VO&M

VIKING

OFFSHORE & MARINE

ANNUAL REPORT 2016

This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore branch ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this document. The document has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document. The contact person for the Sponsor is Mr Ken Lee, Associate Director, Investment Banking. The contact particulars are 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623, Telephone: +65 6337 5115.

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Our Business

Viking Offshore and Marine is listed on the Singapore Exchange and based in Singapore with a presence in the Asian region and customers all over the world. Further complementing our regional presence, we have a network of service agents spanning the globe. Through our wholly owned subsidiaries, Viking provides offshore and marine system solutions to yards, vessels owners and oil majors around the world. The strength of our products and solutions lies in our robust engineering designs, superior project delivery and many track records over the years.

Our deep engineering and systems knowhow, coupled with our years of experience, allow us to adapt our system solution to be portable for onshore and non-oil and gas-centric applications. Increasingly, our system solutions are being accepted and popularised beyond our oil and gas, and offshore and marine customers.

To strengthen our business with more stable and predictable earning streams, we made a strategic move into asset management services. We are constantly on the lookout for attractively valued assets and chartering them to customers from the offshore and marine, and oil and gas industry. As our value proposition, we offer tailored and creative solutions and structures that allow our customers the use of assets for their operational needs and to accommodate their financial capacity.

Viking's business is now cemented along two major pillars – offshore and marine services and asset chartering services.

OFFSHORE AND MARINE SERVICES

- Heating, Ventilation, Air-Conditioning & Refrigeration
- Fire & Gas Detection
- Control & Instrumentation
- Marine Telecommunication
- Winches, Power Pack & Deck Machinery

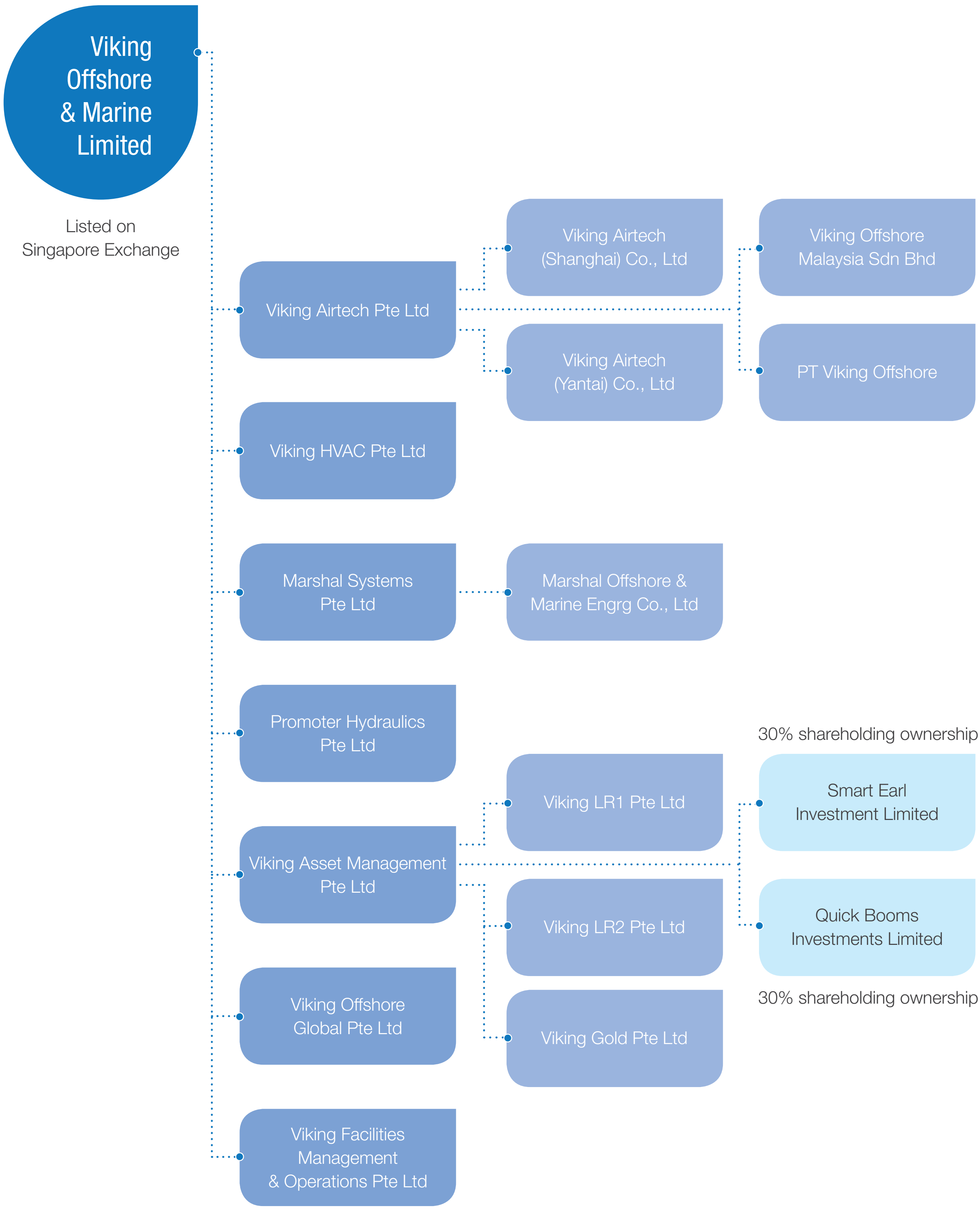
ASSET CHARTERING SERVICES

- Chartering Services
- Asset Financing

ANCILLARY SERVICES

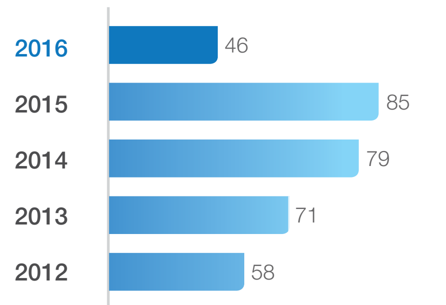
- Venture Capital
- Facility Services
- Strategic Equity Investment

Group Structure

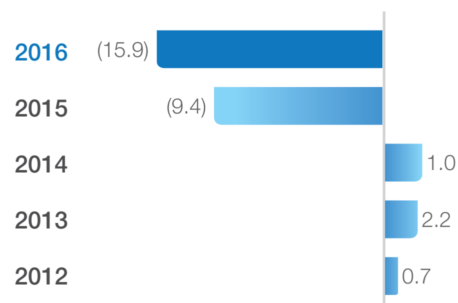


Financial Summary

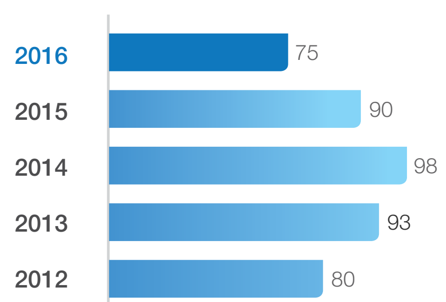
REVENUE ($MILLION)



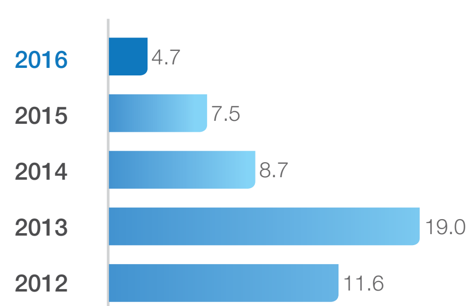
NET (LOSS) / PROFIT AFTER TAX ($MILLION)



NET ASSETS ($MILLION)



CASH AND EQUIVALENTS ($MILLION)



FINANCIAL PERFORMANCE ($MILLION)

	2012	2013	2014	2015	2016
Revenue	58.0	70.6	79.0	84.5	46.4
Gross Profit	17.0	21.5	23.5	23.9	18.8
Gross Margin	29%	30%	30%	28%	41%
Net Profit/(Loss) Before Tax	0.5	1.4	1.5	(9.9)	(17.1)
Net Profit/(Loss) After Tax	0.7	2.2	1.0	(9.4)	(15.9)

FINANCIAL POSITION ($MILLION)

	2012	2013	2014	2015	2016
Total Assets	112.5	123.0	156.7	171.4	146.5
Total Liabilities	32.5	29.8	58.8	81.0	71.6
Shareholder's Equity	80.0	93.2	97.9	90.4	74.9
Net Current Assets	36.8	49.2	32.3	4.1	5.5
Cash & Cash Equivalents	11.6	19.0	8.7	7.5	4.7

CASH FLOW ($MILLION)

	2012	2013	2014	2015	2016
Opening Cash Balance	8.8	11.6	19.0	8.7	7.5
Net Cash Flow From Operations	(0.4)	(1.2)	(11.5)	(6.7)	2.6
Net Cash Flow From Investing	7.6	(0.5)	(21.0)	(5.7)	(0.2)
Net Cash Flow From Financing	(4.4)	9.1	22.1	10.8	(5.2)
Ending Cash Balance	11.6	19.0	8.7	7.5	4.7

Chairman's Message

Dear Shareholders

The prolonged oil price crisis, which underpinned the decline in the oil and gas sector, continued to face strong headwinds with low oil prices and production surpluses. Consequently, the related offshore and marine industry continued to be adversely impacted by the slowdown of capital expenditure from the oil and gas sector and the resultant weaker demand for new builds.

Going forward, oil prices may continue to be at low levels. While there appears to be recent signs of recovery, the industry consensus is for the situation to continue to be volatile and for the upturn to be gradual. Accordingly, the industry, and likewise the Group, may continue to face a complicated and difficult operating environment.

An incredibly challenging year

2016 was indeed a very challenging year for the Group. The key takeaways we observed are:

- This has been a long harsh "winter" and it will probably continue for a while before recovery sets in.
- Our business is too industry-centric and dependent on exogenous factors.
- Liquidity and cash is the order of the day.

There are limited available actions we can take to address the industry landscape, and we are certainly not in any position to create demand. On top of closing out every qualified opportunity we engaged in and venturing into onshore platforms, we can only rightsize our operations, conserve resources and ride out this storm.

Prioritizing our cost

The restructuring of the business has not been achieved without sacrifice. Shareholders have seen their dividends suspended, and many valued members of the team have been made redundant, while those who remain have seen their responsibilities and workload increase. On behalf of the entire Board, I would like to thank all of them for their sacrifices, resourcefulness and resilience during a very tough year for Viking.

Preparing for the future

We reduced our people resources but not our skill competency. We controlled travel and marketing activities without alienating our customers or forgoing our markets. We simplified our infrastructure without compromising on controls and support. We cut costs but not our commitment to quality and deliverables. The changes we have made, while painful, were absolutely necessary in this environment. We hope to be able to ride out this difficult period and yet lay the foundations for Viking to benefit from the recovery when it occurs.

Going amphibious

This crisis certainly forced a rethink of our industry dependence. We have been comfortable in the offshore and marine sector and this crisis has motivated us to venture beyond to the onshore segment anchoring along our technology, solution and capability. This is by no means an abandonment of our traditional customers but an enlargement of our customer base and a reduction of our dependence on a single industry sector. While we may be new to this segment and there are many hurdles to clear, the initial results have been encouraging and there are plenty of opportunities to capitalise on in this area.

Maintaining liquidity

Investor confidence in the sector has been shaken, the cost of capital has increased substantially, and access to financing – both debt and equity – has been severely curbed. The Group, apart from actively engaging the banks concerned in seeking continued support of extended credit capacity, is working diligently to procure new avenues of financing resources and financial assistance programs. We appreciate our bankers' proportionate measures to help the business during these trying times and our bondholders' continued belief in our capacity.

Looking forward

We cannot be certain when the tough times will be over nor can we determine when the industry will turn the corner, but we are confident that Viking will overcome these challenges and emerge much stronger. We have positioned ourselves for the future and to ride the upturn when it comes.

ANDY LIM
Chairman
Viking Offshore and Marine Limited

OPERATIONS REVIEW

2016 has been the most challenging year for the Group. With the Group's business and customer base concentrated in the offshore and marine industry, the repercussions of the oil price crisis had a profound impact on our performance, as it did to many other companies in the same sector. Yet, through the struggles and the sacrifices we have learned many valuable lessons about ourselves and our business, and we are confident that we are equipped to face the uncertainty that will continue to characterize the industry in the foreseeable future.

2016 – LOOKING BACK

Offshore and marine services

Our offshore and marine services, which are systems-based engineering and integration services, are well-deployed on offshore rigs and offshore support vessels, with a larger concentration on new builds over the years. With the significant slowdown in this industry, our businesses have been largely impacted by the decline in industry demand and shipyards' lack of new orders. In 2016, the backlog of orders from past years was not able to adequately support our business capacity, and this was furthered worsened with the numerous delays we experienced on secured orders. New orders were also scarce, with fewer project opportunity pipelines and longer gestation periods of award decisions.

Against this challenging backdrop, we have taken conscious decisions to rightsize our operational resources to improve utilization and remove excess capacity. We have further rationalized our resources and explored subcontracting models in an attempt to keep our costs variable and our operations flexible to adjust with changing activity levels. All these were achieved with manageable impact to our capacity and competence to support customers' continued engagement. We have also expanded our focus and reallocated our resources to target areas of emerging markets, as well as onshore infrastructural requirements using our core technology and system solutions.

We strongly believe that the steps we have taken, while presently difficult, will allow us to reshape ourselves going forward. This strategy to be lean and focused will enable us to persist through this difficult industry landscape and capitalise on unserved markets and new business platforms.

Asset chartering services

In view of the current low charter rates, our partners working in concert with the shipyards have delayed the completion and delivery of the offshore jack-up drilling rigs. There has been no activity on this front for the year and this is expected to continue until the jack-up rig situation improves.

The overall oil crisis also impacted the operation of our land drilling rigs with the ultimate customer and the charterer suspending drilling activities after the completion of the first well in Morocco. Additionally, the second land drilling rig which was intended to be deployed for the same purpose has likewise been suspended. In this regard, special attention has been dispensed to collecting the chartering service receivables and bringing the accounts to current. A portion of the charter payments were received during the year but the account remains in arrears as of year-end. Subsequent to year end, the Group terminated the bareboat charter agreement for one of its land rigs. We continue to work on several opportunities to redeploy the land rigs. While we believe we have adequate asset-collateral coverage on the outstanding amounts, it is necessary to convert to cash in order to deleverage our balance sheet as well as ease our cash flows.

UPDATE ON 2016 INITIATIVES

We foresaw the prolonged industry challenges, and started plotting initiatives to ride through this long and difficult period. We spoke about 1) expanding geographically beyond the major markets; 2) extending our portfolio beyond oil and gas, and offshore and marine platforms; and 3) grow operational assets through chartering services. Our examination of these initiatives yielded mixed results but provided sufficient encouragement that we are on the right track with these measures.

Expanding our geographical markets

Our major markets of Singapore and China experienced the largest impact in the current slowdown and this closely mirrored our customers' situation. The same challenges were faced by our competitors in the major markets due to a lack of demand from the local shipyards. The gravity of the situation was to the extent that the governments of these countries intervened to offer resources and assistance in an attempt to arrest the dwindling demands. In our offshore and marine services business segment, new order intake declined 43% year-on-year, with major markets of Singapore and China largely contributing to the decline.

Extending our portfolio

We saw encouraging success in securing and executing projects outside of our traditional oil and gas, offshore and marine customers. We endeavour to increase the share of business from this non-traditional industry segment. We do not expect these initial tractions to cushion the shortfall in our traditional segments, but we believe it is a good strategic move to expand our portfolio and to reduce our dependence on a single industry sector. Even though our solutions and applications are portable to other platforms, venturing beyond our comfort zone in the oil and gas related offshore and marine industry for more than 20 years is a move that will require careful planning and disciplined execution.

