.

Having considered, *inter alia*, the rationale and benefits of the proposed participation in the Plan by Mr. Tiong Chiong Hiiung, an Associate of the Controlling Shareholder, in the Nam Cheong Management Incentive Plan, the Directors (save for Tan Sri Datuk Tiong Su Kouk, Tiong Chiong Hiiung and Leong Seng Keat who have, for the reasons set out in Section 17.6 of this Circular, abstained from making any recommendation to Shareholders in respect of the Plan) are of the view that the proposed participation by Mr. Tiong Chiong Hiiung, an Associate of the Controlling

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Shareholder, in the Nam Cheong Management Incentive Plan, is in the interest of the of the Company and, accordingly, recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the SGM.

### 17.10 **The Proposed Grant of an Award comprising up to 89,043,832 Shares to Mr. Tiong Chiong Hiiung, an Associate of the Controlling Shareholder, in the Nam Cheong Management Incentive Plan**

The Committee, comprising Ajaib Hari Dass, Yee Kit Hong and Kan Yut Keong, Benjamin, has been tasked to review the proposed grant of an Award comprising up to 89,043,832 Shares over Review Year 1 to Review Year 7 as set out in Section 11.3 of this Circular to Mr. Tiong Chiong Hiiung, an Associate of the Controlling Shareholder, under the Nam Cheong Management Incentive Plan, and is of the view that such grant is in the interest of the Company.

The Directors (save for Tan Sri Datuk Tiong Su Kouk, Tiong Chiong Hiiung and Leong Seng Keat, who have for the reasons set out in Section 17.6 of this Circular, abstained from making any recommendation to the Shareholders in respect of the Plan) are of the view that the proposed grant of an Award comprising up to 89,043,832 Shares over Review Year 1 to Review Year 7 as set out in Section 11.3 of this Circular to Mr. Tiong Chiong Hiiung, an Associate of the Controlling Shareholder, under the Nam Cheong Management Incentive Plan, is in the interest of the Company and, accordingly, recommend the Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the SGM.

### 17.11 **The Proposed Additional Loan Shares Issuance**

Having considered, *inter alia*, the rationale and the terms of the Proposed Additional Loan Shares Issuance, the Directors are of the opinion that the Proposed Additional Loan Shares Issuance is in the best interests of the Company and, accordingly, recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the SGM.

### 17.12 **Note to Shareholders**

Shareholders, in deciding whether to vote in favour of the resolutions, should read carefully the terms and conditions, rationale and financial effects of the Proposals. In giving the above recommendations, the Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As Shareholders would have different investment objectives, the Directors recommend that any Shareholder who may require specific advice in relation to his or her specific investment objectives or portfolio should consult his or her stockbroker, bank, solicitor, tax adviser or other professional advisers.

## 18. **ABSTENTION FROM VOTING**

Shareholders who are entitled to participate in the 2013 Plan shall abstain from voting at the SGM in respect of any resolutions in relation to the 2013 Plan, namely, Ordinary Resolution 4 in relation to the Proposed Termination of the 2013 Plan, as set out in the Notice of SGM on pages N-1 to N-7, and shall decline to accept appointment as proxies for any Shareholders to vote in respect of the aforesaid resolutions, unless such Shareholder shall have given specific instructions in his proxy form as to the manner in which his votes are to be cast in respect of the resolution.

Shareholders who are entitled to participate in the Plan, including, to the extent that they are Shareholders, all the Executive Directors of the Company and all Controlling Shareholders and their Associates, shall abstain from voting at the SGM in respect of any resolutions in relation to the Plan, namely Ordinary Resolutions 5 to 9, as set out in the Notice of SGM on pages N-1 to N-7, and shall decline to accept appointment as proxies for any Shareholders to vote in respect of the aforesaid resolutions, unless such Shareholder shall have given specific instructions in his proxy form as to the manner in which his votes are to be cast in respect of the resolutions.

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## LETTER TO SHAREHOLDERS

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### 19. SPECIAL GENERAL MEETING

The SGM, notice of which is set out on page N-1 to N-7 of this Circular, will be held at Furama Riverfront, Venus I & II, Level 3, 405 Havelock Road Singapore 169633, on 20 August 2018 at 10.15 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place), Singapore time, for the purpose of considering and, if thought fit, passing (with or without any modification) the ordinary resolutions set out in the Notice of SGM.

### 20. ACTION TO BE TAKEN BY SHAREHOLDERS

A Shareholder entitled to attend and vote at the SGM who is the holder of two (2) or more Shares but is unable to attend the SGM in person shall be entitled to appoint not more than two (2) proxies to attend and vote at the SGM on his behalf. Attached to this Circular is a Shareholder Proxy Form which such a Shareholder is requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the offices of the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 not less than forty-eight (48) hours before the time appointed for the SGM. The completion and return of a Shareholder Proxy Form by a Shareholder does not preclude him from attending and voting in person at the SGM in place of his proxy if he finds that he is able to do so, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Depositors who wish to attend and vote at the SGM, and whose names are shown in the records of CDP as at a time not earlier than forty-eight (48) hours before the time appointed for the SGM supplied by CDP to the Company, may attend and vote as CDP's proxies. Such Depositors who are individuals and who wish to attend the SGM in person need not take any further action and may attend and vote as the CDP's proxies at the SGM without the lodgement of any proxy form. Depositors which are not individuals and Depositors who are individuals but are unable to attend personally and wish to appoint a nominee to attend and vote on his behalf as CDP's proxies, will find attached to this Circular a Depositor Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event, so as to arrive at the offices of the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd. not less than forty-eight (48) hours before the time appointed for the SGM. The completion and return of a Depositor Proxy Form by a Depositor who is an individual does not preclude him from attending and voting in person as CDP's proxy at the SGM in place of his nominee if he finds that he is able to do so, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

### 21. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposals, the Company and its Subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular 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 the Circular in its proper form and context.

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## LETTER TO SHAREHOLDERS

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### 22. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the office of the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place, #29-01, Republic Plaza Tower 1, Singapore 048619, during normal business hours from the date of this Circular up to and including the date of the SGM:

- (a) the Memorandum and Bye-laws of the Company;
- (b) the Company's annual report for FY2017;
- (c) 12 April 2013 Circular;
- (d) Rules of the Plan; and
- (e) Rules of the 2013 Plan.

Yours faithfully

For and on behalf of the Board of Directors of  
**Nam Cheong Limited**

Tan Sri Datuk Tiong Su Kouk  
Executive Chairman



## APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

### 3. FINANCIAL INFORMATION OF THE GROUP

#### 3.1 Consolidated Income Statements

The consolidated income statements of the Group for FY2015, FY2016 and FY2017 are set out below:

	FY2015 RM'000 Audited	FY2016 RM'000 Audited	FY2017 RM'000 Audited
<b>Revenue</b>	950,030	170,424	319,578
Cost of sales	(800,027)	(161,971)	(283,758)
<b>Gross profit</b>	150,003	8,453	35,820
Other income	18,093	106,065	24,194
Selling and administrative expenses	(58,383)	(42,824)	(33,766)
Other operating expenses	(29,303)	(91,175)	(2,919,899)
<b>Operating profit / (loss)</b>	80,410	(19,481)	(2,893,651)
Finance costs	(24,216)	(15,463)	(73,391)
Share of results of equity accounted joint ventures, net of tax	6,633	6,593	(4,936)
Share of results of equity accounted associate, net of tax	(31,873)	(14,271)	(46,610)
<b>Profit / (Loss) before income tax</b>	30,954	(42,622)	(3,018,588)
Income tax expense	(3,029)	(149)	813
<b>Profit / (Loss) for the financial year</b>	27,925	(42,771)	(3,017,775)
<b>Other comprehensive income</b>			
<i>Items that will or may be reclassified subsequently to profit and loss</i>			
Exchange differences on translating foreign operations	184,936	27,071	(6,801)
Changes to cash flow hedges reserves	31,428	6,617	-
Fair value loss on available-for-sale	-	-	(2,372)
<b>Other comprehensive income / (loss) for the financial year, net of tax</b>	216,364	33,688	(9,173)
<b>Total comprehensive income / (loss) for the financial year</b>	244,289	(9,083)	(3,026,948)
<b>Profit / (Loss) attributable to:</b>			
Owners of the parent	28,516	(42,014)	(3,020,051)
Non-controlling interest	(591)	(757)	2,276
<b>Profit / (Loss) for the financial year</b>	27,925	(42,771)	(3,017,775)

## APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

	FY2015 RM'000 Audited	FY2016 RM'000 Audited	FY2017 RM'000 Audited
<b>Total comprehensive income / (loss) attributable to:</b>			
Owners of the parent	244,880	(8,326)	(3,029,224)
Non-controlling interest	(591)	(757)	2,276
<b>Total comprehensive income / (loss) for the financial year</b>	<b>244,289</b>	<b>(9,083)</b>	<b>(3,026,948)</b>
<b>Earnings / (Loss) per share</b>			
Basic (in Sen)	1.36	(2.00)	(144.05)
Diluted (in Sen)	1.36	(2.00)	(144.05)
<b>Earnings / (Loss) per share after adjusting for rights issue</b>			
Basic (in Sen)	0.68	(1.00)	(72.03)
Diluted (in Sen)	0.68	(1.00)	(72.03)
<b>Dividend per Share</b>			
In cents	-	-	-
In Sen	-	-	-

A review of the operations, business and financial performance of the Group is set out below:

### FY2016 vs FY2015

Revenue for the financial year ended 31 December 2016 (“FY2016”) was approximately RM170.4 million, which was approximately RM779.6 million, or 82%, lower than the revenue for FY2015 of approximately RM950.0 million. The shipbuilding segment recorded revenue of approximately RM146.4 million in FY2016, representing a decrease of approximately RM759.2 million, or 84%, as compared to approximately RM905.6 million recorded for FY2015. This decrease in revenue for the shipbuilding segment was mainly due to a decrease in the number of vessels delivered in FY2016 as compared to FY2015. Two (2) units of vessels were completed and delivered in FY2016 as compared to 11 units of vessels in FY2015.

The vessel chartering segment also registered a decrease in revenue of approximately RM20.4 million, or 46%, from approximately RM44.4 million for FY2015 to approximately RM24.0 million for FY2016, and this decrease was mainly due to lower utilisation rate for FY2016.

Gross profit decreased by 94%, from approximately RM150.0 million for FY2015 to approximately RM8.5 million recorded for FY2016, which was in tandem with lower revenue recorded in FY2016. The gross profit margin for FY2016 of 5% was lower as compared to 16% in FY2015. The gross profit margin for the shipbuilding segment was consistent at 17%. The chartering segment recorded gross loss in FY2016 due to lower utilisation rate of vessels.

Other income for FY2016 of approximately RM106.1 million was higher as compared to approximately RM18.1 million recorded in FY2015, and this increase was mainly due to the deposit which was forfeited due to Perdana Petroleum Berhad’s cancellation of two (2) Accommodation Work Barges as well as the foreign exchange gain.

Selling and administrative expenses decreased by approximately RM15.6 million or 27% from RM58.4 million in FY2015 to RM42.8 million in FY2016, and this decrease was mainly due to our cost rationalisation measures which improve overall efficiency. Other operating expenses of

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## APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

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approximately RM91.2 million in FY2016 mainly consist of inventories written down and impairment on investment in an associate, deposit and prepayment written off and impairment on property, plant and equipment.

Finance cost decreased by approximately RM8.8 million or 36% from approximately RM24.4 million in FY2015 to approximately RM15.5 million in FY2016, as a result of higher interest expense being capitalised in cost of construction of vessels.

