



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: Nam Cheong Limited

Stock code: N4E

Meeting details:

Date: 25 June 2020

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. On 11 March 2020, in its response to queries received from SGX-ST, the board stated that it opined 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).

Despite the negative equity position and the negative working capital position, management had assumed, in its cash flow forecast, the following:

- Sufficient cash inflows generated by the chartering segment
- Sufficient proceeds from the sale of vessels
- No material claims from creditors
- High employment of its vessels in a steady offshore environment

On 24 April 2020, the company announced that the recent severe adverse events (including the sharp downturn in the global oil and gas industry and the extension of Movement Control Order) have adversely impacted the group's current operating condition, financial position and business outlook.

On 28 April 2020, the company voluntarily suspended the trading of the company's securities prior to the commencement of trading that day.

In the unaudited 1Q 2020 financial statement for the three months ending 31 March 2020, the group generated RM21.3 million in operating cash flow although the board stated that it is actively reviewing its options to restructure its businesses, operations and balance sheet to preserve value for the stakeholders of the company.

- (i) **Given that the ship chartering business is long term in nature, what was the immediate impact due to the sharp downturn in the global oil and gas industry on the group's cash flow and financial position?**
- (ii) **In particular, how has the group's financial position changed between 11 March 2020 and 28 April 2020?**
- (iii) **What does the company need to achieve before it could request the resumption of trading of its shares on SGX-ST?**
- (iv) **Has the company started negotiations with its creditors?**

Q2. Would the board/management provide shareholders with better clarity on the following operational/financial matters? Specifically:

- (i) **Shipbuilding: The group generated no revenue from the shipbuilding segment in FY2019.** Can management confirm that all shipbuilding activities have been suspended/terminated and the segment will remain dormant in the foreseeable future?

- (ii) **Fleet:** In FY2019, the group expanded its fleet from 28 in FY2018 to 36 in FY2019. Chartering revenue increased by 112% from RM134.5 million in FY2018 to RM285.4 million in FY2019. RM58.9 million was used to fund the acquisitions of vessels. **Can management help shareholders understand the background to the acquisitions of 8 vessels in 2019? Were they “discretionary” acquisitions made by management in 2019?**
- (iii) **Cash flow:** Given the group’s financial position, what guidance did the board give to management to balance its investments and to maximise its cash holdings/inflow?

Q3. As disclosed in the corporate governance report, two independent directors, namely Mr Ajaib Hari Dass and Mr Yee Kit Hong, have each served on the board for a period of nine years from the date of their first appointment in 2011.

During the tenure, the company had gone through a debt restructuring exercise via Schemes of Arrangement.

The nominating committee (NC) has determined that the independence of Mr Ajaib Hari Dass and Mr Yee Kit Hong have not been affected by the tenure. The NC comprises Mr Ajaib Hari Dass (chairman), Mr Yee Kit Hong and Mr Tiong Chiong Hiiung (executive vice chairman cum finance director).

- (i) **Given that both the long-tenured directors are the chairman and a member of the NC, how effective was the NC in the discharge of its duties (including the review of director’s independence)?**

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”) and the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022.

Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- (ii) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (iii) **Has the NC evaluated if the board would benefit from having new directors who can bring in fresh perspectives, and especially those who have significant experience and a good track record in financial management and restructuring?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)