Growing our chartering services

In 2016, we added a relatively small chemical tanker to our asset portfolio in the chartering services. In addition to growing our chartering services base, this has also provided us with some diversification by being involved in the logistic play as opposed to just another oil and gas related assets.

2016 FINANCIAL REVIEW

The Group's profitability was largely impacted by revenue declines and impairment charges on balance sheet items with carrying values no longer justifiable under these difficult conditions.

Revenue for the Group declined year-on-year, as a result of a smaller order book carried forward, low new orders intake during the year, and deferment of secured orders to future years. While gross profit declined in tandem with the lower revenues, the margin improved due to the revenue mix gearing towards the higher-margined asset chartering business, vis-à-vis the offshore and marine business.

The operating expenses for the Group, excluding financing cost and impairment charges, were lower than the prior year due to aggressive cost management measures. These measures were in the areas of rightsizing of manpower resources and curtailed spending across the board in response to the business level of the Group amidst the challenging market conditions.

The higher financing costs resulted from borrowings to meet working capital needs as well as to fund previously committed in-progress capital spending. A major portion of the financing costs resulted from borrowings to acquire assets to support the chartering business.

The increase in Other Operating Expenses resulted from accounting adjustments on valuation of certain assets on the Balance Sheet. These impairments were on intangible assets pertaining to goodwill and intangibles relating to the acquisition of the HVAC business in the year 2010. These impairments were non-cash items and have no impact on the net tangible assets of the Group. The Group also impaired the slow moving winch-related inventories including the non-cash nature of fair value adjustments when the Group acquired the subsidiary's assets at lower than fair value in 2010.

A chartering contract was terminated subsequent to year end. The Group decided to impair the trade receivables and finance lease receivables due to the uncertainty of the future lease payments under the charter contracts.

Considering the above factors, the Group recorded a net loss after tax of S$15.9 million, of which S$16.5 million related to impairment of assets.

The net assets of the Group of S$74.9 million was lower compared to the prior year as a result of the loss incurred for the year. The major item in the balance sheet relates to trade receivables with the increase mainly attributable to the asset chartering business segment. While there have been payments of receivables from the charterer during the year, the charterer continues to be behind in their scheduled payment. This increase in trade receivables in the asset chartering business segment was partially offset by the decrease in trade receivables from the offshore and marine business segment due to collection from customers and lesser new billings to the customers.

During the year, the Group partially redeemed the redeemable exchangeable bonds and extended the maturity of the balance of the bonds to 2017 and 2018.

The net cash flows generated from operating activities were mainly due to the customer billing and subsequent collection for the offshore and marine services business segment, and

OPERATIONS REVIEW

the reduction in finance lease assets as a result of billing of the land rig charter contracts. Lesser capital expenditures were made during the period as the construction of the new building was completed in the prior year, thereby resulting in lower cash flows used in investing activities. The net cash flows used in financing activities were largely due to the repayment of bank loans and partial redemption of redeemable exchangeable bonds during the year.

MOVING FORWARD

The downturn in the offshore and marine industry and in the oil and gas sector is taking its toll on businesses and companies within the industry. While there have been concerted efforts to address the low oil prices and demand supply imbalance, the wider consensus is that the recovery will be gradual coupled with a long gestation period of multiplier effect on the industry. In the near term, the outlook of the industry is expected to stay challenging with continued oil price volatility and uncertain climate.

To sustain its business volumes during this downturn, the Group has and will continue to diversify its customer base towards non-oil and gas, and extend to onshore and infrastructural requirements. These initiatives entail the Group to adapt and customize its portable technology and solutions to meet these applications. Addressing the business volume equation will take time and is not likely to fully cover the shortfall in our traditional business segments. We are encouraged seeing "green shoots" sprouting out in these newer areas and will maintain this course with added speed and vigour.

Concurrent to improving the business volume equation, cost management actions are inevitable. Hoping to command better pricing will be challenging in an environment where competition will be intense with many players vying for limited opportunities. Additionally, the Group's expansion into new application areas will also add to the pricing and margin pressure. The Group will continue to exercise prudence when evaluating potential projects and will place greater emphasis on operational cost discipline in project execution. The feasible way to maintain or improve business margins can only be achieved through better cost management and extracting higher productivity.

We have made the difficult but necessary decisions and taken the appropriate measures to trim cost. We have aggressively performed cost takeout; including but not limited to reducing our people resources, adjusting management remunerations, and rationalizing and prioritizing all discretionary expense items. We will continue to act with resolve and vigour to stay the course, while ensuring that our service levels to our customers are not compromised in order to maintain our ability to engage and win in the marketplace.

In these challenging times and continued uncertain future, conserving cash must remain our utmost imperative. While we remain vigilant in our credit management process, improving collection efforts and accelerating revenue to cash conversion cycle will be critical. We have had reasonable success in gaining access to funds and in maintaining continued support from our bankers and key suppliers. We are most appreciative for all the support from our key stakeholders. We will continue to seek out new and additional sources of funds in order to maintain liquidity within the system and the necessary financial capacity to continue our engagements.

While we do not have any definitive answers to when the industry conditions will improve, there are encouraging signs that the industry may have bottomed out and a gradual recovery could be on its way. We can only move forward with cautious optimism and stay grounded with our prudent management posture. We would like to take this opportunity to express our gratitude to our customers, our suppliers, our partners and our people for supporting our efforts as we navigate the path ahead.

LOW JOOI KOK
Chief Executive Officer
Viking Offshore and Marine Limited

BOARD MEMBERS

Top Left to Right:
Ong Choo Guan
Lee Suan Hiang
Phua Siok Gek Cynthia
Tan Wee Peng Kelvin
Bo Johansson

Bottom Left to Right:
Low Jooi Kok
Andy Lim
Lin Wei Daniel

ANDY LIM, 59

Chairman and Executive Director

Mr Lim was appointed Chairman and Executive Director of the Company on 15 June 2009. He is also the Founder and Chairman of private equity firm Tembusu Partners Pte Ltd, and Chairman of the MoneyWorld Group of Companies. His other board appointments include Chairman of Overseas Experts Council (Singapore branch) of Peking University's China Centre for Strategic Studies, Board of Trustee for Honour Singapore and a member of the Home Affairs Uniformed Service Invest Board of Trustee. His past board appointments include President of Enterprise 50 Association, Chairman of Alpha Singapore and Council Member of the National Council for Anti-Drug Abuse. In 2016, Mr Lim was appointed Honorary Consul General to the Republic of Lithuania after serving as Honorary Consul for 12 years. Mr Lim holds an Engineering degree (First Class Honours) from Cambridge University and a Masters in Business Administration from University of California at Los Angeles (UCLA).

LOW JOOI KOK, 52

Chief Executive Officer and Executive Director

Mr Low was appointed Chief Executive Officer and Executive Director of the Group on 26 April 2016. Mr Low previously held the positions of Chief Operating Officer and Chief Financial Officer of the Group, a role he has assumed since he joined the Group in March 2010. Mr Low has more than 25 years of commercial experience spanning sales, marketing and line-of-business executive management, financial and operations management. He was the Chief Financial Officer of IBM Singapore in 1998, and then Director of Business Partner Sales for ASEAN and South Asia till 2009. Prior to joining IBM, Mr Low was with Visa International, holding various appointments overseeing financial planning and management of strategic business investments for Visa within Asia-Pacific region. Mr Low holds a Master of Business Administration from Southern Illinois University, Carbondale and a Bachelor of Accounting degree from Nanyang Technological University of Singapore, and is a CPA.

LIN WEI DANIEL, 33

Executive Director

Mr Lin is an Executive Director of the Company, and the Managing Director of Viking's wholly-owned subsidiary Viking Asset Management Pte Ltd and Promoter Hydraulics Pte Ltd. In his management role, Mr Lin is responsible for the negotiation of the Group's first land drilling rig charter contract and investment stake in two shallow water CJ46 jack-up rigs. Prior to joining the Company, Mr Lin was an Executive Director of boutique Mergers & Acquisitions advisory firm Blue Ocean Capital Partners, providing bespoke corporate finance advice to high net worth individuals. Prior to Blue Ocean, Daniel was the Special Assistant to the CEO in Singapore-listed company Advance SCT Limited where he was largely responsible for the corporate finance and fund raising activities of the company. Mr Lin also sits on the board of Ann Aik Ltd, a Singapore-listed company, as a Non-Executive Director. He graduated with an honours degree in law in 2007 from Bristol University, United Kingdom.

BOARD MEMBERS

LEE SUAN HIANG, 66
Lead Independent Director

Mr Lee was appointed Independent Director of the Company on 16 April 2010. A Colombo Plan Scholar in Industrial Design (Engineering), he had a varied career in public service as Deputy Managing Director of the Economic Development Board and Chief Executive of SPRING Singapore, National Productivity Board, Singapore Institute of Standards and Industrial Research and National Arts Council. He was also the Chairman of PSB Corporation, Deputy Chairman of the International Federation of Arts Councils and Cultural Agencies and Council Member of the International Standards Organisation. He is the current President of the EDB Society and a Fellow of the UK Chartered Management Institute, Chartered Institute of Marketing, and World Academy for Productivity Science. Mr Lee was awarded the Public Administration (Gold) Medal in 1998, World SME Association Award in 2001, Japan External Trade Organisation Award in 2002 and Chevalier de l'Ordre des Arts et Lettres from France in 2010.

TAN WEE PENG KELVIN, 52
Independent Director

Mr Tan was appointed Independent Director of the Company on 25 June 2009. He has more than 20 years of professional experience including senior management positions at AETOS Security Management, PSA International, and Temasek Holdings, the last being the Managing Director of its Private Equity Funds Investment Unit. He was a consultant advising companies investing in China, and also served with the Singapore Police Force. Mr Tan is an Adjunct Associate Professor with the NUS Business School. A Local Merit Scholar (Police Service), Mr Tan holds a Bachelor in Accountancy (First Class Honours) and a Master in Business Administration from the National University of Singapore. He also attended the Programme for Management Development at Harvard Business School. Mr Tan currently holds directorship appointments and advisory positions with several other private and public-listed companies.

PHUA SIOK GEK CYNTHIA, 58
Independent Director

Ms Phua was appointed as Independent Director of the Company on 1 June 2015. Ms Phua has over 30 years of experience in the real estate industry having held the position of Executive Vice President of Singbridge Corporate Pte Ltd, Executive Director of Retail Services in Knight Frank Pte Ltd, General Manager of the Real Estate Unit in NTUC FairPrice, Managing Director of SLF Management Services Pte Ltd and CEO of Bishan-Toa Payoh Town Council. Cynthia was involved in the overseas projects in Singbridge and in Knight Frank. At FairPrice, Cynthia headed the company's real estate investment, development, sourcing and management of the retail spaces. Under Cynthia's leadership, FairPrice and Cheers expanded their footprint in Singapore from 103 to over 254 outlets island-wide. Between 2001 and 2011 Cynthia was also an elected Member of Parliament in the Aljunied Group Representation Constituency and Chairman of Aljunied Town Council. Cynthia holds a B. Sc (Estate Management) Honors from the National University of Singapore. She also attended the Advanced Management Programme in Harvard Business School. Cynthia currently holds directorship and advisory appointments in other charitable and social organisations.

BO JOHANSSON, 76
Advisor to Chairman

Mr Johansson was appointed Advisor to Chairman of the Company on 16 April 2010. He is currently Managing Director of Viking Engineering Pte Ltd and was Chairman of Viking Airtech Pte Ltd since its incorporation until 2009. As a Certified Turbine and Gears Engineer Stal-Laval Turbin AB (now Siemens Sweden AB) since 1969, Mr Johansson has extensive experience as a Specialist Engineer on main propulsion steam turbines, gears and control systems for various ship-owners, including Golar Management LNG, Shell, BP, British Gas, ExxonMobil, Chevron Shipping USA, Tanker Pacific, Bergesen Norway, Abu Dhabi Gas, Qatargas, MOL Japan, Sovcomflot Russia and others. He also guided Viking Engineering into the field of self-discharging ships and barges for bulk materials as agents for BMH Marine Sweden, now Cargotec Bulk.

ONG CHOO GUAN, 65
Advisor to Chief Executive Officer

Mr Ong was appointed Advisor of the Company in April 2016 after retiring from his previous position of Chief Executive Officer and Executive Director of the Company. With more than 30 years of management experience in the offshore and marine industry, Mr Ong has been instrumental in driving the growth of Viking Airtech Pte Ltd since its incorporation in 1994 as part of Viking Engineering Group. Since his appointment as Executive Director of Viking Airtech in 2003, he has turned the business around and brought Viking Airtech to new heights as a leading HVACR solutions provider to shipyards and vessel owners in the region. Prior to joining Viking Engineering Group in 1980 where he was General Manager, Mr Ong was with Jurong Shipyard as the Overall-in-charge Engineer for mechanical works onboard the vessels. He is a Mechanical Engineer by profession and received various training in Finance and Accounting, and Marketing Management.

EXECUTIVE MANAGEMENT

Top Left to Right:
Law Ren Kai Kenneth
Frederic Serna
Ng Yeau Chong
Lin Wei Daniel

Bottom Left to Right:
Low Jooi Kok
Andy Lim
Ong Choo Guan

NG YEAU CHONG, 50

Managing Director, Viking Airtech Pte Ltd

Mr Ng was appointed Executive Director of Viking Airtech Pte Ltd in May 2012, and subsequently appointed Managing Director in January 2015. Mr Ng joined the Group in August 2010 as the Chief Operating Officer. Mr Ng has more than 20 years of professional experience covering Sales & Marketing, Program Management, and Operations & Training in both public and private sectors. An Overseas Merit Scholar (SAF), Mr Ng was with the Republic of Singapore Navy for more than 10 years. Prior to joining the Group, he served as Asia Consulting Solution Director (Oracle Consulting Services, 2007-2010), Vice President (UOB, 2000-2007), and Assistant Head (Spring Singapore 1999-2000). Mr Ng holds a Master of Arts from University of Oxford and a MBA (Accountancy) from Nanyang Technological University. Mr Ng is a Certified Financial Analyst (CFA), and a Financial Risk Manager (FRM).

LAW REN KAI KENNETH, 33

Chief Financial Officer

Mr Law was appointed Chief Financial Officer in April 2016. Mr Law previously held the position of Group Financial Controller when he joined the Group in April 2015. Mr Law began his career in a professional service firm in London before joining a Big 4 accounting firm providing assurance services to public listed companies and multinational clients in various industries including healthcare, manufacturing, property development and banking. He was also involved in corporate exercises in relation to fund raising during his assurance tenure. He subsequently had a stint in an SME company as CFO and was responsible for the corporate affairs and finance function of the company. Mr Law holds a Bachelor of Science (Honours) degree in Accounting and Finance from the London School of Economics and Political Science and is an associate of the Institute of Chartered Accountants in England and Wales and associate member of the Institute of Singapore Chartered Accountants.

FREDERIC SERNA, 60

Managing Director, Marshal Systems Pte Ltd

Mr Serna joined Marshal Systems Pte Ltd in April 2014 as General Manager and was appointed Managing Director of the company in September 2014. Mr Serna spent most of his career in Asia since the mid-1980s and very comfortably assimilated into the business environment and culture in Asia. He started with an assignment as a consortium general manager for a project in South Korea and he then moved into several business management positions with Alstom. After having successfully pioneered and opened the offshore market for propulsion and control systems in South Korea, he moved to Singapore to capture a share of the then untapped offshore business in South East Asia as a regional director leading to a number of successes. Mr Serna was born in France and graduated from various technical and business schools in France, then earned a Master of Business Administration from Macquarie Graduate School of Management in Sydney in 2001.