The net loss after taxation for FY2016 was RM42.8 million.

The shipbuilding segment continued to be the main revenue generator, contributing approximately RM146.4 million or 86% of the Group's total revenue of approximately RM170.4 million in FY2016. The remaining 14% of the Group's total revenue in FY 2016 was attributed to the vessel chartering segment. The contributing revenue from the vessel chartering segment increased from 5% in FY2015 to 14% in FY2016.

Share of profit in jointly controlled entities recorded a gain of approximately RM6.6 million which was offset by the share of loss in an associate of approximately RM14.3 million in FY2016 due to low vessel utilisation.

### **FY2017 vs FY2016**

Revenue for full year ended 31 December 2017 (“**FY2017**”) of RM319.6 million was RM149.2 million, or 87%, higher as compared to RM170.4 million recorded FY2016. The shipbuilding segment recorded revenue of RM239.4 million for FY2017, representing an increase of 96% as compared to RM121.9 million recorded for FY2016. This was mainly attributed to the sale and delivery of three (3) vessels in FY2017.

The vessel chartering segment also registered an increase in revenue of RM31.7 million, or 65%, from RM48.5 million for FY2016 to RM80.2 million for FY2017, mainly attributed to the addition of four (4) vessels to the chartering fleet in FY2017.

Overall, the Group's gross profit quadrupled from RM8.5 million in FY 2016 to RM35.8 million in FY 2017, which was due mainly to the improved gross profit generated by the vessel chartering segment of RM41.0 million, against gross loss of RM25.6 million in FY 2016. Meanwhile, the gross profit margin stabilised at 11% in FY 2017.

Primarily due to the absence of a foreign exchange gain of RM44.3 million and forfeited deposit received of RM46.2 million which was recorded in FY 2016, other income in FY 2017 declined 77% to RM24.2 million.

Selling and administrative expenses decreased by 21% to RM33.8 million during FY 2017, mainly due to the decrease in banking facilities expenses of RM7.9 million. Finance cost increased by RM57.9 million in FY 2017 compared to FY 2016, as a result of lower interest expense being capitalised in cost of construction.

Share of result in joint ventures and associate recorded a loss of RM4.9 million and RM46.6 million respectively in FY 2017 due to lower vessel utilisation rate.

During FY 2017, the Group provided for assets impairment and writing down of RM2.8 billion, which consist of impairment on property, plant and equipment, investment in associate, investment properties, amount due from customers on contracts and trade and other receivables of RM638.1 million as well as inventories written down and prepayment written off of RM2.19 billion. Subsequent to FY 2017, as a result of the successful cancellation of certain shipbuilding contracts in February 2018, the Group's payables amounting to RM558.2 million will be waived.

Mainly as a result of the assets impairment and writing down of RM2.8 billion, the Group recorded a net loss after taxation of RM3.02 billion in FY 2017.

## APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

### 3.2 Statement of financial position

The statement of financial position of the Group for FY2015, FY2016 and FY2017 are set out below:

	FY2015 RM'000 Audited	FY2016 RM'000 Audited	FY2017 RM'000 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	449,881	428,497	268,703
Prepaid land lease payments	7,673	7,403	7,133
Investment properties	92,241	92,784	-
Investment in joint ventures	8,624	10,957	4,041
Investment in an associate	88,281	74,840	23,840
Held-to-maturity financial assets	110,102	-	-
Available-for-sale financial assets	-	30,442	3,226
Trade receivables – long term	-	-	16,797
	756,802	644,923	323,740
<b>Current assets</b>			
Held-to-maturity financial assets	16,924	-	-
Available-for-sale financial assets	-	4,716	-
Inventories	1,827,799	2,398,304	382,043
Trade and other receivables	105,656	128,012	65,079
Prepayments	214,033	156,785	4,724
Current income tax recoverable	744	1,674	1,526
Due from customers on contracts	522,734	462,398	38,484
Derivatives	151	-	-
Cash and cash equivalents	506,060	301,493	224,417
	3,194,101	3,453,382	716,273
Asset-held-for-sale	-	-	74,676
<b>TOTAL ASSETS</b>	3,950,903	4,098,305	1,114,689
<b>EQUITY AND LIABILITIES</b>			
Share capital	405,962	405,962	81,192
Share premium	82,347	82,347	82,347
Treasury shares	(4,097)	(4,097)	(4,097)
Reserves	294,099	327,787	318,614
Retained earnings / (Accumulated losses)	598,828	556,814	(2,138,467)
<b>Equity attributable to owners of the parent</b>	1,377,139	1,368,813	(1,660,411)
Non-controlling interests	(23)	(780)	1,496
<b>Total equity</b>	1,377,116	1,368,033	(1,658,915)
<b>Non-current liabilities</b>			
Loans and borrowings	1,181,227	874,781	-
Deferred tax liabilities	1,478	1,480	220
Trade and other payables	2,692	2,637	2,582
	1,185,397	878,898	2,802

## APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

	FY2015 RM'000 Audited	FY2016 RM'000 Audited	FY2017 RM'000 Audited
<b>Current liabilities</b>			
Due to customers on contracts	16,968	3,791	700
Derivatives	9,146	-	-
Loans and borrowings	627,980	948,720	1,639,247
Trade and other payables	734,096	898,663	1,098,475
Provisions	200	200	32,380
	1,388,390	1,851,374	2,770,802
<b>Total liabilities</b>	2,573,787	2,730,272	2,773,604
<b>TOTAL EQUITY AND LIABILITIES</b>	3,950,903	4,098,305	1,114,689

### **Review of balance sheet as at 31 December 2015**

Total assets of the Group increased by approximately RM698.5 million, or 21%, from approximately RM3.25 billion as at 31 December 2014 to approximately RM3.95 billion as at 31 December 2015 mainly due to:

- (a) the increase in property, plant and equipment of approximately RM167.7 million which was mainly due to the addition of two (2) vessels to the existing fleet during the relevant period; and
- (b) the increase in inventories by approximately RM787.1 million from approximately RM1.04 billion in FY2014 to approximately RM1.83 billion in FY2015 as a result of progresses of works for its built-to-stock vessels under the shipbuilding programme.

Total liabilities of the Group increased by approximately RM540.7 million, or 27%, from approximately RM2.03 billion in FY2014 to approximately RM2.57 billion in FY2015 mainly due to the increase in trade and other payables of approximately RM97.4 million and the increase in loans and borrowings of approximately RM499.9 million.

The Group's net gearing ratio increased from 0.42 time in FY2014 to 0.95 time in FY2015 mainly due to the decrease in cash and bank balances, coupled with increase in loans and borrowings.

### **Review of balance sheet as at 31 December 2016**

Total assets of the Group increased by approximately RM147.4 million, or 4%, from approximately RM3.95 billion as at 31 December 2015 to approximately RM4.10 billion as at 31 December 2016 mainly due to:

- (a) the net increase in inventories and amount due from customers on contracts of approximately RM510.2 million in FY2016 as a result of progresses of works for its built-to-stock vessels under the shipbuilding programme; and
- (b) the decrease in the cash and cash equivalents of approximately RM204.6 million and prepayment of approximately RM57.2 million.

Total liabilities of the Group increased by approximately RM156.5 million, or 6%, from approximately RM2.57 billion in FY2015 to approximately RM2.73 billion in FY2016, mainly due to the increase in trade and other payables of approximately RM164.5 million.

As a result of the decrease in cash and cash equivalents, the Group's net gearing ratio increased from 0.95 times in FY2015 to 1.11 times in FY2016.

## APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

### Review of balance sheet as at 31 December 2017

Total assets of the Group decreased by RM2.98 billion from RM4.10 billion as at FY2016 to RM1.11 billion as at FY 2017 mainly due to assets impairment and writing down of RM2.8 billion in FY 2017.

Total liabilities of the Group increased by RM43.3 million from RM2.73 billion in FY2016 to RM2.77 billion in FY 2017, mainly due to the increase in the trade and other payables of RM199.8 million, which was offset with the decrease in loans and borrowings of RM184.3 million in FY 2017.

### 3.3 Consolidated statement of Cash Flows

The consolidated statement of cash flow of the Group for FY2015, FY2016 and FY2017 are set out below:

	FY2015 RM'000 Audited	FY2016 RM'000 Audited	FY2017 RM'000 Audited
<b>Operating activities</b>			
Profit / (Loss) before income tax	30,954	(42,622)	(3,018,588)

Adjustments for:

Amortisation of prepaid land lease payments	108	108	108
Depreciation of property, plant and equipment	20,498	20,888	19,214
Depreciation of investment properties	1,195	1,298	930
(Gain) / Loss on disposal of property, plant and equipment	(64)	3,264	(7,081)
Loss on disposal for available-for-sale financial assets	-	2,713	1,170
Allowance for trade receivables written back	-	(1,635)	(2)
Impairment on amount due from customers on contracts	-	-	198,660
Impairment on property, plant and equipment	-	3,554	346,767
Impairment on investment in associate	-	3,445	5,237
Impairment on investment properties	-	-	15,233
Allowance for trade and other receivables	1,702	1,196	71,732
Inventories written down	-	59,772	2,085,877
Inventories written off	-	-	639
Interest expense	24,216	15,463	73,391
Interest income	(6,321)	(4,979)	(5,444)
Net fair value gain on derivatives	-	(2,378)	-
Ineffectiveness on forward currency contract designated as cash flow hedges	(7,302)	-	-
Bad debts written off	-	15	3,389
Prepayments for inventories written off	-	19,929	105,899
Contract termination expenses relating to prepayments for inventories	-	-	8,363
Property, plant and equipment written off	18	-	482
Share of post-tax results of equity accounted joint ventures	(6,633)	(6,593)	4,936
Share of post-tax results of equity accounted associate	31,873	14,271	46,610
Share grant plan expenses	683	-	-
Unrealised loss / (gain) on foreign exchange	43,703	(42,751)	36,766
<b>Total adjustments</b>	<b>103,676</b>	<b>87,580</b>	<b>3,012,876</b>

**APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF  
PAST PERFORMANCE**

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
<b>Operating cash flows before working capital changes</b>	134,630	44,958	(5,712)
Changes in working capital:			
Increase in inventories	(637,022)	(305,236)	(433,204)
Decrease / (Increase) in receivables	84,100	(38,590)	(35,006)
(Increase) / Decrease in prepayments	(30,145)	43,895	30,960
Decrease / (Increase) in amount due from customers on contracts	46,894	(83,206)	202,317
(Decrease) / Increase in payables	(51,357)	129,688	300,176
Decrease in amount due to customers on contracts	(23,698)	(13,639)	(2,868)
Increase in provision	-	-	32,180
<b>Total changes in working capital</b>	<b>(611,228)</b>	<b>(267,088)</b>	<b>94,555</b>
<b>Cash flows from / (used in) operations</b>	<b>(476,598)</b>	<b>(222,130)</b>	<b>88,843</b>
Interest paid	(72,545)	(15,462)	(39,483)
Taxes paid, net of refund	1,255	(1,079)	(297)
<b>Net cash flows (used in) / from operating activities</b>	<b>(547,888)</b>	<b>(238,671)</b>	<b>49,063</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	(33,985)	(87)	(2,922)
Interest received	6,321	4,979	5,444
Proceeds from maturity of held-to-maturity financial assets	10,716	15,914	-
Proceeds from disposal of available-for-sale financial assets	-	79,130	25,760
Proceeds from disposal of property, plant and equipment	85	5,050	7
(Repayment from)/Advances to joint ventures	-	23,115	(3,685)
Sundry receivables relating to sales of leasehold property	-	-	13,857
Deposit received relating to asset-held-for-sale	-	-	5,313
<b>Net cash flows (used in) / from investing activities</b>	<b>(16,863)</b>	<b>128,101</b>	<b>43,774</b>

## APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

	FY2015 RM'000 Audited	FY2016 RM'000 Audited	FY2017 RM'000 Audited
<b>Financing activities</b>			
Dividend paid	(84,896)	-	-
Proceeds from revolving credit	534,068	316,840	42,432
Proceeds from trust receipt	18,523	5,633	8,802
Proceeds from term loans	122,516	45,533	-
Proceeds from project invoice financing	75,955	23,047	4,462
Proceeds from issuance of medium term notes, net of transaction costs	210,241	-	-
Repayments of revolving credit	(260,301)	(315,695)	(123,196)
Repayments of trust receipt	(15,573)	(2,950)	(14,159)
Repayments of term loans	(22,293)	(97,689)	(41,732)
Repayments of project invoice financing	(63,588)	(17,227)	-
Repayments of medium term notes	(275,077)	-	(5,818)
Purchase of treasury shares	(2,292)	-	-
Decrease / (Increase) in fixed deposit pledged	(63,871)	(59,048)	101,187
Interest paid	-	(75,436)	(31,627)
<b>Net cash flows from / (used in) financing activities</b>	<b>173,412</b>	<b>(176,992)</b>	<b>(59,649)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(391,339)</b>	<b>(287,562)</b>	<b>33,188</b>
<b>Effects of foreign exchange rate changes</b>	<b>33,430</b>	<b>8,189</b>	<b>(12,783)</b>
<b>Cash and cash equivalents at beginning of financial year</b>	<b>799,900</b>	<b>441,991</b>	<b>162,618</b>
<b>Cash and cash equivalents at end of financial year</b>	<b>441,991</b>	<b>162,618</b>	<b>183,023</b>

A review of the cash flow position for the Group for FY2015, FY2016 and FY2017 is set out below:

### FY2015

Net cash flows from operating activities decreased from approximately RM161.1 million in FY2014 to net cash flows used in operating activities of approximately RM547.9 million in FY2015 mainly due to the increase in inventories by approximately RM637.0 million in FY2015.

Net cash flows used in investing activities for FY2015 was approximately RM16.9 million of which approximately RM34.0 million was utilised for the acquisition of property, plant and equipment and partly offset by the proceeds from disposal of held-to-maturity asset of approximately RM10.7 million.

Net cash flows from financing activities for FY2015 of approximately RM173.4 million was mainly attributed to the net proceeds from bank borrowings and issuance of additional Notes under the MTN Programme amounting to approximately RM751.1 million and approximately RM210.2 million respectively, which were partially offset by repayment of bank borrowings of approximately RM361.8 million and repayment of Notes issued under the MTN Programme of approximately RM275.1 million.



## APPENDIX A – SELECTED FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

### FY2016

Net cash flows used in operating activities of approximately RM267.1 million for FY2016 was mainly due to the increase in inventories of approximately RM305.2 million.

Net cash flows from investing activities of approximately RM128.1 million for FY2016 was mainly attributed to the combination of proceeds from disposal of held-to-maturity and available-for-sale financial assets of approximately RM95.0 million.

Net cash flows used in financing activities of approximately RM177.0 million for FY2016 was mainly attributed to the placement of fixed deposits of approximately RM59.0 million and net of repayments of bank borrowings of approximately RM42.5 million.

### FY2017

Net cash flows from operating activities of RM49.1 million for FY 2017 was mainly due to the collection from the sale and delivery of 3 vessels in FY 2017.

Net cash flows from investing activities of RM43.8 million for FY 2017 was mainly attributed to the proceeds from disposal of available-for-sale financial assets of RM25.8 million.

Net cash flows used in financing activities of RM59.6 million for FY 2017 was mainly due to the repayment of bank borrowings of RM179.1 million which was partially funded with the fixed deposits pledged of RM101.2 million.

### 3.4 Working Capital

The working capital of the Group as at 31 December 2015, 31 December 2016 and 31 December 2017 are set out below:

	31 December 2015	31 December 2016	31 December 2017
	RM'000	RM'000	RM'000
Total Current Assets	3,194,101	3,453,382	716,273
Total Current Liabilities	1,388,390	1,851,374	2,770,802
Net Working Capital	1,805,711	1,602,008	(2,054,529)

A review of the working capital of the Group as at 31 December 2015, 31 December 2016 and 31 December 2017 is set out below:

#### As at 31 December 2016 compared to 31 December 2015

The decrease in net working capital of approximately RM203.7 million, or 11%, from approximately RM1.81 billion as at 31 December 2015 to approximately RM1.60 billion as at 31 December 2016, and this decrease was mainly due to the reclassification of approximately RM306.4 million of the non-current portion of the loan and borrowings to current liabilities.

#### As at 31 December 2017 compared to 31 December 2016

The decrease in net working capital of approximately RM3.65 billion, or 228%, from approximately RM1.60 billion as at 31 December 2016 to negative working capital of approximately RM2.05 billion as at 31 December 2017 was mainly due to the decrease in inventories and amount due from contract customers of approximately RM2.02 billion and approximately RM423.9 million respectively, coupled with the reclassification of the non-current portion of the loan and borrowings of approximately RM874.8 million in FY2016 to current liabilities.

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## APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

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### NAM CHEONG LIMITED

#### RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

##### 1. NAME OF THE PLAN

This Plan shall be called the “Nam Cheong Management Incentive Plan”.

##### 2. DEFINITIONS

2.1 In this Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Adoption Date”	The date on which the Plan is adopted by the Company in general meeting
“Announcement”	Has the meaning ascribed to it in Rule 7.3A
“Associates”	In relation to any director, chief executive officer, substantial shareholder or Controlling Shareholder (being any individual) means:  (i) his immediate family;  (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and  (iii) any company in which he and/or his immediate family together (directly or indirectly) have an interest of 30% or more
“Associated Company”	A company in which at least 20% but not more than 50% of its shares are held by the Company or Group, and over which the Company has control
“Auditors”	The auditors for the time being of the Company
“Award”	A contingent award of Shares granted under Rule 5
“Award Letter”	A letter in such form as the Committee shall approve, confirming an Award granted to a Participant
“Bermuda Companies Act”	Companies Act 1981 of Bermuda, as may be amended or modified from time to time
“Board”	The board of directors of the Company
“CDP”	The Central Depository (Pte) Limited
“Committee”	The remuneration committee of the Company
“Company”	Nam Cheong Limited
“control”	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company

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## APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

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“Controlling Shareholder”	A person who: (a) holds directly or indirectly 15.0% or more of the total number of issued Shares (excluding treasury shares) (unless the SGX-ST determines otherwise); or (b) in fact exercises control over the Company
“Date of Grant”	In relation to an Award, the date on which the Award is granted pursuant to Rule 5
“Director”	A person holding office as a director for the time being a Group Company
“Employee”	An employee of a Group Company or an Associated Company
“Executive Director”	A director for the time being of a Group Company or an Associated Company holding office in an executive capacity in such company
“Group”	The Company and its subsidiaries
“Group Company”	A company within the Group
“Listing Rules”	The listing rules of the SGX-ST as set out in the Listing Manual of the SGX-ST, as amended and modified from time to time
“Management”	Collectively, Leong Seng Keat, Joseph Tiong Chiong Soon, John Tiong Chiong and other members of the management as may be determined by the remuneration committee of the Company
“Management Award Criteria”	Has the meaning ascribed to it in Rule 4.6
“Market Day”	A day on which the SGX-ST is open for trading of securities
“Memorandum and Bye-laws”	Memorandum of Association and Bye-laws of the Company
“New Shares”	New Shares which may be allotted and issued from time to time pursuant to the Release of Awards granted under the Plan
“Participant”	The holder of an Award
“Performance Condition”	In relation to a Performance-related Award, the condition specified on the Date of Grant in relation to the Release of that Award
“Performance-related Award”	An Award in relation to which a Performance Condition is specified
“Performance Period”	In relation to a Performance-related Award, a period, the duration of which is to be determined by the Committee on the Date of Grant, during which the Performance Condition is to be satisfied
“Plan”	The Nam Cheong Management Incentive Plan, as the same may be modified or altered from time to time in accordance with the Rules
“Proposed Scheme”	The scheme proposed under Sections 210 and 211B of the Singapore Companies Act, which is to be approved or imposed by the Creditors (as such term is defined in the Scheme Document) or the Court (as such term is defined in the Scheme Document)

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## APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

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“Record Date”	The date as at the close of business (or such other time as may have been prescribed by the Company) on which Shareholders must be registered in order to participate in the dividends, rights, allotments or other distributions (as the case may be)
“Release”	In relation to an Award, the release at the end of the Vesting Period relating to that Award of all or some of the Shares to which that Award relates in accordance with Rule 7 and, to the extent that any Shares which are the subject of the Award are not released pursuant to Rule 7, the Award in relation to those Shares shall lapse accordingly, and “Released” shall be construed accordingly
“Released Award”	An Award in respect of which the Vesting Period relating to that Award has ended and which has been released in accordance with Rule 7
“Rules”	Rules of the Plan
“Scheme Document”	The scheme document dated 23 November 2017 in relation to the Proposed Scheme between the Company, the Creditors (as such term is defined in the Scheme Document), Nam Cheong Dockyard Sdn Bhd and Nam Cheong International Ltd
“SFA”	The Securities and Futures Act (Chapter 289) of Singapore, as may be amended or modified from time to time
“Singapore Companies Act”	The Companies Act (Chapter 50) of Singapore, as may be amended or modified from time to time
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Securities Account”	The securities account maintained by a Depositor with CDP
“Shareholders”	Registered holders for the time being of the Shares (other than the CDP), or in the case of depositors, depositors who have Shares entered against their name in the Depository Register
“Shares”	Ordinary shares in the capital of the Company
“subsidiary holdings”	Has the meaning ascribed to it in the Listing Rules
“Vesting”	In relation to Shares which are the subject of a Released Award, the absolute entitlement to all or some of the Shares which are the subject of a Released Award and “Vest” and “Vested” shall be construed accordingly
“Vesting Date”	In relation to Shares which are the subject of a Released Award, the date (as determined by the Committee and notified to the relevant Participant) on which those Shares have Vested or will Vest pursuant to Rule 7
“Vesting Period”	In relation to an Award, a period or periods, the duration of which is to be determined by the Committee at the Date of Grant, during which the Award has not yet Vested

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## APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

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“S\$” Singapore dollars

“%” or “per cent” Per centum or percentage

- 2.2 The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them, respectively, in Section 81SF of the SFA.
- 2.3 Words importing the singular number shall, where applicable, include the plural number and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.
- 2.4 Any reference to a time of a day in the Plan is a reference to Singapore time.
- 3.5 Any reference to a person shall include corporations.
- 2.6 Any reference in the Plan to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Singapore Companies Act, Bermuda Companies Act and the SFA and any statutory modification thereof, and used in the Plan shall, where applicable, have the meaning assigned to it under the Singapore Companies Act, Bermuda Companies Act and the SFA and such statutory modification thereof, as the case may be, unless the context requires otherwise.

