Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Viking Offshore and Marine Limited

Stock code: 557

Meeting details:
Date: 29 June 2021
Time: 9.00 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.

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Q1. The shares of the company have been suspended from trading on the SGX-ST since 14 June 2019.

It was disclosed in the company's circular dated 14 June 2021 that the completion of the proposed placement and the proposed allotment and issue of conversion shares in accordance with the scheme of compromise and arrangement dated 22 February 2021, are conditional upon, inter alia, the SGX-ST's approval-in-principle for resumption of trading of the shares on the SGX-ST.

(i) **Should the resolutions be approved at the EGM, what are the other major milestones before trading of the shares of the company can be resumed?**

(ii) **Can the board provide greater clarity on the timeframe of the restructuring process, including the resumption of trading?**

(iii) **Is the company ready to submit the Resumption Proposal to SGX-ST for their consideration?** The company has obtained an extension of time to 30 June 2021 to submit the Resumption Proposal pursuant to Rule 1304(1) of the Catalist Rules.

Q2. As noted in paragraph 2.4.4 of the circular, the last traded price of shares in the company, prior to the suspension of trading, was $0.004 per share on an unconsolidated basis. The illustrative unconsolidated placement price of $0.00008369 (rounded to eight decimal places) represents a discount of approximately 98% to the VWAP of the shares of $0.004 based on trades done on the last trading day.

(i) **Can the independent directors help shareholders understand their roles and level of involvement in the restructuring process?**

(ii) **With a consideration of $2 million in cash (and $1 million in secured interest-free shareholders' loan) under the proposed placement, how secured is the group's future with a cash injection of $2 million given that the group is in a net liability position of $(20.7) million?**

Information on the subscribers can be found on page 15 of the circular. The sole shareholder of Blue Ocean Capital Partners Pte. Ltd (BOC) is Mr. Daniel Lin Wei, the son of Mr. Andy Lim, the chairman and executive director and a substantial shareholder of the company. Mr. Andy Lim's stake before the restructuring stands at 24.85%. The subscribers (being BOC and Mr. Ng Yeau Chong) will have 87% shareholding in the company after the proposed restructuring.

(i) **Given that minority shareholders will suffer a massive dilution to their shareholding given the discount of 98%, what are the benefits to minority shareholders to support these resolutions which are deemed interested person transactions?**

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(ii) **Would there be any further contribution and/or value-add from the subscribers, apart from the contribution of capital?**

(iii) **What were the efforts by the independent directors to safeguard the interests of minority shareholders?**

In addition, shareholders are told to take note that even after the completion of share issuance, further new placement shares will continue to be allotted and issued to the subscribers (BOC and Mr. Ng Yeau Chong) from time to time to maintain their 87% shareholding, in the event any new shares are issued pursuant to the exercise of any Warrants or Adjusted Warrants (including the exercise of Further Adjusted Warrants), as the case may be, held by the existing Warrantholders (which include Mr. Daniel Lin Wei, Mr. Andy Lim and Associated Leisure International Pte Ltd) (pages 15 and 16 of the EGM circular).

(iii) **Can the independent directors help shareholders understand if this is a common practice in a corporate restructuring of a listed company? Did the independent directors evaluate the fairness and reasonableness for minority shareholders who would have their stakes continually diluted while the subscribers will be issued further new placement shares to maintain their 87% shareholding?**

Q3. As noted in the chairman and CEO's report, the group has achieved a milestone in its restructuring process with the approval of its proposed scheme of arrangement by the majority of creditors and the scheme being sanctioned by the Court.

The financial summary of the group can be found on page 4 of the annual report. An extract is reproduced below:

FINANCIAL PERFORMANCE ($MILLION)

	2016	2017	2018	2019	2020
Revenue	46.4	38.7	30.1	21.3	17.2
Gross Profit	18.8	15.4	11.5	6.0	5.0
Gross Margin	41%	40%	38%	28%	29%
Net Loss Before Tax	(17.1)	(13.5)	(26.2)	(31.5)	(25.4)
Net Loss After Tax	(15.9)	(13.2)	(28.0)	(32.0)	(26.1)

FINANCIAL POSITION ($MILLION)

	2016	2017	2018	2019	2020
Total Assets	146.5	130.1	101.8	73.6	29.3
Total Liabilities	71.6	65.2	64.8	69.0	50.0
Shareholder's Equity	74.9	64.9	37.0	4.8	(20.7)
Net Current Assets/ (Liabilities)	5.5	25.4	12.1	(20.9)	(21.7)
Cash & Cash Equivalents	4.7	6.1	3.6	2.4	2.6



(Adapted from company annual report)

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As seen in the diagram above, the group recorded a net loss after tax of $(26.1) million and is now in a net liability position of $(20.7) million as at 31 December 2020. The group is looking to exit the restructuring regime and to rebuild itself despite the prolonged challenging business climate.

As noted in the Corporate Governance report, the principal duties of the board include "approv[ing] the corporate direction and strategy of the company and monitor[ing] the performance of the management of the company" and "establish[ing] a framework of prudent and effective controls which enables risks to be properly assessed and managed, including safeguarding of shareholders' interests and group's assets" (pages 12 and 13 of the annual report).

(i) **With the group looking to exit the corporate restructuring and debt moratoria, is it timely for the board to assess its performance leading up to the group's restructuring? In particular, how effective was the board in assessing and managing risks to safeguard shareholders' interests?**

(ii) **In addition, has the board evaluated the performance of management? What were the key performance indicators used to measure the performance of management? Is the board satisfied with the long-term performance of management, especially at creating long-term value for shareholders?**

(iii) **What is the long-term performance, as measured by return on equity/ capital employed/ invested capital or total shareholder's return, over a 10-year period or over a business cycle?**

(iv) In addition, the board's role is also to ensure that the necessary financial and human resources are in place for the company to meet its objectives (page 12). **Would the board be reviewing if it has the necessary human resources in place to lead the group in this challenging environment?** As seen in the profiles of the directors, the executive directors were appointed/joined the group in 2009-2010 (page 8). The company has been loss-making in the past 5 years and there has been a decrease of $(95.6) million in shareholder's equity in the past 5 years.

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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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