



Securities Investors Association (Singapore)

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Issuer: Viking Offshore and Marine Limited

Security: Viking Offshore and Marine Limited

Meeting details:

Date: 28 Jun 2019

Time: 9.00 a.m.

Venue: 21 Kian Teck Road, Singapore 628773

Company Description

Viking Offshore and Marine Limited is a Singapore-based company engaged in the provision of management and other services to related companies, and investment holding. The Company, through its subsidiaries, provides offshore and marine system solutions to yards, vessels owners and oil companies around the world. It operates through three segments: Offshore and Marine segment, Chartering Services segment and Corporate segment. Its offshore and marine services include heating, ventilation, air-conditioning and refrigeration; fire and gas detection; control and instrumentation; marine telecommunication, and winches, power pack and deck machinery. Its asset chartering services include chartering services and asset financing. Its ancillary services include venture capital, facility services and strategic equity investment. Viking Asset Management business seeks to acquire offshore and marine, and oil and gas assets to provide chartering services.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=557)

Q1. On 13 June 2019, the company announced that it was seeking court protection via the following moratorium applications:

- An application by the company to the High Court of the Republic of Singapore to commence a court-supervised process to reorganise its liabilities and to seek a moratorium against enforcement actions and legal proceedings by creditors against the company pursuant to section 211B of the Companies Act (Cap 50).
- An application by the company's subsidiary, Viking Asset Management Pte Ltd ("VAM"), to the High Court of the Republic of Singapore to seek a moratorium against enforcement actions and legal proceedings by creditors pursuant to section 211C of the Companies Act (Cap. 50)

Following a trading halt effective on 10:32am on 11 June 2019, the company announced the suspension of the trading of the company's shares on 13 June 2019.

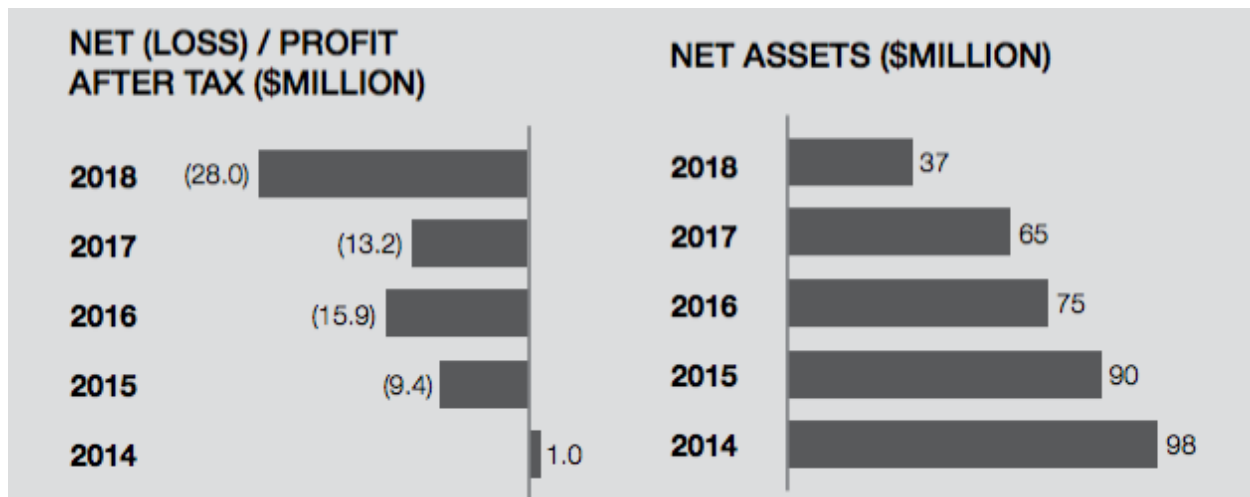
- (i) Can the board help shareholders understand the milestones and the timeline going forward in the court-facilitated restructuring process?**
- (ii) What are the roles played by the independent directors in safeguarding the interests of shareholders, especially the interests of minority shareholders?**
- (iii) How is the company sourcing for strategic investors who can strengthen the group's financial position? When does the board expect to conclude any negotiations with the interested parties?**
- (iv) What is the amount of investment required by the group to ensure that it can continue as a going concern?**
- (v) Under Catalist Rule 1304, the group will have to submit a proposal (or proposals) to the SGX-ST to resume trading of its securities. Can the board help shareholders understand its efforts at developing the proposal? What are the operational and financial milestones to be achieved before the group can submit its proposal to SGX-ST? Who is leading the group's efforts in applying for the resumption of the trading of the group's shares?**

Q2. The profiles of the board directors are shown on pages 7 and 8 of the annual report.