### 3. OBJECTIVES OF THE PLAN

- 3.1 The Plan is a performance incentive scheme which will form an integral part of the Group’s incentive compensation program.
- 3.2 The objectives of the Plan are as follows:
- (a) to attract, retain and incentivise Participants whose contributions are essential to the successful implementation of the Proposed Scheme, the long term growth, well-being and prosperity of the Group;
  - (b) to motivate Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to the Group and create value for Shareholders;
  - (c) to promote greater commitment and dedication, instil loyalty and a stronger identification by the Participants with the long-term development and growth of the Group;
  - (d) to attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders; and
  - (e) to align the interests of Participants with the interests of the Shareholders.

### 4. ELIGIBILITY OF PARTICIPANTS

- 4.1 An Employee’s eligibility to participate in the Plan shall be at the absolute discretion of the Committee. Such person must:
- (a) be confirmed in his employment with a Group Company or with an Associated Company;
  - (b) have attained the age of 21 years on or before the Date of Grant; and
  - (c) not be an undischarged bankrupt and must not have entered into a composition with his creditors.

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## APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

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- 4.2 Subject to the absolute discretion of the Committee, persons who are Controlling Shareholders and their respective Associates shall be eligible to participate in the Plan if:
- (a) they meet the eligibility requirements as set out above;
  - (b) the necessary Shareholders' approvals pursuant to Rule 16 have been obtained; and
  - (c) all conditions for their participation in the Plan as may be required by the regulations of the SGX-ST from time to time are satisfied.
- 4.3 There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive scheme implemented by any Group Company.
- 4.4 The eligibility of Participants to participate in the Plan, the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Plan and the Vesting Period of each Award shall be determined at the absolute discretion of the Committee, which shall take into account, *inter alia*:
- (a) the financial performance of the Group; and
  - (b) the Participant's rank, job performance, potential for future development and his contribution to the success and development of the Group.
- 4.5 Performance Conditions to the vesting of Awards may be set by the Committee depending on the relevant Participant's particular job scope, responsibilities and circumstances.
- 4.6 The Management shall be granted Awards based on the following criteria ("**Management Award Criteria**"):
- (a) 1% of the total number of issued Shares on the Implementation Date (as such term is defined in the Scheme Document) per Review Year (as such term is defined in the Scheme Document) from Review Year 1 to Review Year 7 if the Group meets the cashflow projections and scheduled interest payment of the Term Loan Facility (as such term is defined in the Scheme Document) to the Creditors (as such term is defined in the Scheme Document) who participated in the Term Loan Facility (as such term is defined in the Scheme Document), for the relevant Review Year (as such term is defined in the Scheme Document) in accordance with the terms of the Proposed Scheme; and
  - (b) an additional 1% of the total number of issued Shares on the Implementation Date (as such term is defined in the Scheme Document) per Review Year (as such term is defined in the Scheme Document) from Review Year 4 to Review Year 7 if the Group meets the cashflow projections and scheduled interest payment and principal repayment of the Term Loan Facility (as such term is defined in the Scheme Document) to the Creditors (as such term is defined in the Scheme Document) who participated in the Term Loan Facility (as such term is defined in the Scheme Document), for the relevant Review Year (as such term is defined in the Scheme Document) in accordance with the terms of the Proposed Scheme and either:
    - (i) the Group exceeds the cashflow projection in respect of net cash generated by the Group by at least 20%; or
    - (ii) the Group prepays the interest and principal of the Term Loan Facility (as such term is defined in the Scheme Document) by at least 20% above the scheduled interest payment and principal repayment.

A summary of the terms of the Term Loan Facility in relation to the payment of the interest and principal of the Term Loan Facility is set out in Appendix 1 of these Rules.

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## APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

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### 5. GRANT OF AWARDS

- 5.1 The implementation of the Plan and the granting of any Awards under the Plan shall be subject to the Company's procurement of all approvals and permits required by applicable law or regulatory authorities having jurisdiction over the Company, the Plan, the Awards granted under it and the Shares subject thereto, including the SGX-ST. Subject as provided in Rules 4 and 8, the Committee may grant Awards to Employees and Directors as the Committee may select in its absolute discretion, at any time during the period when the Plan is in force, except that no grant of Awards shall be made during the period of two weeks or one month immediately preceding the date of announcement of the Company's interim or final results respectively. In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made by the Company, grant of Awards may only be made on or after the second Market Day following the release of such announcement.
- 5.2 The Committee shall decide, in its absolute discretion, in relation to each Award:
- (a) the Participant;
  - (b) the Date of Grant;
  - (c) the number of Shares which are the subject of the Award;
  - (d) the prescribed Vesting Period(s);
  - (e) the extent to which Shares which are the subject of that Award shall be Released at the end of each prescribed Vesting Period; and
  - (f) in the case of a Performance-related Award, the Performance Period(s) and the Performance Condition(s). In this regard, when setting Performance Condition(s) and Performance Period(s), the Committee shall also take into account both the medium and long-term corporate objectives of the Group such as sales growth, growth in earnings and return on investment, as well as the individual performance of each Participant such as the Participant's length of service with the Group, achievements of past performance targets, value-add to the Group's performance and development and overall enhancement to Shareholders value.
- 5.3 The Committee may amend or waive the Vesting Period(s) and, in the case of a Performance-related Award, the Performance Period and/or the Performance Condition in respect of any Award:
- (a) in the event of (i) a general offer (whether conditional or unconditional) being made for all or any part of the Shares; or (ii) save for the Proposed Scheme, a scheme of arrangement or compromise being sanctioned by the Court under the Singapore Companies Act or the Bermuda Companies Act, as the case may be; or (iii) a proposal to liquidate or sell all or substantially all of the assets of the Company; or
  - (b) in the case of a Performance-related Award, if anything happens which causes the Committee to conclude that:
    - (i) a changed Performance Condition would be a fairer measure of performance and would be no less difficult to satisfy; or
    - (ii) the Performance Condition should be waived as the Participant has achieved a level of performance that the Committee considers satisfactory notwithstanding that the Performance Condition may not have been fulfilled,and shall notify the Participants of such change or waiver (but accidental omission to give notice to any Participant(s) shall not invalidate any such change or waiver).

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## APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

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- 5.4 As soon as reasonably practicable after deciding on an Award, the Committee shall send to each Participant an Award Letter notifying the Award and specifying in relation to the Award, *inter alia*, the following (where applicable):
- (a) the Date of Grant;
  - (b) the number of Shares which are the subject of the Award;
  - (c) the prescribed Vesting Period(s);
  - (d) the extent to which Shares which are the subject of that Award shall be Released at the end of each prescribed Vesting Period; and
  - (e) in the case of a Performance-related Award, the Performance Period and the Performance Condition.
- 5.5 The Participant may accept or refuse the whole or part of the Award. If only part of the Award is accepted, the Participant shall accept the Award in multiples of 1,000 Shares. The Participant shall, within five days from the date of the Award Letter, notify the Committee in writing whether he or she would accept all or part of the number of Shares which are the subject of the Award as set out in the Award Letter. The number of Shares provided by the Participant to the Committee in writing shall be the final number of Shares which are the subject of the Award, provided that such number does not exceed the original number of Shares set out in the Award Letter. The Participant shall have no claim in any manner against the Company for the number of Shares which he or she does not accept. In the event that the Committee does not receive a written notice from the Participant within five days from the date of the Award Letter, the Participant shall be deemed to have accepted all of the number of Shares which are the subject of the Award as set out in the Award Letter.
- 5.6 Participants are not required to pay for the grant of Awards.
- 5.7 An Award or Released Award shall be personal to the Employee or Director to whom it is granted and no Award or Released Award or any rights thereunder shall be transferred, charged, assigned, pledged, mortgaged, encumbered or otherwise disposed of, in whole or in part, and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an Award or Released Award, that Award or Released Award shall immediately lapse.
- 6. EVENTS PRIOR TO THE VESTING DATE**
- 6.1 An Award, to the extent not yet Released, shall forthwith become void and cease to have effect on the occurrence of any of the following events (and in such an event, the Participant shall have no claim whatsoever against the Company, its directors or employees):
- (a) a Participant, ceasing for any reason whatsoever, to be in the employment of a Group Company or an Associated Company (as the case may be) or in the event the company by which the Employee is employed ceases to be a company in the Group or an Associated Company (as the case may be);
  - (b) upon the bankruptcy of the Participant or the happening of any other event which results in him being deprived of the legal or beneficial ownership of or interest in such Award;
  - (c) upon the death of a Participant;
  - (d) if a Participant commits a breach of any of the terms of his Award; and/or
  - (e) misconduct, gross negligence or incompetence on the part of a Participant as determined by the Committee in its absolute discretion.



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## **APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN**

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For the purpose of Rule 6.1(a) above, an Employee shall be deemed to have ceased to be in the employment of a Group Company or an Associated Company (as the case may be) on the date on which he gives or receives notice of termination of employment, unless prior to the date on which termination takes effect, the Employee has (with the consent of the relevant Group Company or Associated Company (as the case may be)) withdrawn such notice. For the avoidance of doubt, no Award shall lapse pursuant to Rule 6.1(a) in the event of any transfer of employment of a Participant within the Group or Associated Company (as the case may be).

- 6.2 The Committee may in its absolute discretion and on such terms and conditions as it deems fit, preserve all or any part of any Award notwithstanding the provisions of any other Rules including Rules 6.1 and 7. Further to such exercise of discretion, the Awards shall be deemed not to have become void nor cease to have effect in accordance with the relevant provisions in Rule 6.1.
- 6.3 Without prejudice to the provisions of Rules 5.3 and 7, and to the extent of an Award yet to be Released, if any of the following occurs:
- (a) a general offer (whether conditional or unconditional) being made for all or any part of the Shares;
  - (b) save for the Proposed Scheme, a scheme of arrangement or compromise being sanctioned by the Court under the Singapore Companies Act or Bermuda Companies Act, as the case may be;
  - (c) an order for the compulsory winding-up of the Company is made; or
  - (d) a resolution for a voluntary winding-up (other than for amalgamation or reconstruction) of the Company being made,

the Committee may consider, at its discretion, whether or not to Release such Award. If the Committee decides to Release such Award, then in determining the number of Shares to be Vested in respect of such Award, the Committee will have regard to the proportion of the Vesting Period(s) which has elapsed or has been amended or waived in accordance with Rule 5.3, and the extent to which the Performance Condition (if any) has been satisfied or waived in accordance with Rule 5.3. Where such Award is Released, the Committee will, as soon as practicable after such Release, procure the allotment or transfer to each Participant of the number of Shares so determined, such allotment or transfer to be made in accordance with Rule 7.

### **7. RELEASE OF AWARDS**

- 7.1 In relation to each Performance-related Award, as soon as reasonably practicable after the end of the relevant Performance Period, the Committee shall review the Performance Condition specified in respect of that Award and determine whether it has been satisfied and, if so, the extent to which it has been satisfied.
- 7.2 If the Committee determines in its sole discretion that the Performance Condition has not been satisfied or if the relevant Participant has not continued to be an Employee from the Date of Grant up to the end of the relevant Performance Period, that Award shall lapse and be of no value and the provisions of Rule 7 (save for this Rule 7.2) shall be of no effect.
- 7.3 The Committee shall have the discretion to determine whether the Performance Condition has been satisfied (whether fully or partially) or waived in accordance with Rule 5.3 or exceeded and, in making any such determination, the Committee shall have the right to make computational adjustments to the audited results of the Company or the Group, as the case may be, to take into account such factors as the Committee may determine to be relevant, including changes in accounting methods, taxes and extraordinary events.

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## APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

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7.3A For each Review Year where the Company satisfies the Management Award Criteria, the Committee shall grant the Awards that the Management is entitled to in that Review Year and such Awards shall be released to the Management as follows:

- (a) 50% of the entitlement shall be released to the Management as soon as practicable after the Group's audited financial statements for the applicable Review Year is announced on the SGXNET by the Company ("**Announcement**"); and
- (b) the remaining 50% of the entitlement shall be released to the Management as soon as practicable after the first anniversary of the Announcement.