ANDY LIM, 59

Chairman and Executive Director

LOW JOOI KOK, 52

Chief Executive Officer and Executive Director

LIN WEI DANIEL, 33

Executive Directo

Corporate Information

COMPANY REGISTRATION

Viking Offshore and Marine Limited
(listed on the Singapore Exchange)
Registration: 199307300M

REGISTERED OFFICE

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Email: info@vikingom.com
Website: www.vikingom.com

BANKERS

United Overseas Bank Limited
Overseas-Chinese Banking Corporation Limited
Malayan Banking Berhad
Standard Chartered Bank
Australia and New Zealand Banking Group Limited
RHB Bank Berhad
Hong Leong Finance Limited

AUDITOR

Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower Level 18
Singapore 048583
Partner-In-Charge:
Terry Wee Hiang Bing
(wef financial year ended 31 December 2013)

COMPANY'S SPONSOR

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Singapore Branch
50 Raffles Place #09-01
Singapore Land Tower
Singapore 048623
Tel: (65) 6337 5115
Contact Person: Ken Lee

SHARE REGISTRAR & SHARE TRANSFER OFFICE

M&C Services Pte Ltd
112 Robinson Road #05-01
Singapore 068902

BOARD OF DIRECTORS

Andy Lim
Chairman and Executive Director

Low Jooi Kok
Chief Executive Officer and Executive Director

Lin Wei Daniel
Executive Director

Lee Suan Hiang
Lead Independent Director

Tan Wee Peng Kelvin
Independent Director

Phua Siok Gek Cynthia
Independent Director

AUDIT COMMITTEE

Tan Wee Peng Kelvin (Chairman)
Lee Suan Hiang
Phua Siok Gek Cynthia

NOMINATING COMMITTEE

Lee Suan Hiang (Chairman)
Tan Wee Peng Kelvin
Phua Siok Gek Cynthia

REMUNERATION COMMITTEE

Phua Siok Gek Cynthia (Chairwoman)
Tan Wee Peng Kelvin
Lee Suan Hiang

ADVISORS

Bo Johansson
Ong Choo Guan

COMPANY SECRETARY

Lin Moi Heyang
Lotus Isabella Lim Mei Hua

Financial Review

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Corporate Governance Report

For the financial year ended 31 December 2016

INTRODUCTION

Viking Offshore and Marine Limited ("VOM" or the "Company" or the "Group") is firmly committed to observing and maintaining high standards of corporate governance in compliance with the principles and guidelines set out in the Code of Corporate Governance 2012 ("Code"). The Company believes that its corporate conduct and growth must be supported by well-defined policies, transparent and consistent processes, a system of stringent internal checks and controls, and accountability.

Guided by the Code, VOM adheres and applies them in both substance and form, and continually seeks to modify, improve and keep current to its ever-changing business dynamics. The Company believes that only in doing so, Shareholders' interests are safeguarded, and the Company is better able to deliver its long-term strategic commitments of maximising Shareholder value and returns.

To attain this aim, our well-diversified and qualified Board Members work closely with our experienced Management personnel, drawing upon close adherence to the principles and guidelines prescribed in the Code, and other applicable rules and regulations.

This Report sets out our corporate governance framework and practices with specific reference to guidelines set out in the Code.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

Every company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board sets the benchmark and is responsible for VOM's corporate governance standards and policies. Its leadership responsibilities entail oversight on the Group's business performance and operating and financial affairs, providing entrepreneurial leadership, setting its strategic direction and performance objectives, and setting long term goals for VOM and high standards of corporate governance. Specifically, the principal functions of the Board are to:

1. Approve the corporate direction and strategy of the Company and monitor the performance of the Management;

2. Approve the nomination of Directors and appointment of key managerial personnel;

3. Approve the annual budget, major funding proposals and investment proposals, and ensuring the necessary financial and human resources are in place for the Company to meet its objectives;

4. Establish a framework of prudent and effective controls which enables risks to be properly assessed and managed, including safeguarding of Shareholders' interests and Company's assets;

5. Identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

6. Review the financial performance and necessary reporting compliance;

7 Set Company values and standards (including ethical standards) and ensure that obligations to Shareholders and other stakeholders are understood and met;

8. Assume responsibility for corporate governance; and

9. Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Besides the formal Board meetings, the Directors also speak on specific subjects. During the year, the Directors consulted one another several times with respect to the Group's business plans.

The key roles of the Board are:

1. Mr Andy Lim, Chairman and Executive Director
2. Mr Low Jooi Kok, Chief Executive Officer and Executive Director
3. Mr Daniel Lin Wei, Executive Director
4. Mr Lee Suan Hiang, Lead Independent Director
5. Mr Kelvin Tan Wee Peng, Independent Director
6. Ms Cynthia Phua Siok Gek, Independent Director

Delegation of Authority on certain Board Matters

To assist the Board to effectively discharge its oversight duties and functions, it delegates specific areas of responsibilities, without abdicating its responsibilities, to three Board Committees namely; the Audit Committee, the Nominating Committee, and the Remuneration Committee, each of which is governed by clear terms of reference which have been approved by the Board. Minutes of all Board Committee meetings are circulated to Board members so that they are kept abreast of proceedings and matters discussed at such meetings. To address and manage possible conflicts of interest that may arise between Directors' interests and those of the Group, the Company has put in place appropriate procedures including requiring such Directors to refrain from participating in meetings or discussions (or relevant segments thereof), in addition to abstaining from voting, on any matter in which they are so interested or conflicted.

The Board has delegated the day-to-day operations to the Management while reserving key matters for Board approval. Key functions include approving the consolidated financial statements for the Group, conflict of interest checks for Directors, disposal of assets, strategic planning and material acquisitions, share issuances, dividends, and matters which require Board approval as specified under the Company's Interested Person Transaction Policy.

The Board's approval is required for transactions or matters such as major investments, corporate restructuring, mergers and acquisitions, material acquisitions or disposal of assets, the release of the Group's financial results announcements, interested person transactions of a material nature and declaration of dividends.

Management had conducted briefings and orientation programmes to familiarise newly appointed Directors and existing Directors with the various businesses, operations and processes of the Group.

Meetings of the Board and Board Committees

The Board convenes regularly for scheduled meetings and any ad-hoc meetings are arranged when required; to review the key activities, financial performance, business plans, corporate strategies, potential acquisitions and divestments, and significant operational and/or management matters of the Group. During Board meetings, the Directors actively participate, discuss, deliberate and appraise the matters requiring its attention and decision. If Directors are unable to attend Board meetings physically, such meetings may be conducted via telephone, video conference or any other form of electronic or instantaneous communications.

The Directors are given direct and full access to the Management team of the Group's three main subsidiaries through attendances at formal Board Meetings as well as ad-hoc meetings during the year.

The number of Board meetings and Board Committee meetings held in the current financial year and the attendance of Directors at these meetings are as follows:

Attendance of Board Members	Board	Audit Committee	Nominating Committee	Remuneration Committee
Meetings held during the financial year ended 31 December 2016	4	4	1	1
Mr Andy Lim	4	N/A	N/A	N/A
Mr Low Jooi Kok	4	N/A	N/A	N/A
Mr Daniel Lin Wei	4	N/A	N/A	N/A
Mr Lee Suan Hiang	4	4	1	1
Mr Kelvin Tan Wee Peng	4	4	1	1
Ms Cynthia Phua Siok Gek	4	4	1	N/A

Upon appointment, each new Director is put through an orientation program to familiarise new Directors with the Group's business activities, strategic directions, policies, major impending projects as well as corporate governance practices of the Group. In addition, new Directors are also encouraged to attend the relevant courses and programs from the Singapore Institute of Directors ("SID") to be acquainted with the role and responsibilities of a Director in the context of a listed company.

Directors are continually and regularly updated on the Group's businesses and the regulatory and industry-specific environments in which the entities of the Group operate. Updates on relevant legal, regulatory and accounting developments may be in writing or disseminated by way of briefings or presentations. In addition, the Audit Committee Chairman will regularly keep the Board abreast of changes and development within the accounting and financial reporting areas. During the year, briefings were also conducted for the Board and some Directors also attended external briefings on the Director's disclosure obligations, recent developments in the laws on insider trading, and the proposed changes to Code by the regulators. The Company also encourages the Directors to be members of the SID, and for them to receive regular journal updates and training from SID to stay abreast and be apprised of developments in financial, legal, regulatory requirements, and the business environment.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% Shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises six members, with Independent Directors comprising half of the composition of the Board. The Company conducts an annual review of the size and composition of the Board to ensure that both aspects continue to meet the needs of the Group in managing the businesses as well as maintaining a strong independent element within the composition of the Board. The Board will continuously review this with a view to enhance corporate governance practices in tandem to proposed changes to the Code.

The Nominating Committee is of the view that the current size and composition is appropriate and conducive to the scope and nature of the Group's business, and for facilitating effective exchanges and decision making. The Board proactively seeks to maintain a balanced mix of experiences, competences, and attributes among the Directors, and this is reflected in the diversity of the Board composition in terms of background and competencies. Such experiences and competencies include finance and accounting, sales and marketing, strategic planning, investment management, relevant industry knowledge, entrepreneurial and management experience, familiarity with regulatory requirements and risk management. The Management is provided with full and direct access to the Board which also actively provides guidance and a broad range of views and perspectives.

There exists active participation and engagement among the Directors in often dynamic and stimulating exchanges of views and opinions at both the Committee and Board meetings. The Directors make decisions using their collective wisdom and exercise their individual opinions whilst at all times acting in the best interest of the Group. No individual or group within the Board dominates or is able to dominate the discussion process and decision making. The Non-Executive Directors also meet regularly without Management's presence to discuss matters such as the Board's effectiveness and Management's performance. As and when required, the Non-Executive Directors are also invited to participate to review and deliberate with Management on the Group's business culture, plans and long-term strategies.

On an annual basis, the Directors are each required to provide information on their current shareholding interests, areas of conflicts (if any), Directorship in other companies; and declare their independence (for Independent Directors) and time commitment towards discharging of their responsibilities. The Nominating Committee will determine the independence of each Director based on the definitions and guidelines of independence set out in the Code. In respect of the financial year ended 31 December 2016, the Nominating Committee is satisfied with the independent status of the Independent Directors and the independent element on the Board is maintained.

The duties and responsibilities of the Executive Directors are clearly set out in their service agreements. The Company has an on-going budget for all Directors to receive relevant training. Board members are encouraged to attend seminars and receive training in connection with their duties as Directors in areas such as accounting and legal knowledge, particularly on latest developments to relevant laws, regulations, accounting standards and changing commercial risks to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities at the top of the Company – the working of the Board and the executive responsibility of the Company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Chairman and the Chief Executive Officer ("CEO") positions are held by separate individuals. This is so that an appropriate balance of power and authority, with clear divisions of responsibilities and accountability, can be attained. This segregation of roles also facilitates a healthy, open exchange of views and opinions between the Board and Management in their deliberation of the business, strategic plans and key activities of the Company. The Chairman is not related to the CEO.

The Chairman bears the primary responsibility for the workings of the Board, ensuring its effective function, sets its agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues. He promotes a culture of openness and debate at the Board. He also ensures that the Board meetings, are held whenever necessary; the Directors receive accurate, clear and timely information, encourages constructive relations between Management and the Board, as well as between Executive and Independent Directors and facilitates the effective contribution of Independent Directors; and ensures effective communication with Shareholders. The Chairman also plays an instrumental role in charting corporate directions and strategies, developing business for the Group and providing the Group with strong leadership and vision. He is responsible for promoting high standards of corporate governance.

The CEO is primarily responsible for the day-to-day management of the operations and performance of the Group; and reports to the Board on the Group's operations and performance. He has overall responsibility for the organisational effectiveness and the implementation of policies and decisions of the Board. The CEO works closely with the Chairman on formulating the Group's operational strategies and matters to be tabled at the Board level.

The presence of a strong, independent and active participation of the Independent Directors ensures the proper functioning of the Board and good check and balance. All major decisions made by the Chairman and CEO are reviewed by the Audit Committee. Their performance and appointment to the Board is reviewed by the Nominating Committee and their remuneration packages are reviewed by the Remuneration Committee periodically. As such, the Board believes that there are adequate safety measures in place against an uneven concentration of power and authority, and the Chairman and CEO do not have unfettered powers of decisions.

Mr Lee Suan Hiang, as the Lead Independent Director, coordinates and leads the Independent Directors in providing a non-executive perspective and contributing to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the Independent Directors and the Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Chairman and CEO or Chief Financial Officer ("CFO") has failed to resolve or is inappropriate.

The Lead Independent Director may call for meetings of Independent Directors from time to time without the presence of other Directors and provide feedback to the Chairman after such meetings.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

Nominating Committee

All the members of this Committee, including the Chairman, are independent Non-Executive Directors. The Nominating Committee ("NC") comprises:

1.	Mr Lee Suan Hiang	Lead Independent Director	Chairman
2.	Mr Kelvin Tan Wee Peng	Independent Director	Member
3.	Ms Cynthia Phua Siok Gek	Independent Director	Member

The NC is guided by the Terms of Reference approved by the Board and set out the duties and responsibilities of this committee. The NC's principal functions are to:

1. Establish procedures for and make recommendations to the Board on all Board and Committees appointments;

2. Determine orientation programs for new Directors, and recommend opportunities for the continued training and professional development of the Directors;

3. Review and make recommendations to the Board for the re-nomination of Directors, taking into consideration the individual Director's competencies, commitment, contribution and performance, such as his attendance at meetings of the Board and/or Board committees, participation, candour and any special contribution.The NC is able to determine if a Director has adequately and is able to continue carrying out his/her duties as a Director of the Company. Internal guidelines have been set in place to address the competing time commitments faced when Directors serve on multiple boards;

4. Assess a Director's independence annually, bearing in mind the relevant provisions of the Code and all other salient factors;

5. Review the size and composition of the Board with the objective of achieving a balanced Board with a proper mix of experience and expertise and progressive renewal of the Board;

6. Recommend to the Board the performance criteria and processes for appraisals to be used for the evaluation of individual Directors, as well as the effectiveness of the Board as a whole; the criteria and processes are subject to the Board's approval;

7. Review the appointment of relatives of Directors and/or Substantial Shareholders to managerial positions; and

8. Review of board succession plans for Directors, in particular, the Chairman and the CEO.

In its annual review, the NC evaluates and affirms the independent status of the Directors having considered the guidelines set out in the Code. The NC has confirmed the status of the Non-Executive Directors of the Company as follows:

1.	Mr Lee Suan Hiang	Independent
2.	Mr Kelvin Tan Wee Peng	Independent
3.	Ms Cynthia Phua Siok Gek	Independent

Although some of the Directors have multiple Board memberships, the NC has considered and is satisfied that each of them is able to and has adequately carried out his duties as a Director of the Company. As time requirements of each director are subjective, the NC has decided not to fix a maximum limit on the number of Directorships a Director can hold. The NC considers that the multiple board representations held presently by its Directors do not impede their respective performance in carrying out their duties to the Company.

The Company's Constitution ("Constitution") provides that at least one-third of its Directors shall retire from office and are subject to re-election at every Annual General Meeting ("AGM"). All Directors are required to retire from office at least once every three years. The NC is satisfied that the Directors who are retiring in accordance with the Constitution at the forthcoming AGM are properly qualified for re-appointment by virtue of their skills, experience and contribution. Newly appointed Directors must also submit themselves for retirement and re-election at the next AGM immediately following their appointment. The Shareholders approve the appointment or re-appointment of Board members at the AGM.

