



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

RESPONSE TO SGX-ST QUERIES IN RELATION TO THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2019 FINANCIAL STATEMENTS (“FY2019 Results”)

The Board of Directors (the “**Board**”) of Nam Cheong Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) refers to its announcement made on 28 February 2020 in relation to the FY2019 Results and would like to provide the following additional information in reply to the queries raised by SGX-ST on 9 March 2020:

SGX-ST Query 1

- (a) In view of the Company’s negative equity position and the negative working capital position, please disclose the Board’s opinion as to whether the Company and the Group can continue to operate as a going concern, and the bases for its opinion.
- (b) Please disclose the Board’s opinion as to whether trading in the Company’s securities should be suspended pursuant to Rule 1303(3) of the Listing Manual.
- (c) Please provide the Board’s confirmation as to whether sufficient information is disclosed for trading of the Company’s securities to continue in an orderly manner, and the bases for its opinion.
- (d) Please provide an explanation for the improvement of GPM for vessel chartering segment from 22% in FY18 to 32% in FY19.

Company’s Response

- (a) In assessing whether the Group and the Company can meet their debt obligations for at least the next 12 months, the management has prepared cash flows forecasts for the financial year ending 31 December 2020 and 31 December 2021. The key assumptions relied on, which are consistent with those applied in the Group’s restructuring settlement concluded in 2018 with certain creditors, include the following:
 - (i) Sufficient cash inflows are generated by the Group’s chartering segment. As announced in the FY2019 Results, the Group’s revenue from vessel chartering surged by 112% to RM285.4 million in FY2019, from RM134.5 million in FY2018. The Group anticipates its chartering segment, from its latest projections based on reasonable expectations of daily charter rates, vessel utilisation and low default rates by its customers, to generate sufficient operating cash inflows;
 - (ii) Sufficient proceeds from the sale of certain completed vessels held by the Group for repayment of certain borrowings which are due by 31 December 2020;
 - (iii) No material claims from creditors, particularly those subcontracted shipyards, which the Group has yet to terminate the Contracts or restructure the debts owing to such subcontracted shipyards, that are reasonably likely to have a material effect on the Group’s financial condition and operations are brought against the Group; and

- (iv) The offshore activities continue to keep steady in Malaysia, and the Group's vessels continue to be in demand. As announced in the FY2019 Results, according to the most recent Activity Outlook 2020-2022 report released by Petronas in December 2019, "Maintenance, Construction, and Modification activities and the Brownfield Hook-up & Commissioning activities are projected to remain steady, thereby supporting the Group's revenue stream from the chartering of accommodation and maintenance vessels".

Based on the cash flow forecast and barring any further unforeseen adverse, macroeconomic and industry wide circumstances, the Board believes that the Group and the Company will have sufficient working capital and financial resources to meet their obligations as and when they fall due for at least the next 12 months from the end of the reporting period, and are of the view that the going concern assumption is appropriate for the preparation of the financial statements for the financial year ended 31 December 2019. At this point in time, the Group is not able to ascertain the magnitude of the possible impact to the offshore and marine industry arising from COVID-19 and recent plunge in oil prices but will continually assess as the situation develops and update its shareholders accordingly.

At the next annual strategic meeting, the Board will as in past years be conducting a review of the Group's operational and financial position and to decide on actions as appropriate to address the Group's ongoing financial challenges arising from the last financial restructuring exercise.

- (b) Based on the responses provided above, the Board is of the opinion that the Company is able to continue as a going concern and therefore trading in the Company's securities should not be suspended pursuant to Listing Rule 1303(3).
- (c) The Board has continuously monitored the Company's operations and receives reports from the management about the Company's performance and financial status, and nothing material has come to the Board's attention that warrants disclosure to shareholders. In this regard, the Board confirms that to the best of its knowledge and belief, sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner.
- (d) The improvement of GPM for vessel chartering segment from 22% in FY18 to 32% in FY19 was mainly attributed to the increase in the vessel daily charter rates, which is consistent with the overall increase in demand for Anchor Handling Tug Supply vessels, Platform Supply vessels as well as accommodation and maintenance vessels in Malaysia due to the pickup in offshore drilling, development and maintenance activities during 2019. At the same time, the Group was also able to achieve economic of scales through the expansion of fleet size, from 28 vessels in FY2018 to 36 vessels FY2019.

BY ORDER OF THE BOARD
NAM CHEONG LIMITED

Tan Sri Datuk Tiong Su Kouk
Executive Chairman
11 March 2020