7.4 Subject to:

- (a) the Committee, in the case of a Performance-related Award, having determined that the Performance Condition has been satisfied within the Performance Period unless so waived in accordance with Rule 5.3;
- (b) the relevant Participant having continued to be an Employee from the Date of Grant up to the end of the relevant Vesting Period;
- (c) the Committee being of the opinion that the job performance of the relevant Participant has been satisfactory;
- (d) such consents (including any approvals required by the SGX-ST) as may be necessary;
- (e) compliance with the terms of the Award, the Plan, and the Memorandum and Bye-laws;
- (f) where Shares are to be allotted or transferred on the release of an Award, the Participant having a securities account with CDP and compliance with the applicable requirements of CDP; and
- (g) where New Shares are to be allotted on the release of an Award, the Company being satisfied that the Shares which are the subject of the Released Award will be listed for quotation on the SGX-ST,

upon the expiry of each Vesting Period in relation to an Award, the Company shall Release to the relevant Participant the Shares to which his Award relates on the Vesting Date.

7.5 Shares which are the subject of a Released Award shall be Vested to a Participant on the Vesting Date, which shall be a Market Day falling as soon as practicable after the Release of such Award in accordance with Rule 7.4 and, on the Vesting Date, the Committee will procure the allotment or transfer to each Participant of the number of Shares so determined.

In determining whether to issue new Shares or to purchase existing Shares to satisfy Awards, the Company shall have the right to take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing new Shares or purchasing existing Shares.

7.6 Where New Shares are allotted upon the Vesting of any Award, the Company shall, as soon as practicable after such allotment, apply to the SGX-ST for the listing and quotation of such Shares (if not already previously done).

7.7 Shares which are allotted or transferred on the Release of an Award to a Participant shall be registered in the name of, or transferred to, CDP to the credit of the Securities Account of that Participant maintained with CDP or the securities sub-account of that Participant maintained with a Depository Agent.

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## APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

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- 7.8 New Shares allotted and issued, and existing Shares procured by the Company on behalf of the Participants for transfer, upon the Release of an Award shall:
- (a) be subject to all the provisions of the Memorandum and Bye-laws and the Bermuda Companies Act; and
  - (b) rank in full for all entitlements, including any dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the relevant Vesting Date and shall in all other respects rank *pari passu* with other Shares then in issue.

### 8. SIZE OF THE PLAN

- 8.1 The aggregate number of new Shares over which the Committee may grant an Award on any date under the Plan, when added to the number of new Shares issued and issuable in respect of:
- (a) all other Awards granted under the Plan, and
  - (b) all options or awards granted under any other share option schemes or share schemes implemented by the Company and for the time being in force (if any),

shall not exceed 15.0% of the number of all issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding the relevant Date of Grant.

- 8.2 The aggregate number of Shares over which the Committee may grant an Award to the Controlling Shareholders and their Associates under the Plan, shall not exceed 25.0% of the Shares available under the Plan, and the number of Shares over which Awards may be granted under the Plan to each Controlling Shareholder or each of his Associates shall not exceed 10% of the Shares available under the Plan.

### 9. ADJUSTMENT EVENTS

- 9.1 In the event of a capitalisation issue of the Company (whether by way of a capitalisation of profits or reserves, rights issue, capital reduction, subdivision or consolidation of shares or distribution or otherwise), then:
- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet Vested and the rights attached thereto; and/or
  - (b) the class and/or number of Shares in respect of which Awards may be granted under the Plan,

may, at the option of the Committee, be adjusted in such manner as the Committee may determine to be appropriate, provided that any such adjustment shall be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive.

- 9.2 Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for an acquisition of assets or a private placement of securities of the Company, or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by the Shareholders (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment under the provisions of this Rule 9.
- 9.3 Notwithstanding the provisions of Rule 9, any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

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## **APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN**

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- 9.4 Upon any adjustment being made pursuant to this Rule 9, the Company shall notify each Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued or transferred on the Vesting of an Award and the date on which such adjustment shall take effect.
- 9.5 Notwithstanding the provisions of Rule 9.1 or that no adjustment is required under the provisions of the Plan, the Committee may, in any circumstances where it considers that no adjustment should be made or that it should take effect on a different date or that an adjustment should be made to any of the matters referred to in Rule 9.1 notwithstanding that no adjustment is required under the said provisions (as the case may be), request the Auditors to consider whether for any reasons whatsoever the adjustment or the absence of an adjustment is appropriate or inappropriate as the case may be, and, after such consideration, no adjustment shall take place or the adjustment shall be modified or nullified or an adjustment made (instead of no adjustment made) in such manner and on such date as shall be considered by such Auditors (acting only as experts and not as arbitrators) to be in their opinion fair and reasonable.

### **10. ADMINISTRATION OF THE PLAN**

- 10.1 The Plan shall be administered by the Committee in its absolute discretion, with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him or held by him.
- 10.2 The Committee shall have the power, from time to time, to make or vary such arrangements, guidelines and/or regulations (not being inconsistent with the Plan) for the implementation and administration of the Plan, to give effect to the provisions of the Plan and/or to enhance the benefit of the Awards and the Released Awards to the Participants, as it may, in its absolute discretion, think fit.
- 10.3 Neither the Plan nor the grant of Awards under the Plan shall impose on the Company or the Committee any liability whatsoever in connection with:
- (a) the lapsing or early expiry of any Award pursuant to any provision of the Plan;
  - (b) the failure or refusal by the Committee to exercise, or the exercise by Committee of, any discretion under the Plan; and/or
  - (c) any decision or determination of the Committee made pursuant to any provision of the Plan.
- 10.4 Any decision or determination of the Committee made pursuant to any provision of the Plan (other than a matter to be certified by the Auditors) shall be final, binding and conclusive (including any decision pertaining to disputes and uncertainty as to the interpretation of the Plan or any rule, regulation or procedure thereunder or as to any right under this Plan).

### **11. NOTICES**

- 11.1 A Participant shall not by virtue of being granted any Award be entitled to receive copies of any notices or other documents sent by the Company to the Shareholders.
- 11.2 Any notice required to be given by a Participant to the Company shall be sent or made to the principal place of business of the Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Committee, as may be notified by the Company to him in writing.
- 11.3 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered

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## **APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN**

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to him by hand or sent to him at his home address, electronic mail address or facsimile number according to the records of the Company or the last known address, electronic mail address or facsimile number of the Participant.

- 11.4 Any notice or other communication from a Participant to the Company shall be irrevocable, and shall not be effective until confirmation of receipt by Company is given. Any notice or communication from the Company to a Participant shall be deemed to be received by that Participant, when left at the address specified in Rule 11.3 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of despatch.

### **12. MODIFICATIONS TO THE PLAN**

- 12.1 Any or all the provisions of the Plan may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:

- (a) no modification or alteration shall be made which would adversely affect the rights attached to any Award granted prior to such modification or alteration and which in the opinion of the Committee materially alters the rights attaching to such Award except with the prior consent in writing of such number of Participants who, if their Awards were Released to them upon the expiry of all the Vesting Periods applicable to their Awards, would be entitled to not less than 75.0% of the aggregate number of the Shares which would fall to be vested upon the Release of all outstanding Awards upon the expiry of all the Vesting Periods applicable to all such outstanding Awards;
- (b) any modification or alteration which would be to the advantage of Participants under the Plan shall be subject to the prior approval of the Shareholders in general meeting; and
- (c) no modification or alteration shall be made without due compliance with the Listing Rules and prior approval of such other applicable regulatory authorities as may be necessary.

- 12.2 Notwithstanding anything to the contrary contained in Rule 12.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST if necessary) amend or alter the Plan in any way to the extent necessary to cause the Plan to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

- 12.3 Written notice of any modification or alteration made in accordance with this Rule 12 shall be given to all Participants but accidental omission to give notice to any Participant(s) shall not invalidate any such modifications or alterations.

### **13. TERMS OF EMPLOYMENT UNAFFECTED**

- 13.1 The terms of employment of a Participant shall not be affected by his participation in the Plan, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.
- 13.2 The Plan shall not confer on any person any legal or equitable rights (other than those constituting the Awards themselves) against the Group directly or indirectly or give rise to any cause of action at law or in equity against the Group.

### **14. DURATION OF THE PLAN**

- 14.1 The Plan shall continue to be in operation at the discretion of the Committee for a maximum period of ten years commencing on the Adoption Date, provided always that the Plan may, subject to applicable laws and regulations, continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

## APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

- 14.2 The Plan may be terminated at any time by the Committee in its sole discretion, or by resolution of the Company in general meeting, subject to all relevant approvals which may be required and if the Plan is so terminated, no further Awards shall be granted by the Company hereunder.
- 14.3 The termination of the Plan shall not affect Awards which have been granted, whether such Awards have been Released (whether fully or partially) or not.

### 15. ANNUAL REPORT DISCLOSURE

The Company shall make the following disclosures in its annual report to Shareholders for the duration of the Plan:

- (a) the names of the members of the Committee;
- (b) information as required in the table below in respect of Awards granted to the following Participants:
- (i) Participants who are directors of the Company;
  - (ii) Participants who are Controlling Shareholders and their Associates; and
  - (iii) Participants, other than those in (i) and (ii) above, who receive Awards comprising Shares representing five per cent or more of the aggregate of the Shares available under the Plan

Name of Participant	Number of Shares comprised in Awards granted during financial year under review (including terms)	Number of Shares comprised in Awards granted since commencement of Plan to end of financial year under review (including terms)	Aggregate number of New Shares allotted and existing Shares purchased for delivery pursuant to Released Awards since commencement of the Plan to end of financial year under review	Aggregate number of Shares comprised in Awards which have not been Released as at the end of the financial year under review

- (c) the names of and number and terms of Awards granted to each director or employee of the Company's parent company and its subsidiaries who receives five per cent or more of the total number of Awards available to all directors and employees of such parent company and its subsidiaries under the Scheme, during the financial year under review;
- (d) the aggregate number of Awards granted to the directors and employees of the Company's parent company and its subsidiaries for the financial year under review, and since the commencement of the Scheme to the end of the financial year under review; and
- (e) any other information required to be disclosed pursuant to the Listing Rules and all other applicable laws and requirements.

If any of the disclosure above in the foregoing of this Rule 15 is not applicable, an appropriate negative statement will be included in the annual report.

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## **APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN**

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### **16. SHAREHOLDERS' APPROVAL**

The participation of each Controlling Shareholder and each of his Associates in the Plan must be specifically approved by independent Shareholders in separate resolutions for each such person. Each grant of Award (including the actual number and the terms of the Award to be granted) to a Controlling Shareholder or his Associates must be specifically approved by independent Shareholders in separate resolutions.

### **17. ABSTENTION FROM VOTING**

Participants who are Shareholders are to abstain from voting on any Shareholders' resolution relating to the Plan. Participants may act as proxies of Shareholders in respect of the votes of such Shareholders in relation to any such resolution provided that specific instructions have been given in the proxy forms on how the votes are to be cast in respect of the resolution.

### **18. TAXES**

The Participants shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or Vesting of the relevant Award. All taxes (including income tax) arising from the grant or Vesting of any Award under the Plan shall be borne by that Participant. The Company shall not be responsible for any failure by the Participant to obtain any such consent or for any tax or other liability to which the Participant may become subject as a result of his participation in the Plan.

