

VIKING OFFSHORE AND MARINE LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199307300M)

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) ON CIRCULAR AND ANNUAL REPORT FOR FY2020

The board of directors (the “**Board**” or “**Directors**”) of Viking Offshore and Marine Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”), wishes to respond to the questions raised by SIAS in relation to the annual report for the financial year ended 31 December 2020 (“**FY2020**”) and the circular to shareholders dated 15 June 2021 (the “**Circular**”) issued by the Company.

Unless otherwise stated, capitalised terms used herein are defined in the section titled “DEFINITIONS” to the Circular.

BY ORDER OF THE BOARD

Viking Offshore and Marine Limited

Ng Yeau Chong

Executive Director and Chief Executive Officer

28 June 2021

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the “**Sponsor**”), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201

SIAS Question 1

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?**

The Company's circular dated 15 June 2021 has superseded the circular to shareholders dated 14 June 2021, although the contents remain the same. Paragraphs 2.5 and 3.4 of the Circular set out the condition precedents for the completion of the Proposed Placement and Proposed Allotment and Issue of Conversion Shares under the Scheme respectively.

Should the resolutions be approved at the EGM on 30 June 2021, only two major milestones remain to be met before trading of the Shares can be resumed, being (i) the approval of SGX-ST on the listing and quotation of, *inter alia*, the Conversion Shares and Placement Share ("LQN") and (ii) the approval of the SGX-ST on the resumption of trading of the Company's shares on the SGX-ST. The Company has submitted an application for the LQN, through its Sponsor, to the SGX-ST on 21 June 2021, and will submit the resumption of trading proposal pursuant to Rule 1304(1) of the Catalist Rules ("Resumption Proposal"), through its Sponsor, to SGX-ST by 30 June 2021.

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

As stated above, once the two major milestones are met (i.e. the receipt of LQN and approval of the Resumption Proposal from SGX-ST, targeted by mid-July 2021), the restructuring will be concluded after the receipt of funds from the Subscribers, disbursement of cash and allotment of Conversion Shares to Scheme Creditors and the issuance of Placement Shares to Subscribers and barring any unforeseen circumstances, the Company envisages these activities to be completed by mid-July 2021, and trading to resume before end-July 2021.

- (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.**

The Company is in the midst of finalising its Resumption Proposal to SGX-ST, and will submit the Resumption Proposal, through its Sponsor, to SGX-ST by 30 June 2021.

SIAS Question 2

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?**

The independent Directors have actively been involved in the decision making of fund raising and provided guidance in the various initiatives to restructure the Group. These included the disposal of the property of the Group, which concluded on 30 October 2020, minimising the operating overheads of the Group including rightsizing the headcount, seeking new investors (there were two attempts prior to the Proposed Transactions to raise funds via placement to facilitate the Company's debt restructuring, both of which were announced by the Company on the SGXNet), and considering complementary businesses to enter into, amongst others.

- (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?**

The aggregate gross proceeds from the Proposed Placement and the Shareholders' Loans is S\$3,000,000 and such funds will be used to extinguish all existing interest-bearing debts of the Company and VAM, hence strengthening the financial position of the Group. Upon the completion of the Scheme, the Group will be in a net asset position. Please refer to the financial effects of the Proposed Transactions in Paragraph 10 of the Circular.

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?**

Please refer to Paragraph 2.7 and Section 13 of the Circular for the rationale for the Proposed Transactions and the Directors' recommendation. In summary, if the Company is not able to successfully restructure its liabilities, the alternative for all creditors would be insolvent liquidation of the Company. In such a situation, Shareholders are to take note that creditors' claims rank ahead of Shareholders'. If the Company's assets are insufficient to satisfy all creditors, Shareholders will not receive any distribution of assets and may lose the money they paid for their Shares. Based on the audited FY2020 Financial Statements, the Company does not have sufficient liquid assets to meet its current liabilities as they fall due.

The Independent Financial Advisor ("IFA") to the Recommending Directors in relation to the Proposed Interested Person Transactions and the Proposed Whitewash Resolution, W Capital Markets Pte. Ltd., had provided their view that:

- (i) the Proposed Placement, being an interested person transaction, is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders;

- (ii) the terms of the Proposed Placement, being the transaction that is the subject of the Proposed Whitewash Resolution, are fair and reasonable; and
- (iii) the Proposed Whitewash Resolution, being one of the condition precedent of the Proposed Placement, is not prejudicial to the interest of the Independent Shareholders.

Please refer to Appendix A of the Circular for the IFA Letter containing the advice of the IFA.

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

As disclosed, one of the Subscribers, Ng Yeau Chong, is part of the management of the Company, and he is and will continue to be instrumental in leading the Company in the restructuring as well as the recovery.

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

As mentioned above, in the rationale for the Proposed Transactions, the interests of Independent Shareholders are safeguarded when the Recommending Directors (as defined in the Circular) considered the opinion of the IFA as set out in Appendix A to the Circular and also took into consideration, among others, the scenario of an insolvent liquidation whereby a Shareholder will not receive any distribution of assets and may lose the money they paid for their Shares.

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 Warrantheolders (which include Mr. Daniel Lin Wei, Mr. Andy Lim and Associated Leisure International Pte Ltd) (pages 15 and 16 of the EGM circular).

(iv) 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?

The anti-dilution mechanism only takes effect upon the exercise of existing Warrants of the Company. This anti-dilution mechanism does not extend to any increase in the Company's share capital that is not caused by the exercise of any Warrants, Adjusted Warrants or Further Adjusted Warrants, as the case may be.

The above anti-dilution mechanism was incepted from the first two attempts by the Company to raise funds via placements to facilitate its debt restructuring. During these attempts, terms were negotiated between the Company and the respective leading counterparties who were not related to the Company and/or its directors.

Finally, the IFA had also provided its view that the Proposed Placement, being an interested person transaction, is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

SIAS Question 3

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.

As seen in the diagram [in page 4 in the annual report], 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 "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?**

The marine and offshore industry in which the Group operated in had been very challenging since around 2014, and the Group was not spared. The Group's ensuing restructuring was therefore conducted under very demanding conditions in which the Board had to navigate in steering the Group during the last two years of restructuring.

- (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?**

The existing management's primary task was to focus on the recovery of the Group and the completion of the restructuring.

- (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?**

These long-term indexes are not applicable until the Group completes the restructuring process and stabilises the performance of the Group.

- (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.**

The performance of the Group coincided with the oil price downturn which continue to be volatile and this is consistent with all entities within the same industry. The recent COVID-19 pandemic further delayed the recovery of the industry. Many of the Group's peers have entered into voluntary liquidation or judicial management, while the Group had managed to stay afloat by minimising operating overheads including rightsizing the headcount and seeking for new investors. If Shareholders approve the Proposed Placement, the Proposed Allotment and Issue of Conversion Shares and the Proposed Whitewash

Resolution at the EGM, the Company will be provided with funds to, amongst others, facilitate the restructuring of its debts and liabilities as part of the Scheme with a view to rehabilitating the financial health of the Group. The Board will continue to periodically review the human resources of the Group to maintain its viability.