Description of Nominating Process of New Directors

The search and nomination process for new Directors involves a review of the existing size and composition of the Board. In such reviews, the NC endeavours to ensure that the size of the Board is adequate and not unwieldy to interfere with efficiency in decision-making; and the composition of the Board is appropriately diverse with views and opinions for discussion and decision-making. The NC considers factors such as the ability of the potential candidate to contribute to discussions, deliberations and activities of the Board. In addition, the relevant experience, qualification, competence and attributes of the prospective candidates are evaluated in considering their appointment to the Board. In doing so, where necessary and appropriate, the NC may rely on its networking contacts and/or recommendations from fellow Board members to assist with identifying and short listing of candidates.

Key Information regarding Directors

Key information of the Board members is set out in the "Board of Directors" section of this Annual Report.

Principle 5: Board Performance

There should be formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The Board has established and implemented a formal process for assessing the effectiveness of the Board collectively and individually as well as its board committees. Annually, the NC will lead the Board effectiveness review through an open face-to-face meeting where each predetermined attribute and criteria is discussed and challenged rigorously to reach a consensus on the assessment. Each of the attributes will be scored and instances are cited to demonstrate and substantiate against each attribute score as evidential support. Quantitative and qualitative factors are considered in developing the attributes which include areas of evaluation with respect to Board functions, Board meetings, Board structure and communication. In addition, the Board is also measured on its effectiveness in formulating strategic plans for the Management and monitoring the progress and performance against the set objectives. The Board committees are also evaluated for their effectiveness against their respective terms of reference.

When considering the re-appointment of any Director, the NC evaluates the performance of the Director, with the aim of determining the Director's ability to continue to contribute effectively and demonstrate commitment to the role. This assessment will be done on an annual basis. The criteria adopted in the assessment includes whether the Director will continue to demonstrate commitment to the role (including commitment of time for Board and Committee meetings, intensity of participation at meetings and special contributions).

Principle 6: Access to Information

In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

In order for the Board to make an informed decision and to facilitate meaningful deliberated discussions during meetings of the Board and Board Committees, Management provides the Board with adequate and timely information on matters which require the Board's decision or approval, or which the Board should have knowledge of. These include reports relating to the financial and operational performance of the Company, which are circulated to the Board prior to its meetings. Information provided also include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained. For decisions and/or resolutions required on major business plans, the Management provides the Board with detailed Board papers, specifying relevant information and justifications for each proposal for which the Board approval is sought. Such information include relevant historical financial information coupled with future forecasts, opportunities and risk analyses, mitigation plans, and other key integral commercial issues requiring the Board to focus on.

The Board receives from Senior Management quarterly management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects. Besides the provision of such information to the Board, Senior Management also conducts presentations to discuss the information and encourage active exchanges of views and sharing. Monthly meetings are held whereby the Senior Management will present and review monthly performance and associated results. Directors are given separate and independent access to the Company's key management personnel to address any enquiries. Directors are also entitled to request from Management and are provided such additional information as needed in a timely manner to make informed decisions.

Attendance of Senior Management is also required at Board meetings to discuss business units' performances and outlook, challenges, future key business initiatives, and provide additional insights into matters being discussed or respond to queries arising out of these meetings. In addition to Board meetings, the Board also has separate, independent and direct access to the Company's Executive Management team and the Company Secretary. The Audit Committee members are also provided uninterrupted access to the Company's Corporate Sponsor, External and Internal Auditors.

The Company Secretary, and/or her representatives, attends all Board meetings, ensures that Board procedures are complied with, and provides guidance on corporate governance, and on legal and statutory compliance. Under the direction of the Chairman, the Company Secretary ensures that Board procedures and applicable rules and regulations are complied with. The minutes of all Board meetings are circulated to the Board for review. The Directors have separate and independent access to the Company Secretary. The Board reviews and determines the appointment and removal of the Company Secretary. The Directors, whether collectively or individually, may, at the expense of the Company, seek and obtain independent professional advice necessary to discharge their duties effectively.

REMUNERATION MATTERS

Principle 7: Policy for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

Remuneration Committee

There is a formal and transparent procedure in place for developing policy on executive remuneration and for fixing the remuneration packages of each Director. Directors are not involved in deciding their own remuneration. The Remuneration Committee ("RC") comprises entirely of Independent Directors. The RC also provides oversight on Executive Management's remuneration packages and policy framework. The RC comprises of the following members:

1.	Ms Cynthia Phua Siok Gek	Independent Director	Chairwoman
2.	Mr Lee Suan Hiang	Lead Independent Director	Member
3.	Mr Kelvin Tan Wee Peng	Independent Director	Member

The principal duties and responsibilities of the RC are to:

a. Recommend for the entire Board's approval an appropriate framework for remuneration (including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind), and specific remuneration packages, of the Board and Senior Management to ensure that it is competitive and sufficient to attract, retain and motivate personnel of the required quality;

b. Determine the policy for establishing the remuneration packages for Executive Directors and the CEO (or equivalent) and review the service contracts of such employees;

c. Review the performance of Senior Management to enable the committee to determine their annual remuneration, bonus rewards, etc;

d. Ensure accountability and transparency in the Company's policies and procedures when determining the remuneration of the Directors and Senior Management; and

e. Review all matters concerning the remuneration of Non-Executive Directors to ensure that the remuneration is commensurate with the contribution and responsibilities of the Directors.

The RC reviews the performance objectives (including weightage between quantitative financial performance figures as well as qualitative business development and management attributes). Directors' fees are set according to remuneration framework. All Independent Directors are paid Directors' fees, subject to approval at the AGM.

The RC may, from time to time, and where necessary or required, seek advice from external consultants in designing the remuneration framework and policies, and fixing the remuneration packages of individual Directors and Executive Management of the Company. This is to ensure that competitive compensation and progressive policies, with appropriate mix of short and long term incentives, are in place to attract, retain and motivate competent and committed Management. The most recent exercise was conducted in 2014, whereby the Company engaged the services of a remuneration external consultant, Freshwater Advisers, to conduct remuneration benchmarking exercise of the Directors and Senior Management of the Company. The results of the benchmarking exercise were tabled, discussed, and used to review the Directors and Senior Management remuneration packages. The remuneration consultant does not have any relationship with the Company.

Principle 8: Level and Mix of Remuneration

The level of remuneration should be aligned with the long-term interest and risk policies of the Company appropriate to attract, retain and motivate the Directors needed to run the Company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In making its recommendations to the Board on the level and mix of remuneration, the Remuneration Committee seeks to be competitive in order to attract, motivate and retain high-performing executives to drive the Group's businesses whilst operating within the Group's risk parameters, so as to maximise long-term Shareholder value. In its deliberation of remuneration level and mix, the RC takes into consideration industry practices and benchmarks against relevant industry players as well as comparable positional responsibilities to ensure that its remuneration practices are competitive. The Company adopts a performance-driven and meritocratic approach to compensation, with rewards linked to individual and corporate performance to align interests of Management with those of Shareholders and promote the long-term success of the Company. Such performance-related remuneration should take into account the risk policies of the Company, be symmetric with risk outcomes and be sensitive to the time horizon of risks.

The Company's remuneration framework comprises a fixed component in the form of a basic salary, a variable component linked to the performance of the individual and the Company, and a long-term incentive. The Executive Director's and Executive Management's service contract is for a fixed period (average and mostly on a 3-year term) which is not excessively long. It also does not contain onerous removal clauses.

The Board is satisfied that there are adequate safeguards in the control and governance framework to ensure the Executive Directors and key management personnel uphold a high standard of integrity and conduct in the best interest of the Company. The Board also recognize the value of the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company, and will appropriately implement them in the next renewal or revision of their service contract.

Long Term Incentive Plans

The RC also administers the Company's share-based remuneration incentive plans; namely, the Viking Long Term Incentive Plan (the "VLTIP"), and the Viking Offshore and Marine Limited Share Option Scheme (the "VOM Scheme").

Through the VLTIP and VOM Scheme, the Company aims to foster a greater ownership culture within the Group by directly aligning the interests and rewards of key executives with the interest of the Shareholders, and to participate and share in the Group's growth and success.

Under the terms of the VOM Scheme and VLTIP, all employees of the Group companies are eligible to participate in the incentive scheme. The Company plans to use these incentive schemes towards the remuneration mix of Senior Management and Senior Executives. This will afford the Company greater flexibility and effectiveness in designing compensation packages in its efforts to attract, motivate and retain valued talented Senior Executives and to also reward them for the performance of the Company and that of the individual.

While the Company intends to use the VOM Scheme towards efforts to retain talented Senior Executives and Management, the VLTIP is geared towards motivating Senior Executives and Management towards achievement of target-based performance objectives. The VLTIP targets Senior Management in key positions who shoulder the responsibility of the Company's performance as well as influence the growth and performance of the Company through high performance. It also serves as motivation to key Senior Management in delivering high performance and aligning to enhancing longer-term Shareholder value.

Under the VLTIP, most of the grant of share award will be conditional upon the achievement of pre-determined and agreed performance targets for the year for the individuals or collective group of individuals. These share awards represent individual's right to receive fully-paid shares of the Company when and if their predetermined conditions have been met. The number of shares to be released will vary with the achievement level of the individual employee.

In using the VOM Scheme towards the retention of talented employees, the grant of options is made based on the retention value assessed on the individual on whom the options were granted. There are no predetermined performance targets on which the grant is conditional upon, these options are expected to vest after twelve (12) months and exercisable within sixty (60) months from date of grant.

The RC is of the opinion that the current share scheme, including the vesting period and exercise conditions is in line with the remuneration and incentive framework for the directors and key management personnel. The RC will evaluate the use of vesting schedules, whereby only a portion of the benefits can be exercised each year, as and when appropriate.

The directors and key management personnel are encouraged to keep their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.

The maximum number of Company's shares which can be released under the combined limits of both the VLTIP and VOM Scheme will not exceed ten percent (10%) of the issued share capital of the Company.

Details of employee share schemes which include, size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market or otherwise on the date of grant and vesting schedule are disclosed in the Directors' Report and the notes to financial statements in this Annual Report.

Principle 9: Disclosure on Remuneration

Each Company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key executives, and performance.

Remuneration of Directors and Key Management Personnel

Although the Code recommends full disclosure in aggregate to the nearest thousand dollars of the total remumeration paid to each individual Director and the CEO on a named basis, the Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of their remuneration due to the competitiveness of the industry for key talent.

The remuneration of Directors and Key Management Personnel (who are not also Directors) of the Group, is set out below:

Directors' Remuneration

Directors	Fee	Salary	Bonus	Allowance	Shares	Total
Between $500,001 and $750,000						
Andy Lim	0%	85%	0%	13%	2%	100%
Between $250,001 and $500,000						
Low Jooi Kok	0%	91%	0%	9%	0%	100%
Daniel Lin Wei	0%	88%	0%	10%	2%	100%
Less than $250,000						
Ong Choo Guan	0%	86%	0%	8%	6%	100%
Lien Kait Long	93%	0%	0%	0%	7%	100%
Lee Suan Hiang	98%	0%	0%	0%	2%	100%
Kelvin Tan Wee Peng	98%	0%	0%	0%	2%	100%
Cynthia Phua Siok Gek	100%	0%	0%	0%	0%	100%

Notes:

(1) Mr Daniel Lin Wei is the son of Mr Andy Lim, a Substantial Shareholder and Executive Director of the Company. His remuneration is within the band of $250,000 and $500,000.

(2) In April 2016, Mr Low Jooi Kok was appointed Chief Executive Officer and Executive Director. Mr Low assumed the role from Mr Ong Choo Guan, who has retired and since assumed the role of advisor to facilitate the transition.

Top 5 Key Management Personnel's Remuneration

Key Management Personnel	Salary	Bonus	Allowance	Shares	Others	Total
Between $250,001 and $500,000						
Frederic Louis Serna	89%	0%	9%	2%	0%	100%
Ng Yeau Chong	89%	0%	9%	2%	0%	100%
Less than $250,000						
Low Jooi Kok	85%	0%	8%	7%	0%	100%
Law Ren Kai Kenneth	94%	0%	6%	0%	19%	100%
Lawrence Peh Chee Onn	97%	0%	0%	3%	0%	100%

The aggregate total remuneration for the top 5 key management personnel (who are not Directors or CEO) approximate $1.05 million (2015 - $1.39 million) for the year ended 31 December 2016.

Save as disclosed above, there are no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds $50,000 during the year.

The Company did not grant any termination, retirement and post-employment benefits to the directors, the CEO and the rest of the key management personnel.

Directors' Fees

The remuneration of Independent Directors takes into account their level and quality of contribution and their respective responsibilities, including committees' appointment holder, attendance and time spent at Board and/or Committee meetings. Directors are paid basic and attendance fees for attending Board meetings. Independent Directors who serve on the respective Board Committees are paid additional basic and attendance fees for such services. Directors who assume Chairmanship appointment at the subsidiary level are paid an advisory fee by the subsidiary for performing such services. The Directors' fees are pro-rated according to their appointment and retirement date for the year, where applicable. No Director decides his own fees.

To ensure competitiveness, the Company conducts periodic reviews of Directors' remuneration to benchmark its Directors' fees against the amounts paid by other comparable listed companies. There is no change to the current fee structure, except that the Independent Directors agreed to a 5% reduction across the board in fees.

It remains the practice of the Company to pay Directors' fees throughout the year during their respective tenure of service. In this regard, the Company will be seeking Shareholders' approval at the AGM of the Company, for the payment of Directors' fees proposed for the financial year ending 31 December 2017 amounting to $150,000 (2016: $180,000).

For better alignment with Shareholders' interest, Directors and key executives of the Company are encouraged to purchase the Company's shares from the open market and to hold such shares on a long term basis, subject to their compliance with applicable laws and regulations. Independent Directors may purchase and hold Company's shares provided their independence remain uncompromised during the period and at any point in time. All shareholdings of the Company's shares by Directors and key executives will be declared in a timely manner and fully disclosed in compliance with regulations and reporting requirements.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Company prepares its financial statements in accordance with the Singapore Financial Reporting Standards ("FRS") prescribed by the Accounting Standards Council. Effective 1 January 2011, the Company disseminates quarterly, half-year and full-year financial results and other related material information of the Group to Shareholders via announcements to the SGX-ST and, where appropriate, press releases, and media and analyst briefings. In communicating and disseminating its results, the Company aims to present a balanced and clear assessment of the Group's performance, position and prospects. In addition, where appropriate and necessary, details on the Group's diverse business operations are also discussed to provide Shareholders and public with clarity and better understanding of its business portfolio.

The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of SGX. Senior Management also provides all members of the Board with management accounts on a quarterly basis and such explanation and information as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard Shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

RISK MANAGEMENT

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. The Company has an Enterprise Risk Management Framework in place for the Group. The said Framework has been reviewed by the Audit Committee ("AC") and approved by the Board of Directors. The AC and the Management will continually assess the adequacy and effectiveness of the risk management framework and processes.

INTERNAL CONTROLS

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard Shareholders' interests and the Group's assets, and to manage risks. The Board recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Company's internal auditor conducts an annual review of the effectiveness of the Company's material internal control systems including financial, operational, compliance and information technology controls and risk assessment to ensure the adequacy thereof. In addition, an annual review is also conducted to ensure that safeguards, checks and balances are put in place to prevent any conflict of interest or any weakening of internal controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal auditor in this respect.