### **19. COSTS AND EXPENSES OF THE PLAN**

19.1 Notwithstanding anything herein, each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the Release of any Award in CDP's name, the deposit of share certificate(s) with CDP, the Participant's Securities Account with CDP, or the Participant's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank.

19.2 Save for the taxes referred to in Rule 18 and such other costs and expenses expressly provided in the Plan to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Plan including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the Release of any Awards shall be borne by the Company.

### **20. DISCLAIMER OF LIABILITY**

Notwithstanding any provisions herein contained, the Company, its Directors or the Committee shall not under any circumstances be held liable for any costs, losses, expenses liabilities or damages whatsoever and howsoever arising in respect of any matter under or in connection with the Plan, including but not limited to any delay or failure to issue, or procure the transfer of, the Shares or to apply for or procure the listing of new Shares on the SGX-ST in accordance with Rule 7.6 (or if applicable, any other stock exchange on which the Shares are quoted or listed).

### **21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT (CHAPTER 53B)**

No person other than the Company or a Participant shall have any right to enforce any provision of the Plan or any Award by the virtue of the Contracts (Rights of Third Parties) Act (Chapter 53B) of Singapore.

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## **APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN**

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### **22. DISPUTES**

Any disputes or differences of any nature arising hereunder (other than matters to be confirmed by the Auditors in accordance with the Plan) shall be referred to the Committee whose decision shall be final and binding in all respects (including any decisions pertaining to disputes as to interpretation of the Plan or any rule, regulation, procedure thereunder or as to any rights under the Plan).

### **23. GOVERNING LAW**

The Plan shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by being granted Awards in accordance with the Plan, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.



**APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN**

**APPENDIX 1 – SUMMARY OF THE TERMS OF THE TERM LOAN FACILITY  
IN RELATION TO THE PAYMENT OF THE INTEREST AND PRINCIPAL  
OF THE TERM LOAN FACILITY**

1.	<b>Repayment and Prepayment</b>	<p>The Company shall repay the Term Loan Facility in accordance with the cash management principles as set out below (“<b>Cash Management Principles</b>”).</p> <p>The Company shall prepay the principal amount outstanding in accordance with the Cash Management Principles as set out below.</p>
2.	<b>Repayment of Principal</b>	<p>There shall be no repayment of the principal from Review Year 1 to Review Year 3 although prepayment of the principal may be made in Review Year 4 based on the Excess Cash calculation for Review Year 3 subject to the terms outlined under the Cash Management Principles.</p> <p>The Company shall repay the principal outstanding under the Term Loan Facility in eight (8) half-yearly instalments commencing from Review Year 4 in the following percentages on the last day of the Interest Period (as defined below):</p> <ul style="list-style-type: none"> <li>(a) Review Year 4: 10%;</li> <li>(b) Review Year 5: 20%;</li> <li>(c) Review Year 6: 30%; and</li> <li>(d) Review Year 7: 40%.</li> </ul> <p>The Company shall repay and/or prepay the Term Loan Facility in accordance with the Cash Management Principles.</p>
3.	<b>Interest</b>	<p>The applicable interest rate on the amount outstanding under the Term Loan Facility shall be 4% per annum. 50% of the accrued interest shall be paid in cash and the remaining 50% of the accrued interest shall be paid by way of Term Loan Shares.</p> <p>The interest period shall be six (6) months (“<b>Interest Period</b>”). The first Interest Period shall start on 1 January 2018.</p> <p>On the last day of the Interest Period, the Company shall pay 50% of the accrued interest by cash to the Creditors on a <i>pari passu</i> basis, save that the Company had on 12 July 2018, prior to the Effective Date, paid all Creditors who have participation in the Term Loan Facility as at 5 July 2018, 5.00 p.m. (including their successors, transferees and assigns) 50% of the accrued interest payable in cash for the first Interest Period (i.e., from 1 January 2018 to 30 June 2018), and such payment shall be deemed payment of the first Interest Period and the Company shall have no further obligations whatsoever to make payment of the first Interest Period.</p> <p>On the last day of each Review Year, the Company shall convert the remaining 50% of the accrued interest for the Review Year into Term Loan Shares.</p>

## APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

		Every US\$1 of accrued interest shall be converted into 30 Term Loan Shares (“ <b>Term Loan Shares Conversion Ratio</b> ”). Accordingly, every one (1) Term Loan Share is allotted and issued at a conversion price of S\$0.045 per Term Loan Share.
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### Cash Management Principles

1.	<b>Overarching Principle</b>	<p>The Cash Management Principles are based on the principles that any payment made by the Company, NCD or NCI is to achieve the effect of <i>pari passu</i> payment amongst the Creditors (which include the Creditors of NCD and NCI).</p> <p>To achieve this effect, funds may be transferred at the intercompany level through repayment of existing intercompany loans, creation of new intercompany loans between the Company, NCD and NCI respectively or dividend payments.</p>
2.	<b>Prepayment of Term Loan Facility</b>	<p>From Review Year 3 onwards, any excess between the closing cash book balance and the projected closing cash book balance of the corresponding Review Year of the Group (“<b>Excess Cash</b>”) and after deducting the following anticipated payments shall be utilised to prepay the principal on the Term Loan Facility or the Bilateral Facilities Unsecured Debt on the next Repayment Date within the Review Year in direct order:</p> <ul style="list-style-type: none"> <li>(i) 2 months of Group Opex and 12 months of the dry dock costs;</li> <li>(ii) 2 months of SGA Expenses;</li> <li>(iii) Interest on the Term Loan Facility or the Bilateral Facilities Unsecured Debt for the next Repayment Date within the Review Year; and</li> <li>(iv) Principal on the Term Loan Facility or the Bilateral Facilities Unsecured Debt for the next Repayment Date within the Review Year.</li> </ul> <p>For the avoidance of doubt, the anticipated payments above are solely for the purposes of calculating the amount of prepayment of principal on the Term Loan Facility on the next Repayment Date, and no actual payment or earmarking of cash for such prepayment shall be made until the next Repayment Date.</p>
3.	<b>New capital / Fundraising</b>	<p>Proceeds generated through new fund raising activities shall not be included in the calculation of Excess Cash with common expenses such as SGA Expenses being apportioned on a fair basis.</p>

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## APPENDIX B – RULES OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN

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4.	<b>Definitions</b>	<p>(i) “<b>Opex</b>” means the operating expenses of the Group comprising all operating, maintenance and other costs, expenses, overheads or liabilities incurred or payable by the Group for its operations in the ordinary course of business, including provisions survey and mobilization costs in relation to the vessels and the dry dock costs, based on the Annual Budget;</p> <p>(ii) “<b>SGA Expenses</b>” means the sales, general and administrative expenses of the Group (including fees of the professional advisors and other charges and expenses incurred in connection with the preparation or implementation of the Proposed Scheme) of the Group, based on the Annual Budget; and</p> <p>(iii) “<b>Group</b>” means the Company and its subsidiaries, whether wholly owned or otherwise.</p>
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## APPENDIX C – GROUP STRUCTURE

As at the Latest Practicable Date, the principal activities of the subsidiaries, joint venture company and associated companies of the Group are as follows:

Name	Country of incorporation	Principal activities	Effective interest held by the Company (%)
<b>Subsidiaries held by the Company</b>			
NCCPL	Singapore	Dormant	100
NCD	Malaysia	Shipbuilding	100
<b>Subsidiaries held through NCD</b>			
NCI	Federal Territory of Labuan, Malaysia	Shipbuilding	100
S.K. Marine Sdn. Bhd.	Malaysia	Vessel chartering	100
Nam Cheong Marine Ltd.	The Republic of the Marshall Islands	Dormant	100
Nam Cheong Marine Pte. Ltd.	Singapore	Vessel chartering	100
NC Design Pte. Ltd.	Singapore	Design services	100
Nam Cheong Pioneer Sdn. Bhd.	Malaysia	Investment holding	100
SKOSV Sdn. Bhd.	Malaysia	Vessel chartering	70
SK Global Ltd.	Federal Territory of Labuan, Malaysia	Vessel chartering	100
SK Offshore & Marine Sdn. Bhd.	Malaysia	Vessel chartering	100
<b>Joint venture company held through NCD</b>			
Synergy Kenyalang Offshore Sdn. Bhd.	Malaysia	Vessel chartering	40
<b>Subsidiary held by the Company and NCD</b>			
NCO	Singapore	Shipbuilding	100
<b>Subsidiaries held through NCI</b>			
Nam Cheong OSV Ltd.	Federal Territory of Labuan, Malaysia	Vessel chartering	100
Nam Cheong Venture Ltd.	Federal Territory of Labuan, Malaysia	Vessel chartering	100
SK Venture Ltd.	Federal Territory of Labuan, Malaysia	Vessel chartering	100
SK Machine Ltd.	Federal Territory of Labuan, Malaysia	Trading	100

## APPENDIX C – GROUP STRUCTURE

Name	Country of incorporation	Principal activities	Effective interest held by the Company (%)
<b>Subsidiaries held through SK Global Ltd.</b>			
SK Pride Ltd.	Federal Territory of Labuan, Malaysia	Vessel chartering	100
SK Patriot Ltd.	Federal Territory of Labuan, Malaysia	Vessel chartering	100
SK Power Ltd.	Federal Territory of Labuan, Malaysia	Vessel chartering	100
SK Precious Ltd.	Federal Territory of Labuan, Malaysia	Vessel chartering	100
SK Prudence Ltd.	Federal Territory of Labuan, Malaysia	Vessel chartering	100
SK Capital Ltd.	Federal Territory of Labuan, Malaysia	Vessel chartering	100
SKOM Ltd.	Federal Territory of Labuan, Malaysia	Vessel chartering	100
<b>Joint venture company held through SK Global Ltd.</b>			
Marco Polo Offshore (IV) Pte Ltd	Federal Territory of Labuan, Malaysia	Vessel chartering	50
<b>Subsidiary held through NCO</b>			
Nam Cheong Property Pte. Ltd.	Singapore	Investment holding	100
<b>Joint venture company held through Nam Cheong Pioneer Sdn. Bhd.</b>			
P.T. Bahtera Niaga Indonesia	Indonesia	Vessel chartering	49
<b>Associated company held through Nam Cheong Pioneer Sdn. Bhd.</b>			
P.T. Pelayaran Nasional Bina Buana Raya TBK	Indonesia	Vessel chartering	30
<b>Joint venture company held through Marco Polo Offshore (IV) Pte Ltd</b>			
SK Marco Polo Sdn Bhd	Malaysia	Vessel chartering	50

## APPENDIX D – CASH MANAGEMENT PRINCIPLES

### CASH MANAGEMENT PRINCIPLES

1.	<b>Overarching Principle</b>	<p>The Cash Management Principles are based on the principles that any payment made by the Company, NCD or NCI is to achieve the effect of <i>pari passu</i> payment amongst the Creditors (which include the Creditors of NCD and NCI).</p> <p>To achieve this effect, funds may be transferred at the intercompany level through repayment of existing intercompany loans, creation of new intercompany loans between the Company, NCD and NCI respectively or dividend payments.</p>
2.	<b>Prepayment of Term Loan Facility</b>	<p>From Review Year 3 onwards, any excess between the closing cash book balance and the projected closing cash book balance of the corresponding Review Year of the Group (“<b>Excess Cash</b>”) and after deducting the following anticipated payments shall be utilised to prepay the principal on the Term Loan Facility or the Bilateral Facilities Unsecured Debt on the next Repayment Date within the Review Year in direct order:</p> <ul style="list-style-type: none"> <li>(i) 2 months of Group Opex and 12 months of the dry dock costs;</li> <li>(ii) 2 months of SGA Expenses;</li> <li>(iii) Interest on the Term Loan Facility or the Bilateral Facilities Unsecured Debt for the next Repayment Date within the Review Year; and</li> <li>(iv) Principal on the Term Loan Facility or the Bilateral Facilities Unsecured Debt for the next Repayment Date within the Review Year.</li> </ul> <p>For the avoidance of doubt, the anticipated payments above are solely for the purposes of calculating the amount of prepayment of principal on the Term Loan Facility on the next Repayment Date, and no actual payment or earmarking of cash for such prepayment shall be made until the next Repayment Date.</p>
3.	<b>New capital / Fundraising</b>	<p>Proceeds generated through new fund raising activities shall not be included in the calculation of Excess Cash with common expenses such as SGA Expenses being apportioned on a fair basis.</p>