The executive directors are Mr Andy Lim, Mr Low Jooi Kok and Mr Ng Yeau Chong (also chief executive officer).

- (i) Would the company help shareholders understand the roles and responsibilities of each of the three executive directors? The company has not provided this information in the director's profile. How much overlap is there in the roles and responsibilities?**
- (ii) Specifically, what are the key performance indicators used to assess the performance of the directors?**

As seen from the Financial summary (page 4), the group has reported large and increasing losses in the past 4 years and net asset has shrunk from \$98 million to \$30 million in FY2018. An extract of the financial summary is reproduced below:



(Source: Adapted from company annual report)

- (iii) As the company is going through a court-facilitated restructuring, would the board consider it opportune to carry out a comprehensive strategic review of the group's operations to assess the core competencies of the group, its management team and its financial strength and to fine-tune its strategies so as to create long-term sustainable value for all shareholders?**
- (iv) In particular, has the nominating committee evaluated if the executive directors, as a group, have the necessary operational expertise and industry knowledge to drive the group forward in a profitable and sustainable manner? Based on the profile of the executive directors, while the board may be strong in advisory/consulting, it may further benefit from having executive directors who have deep hands-on experience in the industry.**

- (v) On page 29, the company disclosed that the group conducted interested person transactions (IPT) with Mr Andy Lim through the group's subsidiary, VAM, and Tembusu Growth Fund II which is an associate of Mr Lim for the purposes of Chapter 9 of the Catalist Rules (on Interested person transactions). The group shall repay Tembusu a loan such that Tembusu achieves an internal rate of return of **15%** per annum on the loan. There is an outstanding amount of \$4 million which was extended to April 2018 and remains outstanding. **Given that this is an IPT transaction, how does the independent directors ensure that the interests of minority shareholders are safeguarded? What is the involvement of the conflicted director in the group's debt moratorium and restructuring arrangement?**

Q3. On 13 June 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 1 March 2019) and the audited financial statements for FY2018 after the finalisation of audit.

The material adjustments included:

- Additional impairment loss on inventories relating to the winches business after further assessment
- Reclassification of impairment losses on financial assets from "other operating expenses" to "trade receivables"
- Reclassification of finance lease receivables to inventories due to the cessation of a lease agreement
- Reclassification of advances from customers from "other payables and accruals" to "contract liabilities"
- Reclassification of term loans from non-current liabilities to current liabilities
- Audit adjustment for over accruals of interest on loans

The variance was as large as \$11.2 million and the changes included basic adjustments such as reclassification from non-current liabilities to current liabilities.

The audit committee (AC) comprises Mr Kelvin Tan Wee Peng (as chairman), Mr Lee Suan Hiang and Ms Cynthia Phua Siok Gek.

In the Corporate Governance report, on page 24, the company has stated that the board "*is satisfied that the AC has reasonable resources and competencies to perform its functions and to provide effective oversight over the Group's internal controls and risk management*".

It is noted that on 11 April 2017, the company also announced discrepancies between the unaudited and audited accounts for the financial year ended 31 December 2016. In the past three years, the company made material adjustments to **two** of the unaudited results following the finalisation of audit.

- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (ii) Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iii) Is the company (and its officers) familiar with Singapore Financial Reporting Standards (International)?**
- (iv) Would the members of the AC help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?**
- (v) What was the level of involvement by the AC in the preparation of the financial statements?**
- (vi) In particular, would the chairman of the AC help shareholders understand his expertise and experience in helping listed companies with *“providing oversight over the company’s performance in areas of internal controls, financial and accounting practices, operational and compliance controls, and corporate and financial risk management?”* (page 23). It is noted that the AC chair also sits on the audit committees of other listed companies, including his past directorship as AC chair in Shanghai Turbo Enterprises Ltd and Transcorp Holdings Limited.**
- (vii) Can the AC update shareholders on the improvement made/to be made to the group’s financial reporting systems and processes?**