The Board has also received assurance from the CEO and the CFO that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (ii) the Company's risk management and internal control systems in place are effective.

Based on the internal controls established and maintained by the Group, works performed by external and internal auditors and actions taken by the management on the on-going review and continuing efforts at enhancing controls and processes, the Board with the concurrence of the AC, is of the view that the system of internal control (including financial, operational, compliance and information technology controls, and risk management systems) maintained by the Company's Management is adequate and effective against material financial misstatements or loss, and includes the safeguarding of Shareholders' investments and the Company's assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and management of business risks.

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

On behalf of the Board, AC undertakes the monitoring and review of the system of internal controls. Amongst others, the primary responsibilities are to assist the Board in 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. Significant findings are reported to the Board and recommended remedial plans are implemented towards improving overall controls and risk management posture of the Company.

The AC is guided by the established Terms of Reference endorsed by the Board which sets out its duties and responsibilities. It is fully empowered to investigate any matter within the Terms of Reference, and has full access to and the cooperation of the Management, as well as the full discretion to invite any Director or executive officers of the Management to attend its meetings, or provide such information/documents as it may require, and assist in its investigation. The AC is kept abreast by the external auditors of changes to accounting standards, Listing Rules of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements.

The AC comprises the following Independent Directors:

1.	Mr Kelvin Tan Wee Peng	Independent Director	Chairman
2.	Mr Lee Suan Hiang	Lead Independent Director	Member
3.	Ms Cynthia Phua Siok Gek	Independent Director	Member

All the members of the AC, including the Chairman, are Independent Directors. The members of the AC possess the necessary and appropriate attributes and qualifications. Their individual and collective wealth of experience and expertise on accounting and financial management enables them to effectively carry out their duties and discharge their responsibilities competently. 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.

The principal duties, responsibilities and activities of the AC are to:

1. Review the audit plans of the internal and external auditors of the Company and ensure the adequacy of the Group's system of accounting controls and the co-operation given by the Company's Management to the external and internal auditors;

2. Review the quarterly, half-yearly and annual financial statements and the auditors' report of the Group and the Company before submitting to the Board of Directors; such reviews will also include the review of the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Group's financial performance;

3. Review and report to the Board at least annually, with the management and the internal auditor the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems established by the Management;

4. Review the adequacy and effectiveness of the Group's internal audit function; including the audit plans for the year;

5. Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;

6. Review the cost effectiveness and the independence and objectivity of the external auditors;

7. Review the nature and extent of non-audit services provided by the external auditors;

8. Review the currency of the whistle-blowing policies and the reported incidents, including the appropriate investigations and ensuring appropriate follow-up actions, where necessary;

9. Make recommendations to the Board on the proposals to the Shareholders on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor; and

10. Review interested person transactions in accordance with the requirements of the listing rules of the Singapore Exchange.

The AC also meets with internal and external auditors without the presence of the Management at at least once a year to obtain feedback on the competency and adequacy of the finance function and to ascertain if there is any material weakness in control effectiveness in the Group's financial reporting and operational systems. Besides scheduled meetings, the external auditors and the AC Chairman have direct and open access channels of communication.

The AC met the Management and the external auditors in August 2016 to discuss the FY2016 audit plans, during which significant financial reporting issues including identification of key audit matters were discussed.

For FY2016, the external auditors had identified the following key audit matters:

1) Revenue recognition from construction contracts;

2) Impairment of goodwill and investment in subsidiaries;

3) Recoverability of trade and finance lease receivables; and

4) Impairment of investment in associates.

On revenue recognition, the AC accepted the percentage of completion method for recognition as it mirrored the business practice and had been adopted consistently over the years. The AC also accepted the estimates made by the Management and agreed with the level of revenue, costs, and profits booked into the accounts.

With regards to the impairment of goodwill and investment in subsidiaries, the AC reviewed the cash flow forecasts made by the Management and agreed that, given the prevailing business and industry environment, a further impairment of $5.97 million was reasonable and necessary. Notwithstanding this impairment, the AC and the Board as a whole will continue to work closely with the Management to strengthen the Group's position in the industry and to position it to ride the recovery cycle when the environment improves.

What the AC placed more emphasis on this year was the recoverability of trade and lease receivables as this would have a significant impact on the Group's cash position, liquidity, and ultimately, its ability to remain as a going concern. Apart from a detailed analysis of the receivables and a rigorous stress testing of their collectability under various scenarios, the AC (and the Board) had also worked out with the Management several options and plans to mitigate the effects on the Group's cash position in the event the Group experiences issues with the collectability of such receivables. This being the case, the AC accepted the Management's estimates and agreed that no further provision nor impairment was necessary.

Last but not least, the AC also reviewed the Group's investment in the associates that were set up to purchase two newly built jack up rigs. Based on the Management's estimates and the Group's contractual position in those purchases, the AC agreed that that no impairment was needed at this stage.

The AC confirms that the Company and the Group complies with Catalist Listing Rule 712, 715 and 716.

The AC reviews and makes recommendations to the Board for approval by Shareholders, the appointment, re-appointment and removal of the Company's external auditors. It also reviews and approves the remuneration and terms of engagement of the external auditors. The AC also reviews the independence and objectivity of the external auditors annually. Having reviewed all non-audit services provided by the external auditors to the Group, the AC is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The amount paid and payable to external auditors for audit and non-audit services fees were $163,422 and $35,423 respectively, for the financial year under review.

The AC also conducts a review of Interested Person Transactions ("IPT") to ensure that there are no improper activities of the Company. The Company does not have any IPT that are entered into pursuant to Shareholders' mandate approved at the AGM. All other IPTs which are not subjected to any Shareholders' mandate are also reviewed by the AC and ensured the proper disclosures made. Accordingly, the AC is satisfied that all material IPTs which warrant disclosure or further discussion have been properly reviewed and announced, where applicable; and there are no improprieties in this area.

Code of Conduct

The Directors, officers and employees of the Company are required to observe, uphold and maintain high standards of integrity and propriety in carrying out their roles and responsibilities, and to comply with applicable laws and regulations as well as the Group's human resource and finance processes. Similarly, such behaviour and conduct is expected of our employees in their dealings with fellow employees, customers, suppliers and business associates.

The Company has in place a whistle-blowing framework where employees of the Company may raise concerns about possible corporate improprieties in matters of financial reporting or other matters in confidence. To ensure an independent investigation of such matters and appropriate follow-up action is taken, all Whistle-blowing reports are sent to the AC Chairman and/or members who are also Independent Directors. Details of Whistle-blowing policy and arrangements have been made available to all employees. As a step-up to its corporate governance initiative, during the year, the Company made further enhancements to the Whistle-blowing policy and framework which incorporated greater areas of reportable impropriety and clarity, including foreign language translation to embrace a greater ethnic composition of its employee population.

Principle 13: Internal Audit

The Company should establish an effective internal audit function that adequately sources and independent of the activities it audits.

The Board recognises that it is its responsibility to maintain a system of internal control processes to safeguard Shareholders' investments and the Group's business and assets. Periodic review and testing of the system of internal controls is an important exercise to ensure that the control mechanism in place is working in the intended manner for which it is designed for. While the importance of working internal controls cannot be discounted, the Board also recognised that the size of the Group may not warrant and it will not be a cost-effective or efficient solution to have an internal audit function and team within the organisational setup.

Accordingly, the Group will achieve the objective of an internal audit function through engaging an outside reputable professional accounting firm, PricewaterhouseCoopers LLP to perform an internal audit on the business operations. The internal auditor meets or exceeds the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The scope of the internal audit as well as the terms of engagement is determined by the AC. The Internal Auditor has unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC. All such internal audit reports, including findings and recommendations, are communicated to the AC for review and concurrence, with the Management provided with similar report for implementation and follow-up actions. Key audit findings and recommendations are tabled for discussion at the AC meetings, and the timeliness and progress of implementing the corrective or improvement actions are measured and reported.

The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The AC reviews at least annually the internal audit report and approves the annual internal audit plans to ensure the adequacy and effectiveness of this alternate internal audit function. The AC will implement the changes when the Group's operations and size grows to a point whereby a staffed internal audit team will be required. Considering the above condition and solution, the AC and the Board is reasonably assured that the objective of an internal audit function can and is achieved through a balanced and measured manner. The AC has reviewed the internal audit plan and the reported audit findings for FY2016; and is satisfied that the internal audit functions have been adequately carried out.

SHAREHOLDER RIGHTS

Principle 14: Shareholder Rights

Companies should treat all Shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of Shareholders' rights, and continually review and update such governance arrangements.

To facilitate Shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis. The Company recognises that the release of timely and relevant information is central to good corporate governance and enables Shareholders to make informed decisions in respect of their investments in the Company. All Shareholders are entitled to attend the AGM and are accorded the opportunity to participate effectively in the AGM. The Constitution allows a Shareholder to appoint up to two proxies to attend and vote in the Shareholders' place at the AGM.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Communication with Shareholders

Companies should actively engage their Shareholders and put in places an investor relations policy to promote regular, effective and fair communication with Shareholders.

The Company aims to provide fair, relevant, comprehensive and timely information regarding the Group's performance and progress, and other pertinent information to Shareholders and investment community to enable them to make informed investment decisions. The Board is mindful of its obligation to provide timely and fair disclosure of any material information in accordance with the Corporate Disclosure Policy of the Singapore Exchange.

The Company engaged an outside professional investor relations firm to plan, coordinate and implement its investor relations initiatives focusing on communications between the Company's Management and its Shareholders, as well as the investment community. In addition, the Company's Management is also active in regular dialogues with investors, analysts, fund managers and the media/press community. Material price sensitive and other pertinent information of interest to these communities and the general public are communicated and/or made publicly available on a timely basis. Material information is simultaneously disseminated to the SGX-ST, and where relevant, the press and posted on the Company's website at www.vikingom.com. Results and Annual Report are announced or issued within the mandatory period and are available on the Company's website.

In addition to regulatory required information disclosures, the Company also makes available briefing materials to the analysts and media, and other materials prepared for selected group briefings and road shows are also provided to the public to ensure equal information access and general availability. Contact details and channels of communications with Shareholders and public remain open and relevant information is duly updated and conveyed via the Company's websites and email channels.

The Group does not have a fixed dividend policy. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

Principle 16: Conduct of Shareholder Meetings

Companies should engage greater Shareholder participation at general meetings of Shareholders, and allow Shareholders the opportunity to communicate their views on various matters affecting the Company.

The Board welcomes the view of Shareholders on matters affecting the Company, whether at Shareholders' meetings or on an ad hoc basis. The Board encourages active Shareholder participation in general Shareholders meetings, including AGMs and EGMs. It believes that general meetings are an opportune forum and suitable platform for Shareholders and the Board and Management of the Company to engage in active exchange of ideas. In addition, the Company holds such Shareholders' meetings onsite at its premises in order to provide Shareholders with greater opportunity to understand and appreciate the Company's business operations.

The Company sends its Annual Report and Notice of AGM to all Shareholders. The Notice will also be published in either The Straits Times or The Business Times newspapers and will be made available on SGXNET and the Company website.

The Company provides for separate resolutions at general meetings on each distinct issue. All the resolutions at the general meetings are single item resolutions. Detailed information on each item in the AGM agenda is in the explanatory notes to the AGM Notice in the Annual Report.

At its AGM, Shareholders have the opportunity to raise questions to the Board and Senior Management, and clarify with them any issues they may have relating to the resolutions to be passed. Board members and Senior Management are required to attend Shareholders' meetings and are on hand to address any questions raised. The Company's external auditors are also present to address Shareholders' queries on the conduct of audit and the preparation and content of the auditors' report, where necessary and appropriate.

The Company Secretary or her representative prepares minutes of Shareholders' meetings which captures the essence of the comments and queries from Shareholders and responses to them from the Board and management.

The Company will conduct the voting for all the resolutions by poll at all the forthcoming AGM and EGMs for greater transparency in the voting process.

DEALINGS IN SECURITIES
Listing Rule 1207 sub-Rule (19)

In line with Listing Rule 1207(19) of the SGX-ST Listing Manual regarding the Dealings in Securities, the Company issues a quarterly circular to its Directors, officers and employees reminding them of the restrictions on dealings in listed securities of the Group during the period commencing (i) two weeks before the announcement of quarterly results and (ii) one month before announcement of full-year results, and ending on the date of such announcements. Directors, officers and employees are also directed to refrain from dealing in listed securities of the Group at any time they are in possession of unpublished price sensitive information, or on short-term considerations.

MATERIAL CONTRACTS

Save for those disclosed under the section "Interested Person Transactions", there were no material contracts entered into by the Company and its subsidiaries involving the interests of its CEO, Directors or Controlling Shareholders.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions.

The AC and the Board reviews all transactions conducted with interested person to satisfy themselves that transactions are carried out at arm's length and under normal commercial terms, and the terms of the transactions are not prejudicial to the interests of the Company or its minority Shareholders.

The Company does not have any prior Shareholders' mandate pursuant to Rule 920. There were IPTs conducted during the financial year with the details of these IPTs set out as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year (excluding transactions less than $100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Mr Andy Lim (Chairman and Executive Director, and Controlling Shareholder)	1,757,897	There are no Shareholders' mandate pursuant to Rule 920

Note:

1. The above IPT relates mainly to financial assistance provided by companies which are controlled by Mr Andy Lim to the Company's subsidiaries in support of funding requirements for specific transactions and purposes.

2. Viking LR2 Pte Ltd (the "LR2"), a wholly-owned subsidiary of Viking Asset Management Pte Ltd which in turn is wholly-owned by Viking Offshore and Marine Limited, entered into a loan agreement with Tembusu Growth Fund II Ltd ("Tembusu") whereby Tembusu will grant a 2-year term loan to LR2 up to an aggregate amount of S$6 million. Mr Andy Lim is the Chairman and Executive Director of the Company, and the Controlling Shareholder of the Company. He is also a director and shareholder of Tembusu Partners Pte Ltd (being the investment vehicle and fund manager of Tembusu). Accordingly, the Company is of the view that Tembusu should be deemed an associate of Mr Andy Lim and thus an "interested person" for the purposes of Chapter 9 of the Listing Manual. The interest on the loan shall be at the rate of 5% per annum and payable every 6-monthly period. LR2 shall repay the loan in full after 24 months from the First Drawdown Date (the "Maturity Date") by way of paying to Tembusu such amount representing an internal rate of return of 15% per annum on the loan (less all interest which have been paid prior to the Maturity Date). The Maturity Date was extended for 6 months to June 2017 on similar terms. Subsequent to year end, the maturity date of a portion of the loan amounting to $4.5 million was agreed in principle to be extended to April 2018. The loan is secured via a corporate guarantee provided by Viking Offshore and Marine Limited.

SPONSOR

No fees relating to non-sponsorship activities or services were paid to the Company's sponsor for the financial year ended 31 December 2016.

Directors' Statement

The directors hereby present their statement to the members together with the audited consolidated financial statements of Viking Offshore and Marine Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

Lim Andy
Low Jooi Kok (appointed on 26 April 2016)
Lin Wei Daniel
Lee Suan Hiang
Tan Wee Peng Kelvin
Phua Siok Gek, Cynthia

3. Arrangements to enable directors to acquire shares, debentures and warrants

Except as described in the paragraph below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares, debentures or warrants of the Company or any other body corporate.