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## APPENDIX D – CASH MANAGEMENT PRINCIPLES

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4.	<b>Definitions</b>	<ul style="list-style-type: none"><li data-bbox="660 201 1428 448">(i) “<b>Opex</b>” means the operating expenses of the Group comprising all operating, maintenance and other costs, expenses, overheads or liabilities incurred or payable by the Group for its operations in the ordinary course of business, including provisions survey and mobilization costs in relation to the vessels and the dry dock costs, based on the Annual Budget;</li><li data-bbox="660 448 1428 672">(ii) “<b>SGA Expenses</b>” means the sales, general and administrative expenses of the Group (including fees of the professional advisors and other charges and expenses incurred in connection with the preparation or implementation of the Proposed Scheme) of the Group, based on the Annual Budget; and</li><li data-bbox="660 672 1428 775">(iii) “<b>Group</b>” means the Company and its subsidiaries, whether wholly owned or otherwise.</li></ul>
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## NOTICE OF SPECIAL GENERAL MEETING

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### NAM CHEONG LIMITED

(Incorporated in Bermuda)  
(Company Registration No. 25458)

*Unless otherwise defined, all capitalised terms herein shall bear the same meaning as used in the circular dated 27 July 2018 issued by the Company to its Shareholders (the “Circular”).*

**NOTICE IS HEREBY GIVEN** that a Special General Meeting (“**SGM**”) of Nam Cheong Limited (“**Company**”) will be held at Furama Riverfront, Venus I & II, Level 3, 405 Havelock Road Singapore 169633 on 20 August 2018 at 10.15 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place), Singapore time, for the purpose of considering and, if thought fit, passing with or without modification(s), the following resolution(s):

#### **SPECIAL RESOLUTION: THE PROPOSED CAPITAL REORGANISATION**

That subject to and contingent upon (a) the Proposed Scheme coming into effect; and (b) the passing of Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 3, Ordinary Resolution 4, Ordinary Resolution 5, Ordinary Resolution 6, Ordinary Resolution 7, Ordinary Resolution 8, Ordinary Resolution 9 and Ordinary Resolution 10:

- (A) with effect from 23 August 2018 or such other date as the Directors of the Company may determine (“**Proposed Capital Reorganisation Effective Date**”):
- (i) the issued and paid up share capital of the Company be reduced (“**Capital Reduction**”) from HK\$210,314,448.20 divided into 2,103,144,482 Shares (including 6,678,597 treasury shares) of HK\$0.10 each, to HK\$2,103,144.482 divided into 2,103,144,482 Shares of par value HK\$0.001 each, by cancelling the paid up capital of the Company to the extent of HK\$208,211,303.718 on each of the Shares with a par value of HK\$0.10 in issue on the Proposed Capital Reorganisation Effective 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 Proposed Capital Reorganisation Effective 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;
  - (ii) subject to and forthwith upon the Capital Reduction taking effect, all of the authorised but unissued Shares with a par value of HK\$0.10 each in the share capital of the Company be cancelled, and the authorised share capital of the Company of HK\$400,000,000 be diminished 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\$12,000,000 by the creation of such number of Shares with a par value of HK\$0.001 each as shall represent the difference between 12,000,000,000 Shares with a par value of HK\$0.001 each and the number of Shares with a par value of HK\$0.001 in issue after the Capital Reduction (“**Authorised Capital Increase**”);
  - (iii) subject to and forthwith upon the Capital Reduction taking effect, the credit arising from the Capital Reduction in the sum of HK\$208,211,303.718 shall be credited to the contributed surplus account of the Company (“**Crediting of Contributed Surplus**”);
  - (iv) the Directors of the Company be and are hereby authorised to utilise any credit balance in the contributed surplus account of the Company in such manner as may be determined by the Directors in accordance with the Bye-laws and all application laws,
- ((i), (ii), (iii) and (iv), collectively referred to as the “**Proposed Capital Reorganisation**”); and



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## NOTICE OF SPECIAL GENERAL MEETING

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- (B) the Directors of the Company (or any one of them) be and are hereby authorised to take any and all steps, and to do and/or procure to be done any and all acts and things, and to approve, sign and execute any documents which they in their absolute discretion consider to be necessary, desirable or expedient to implement and carry into effect this special resolution and to exercise such discretion in connection with, relating to or arising from the Proposed Capital Reorganisation and/or matters contemplated herein, with such modifications thereto (if any) as they or he may from time to time consider necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Proposed Capital Reorganisation.

### ORDINARY RESOLUTION 1: THE PROPOSED RIGHTS ISSUE

That subject to and contingent upon (a) the Proposed Scheme coming into effect; and (b) the passing of Special Resolution, Ordinary Resolution 2, Ordinary Resolution 3, Ordinary Resolution 4, Ordinary Resolution 5, Ordinary Resolution 6, Ordinary Resolution 7, Ordinary Resolution 8, Ordinary Resolution 9 and Ordinary Resolution 10:

The renounceable non-underwritten rights issue of up to 2,096,465,885 new ordinary shares in the capital of the Company ("**Rights Shares**") at an issue price of S\$0.014 per Rights Shares ("**Rights Shares Issue Price**"), on the basis of one (1) Rights Share for every one (1) existing ordinary shares in the capital of the Company (each, a "**Share**") held by shareholders of the Company ("**Shareholders**") as at a time and date as the Directors may, in its absolute discretion, determine ("**Books Closure Date**"), fractional entitlements to be disregarded, be and is hereby approved and authority be and is hereby given to the Directors or any of them to:

- (a) create and issue up to 2,096,465,885 Rights Shares at the Rights Share Issue Price for each Rights Shares; and
- (b) provisionally allot and issue up to 2,096,465,885 Rights Shares at the Rights Share Issue Price for each Rights Shares on the basis of (1) Rights Share for every one (1) Share held by Shareholders as at the Books Closure Date, on the terms and conditions set out below and/or otherwise on such terms and conditions (including the basis of provisional allotments of the Rights Shares) as the Directors may in their absolute discretion think fit:
- (i) the provisional allotments of the Rights Shares under the Proposed Rights Issue shall be made on a renounceable basis to Shareholders whose name appear in the Register of Members of the Company or the records of The Central Depository (Pte) Limited ("**CPD**") as at the Books Closure Date ("**Entitled Shareholders**") with registered addresses in Singapore or who have, at least three (3) Market Days prior to the Books Closure Date, provided to the CPD or the share transfer agent of the Company ("**Share Transfer Agent**"), as the case may be, addresses in Singapore for the service of notices and documents. The provisional allotments of the Rights Shares are not intended to be offered and sold to persons located, resident or with a registered address in the United States or any jurisdiction in which the Proposed Rights Issue may not be lawfully made;
- (ii) no provisional allotment of the Rights Shares shall be made in favour of Shareholders with registered addresses outside Singapore as at the Books Closure Date, and who have not, at least three (3) Market Days prior to the Books Closure Date, provided to the CDP or the Share Transfer Agent, as the case may be, addresses in Singapore for the service of notices or documents ("**Foreign Shareholders**");
- (iii) the provisional allotment of the Rights Shares which would otherwise accrue to Foreign Shareholders shall be disposed of by the Company in such manner and on such terms and conditions as the Directors shall deem fit for the purpose of renouncing the provisional allotments relating thereto to purchasers thereof and to pool thereafter distribute the net proceeds, if any, thereof (after deducting all expenses) proportionally among such Foreign Shareholders in accordance with their respective shareholdings as at the Books Closure Date provided that if the amount to be distributed to any single or joint Foreign Shareholder is less than S\$10.00, such amount shall instead be retained or dealt with for the sole benefit of the Company;

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- (iv) the provisional allotment of the Rights Shares not taken up or allotted for any reason shall be used to satisfy applications for Excess Rights Shares (if any) or allotted or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company; and
- (v) the Rights Shares when issued and fully paid up will rank *pari passu* in all respects with the then existing Shares save for any dividends, rights, allotments or other distribution that may be declared or paid the record date for which falls before the date of issue of the Rights Shares,
- (c) the Directors or any of them be and are hereby authorised to fix the Books Closure Date in their absolute discretion; and
- (d) the Directors or any of them be and are hereby authorised to take such steps, complete and do all such acts, matters and things as he may consider necessary or expedient for the purposes of or in connection with the Proposed Rights Issue (including but not limited to amending, finalising, approving and executing all such documents as may be required in connection with the Proposed Rights Issue), make such amendments to the terms of the Proposed Rights Issue and exercise such discretion as the Directors or any of them may in their absolute discretion deem fit, advisable or necessary in connection with all or any of the above matters.

### **ORDINARY RESOLUTION 2: THE PROPOSED NON-SUSTAINABLE DEBT SHARES ISSUANCE**

That subject to and contingent upon (a) the Proposed Scheme coming into effect; and (b) the passing of Special Resolution, Ordinary Resolution 1, Ordinary Resolution 3, Ordinary Resolution 4, Ordinary Resolution 5, Ordinary Resolution 6, Ordinary Resolution 7, Ordinary Resolution 8, Ordinary Resolution 9 and Ordinary Resolution 10:

- (A) the Directors or any of them be and are hereby authorised to allot and issue up to 3,883,587,031 Non-sustainable Debt Shares at an issue price of S\$0.045 per Non-sustainable Debt Share, subject to and in accordance with the terms and conditions of the Proposed Scheme, to entitled Creditors, credited as fully paid up, free from all liens, charges and other encumbrances and ranking *pari passu* in all respects with the then existing Shares, pursuant to the Non-sustainable Debt Conversion under the Proposed Scheme;
- (B) the Directors or any of them be and are hereby authorised to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they or he may consider necessary, desirable or expedient for the purposes of or in connection with and to give full effect to this resolution; and
- (C) any acts, matters and things done or performed, and/or documents signed, executed, sealed and/or delivered by the Directors or any of them in connection with the Proposed Non-sustainable Debt Shares Issuance pursuant to the Non-sustainable Debt Conversion under the Proposed Scheme and this resolution be and are hereby approved, confirmed and ratified.