4. **Directors' interests in shares, debentures and warrants**

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct Interest			Deemed Interest		
Name of director	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At 21 January 2017**	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At 21 January 2017**
Ordinary shares of the Company						
Lim Andy	173,580,800	174,030,800	174,030,800	21,000,000	21,000,000	21,000,000
Low Jooi Kok	800,000	1,150,000	1,150,000	–	–	–
Lin Wei Daniel	400,000	600,000	600,000	–	–	–
Lee Suan Hiang	2,500,000	2,550,000	2,550,000	–	–	–
Tan Wee Peng Kelvin	1,300,000	1,350,000	1,350,000	–	–	–
Share options of the Company						
Lim Andy	3,690,250	3,690,250	3,690,250	–	–	–
Low Jooi Kok	1,581,536	1,581,536	1,581,536	–	–	–
Lin Wei Daniel	316,307	316,307	316,307	–	–	–
Lee Suan Hiang	316,307	316,307	316,307	–	–	–
Tan Wee Peng Kelvin	316,307	316,307	316,307	–	–	–
Warrants						
Lim Andy	28,196,800	28,196,800	28,196,800	3,500,000	3,500,000	3,500,000
Lee Suan Hiang	400,000	400,000	400,000	–	–	–
Tan Wee Peng Kelvin	200,000	200,000	200,000	–	–	–

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. **Options**

At an extraordinary general meeting held on 3 November 2010, shareholders approved the Viking Offshore and Marine Limited Share Option Scheme (the "VOM Scheme") for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible group employees and directors.

The Remuneration Committee (the "Committee") administering the VOM Scheme comprises three directors, Tan Wee Peng Kelvin, Lee Suan Hiang and Phua Siok Gek, Cynthia.

During the financial year, no new share options were granted under the VOM Scheme.

Details of the options to subscribe for ordinary shares of the Company pursuant to the VOM Scheme as at 31 December 2016 are as follows:

Grant date	Expiry date	Exercise price	Balance as at beginning of the financial year	Expired	Number of options
8.6.2012	7.6.2017	0.1043	13,179,464	–	13,179,464
			13,179,464	–	13,179,464

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the VOM Scheme are as follows:

Name of participant	Aggregate options granted since commencement of Scheme to end of financial year	Options granted during the financial year	Aggregate options exercised since commencement of Scheme to end of financial year	Aggregate options outstanding as at end of financial year
Lim Andy	3,690,250	–	–	3,690,250
Low Jooi Kok	1,581,536	–	–	1,581,536
Lin Wei Daniel	316,307	–	–	316,307
Lee Suan Hiang	316,307	–	–	316,307
Tan Wee Peng Kelvin	316,307	–	–	316,307
Total	6,220,707	–	–	6,220,707

Details of the options granted to directors and employees of the Company and its subsidiaries pursuant to the VOM Scheme are as follows:

Aggregate options granted since commencement of Scheme to end of financial year	Options granted during the financial year	Aggregate options exercised since commencement of Scheme to end of financial year	Aggregate options expired since commencement of scheme to end of financial year	Aggregate options outstanding as at end of financial year
13,179,464	–	–	–	13,179,464

5. **Options (cont'd)**

Since the commencement of the VOM Scheme till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates other than a director, Lim Andy.
- All five directors have 5% or more of the total options available under the Scheme as at the end of the financial year.
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted.
- No options have been granted at a discount.

6. **Viking Long Term Incentive Plan**

The Viking Long Term Incentive Plan (the "VLTIP") was approved by the shareholders at an extraordinary general meeting held on 15 December 2011 and is administered by the Committee. Persons eligible to participate in the VLTIP are selected by Group Employees (including Group Executive Directors) and Group Non-Executive Directors at the absolute discretion of the Committee.

The awards under the VLTIP (the "Awards") give the right to a participant to receive fully-paid ordinary shares free of charge, upon the participant achieving the prescribed performance targets and upon expiry of the prescribed vesting period.

The performance targets to be set shall take into account both the medium-term to long-term corporate objectives of the Group and the individual performance of the participant and will be aimed at sustaining long-term growth. The corporate objectives shall cover market competitiveness, business growth and productivity growth. In addition, the participant's length of service with the Group, achievement of past performance targets, value-add to the Group's performance and development and overall enhancement to shareholder value, amongst others, will be taken into account.

Details of the Awards of the Company pursuant to the VLTIP are as follows:

Grant date	Balance as at 1.1.2016	Grants during the financial year	Vested during the financial year	Forfeited during the financial year	Balance as at 31.12.2016
29.04.2015	2,300,000	–	(2,300,000)	–	–

7. Warrants

At the end of the financial year, details of the outstanding warrants are as follows:

Date of issue	Warrants outstanding at 1.1.2016	Warrants issued	Warrants exercised	Warrants expired	Warrants outstanding at 31.12.2016	Date of expiration
26.04.2013	119,113,066	–	–	–	119,113,066	25.04.2018

On 26 April 2013, the Company allotted and issued 119,114,466 new ordinary shares ("Rights Shares") at an issue price of $0.08 for each Rights Share and 119,114,466 free detachable warrants ("Warrants") pursuant to a renounceable and partially underwritten rights issue. Each Warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of $0.138 for each new ordinary share and is exercisable during a five year period from the date of issue.

8. Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Review the audit plans of the internal and external auditors of the Group and the Company and ensure the adequacy of the Group's system of accounting controls and the Group and the co-operation given by the Company's management to the external and internal auditors;

- Review the quarterly, half-yearly and annual financial statements and the auditors' report on the annual financial statements of the Group and the Company before submitting to the Board of Directors; such reviews will also include the review of the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Group's financial performance;

- Review and report to the Board at least annually, with the management and the internal auditor on the adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls, and risk management policies and systems established by the management;

- Review the adequacy and effectiveness of the Group's internal audit function; including the audit plans for the year;

- Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Review the cost effectiveness and the independence and objectivity of the external auditor;

- Review the nature and extent of non-audit services provided by the external auditor;

- Review the currency of the whistle-blowing policies and the reported incidents, including the appropriate investigations and ensuring appropriate follow-up actions, where necessary;

8. Audit Committee (cont'd)

- Make recommendations to the Board on the proposals to the shareholders on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor; and

- Review interested person transactions in accordance with the requirements of the listing rules of the Singapore Exchange.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

9. Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Lim Andy Director	Low Jooi Kok Director

4 April 2017

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Viking Offshore and Marine Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition from construction contracts

The Group recognises construction contract revenue using the percentage of completion method. The percentage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs. This involves the significant use of management estimates to establish the total contract costs and recoverable variation works which have a material impact on the amounts of construction contract revenue, costs and profits recognised in the year.

Key audit matters (cont'd)

Revenue recognition from construction contracts (cont'd)

We reviewed and tested key controls surrounding management's internal costing and budgeting processes put in place to estimate construction contract revenues, costs and profit margins. We tested the mathematical accuracy of such revenues, costs and profits based on percentage of completion calculations and where there has been a significant change in management's estimates of such revenues, costs and profit margins, we enquired with management about the rationale and obtained supporting documentation for such changes. We also reviewed the project files and discussed with management the progress of significant contracts to determine if there are any adverse changes such as delays, penalties, overruns, etc. that could have a material impact on the estimation of contract revenues, costs and profits as well as the overall profitability of the contracts which would require the recognition of foreseeable losses on such contracts.

Impairment of goodwill and investment in subsidiaries

As of 31 December 2016, the Group carried goodwill of $13,448,296 on its balance sheet arising from the acquisition of the Offshore and Marine Heating, Ventilation and Air-Conditioning (O&M HVAC) and Offshore and Marine Telecommunication (O&M Tele) businesses. As of 31 December 2016, the Company's investment in unquoted shares in subsidiaries amounted to $68,545,743.

The Group is required to test the carrying amount of goodwill for impairment annually. The Company is required to estimate the recoverable amount of its investment in subsidiaries when there is indication that such investments may be impaired. These are complex and involves the significant use of management's estimates and assumptions that may be affected by expected future market conditions. The key assumptions are disclosed in Notes 12 and 13 to the financial statements. As the current downturn in the offshore and marine and oil and gas industries has had an adverse impact on the Group's business during the year, the Group had accordingly, recognised an impairment loss of $5,965,000 against the carrying amount of goodwill relating to the O&M HVAC business in 2016. The Company also recognised an impairment loss of $17,116,572 against the carrying amounts of its investment in subsidiaries in 2016.

We carried out procedures to evaluate the reasonableness of management's estimates and assumptions used to estimate the recoverable amounts of goodwill and investment in subsidiaries and in particular we considered the reasonableness of key inputs to the cash flow forecasts by comparing such inputs against recent and actual performance, trends and market expectations and involved our valuation specialists to independently develop expectations for the discount rate and long-term growth rate for purposes of comparison against those used by management. We also assessed the adequacy of disclosures about key assumptions, the results of the impairment tests and sensitivity analyses made in Notes 12 and 13 to the financial statements.

Recoverability of trade and finance lease receivables

As of 31 December 2016, the Group's trade and finance lease receivables amounted to $26,117,797 and $36,923,545 respectively. An allowance for impairment of $4,782,681 has been set aside against the carrying amounts of these receivables.

The Group is required to assess whether there is any objective evidence that its trade and finance lease receivables may be impaired at the financial year end. This is complex and involves the significant use of management's estimates and assumptions about the collectability of these receivables that may be affected by expected future market conditions.

We considered management's processes relating to the monitoring of outstanding receivables and the ageing profile of outstanding customer receivables to identify collection risks. We carried out procedures that include, amongst others, obtaining direct confirmation replies for key customers and examining evidence of subsequent receipts from such customers. We assessed management's assumptions used to estimate the amounts of outstanding receivables that are impaired, notably through detailed analyses of ageing of outstanding receivables, assessment of significant overdue individual receivables and specific local risks as well as the fair value of related assets that may be recovered in the event of non collection. We assessed the adequacy of disclosures about the Group's receivables and credit risk in Notes 16, 18 and 36 to the financial statements.

Key audit matters (cont'd)

Impairment of investment in associates

As of 31 December 2016, the Group's investment in associates amounted to $15,403,865. The Group's associates are Smart Earl Investments Limited and Quick Booms Investments Limited, which have each entered into a contract for the purchase of a newbuild jack-up drilling rig which is currently under construction. Management has considered that the current downturn in the oil and gas industry and its adverse impact on current demand for drilling rigs and their charter rates provide indication that its investment in associates may be impaired. Accordingly, management has estimated the recoverable amounts of its investment in associates using value in use calculations which are complex and involve the significant use of management's estimates and assumptions that may be affected by expected future market conditions.

We carried out procedures to evaluate the reasonableness of management's assumptions used in the value in use calculations and in particular we assessed the reasonableness of key inputs to the cash flow forecasts by comparing such inputs against available market data for charter rates and utilisation rates, asset useful lives and residual values, discount rate, trends and market expectations.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Terry Wee Hiang Bing.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

4 April 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 $	2015 $
Revenue	4	46,363,357	84,538,895
Cost of sales		(27,553,867)	(60,628,201)
Gross profit		18,809,490	23,910,694
Other items of income			
Other income	5	2,509,254	3,219,207
Finance income	8	6,704	2,425
Other items of expense			
Marketing and distribution expenses		(383,631)	(731,432)
Administrative expenses		(14,631,622)	(18,615,466)
Other operating expenses	6(a)	(19,538,691)	(14,163,150)
Finance costs	8	(3,856,685)	(3,524,714)
Share of results of associates, net of tax		(751)	(295)
Loss before tax	6	(17,085,932)	(9,902,731)
Taxation	9	1,167,412	478,117
Loss for the year, net of tax		(15,918,520)	(9,424,614)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value losses on available-for-sale financial assets		–	(569,254)
Net fair value changes on available-for-sale financial assets reclassified to profit or loss		406,494	133,133
Foreign currency translation		75,604	620,544
Other comprehensive income for the year, net of tax		482,098	184,423
Total comprehensive income for the year		(15,436,422)	(9,240,191)
Loss attributable to:			
Owners of the Company, net of tax		(15,918,520)	(9,424,614)
Total comprehensive income attributable to:			
Owners of the Company, net of tax		(15,436,422)	(9,240,191)
Earnings per share (cents per share)			
- Basic	10	(1.86)	(1.17)
- Diluted	10	(1.86)	(1.17)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

As at 31 December 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Non-current assets					
Property, plant and equipment	11	25,486,684	27,486,963	22,441	45,607
Intangible assets	12	13,552,253	22,239,655	–	–
Investment in subsidiaries	13	–	–	68,545,743	84,110,518
Investment in associates	14	15,403,865	15,404,616	–	–
Quoted equity investments	15	271,213	805,035	271,213	774,540
Finance lease receivables	16	32,459,308	36,450,410	–	–
Deferred tax assets	9	12,859	42,025	–	–
		87,186,182	102,428,704	68,839,397	84,930,665
Current assets					
Inventories	17	10,744,074	13,604,884	–	–
Trade receivables	18	26,117,797	21,643,103	–	–
Prepayments		1,901,538	211,477	44,160	54,532
Other receivables and deposits	19	2,184,451	3,435,798	48,122	45,660
Due from customers for contract work-in-progress	20	9,197,593	17,104,074	–	–
Finance lease receivables	16	4,464,237	5,409,246	–	–
Due from subsidiaries (non-trade)	24	–	–	19,297,370	16,988,470
Derivatives	27	–	32,547	–	–
Cash and cash equivalents	21	4,693,936	7,509,880	192,863	285,691
		59,303,626	68,951,009	19,582,515	17,374,353
Current liabilities					
Trade payables	22	4,222,129	10,554,904	–	–
Due to customers for contract work-in-progress	20	2,311,272	2,889,119	–	–
Other payables and accruals	23	25,839,684	23,425,430	2,005,679	538,119
Tax payable		20,000	22,949	–	–
Finance lease obligations	25	32,200	31,074	–	–
Loans and borrowings	26	18,770,930	16,911,589	1,991,707	2,000,000
Due to subsidiaries (non-trade)	24	–	–	26,890,937	25,481,002
Derivatives	27	174,222	1,088,865	174,222	1,064,878
Redeemable exchangeable bonds	28	2,465,107	9,897,444	–	–
		53,835,544	64,821,374	31,062,545	29,083,999
Net current assets/(liabilities)		5,468,082	4,129,635	(11,480,030)	(11,709,646)
Non-current liabilities					
Deferred tax liabilities	9	1,503,815	2,682,734	–	–
Finance lease obligations	25	69,070	101,270	–	–
Loans and borrowings	26	13,151,429	13,410,061	803,604	–
Redeemable exchangeable bonds	28	3,041,608	–	–	–
		17,765,922	16,194,065	803,604	–
Net assets		74,888,342	90,364,274	56,555,763	73,221,019
Equity attributable to owners of the Company					
Share capital	29(a)	97,843,470	97,843,470	97,843,470	97,843,470
Treasury shares	29(b)	(525,559)	(592,220)	(525,559)	(592,220)
Reserves		(22,429,569)	(6,886,976)	(40,762,148)	(24,030,231)
Total equity		74,888,342	90,364,274	56,555,763	73,221,019

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the year ended 31 December 2016