### **ORDINARY RESOLUTION 3: THE PROPOSED TERM LOAN SHARES ISSUANCE**

That subject to and contingent upon (a) the Proposed Scheme coming into effect; and (b) the passing of Special Resolution, Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 4, Ordinary Resolution 5, Ordinary Resolution 6, Ordinary Resolution 7, Ordinary Resolution 8, Ordinary Resolution 9 and Ordinary Resolution 10:

- (A) the Directors or any of them be and are hereby authorised to allot and issue up to 787,280,931 Term Loan Shares at an issue price of S\$0.045 per Term Loan Share, subject to and in accordance with the terms and conditions of the Proposed Scheme, to entitled Creditors, credited as fully paid up, free from all liens, charges and other encumbrances and ranking *pari passu* in all respects with the then existing Shares, as part payment of the accrued Term Loan interest pursuant to the Term Loan Facility under the Proposed Scheme;

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## NOTICE OF SPECIAL GENERAL MEETING

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- (B) the Directors or any of them be and are hereby authorised to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they or he may consider necessary, desirable or expedient for the purposes of or in connection with and to give full effect to this resolution; and
- (C) any acts, matters and things done or performed, and/or documents signed, executed, sealed and/or delivered by the Directors or any of them in connection with the Proposed Term Loan Shares Issuance as part payment of the accrued Term Loan interest pursuant to the Term Loan Facility under the Proposed Scheme and this resolution be and are hereby approved, confirmed and ratified.

### **ORDINARY RESOLUTION 4: THE PROPOSED TERMINATION OF THE 2013 PLAN**

That subject to and contingent upon (a) the Proposed Scheme coming into effect; and (b) the passing of Special Resolution, Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 3, Ordinary Resolution 5, Ordinary Resolution 6, Ordinary Resolution 7, Ordinary Resolution 8, Ordinary Resolution 9 and Ordinary Resolution 10:

- (a) the existing 2013 Plan adopted on 29 April 2013 be and is hereby terminated, provided that such termination shall be without prejudice to the rights of holders of awards granted and outstanding under the 2013 Plan as at the date of its termination; and
- (b) the Directors or any of them be and are hereby authorised to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they or he may consider necessary, desirable or expedient for the purposes of or in connection with and to give full effect to this resolution.

### **ORDINARY RESOLUTION 5: THE PROPOSED ADOPTION OF THE NAM CHEONG MANAGEMENT INCENTIVE PLAN**

That subject to and contingent upon (a) the Proposed Scheme coming into effect; and (b) the passing of Special Resolution, Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 3, Ordinary Resolution 4, Ordinary Resolution 6, Ordinary Resolution 7, Ordinary Resolution 8, Ordinary Resolution 9 and Ordinary Resolution 10:

- (a) a new share scheme to be known as the “Nam Cheong Management Incentive Plan” (“**Plan**”), the details and rules whereof are set out in the Circular, under which awards (“**Awards**”) of fully-paid Shares will be granted, in consideration for their performance and contribution to the Company, to selected employees of the Company, including directors of the Company, Controlling Shareholders and their Associates, and other selected participants, be and is hereby established and adopted;
- (b) the Board of Directors of the Company (or its Remuneration Committee or such other committee of the Board of Directors of the Company (comprising various Directors appointed from time to time) be and is hereby authorised to:
  - (i) implement and administer the Plan;
  - (ii) to modify and/or amend the Plan from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Plan and do all such acts and enter into such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Plan;
  - (iii) to offer and grant Awards in accordance with the provisions of the Plan and to allot and issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of the Awards under the Plan provided always that the aggregate number of Shares to be issued pursuant to the Plan and any other share incentive schemes or share plans adopted by the Company for the time being in force, shall not exceed 15% of the total issued share capital of the Company from time to time and provided also that subject to such adjustments as may be made to the Plan as a result of any variation in the capital structure of the Company.

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### **ORDINARY RESOLUTION 6: THE PROPOSED PARTICIPATION BY MR. TIONG CHIONG SOON, AN ASSOCIATE OF THE CONTROLLING SHAREHOLDER, IN THE NAM CHEONG MANAGEMENT INCENTIVE PLAN**

That subject to and contingent upon (a) the Proposed Scheme coming into effect; and (b) the passing of Special Resolution, Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 3, Ordinary Resolution 4, Ordinary Resolution 5, Ordinary Resolution 7, Ordinary Resolution 8, Ordinary Resolution 9 and Ordinary Resolution 10, the participation of Mr. Tiong Chiong Soon, an Associate of the Controlling Shareholder, in the Nam Cheong Management Incentive Plan, be and is hereby approved.

### **ORDINARY RESOLUTION 7: THE PROPOSED GRANT OF AN AWARD COMPRISING UP TO 89,043,832 SHARES TO MR. TIONG CHIONG SOON, AN ASSOCIATE OF THE CONTROLLING SHAREHOLDER, UNDER THE NAM CHEONG MANAGEMENT INCENTIVE PLAN**

That subject to and contingent upon (a) the Proposed Scheme coming into effect; and (b) the passing of Special Resolution, Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 3, Ordinary Resolution 4, Ordinary Resolution 5, Ordinary Resolution 6, Ordinary Resolution 8, Ordinary Resolution 9 and Ordinary resolution 10:

- (a) the grant of a contingent award (“**TCS Award**”) comprising up to 89,043,832 Shares over Review Year 1 to Review Year 7 as set out in Section 10.3 of the Circular to Mr. Tiong Chiong Soon, an Associate of the Controlling Shareholder, by the Committee administering the Nam Cheong Management Incentive Plan, the terms of which are set out in the Circular, be and is hereby approved;
- (b) the Directors of the Company or any of them be and are hereby authorised to allot and issue Shares, or transfer existing Shares procured by the Company, upon the release of the TCS Award over Review Year 1 to Review Year 7 as set out in Section 10.3 of the Circular; and
- (c) the Directors or any of them be and are hereby authorised to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they or he may consider necessary, desirable or expedient for the purposes of or in connection with and to give full effect to this resolution.

### **ORDINARY RESOLUTION 8: THE PROPOSED PARTICIPATION BY MR. TIONG CHIONG HIIUNG, AN ASSOCIATE OF THE CONTROLLING SHAREHOLDER, IN THE NAM CHEONG MANAGEMENT INCENTIVE PLAN**

That subject to and contingent upon (a) the Proposed Scheme coming into effect; and (b) the passing of Special Resolution, Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 3, Ordinary Resolution 4, Ordinary Resolution 5, Ordinary Resolution 6, Ordinary Resolution 7, Ordinary Resolution 9 and Ordinary Resolution 10, the participation of Mr. Tiong Chiong Hiiung, an Associate of the Controlling Shareholder, in the Nam Cheong Management Incentive Plan, be and is hereby approved.

### **ORDINARY RESOLUTION 9: THE PROPOSED GRANT OF AN AWARD COMPRISING UP TO 89,043,832 SHARES TO MR. TIONG CHIONG HIIUNG, AN ASSOCIATE OF THE CONTROLLING SHAREHOLDER, UNDER THE NAM CHEONG MANAGEMENT INCENTIVE PLAN**

That subject to and contingent upon (a) the Proposed Scheme coming into effect; and (b) the passing of Special Resolution, Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 3, Ordinary Resolution 4, Ordinary Resolution 5, Ordinary Resolution 6, Ordinary Resolution 7, Ordinary Resolution 8 and Ordinary Resolution 10:

- (a) the grant of a contingent award (“**TCH Award**”) comprising up to 89,043,832 Shares over Review Year 1 to Review Year 7 as set out in Section 11.3 of the Circular to Mr. Tiong Chiong Hiiung, an Associate of the Controlling Shareholder, by the Committee administering the Nam Cheong Management Incentive Plan, the terms of which are set out in the Circular, be and is hereby approved;

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## NOTICE OF SPECIAL GENERAL MEETING

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- (b) the Directors of the Company or any of them be and are hereby authorised to allot and issue Shares, or transfer existing Shares procured by the Company, upon the release of the TCH Award over Review Year 1 to Review Year 7 as set out in Section 11.3 of the Circular; and
- (c) the Directors or any of them be and are hereby authorised to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they or he may consider necessary, desirable or expedient for the purposes of or in connection with and to give full effect to this resolution.

### ORDINARY RESOLUTION 10: THE PROPOSED ADDITIONAL LOAN SHARES ISSUANCE

That subject to and contingent upon (a) the Proposed Scheme coming into effect; and (b) the passing of Special Resolution, Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 3, Ordinary Resolution 4, Ordinary Resolution 5, Ordinary Resolution 6, Ordinary Resolution 7, Ordinary Resolution 8 and Ordinary Resolution 9:

- (a) the Directors or any of them be and are hereby authorised to allot and issue up to 22,299,375 Additional Loan Shares at an issue price of S\$0.045 per Additional Loan Share, subject to and in accordance with the terms and conditions of the bilateral facilities agreement between RHB Bank Labuan and NCI dated 11 June 2018, to RHB Bank Labuan, credited as fully paid up, free from all liens, charges and other encumbrances and ranking *pari passu* in all respects with the then existing Shares, as part payment of the Post-Disposal Secured TL Balance;
- (b) the Directors or any of them be and are hereby authorised to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they or he may consider necessary, desirable or expedient for the purposes of or in connection with and to give full effect to this resolution; and
- (c) any acts, matters and things done or performed, and/or documents signed, executed, sealed and/or delivered by the Directors or any of them in connection with the Proposed Additional Loan Shares Issuance and this resolution be and are hereby approved, confirmed and ratified.

### BY ORDER OF THE BOARD

Tan Sri Datuk Tiong Su Kouk  
Executive Chairman

27 July 2018

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### Notes:

- (i) Unless The Central Depository (Pte) Limited (“**CDP**”) specifies otherwise in a written notice to the Company, CDP shall be deemed to have appointed as CDP’s proxies to vote on behalf of CDP at the SGM each of the Depositors who are individuals and whose names are shown in CDP’s records as a time not earlier than forty-eight (48) hours prior to the time of the SGM. Therefore, such Depositors who are individuals can attend and vote at the SGM without the lodgement of any Depositor Proxy Form (as defined below).
- (ii) Such a Depositor registered and holding Shares through CDP who is an individual but is unable to attend the SGM personally and wishes to appoint a nominee to attend and vote on his/her behalf as CDP’s proxy must complete, sign and return the proxy form which is despatched together with this Circular to Depositors (“**Depositor Proxy Form**”) completed by CDP in accordance with the instructions printed thereon and deposit the duly completed Depositor Proxy Form at the office of the Company’s Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, not less than forty-eight (48) hours before the time appointed for holding the SGM. Similarly, a Depositor which is a corporation and which wishes to attend the SGM must submit the Depositor Proxy Form for the appointment of nominees(s) to attend and vote at the SGM on its behalf as CDP’s proxy.
- (iii) If a Shareholder (who is not a Depositor) is unable to attend the SGM and wishes to appoint a proxy to attend and vote at the SGM in his/her stead, then he/she should complete and sign the proxy form despatched to Shareholders who are not Depositors (“**Shareholder Proxy Form**”) and deposit the duly completed Shareholder Proxy Form at the office of the Company’s Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, not less than forty-eight (48) hours before the time appointed for holding the SGM. Such proxy need not be a member of the Company.
- (iv) To be effective, the Depositor Proxy Form or the Shareholder Proxy Form must be deposited by a Depositor or a Shareholder (as the case may be) at the office of the Company’s Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, not less than forty-eight (48) hours before the time appointed for holding the SGM in accordance with the instructions stated herein.
- (v) The completion and return of the Depositor Proxy Form or the Shareholder Proxy Form by a Depositor or a Shareholder, as the case may be, will not prevent such Depositor or Shareholder, as the case may be, from attending and voting in person at the SGM if he/she wishes to do so, in place of his/her/its nominee or proxy, as the case may be.

### PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the SGM and/or any adjournment thereof, a Depositor or a Shareholder of the Company (i) consents to the collection, use and disclosure of the Depositor’s or a Shareholder’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the SGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the SGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the Depositor or a Shareholder discloses the personal data of the Depositor’s or a Shareholder’s proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the Depositor or a Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Depositor or a Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Depositor’s or a Shareholder’s breach of warranty.

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