2016 Group	Note	Attributable to owners of the Company Share capital (Note 29(a)) $	Treasury shares (Note 29(b)) $	Accumulated profits $	Other reserves (Note 30) $	Total reserves $	Total equity $
At 1 January 2016		97,843,470	(592,220)	(8,835,312)	1,948,336	(6,886,976)	90,364,274
Loss for the year		–	–	(15,918,520)	–	(15,918,520)	(15,918,520)
Other comprehensive income							
Net loss on fair value changes of available-for-sale financial assets	30(b)	–	–	–	406,494	406,494	406,494
Foreign currency translation	30(a)	–	–	–	75,604	75,604	75,604
Other comprehensive income for the year, net of tax		–	–	–	482,098	482,098	482,098
Total comprehensive income for the year		–	–	(15,918,520)	482,098	(15,436,422)	(15,436,422)
Contributions by and distribution to owners							
Employee share-based expense	30(c)	–	–	–	59,033	59,033	59,033
Purchase of treasury shares	29(b)	–	(98,543)	–	–	–	(98,543)
Treasury shares reissued pursuant to equity compensation plans		–	165,204	–	(165,204)	(165,204)	–
Total transactions with owners in their capacity as owners		–	66,661	–	(106,171)	(106,171)	(39,510)
At 31 December 2016		97,843,470	(525,559)	(24,753,832)	2,324,263	(22,429,569)	74,888,342

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

For the year ended 31 December 2016

2015 Group	Note	Share capital (Note 29(a)) $	Treasury shares (Note 29(b)) $	Accumulated profits $	Other reserves (Note 30) $	Total reserves $	Total equity $
		Attributable to owners of the Company					
At 1 January 2015		94,843,470	(543,774)	1,648,480	1,927,754	3,576,234	97,875,930
Loss for the year		–	–	(9,424,614)	–	(9,424,614)	(9,424,614)
Other comprehensive income							
Net loss on fair value changes of available-for-sale financial assets	30(b)	–	–	–	(436,121)	(436,121)	(436,121)
Foreign currency translation	30(a)	–	–	–	620,544	620,544	620,544
Other comprehensive income for the year, net of tax		–	–	–	184,423	184,423	184,423
Total comprehensive income for the year		–	–	(9,424,614)	184,423	(9,240,191)	(9,240,191)
Contributions by and distribution to owners							
Employee share-based expense	30(c)	–	–	–	262,167	262,167	262,167
Dividends on ordinary shares	31	–	–	(1,194,133)	–	(1,194,133)	(1,194,133)
Purchase of treasury shares	29(b)	–	(339,499)	–	–	–	(339,499)
Issuance of shares pursuant to the conversion of redeemable exchangeable bonds	29(a)	3,000,000	–	–	–	–	3,000,000
Expiration of share options	30(c)	–	–	134,955	(134,955)	–	–
Treasury shares reissued pursuant to equity compensation plans		–	291,053	–	(291,053)	(291,053)	–
Total transactions with owners in their capacity as owners		3,000,000	(48,446)	(1,059,178)	(163,841)	(1,223,019)	1,728,535
At 31 December 2015		97,843,470	(592,220)	(8,835,312)	1,948,336	(6,886,976)	90,364,274

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity (cont'd)

For the year ended 31 December 2016

2016 Company	Note	Share capital (Note 29(a)) $	Treasury shares (Note 29(b)) $	Accumulated profits $	Other reserves (Note 30) $	Total reserves $	Total equity $
		Attributable to owners of the Company					
At 1 January 2016		97,843,470	(592,220)	(24,265,552)	235,321	(24,030,231)	73,221,019
Loss for the year				(17,018,865)	–	(17,018,865)	(17,018,865)
Other comprehensive income							
Net loss on fair value changes of available-for-sale financial assets	30(b)	–	–	–	393,119	393,119	393,119
Other comprehensive income for the year, net of tax		–	–	–	393,119	393,119	393,119
Total comprehensive income for the year		–	–	(17,018,865)	393,119	(16,625,746)	(16,625,746)
Contribution by and distribution to owners							
Employee share-based expense	30(c)	–	–	–	59,033	59,033	59,033
Purchase of treasury shares	29(b)	–	(98,543)	–	–	–	(98,543)
Treasury shares reissued pursuant to equity compensation plans		–	165,204	–	(165,204)	(165,204)	–
Total transactions with owners in their capacity as owners		–	66,661	–	(106,171)	(106,171)	(39,510)
At 31 December 2016		97,843,470	(525,559)	(41,284,417)	522,269	(40,762,148)	56,555,763

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

For the year ended 31 December 2016

2015 Company	Note	Attributable to owners of the Company: Share capital (Note 29(a)) $	Treasury shares (Note 29(b)) $	Accumulated profits $	Other reserves (Note 30) $	Total reserves $	Total equity $
At 1 January 2015		94,843,470	(543,774)	(14,040,252)	860,749	(13,179,503)	81,120,193
Loss for the year		–	–	(9,166,122)	–	(9,166,122)	(9,166,122)
Other comprehensive income							
Net loss on fair value changes of available-for-sale financial assets	30(b)	–	–	–	(461,587)	(461,587)	(461,587)
Other comprehensive income for the year, net of tax		–	–	–	(461,587)	(461,587)	(461,587)
Total comprehensive income for the year		–	–	(9,166,122)	(461,587)	(9,627,709)	(9,627,709)
Contribution by and distribution to owners							
Employee share-based expense	30(c)	–	–	–	262,167	262,167	262,167
Dividends on ordinary shares	31	–	–	(1,194,133)	–	(1,194,133)	(1,194,133)
Purchase of treasury shares	29(b)	–	(339,499)	–	–	–	(339,499)
Expiration of share options	30(c)	–	–	134,955	(134,955)	–	–
Issuance of shares pursuant to the conversion of redeemable exchangeable bonds	29(a)	3,000,000	–	–	–	–	3,000,000
Treasury shares reissued pursuant to equity compensation plans		–	291,053	–	(291,053)	(291,053)	–
Total transactions with owners in their capacity as owners		3,000,000	(48,446)	(1,059,178)	(163,841)	(1,223,019)	1,728,535
At 31 December 2016		97,843,470	(592,220)	(24,265,552)	235,321	(24,030,231)	73,221,019

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Loss before taxation		(17,085,932)	(9,902,731)
Adjustments for:			
Amortisation of intangible assets	6(a)	696,328	731,445
Depreciation of property, plant and equipment	6(a)	2,288,247	1,639,629
Impairment loss on customer relationships	6(a)	2,022,300	–
Impairment loss on finance lease receivables	6(a)	333,219	–
Property, plant and equipment written-off		–	21,778
Employee share-based expense	30(c)	59,033	262,167
Trade receivables written off	6(a)	–	292,310
Impairment loss on trade receivables	6(a)	4,388,583	150,988
Reversal of impairment loss on trade receivables		(100,000)	–
Gain on disposal of plant and equipment		(52,732)	(74,921)
Interest expense	8	3,856,685	3,524,714
Interest income	8	(6,704)	(2,425)
Provision for foreseeable losses		–	46,650
Inventories written down		2,880,067	598,875
Share of results of associates, net of tax		751	295
Fair value gain of derivative on redeemable exchangeable bonds		(890,656)	(509,701)
Impairment loss on goodwill		5,965,000	10,308,000
Gain on conversion of redeemable exchangeable bonds		–	(40,122)
Unrealised loss/(gain) on derivatives		8,560	(8,560)
Impairment loss on other receivables		–	70,000
Impairment loss on quoted equity investments		940,315	315,855
Unrealised exchange gain		(541,292)	(1,736,880)
Operating profit before working capital changes		4,761,772	5,687,366
Changes in working capital:			
Inventories		(19,257)	547,069
Trade receivables		(8,731,428)	(3,806,728)
Other receivables, deposits and prepayments		(438,714)	1,669,329
Due from customers for contract work-in-progress		7,906,481	(2,853,831)
Finance lease receivables		4,750,707	(19,879,599)
Trade payables		(6,092,232)	(571,958)
Other payables and accruals		1,064,027	14,402,517
Due to customers for contract work-in-progress		(577,847)	(1,132,867)
Cash flows from/(used in) operations		2,623,509	(5,938,702)
Interest received		6,704	2,425
Income taxes paid		(15,069)	(756,810)
Net cash flows from/(used in) operating activities		2,615,144	(6,693,087)

For the year ended 31 December 2016

	Note	2016 $	2015 $
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(314,497)	(4,139,432)
Proceeds from disposal of property, plant and equipment		70,271	161,656
Investment in associates		–	(1,668,429)
Additions to intangible assets	12	–	(21,653)
Cash flows used in investing activities		(244,226)	(5,667,858)
Cash flows from financing activities			
Interest paid		(1,567,188)	(1,052,920)
Proceeds from bank borrowings		6,534,625	20,549,228
Repayment of bank borrowings		(5,556,869)	(7,135,448)
Purchase of treasury shares	29(b)	(98,543)	(339,499)
Payment of dividends		–	(1,194,133)
Repayment of finance lease obligations		(31,074)	(14,495)
Repayment of redeemable exchangeable bonds		(7,500,000)	–
Proceeds from issuance of redeemable exchangeable bonds		3,000,000	–
Cash flows (used in)/from financing activities		(5,219,049)	10,812,733
Net decrease in cash and cash equivalents		(2,848,131)	(1,548,212)
Effects of exchange rate changes on cash and cash equivalents		32,187	331,638
Cash and cash equivalents at beginning of year		7,509,880	8,726,454
Cash and cash equivalents at end of year	21	4,693,936	7,509,880

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Viking Offshore and Marine Limited (the Company) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 21 Kian Teck Road, Singapore 628773.

The principal activities of the Company are the provision of management and other services to related companies and investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $).

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements to FRSs (December 2016)	
- Amendments to FRS 28 *Measuring an Associate or Joint Venture at Fair Value*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective (cont'd)***

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below:

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

(a) *Classification and measurement*

For equity securities, the Group will elect to measure its currently held available-for-sale quoted equity securities at fair value through other comprehensive income. The Group does not expect any significant impact to arise on the adoption of the new standard.

(b) *Impairment*

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

The Group has performed a preliminary assessment of the impact of FRS 115. Based on this preliminary assessment, which is subject to changes arising from a more detailed ongoing analysis, the impact upon adoption of FRS 115 is not expected to be material to the Group's financial statements.

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective (cont'd)***

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

2.4 ***Basis of consolidation and business combinations***

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

2. Summary of significant accounting policies (cont'd)

2.4 ***Basis of consolidation and business combinations (cont'd)***

(b) *Business combinations and goodwill (cont'd)*

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquire (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 ***Foreign currency***

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.5 ***Foreign currency (cont'd)***

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Leasehold buildings	–	24 years
Computers and office equipment	–	1 to 8 years
Renovation, furniture and fixtures	–	3 to 10 years
Motor vehicles	–	5 to 10 years
Machinery	–	5 to 10 years

Assets under construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.7 ***Intangible assets***

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

2. Summary of significant accounting policies (cont'd)

2.7 ***Intangible assets (cont'd)***

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

(i) *Customer relationships*

Customer relationships were acquired in business combination and relate to relationships with both local and overseas shipyards and are amortised over their useful lives ranging 5 to 10 years.

(ii) *Software*

An acquired software is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributed cost of preparing the asset for its intended use. These costs are amortised to the profit or loss using the straight-line method over their estimated useful lives of 10 years. The remaining amortisation period of software is 4 years (2015: 5 years).

(iii) *Club membership*

Club membership was acquired separately and is amortised on a straight line basis over its finite useful life of 28 years. The remaining amortisation period of club membership is 18 years (2015: 19 years).

2.8 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. Summary of significant accounting policies (cont'd)

2.9 ***Subsidiaries***

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 ***Associates***

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.11 ***Financial instruments***

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

2. Summary of significant accounting policies (cont'd)

2.11 ***Financial instruments (cont'd)***

(a) *Financial assets (cont'd)*

Initial recognition and measurement (cont'd)

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

2. Summary of significant accounting policies (cont'd)

2.11 ***Financial instruments (cont'd)***

(b) *Financial liabilities (cont'd)*

Initial recognition and measurement (cont'd)

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(ii) *Financial liabilities at amortised cost*

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.12 ***Impairment of financial assets***

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

2. Summary of significant accounting policies (cont'd)

2.12 ***Impairment of financial assets (cont'd)***

(a) *Financial assets carried at amortised cost (cont'd)*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

2. Summary of significant accounting policies (cont'd)

2.12 ***Impairment of financial assets (cont'd)***

(c) *Available-for-sale financial assets (cont'd)*

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.13 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

2.14 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Finished goods: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 ***Construction contracts***

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

When the outcome of a contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

2. Summary of significant accounting policies (cont'd)

2.15 ***Construction contracts (cont'd)***

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they can be reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

2.16 ***Provisions***

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.17 ***Borrowing costs***

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18 ***Redeemable exchangeable bonds***

Redeemable exchangeable bonds with conversion option are accounted for as financial liability with an embedded equity conversion derivative based on the terms of the contract.

On issuance of redeemable exchangeable bonds, the embedded option is recognised at its fair value as derivative liability with subsequent changes in fair value recognised in profit or loss.

The remainder of the proceeds is allocated to the liability component that is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are de-recognised with a corresponding recognition of share capital.

2. Summary of significant accounting policies (cont'd)

2.19 ***Employee benefits***

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore and China companies in the Group make contributions to the defined contribution pension schemes in the respective countries. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

(c) *Employee equity compensation plans*

Employees of the Group receive remuneration in the form of share options and share awards as consideration for services rendered. The cost of these equity-settled share-based payment transactions with employees is measured by reference to the fair value of the options and awards at the date on which the options and awards are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share-based payment reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options and awards that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The employee share-based payment reserve is transferred to retained earnings upon expiry of the share option or share award.

2.20 ***Leases***

(a) *As lessee*

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

2. Summary of significant accounting policies (cont'd)

2.20 ***Leases (cont'd)***

(a) *As lessee (cont'd)*

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases. The leased asset is de-recognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheets. The difference between the gross receivable and the present value of the lease payments receivable is recognised as unearned finance income. Each lease payment received is applied against the gross receivable in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net receivable in the finance lease receivable. Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.21 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Construction contract revenue*

Revenue from construction contracts is recognised by reference to the stage of completion of the contract activity at the end of the reporting period, when the outcome can be estimated reliably. Stage of completion is determined by reference to contract costs incurred for work performed to date as a percentage of estimated total contract costs.

(c) *Rendering of services*

Revenue from rendering of services is recognised as and when the services are rendered.

2. Summary of significant accounting policies (cont'd)

2.21 ***Revenue (cont'd)***

(d) *Rental income from equipment and industrial space*

Rental income from equipment and industrial space is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(e) *Chartering services*

Revenue from rendering of chartering services is recognised on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

(f) *Management fee*

Management fee income is recognised as and when the management services are rendered.

(g) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

(h) *Interest income*

Interest income is recognised using the effective interest method.

2.22 ***Taxation***

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. Summary of significant accounting policies (cont'd)

2.22 ***Taxation (cont'd)***

(b) *Deferred tax (cont'd)*

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2. Summary of significant accounting policies (cont'd)

2.23 ***Segment reporting***

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 ***Share capital and share issuance expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.25 ***Treasury shares***

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.26 ***Government grants***

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised in profit or loss over the periods necessary to match them on a systematic basis, to the costs, which it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements, which has the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Impairment of available-for-sale equity investments

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

3. Significant accounting judgements and estimates (cont'd)

(a) *Judgements made in applying accounting policies (cont'd)*

(ii) Determination of lease classification

The Group has entered into lease arrangements for two land rigs. Details of the lease arrangements are disclosed in Note 16. The Group evaluated the terms and conditions of the arrangements and assessed that the Group has the economic compulsion to exercise the put option and the ownership will most probably transfer to the lessee and the minimum lease payments receivable is substantially all of the fair value of the leased assets. The Group determined that it has transferred substantially all the significant risks and rewards of ownership of the rigs and so accounts for the arrangements as finance leases.

The Group has entered into lease arrangements for a combined chemical and oil tanker. Details of the lease arrangements are disclosed in Note 33. The Group evaluated the terms and conditions of the arrangements and assessed that the lease term does not constitute a significant portion of the economic life of the tanker and the minimum lease payment is not substantially all the fair value of the leased asset. The Group determined that it does not retain substantially all significant risks and rewards of ownership of this tanker and so accounts for the arrangements as an operating lease.

(b) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Revenue recognition from construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 20 to the financial statements. If the estimated total contract cost had been 5% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been $1,166,524 (2015: $2,321,459) lower and $1,698,156 (2015: $687,799) higher respectively.

(ii) Impairment of goodwill and investment in subsidiaries

As disclosed in Notes 12 and 13 to the financial statements, the recoverable amounts of the cash generating units which goodwill and costs of investment in subsidiaries have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Notes 12 and 13 to the financial statements.

3. Significant accounting judgements and estimates (cont'd)

(b) *Key sources of estimation uncertainty (cont'd)*

(ii) Impairment of goodwill and investment in subsidiaries (cont'd)

The carrying amount of the goodwill and investment in subsidiaries as at 31 December 2016 is $13,448,296 (2015: $19,413,296) and $68,545,743 (2015: $84,110,518) respectively.

(iii) Recoverability of trade and finance lease receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's trade and finance lease receivables at the end of the reporting period are disclosed in Note 35 to the financial statements.

(iv) Impairment of investment in associates

The Group assesses at the end of each reporting period whether there is any objective evidence that its investment in associates is impaired. The recoverable amounts of the carrying values of its investment in associates are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the charter and utilisation rates applied as well as the discount rate used for the discounted cash flow model, which also represents the key assumptions used for the determination of value in use. The carrying amount of the Group's investment in associates at the end of the reporting period is disclosed in Note 14 to the financial statements.

4. Revenue

	Group	
	2016	**2015**
	$	$
Sale of goods	6,981,413	14,743,393
Construction contract revenue	20,384,727	51,548,270
Rendering of services	4,436,105	8,735,311
Chartering services	13,019,150	8,447,845
Rental of equipment	474,639	912,610
Rental of industrial space	1,067,323	151,466
	46,363,357	84,538,895

5. Other income

	Group 2016 $	Group 2015 $
Reversal of impairment loss on trade receivables	100,000	–
Government grants	187,517	302,170
Foreign exchange gain, net	1,003,236	1,880,588
Gain on disposal of plant and equipment	52,732	74,921
Recovery of expenses from customers	111,242	62,968
Other income from chartering services	–	284,422
Fair value gain on conversion option arising from redeemable exchangeable bonds	890,656	509,701
Gain on conversion of redeemable exchangeable bonds	–	40,122
Others	163,871	64,315
	2,509,254	3,219,207

6. Loss before tax

The following items have been included in arriving at loss before tax:

	Group 2016 $	Group 2015 $
(a) *Other operating expenses include:*		
Impairment loss on customer relationships	2,022,300	–
Impairment loss on other receivables	–	70,000
Impairment loss on goodwill	5,965,000	10,308,000
Impairment loss on finance lease receivables	333,219	–
Depreciation of property, plant and equipment	2,288,247	1,639,629
Amortisation of intangible assets	696,328	731,445
Trade receivables written-off	–	292,310
Impairment loss on trade receivables	4,388,583	150,988
Inventories written down	2,880,067	598,875
Property, plant and equipment written-off	–	21,778
Impairment loss on quoted equity investments	940,315	315,855
Loss on forward currency contracts, net	15,760	6,665
(b) *Other disclosure items:*		
Audit fees paid to:		
- Auditors of the Company	156,450	213,500
- Other auditors	6,972	9,221
Non-audit fees paid to:		
- Auditors of the Company	32,000	42,800
- Other auditors	3,423	3,850
Employee benefits expense (Note 7)	13,701,815	17,600,689
Operating lease expenses	1,440,435	557,723

7. Employee benefits

	Group	
	2016	2015
	$	$
Salaries and bonuses	11,336,632	15,058,058
Central Provident Fund contributions	1,198,063	1,298,180
Share-based payments (employee share options and/or share awards)	59,033	262,167
Other short-term benefits	1,108,087	982,284
	13,701,815	17,600,689

These include the amount shown as key management personnel compensation in Note 32(b).

(a) ***Employee share option plans***

Selected employees, as determined by the committee administering the Viking Offshore and Marine Limited Share Option Scheme (the "VOM Scheme"), are entitled to a grant of options. The options will vest if the employee remains in service for a period of one year from the date of grant. The exercise price of the options for the financial year was $0.1043 (2015: $0.1043 - $0.1897). No options were exercised in both years 2015 and 2016. The contractual life of the options is 5 years. There are no cash settlement alternatives.

The VOM Scheme has a 10-year life from 4 December 2010 to 3 December 2020.

No expense was recognised in profit or loss for employee services received under the VOM scheme during the financial years ended 31 December 2016 and 31 December 2015.

Movement of share options during the financial year

The following are the number and weighted average exercise prices ("WAEP") of, and movements in share options during the year.

	Number 2016	WAEP 2016 $	Number 2015	WAEP 2015 $
Outstanding at 1 January	13,179,464	0.116	15,288,178	0.116
- Expired	–	–	(2,108,714)	0.116
Outstanding at 31 December	13,179,464	0.116	13,179,464	0.116
Exercisable at 31 December	13,179,464	0.116	13,179,464	0.116

7. Employee benefits (cont'd)

(a) ***Employee share option plans (cont'd)***

The weighted average exercise price for options outstanding at the end of the year was $0.116 (2015: $0.116). The weighted average remaining contractual life for these options is 0.44 years (2015: 1.44 years).

Fair value of share options granted

The fair value of share options as at the date of grant is estimated by the Group using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. No new share options were granted in 2016 and 2015. The inputs to the model for all grants not expired for the years ended 31 December 2016 and 31 December 2015 are shown below:

	Date of grant 08.06.2012 $
Dividend yield (%)	0.00
Expected volatility (%)	48.00
Risk-free interest rate (% p.a.)	2.25
Expected life of option (years)	1.50
Weighted average share price ($)	0.12

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

(b) ***Viking Long Term Incentive Plan***

The Viking Long Term Incentive Plan (the "VLTIP") is a share-based long-term incentive plan for employees, which was approved by shareholders at an extraordinary general meeting held on 15 December 2011.

The details of the plan are described below:

Plan description – Award of fully-paid ordinary shares of the Company, conditional upon the satisfaction of specific performance target or time-based service conditions or a combination of both.

Performance conditions – Sales growth, growth in earnings and return on investment.

Vesting conditions – Vesting based on achievement of stated performance conditions over one year performance period.

Performance conditions – 0%-100% depending on the achievement of pre-set performance targets over the performance period.

The expense recognised in profit or loss for employee services received under the VLTIP during the financial year ended 31 December 2016 is $59,033 (2015: $262,167).

7. Employee benefits (cont'd)

(b) ***Viking Long Term Incentive Plan (cont'd)***

Movement of share awards during the financial year

	Group			
	2016 Number	2016 WAEP $	2015 Number	2015 WAEP $
Outstanding at 1 January	2,300,000	0.077	3,300,000	0.131
- Vested	(2,300,000)	0.077	(3,300,000)	0.131
- Granted	–	–	2,300,000	0.077
Outstanding at 31 December	–	–	2,300,000	0.077

Fair value of share awards granted

The estimated fair value of services received under the VLTIP is measured using the Black-Scholes model, taking into account the terms and conditions upon which the awards were granted. The inputs to the share awards pricing model for the years ended 31 December 2016 and 31 December 2015 are as follows:

	2016	2015
Dividend yield (%)	–	0.00
Expected volatility (%)	–	54.90
Risk-free interest rate (% p.a.)	–	1.63
Expected life of awards (year)	–	1.00
Share price at date of grant ($)	–	0.071

8. Finance income/(costs)

	Group	
	2016 $	2015 $
Finance income:		
Interest income on:		
- fixed deposits	6,704	2,425
Finance costs:		
Interest expense on:		
- loans and borrowings	1,766,909	989,575
- finance lease obligations	1,913	4,240
- redeemable exchangeable bonds	2,087,863	2,530,899
	3,856,685	3,524,714

9. Taxation

The major components of income tax credit for the years ended 31 December 2016 and 2015 are:

	Group 2016	Group 2015
	$	$
Current income tax:		
- current year	23,616	24,496
- over provision in respect of previous years	(11,496)	(186,640)
Deferred income tax:		
- over provision in respect of previous years	(192,787)	(106,403)
- movement of temporary differences	(986,745)	(209,570)
Income tax credit recognised in profit or loss	(1,167,412)	(478,117)

The reconciliation between tax credit and the product of accounting loss multiplied by the applicable corporate tax rates for the years ended 31 December 2016 and 2015 are as follows:

	Group 2016	Group 2015
	$	$
Accounting loss before tax	(17,085,932)	(9,902,731)
Tax at the domestic rates applicable to profits in the countries where the Group operates	(2,975,640)	(701,939)
Adjustments:		
Non-deductible expenses	4,575,818	2,792,093
Income not subject to tax	(2,983,323)	(2,101,536)
Effect of partial tax exemption and tax reliefs	(111,572)	(216,937)
Deferred tax assets not recognised	1,437,139	618,008
Utilisation of previously unrecognised deferred tax assets	(59,157)	(42,704)
Over provision in respect of previous years	(204,283)	(293,043)
Tax effect of fair value adjustments	(986,745)	(341,633)
Tax benefits	(1,988)	(161,365)
Others	142,339	(29,061)
Income tax credit recognised in profit or loss	(1,167,412)	(478,117)

9. Taxation (cont'd)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $12,195,565 (2015: $4,089,787) available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which certain subsidiaries operate.

Unrecognised temporary differences relating to investment in subsidiaries

At the end of the reporting period, no deferred tax liability (2015: $Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $626,000 (2015: $2,109,000). The deferred tax liability is estimated to be $63,000 (2015: $211,000).

Tax consequences of proposed dividends

There are no income tax consequences (2015: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 31).

Group

Deferred taxation at 31 December relates to the following:

	Consolidated balance sheet		**Consolidated statement of comprehensive income**	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
Deferred tax asset				
Provisions	12,859	42,025	(29,166)	(8,409)
Total deferred tax asset	12,859	42,025		
Deferred tax liabilities				
Differences in depreciation	(86,787)	(278,961)	(192,174)	38,520
Fair value adjustments on acquisition of subsidiaries	(1,417,028)	(2,403,773)	(986,745)	(341,633)
Exchange differences	–	–	28,553	(4,451)
Total deferred tax liabilities	(1,503,815)	(2,682,734)		
Deferred income tax			(1,179,532)	(315,973)

10. Earnings per share

Basic earnings per share are calculated by dividing loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the existing warrants, share options, share awards and redeemable exchangeable bonds of the Company into ordinary shares.

The following tables reflect the profit or loss and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2016	**2015**
	$	$
Net loss attributable to owners of the Company	(15,918,520)	(9,424,614)

	Number of shares	
	2016	**2015**
Weighted average number of ordinary shares for basic earnings per share computation*	855,171,615	806,588,051
Weighted average number of ordinary shares diluted earnings per share computation*	855,171,615	808,888,051

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

As at year end, 13,179,464 (2015: 13,179,464) share options granted to employees under the existing employee share option plans and warrants of 119,113,066 (2015: 119,113,066), have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

As at year end, the potential conversion of redeemable exchangeable bonds to a maximum of 318,898,959 (2015: 54,285,714) ordinary shares has not been included in the calculation of diluted earnings per share because it is anti-dilutive.

11. Property, plant and equipment

Group	Leasehold buildings $	Computers and office equipment $	Renovation, furniture and fixtures $	Motor vehicles $	Machinery $	Assets under construction $	Total $
Cost							
At 1.1.2015	15,430,375	1,557,530	1,779,879	906,600	1,932,556	10,617,126	32,224,066
Additions	–	450,511	94,224	68,800	100,952	3,541,445	4,255,932
Disposals	–	(34,592)	–	(287,850)	(50,975)	–	(373,417)
Written off	–	(25,095)	(2,230)	–	(77,969)	–	(105,294)
Transfer	14,158,571	–	–	–	–	(14,158,571)	–
Exchange difference	–	4,568	(1,505)	2,046	(6,776)	–	(1,667)
At 31.12.2015 and 1.1.2016	29,588,946	1,952,922	1,870,368	689,596	1,897,788	–	35,999,620
Additions	31,250	114,285	17,955	–	151,007	–	314,497
Disposals	–	(12,593)	–	(299,440)	–	–	(312,033)
Written off	–	(5,955)	–	–	–	–	(5,955)
Exchange difference	–	(9,893)	(4,227)	(6,984)	(9,458)	–	(30,562)
At 31.12.2016	29,620,196	2,038,766	1,884,096	383,172	2,039,337	–	35,965,567
Accumulated depreciation and impairment loss							
At 1.1.2015	3,320,590	1,259,143	976,479	754,619	929,996	–	7,240,827
Charge for the year	916,077	220,611	225,842	50,490	226,609	–	1,639,629
Disposals	–	(34,592)	–	(228,756)	(23,334)	–	(286,682)
Written off	–	(25,095)	(1,022)	–	(57,399)	–	(83,516)
Exchange difference	–	8,149	(666)	1,192	(6,276)	–	2,399
At 31.12.2015 and 1.1.2016	4,236,667	1,428,216	1,200,633	577,545	1,069,596	–	8,512,657
Charge for the year	1,568,258	242,500	216,828	34,720	225,941	–	2,288,247
Disposals	–	(11,930)	–	(282,564)	–	–	(294,494)
Written off	–	(5,955)	–	–	–	–	(5,955)
Exchange difference	–	(8,590)	(2,225)	(5,713)	(5,044)	–	(21,572)
At 31.12.2016	5,804,925	1,644,241	1,415,236	323,988	1,290,493	–	10,478,883
Net carrying amount							
At 31.12.2016	23,815,271	394,525	468,860	59,184	748,844	–	25,486,684
At 31.12.2015	25,352,279	524,706	669,735	112,051	828,192	–	27,486,963

11. Property, plant and equipment (cont'd)

	Computers and office equipment $	Renovation, furniture and fixtures $	Total $
Company			
Cost			
At 1.1.2015	214,553	11,238	225,791
Additions	6,152	–	6,152
At 31.12.2015 and 1.1.2016	220,705	11,238	231,943
Additions	2,990	–	2,990
At 31.12.2016	223,695	11,238	234,933
Accumulated depreciation			
At 1.1.2015	148,711	7,244	155,955
Charge for the year	28,775	1,606	30,381
At 31.12.2015 and 1.1.2016	177,486	8,850	186,336
Charge for the year	24,551	1,605	26,156
At 31.12.2016	202,037	10,455	212,492
Net carrying amount			
At 31.12.2016	21,658	783	22,441
At 31.12.2015	43,219	2,388	45,607

Assets held under finance leases

During the financial year, the Group acquired property, plant and equipment amounting to $314,497 (2015: $4,255,932) of which $Nil (2015: $116,500) were acquired by means of finance leases. Cash payments of $314,497 (2015: $4,139,432) were made to purchase property, plant and equipment.

The carrying amounts of office equipment and motor vehicles held by the Group under finance leases as at 31 December 2016 were $83,636 (2015: $106,933) and $Nil (2015: $7,274) respectively.

Leased motor vehicles are pledged as security for the related finance lease obligations.

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold properties with carrying amount of $23,815,271 (2015: $25,352,279) are mortgaged to secure the Group's loans and borrowings (Note 26).

11. Property, plant and equipment (cont'd)

Capitalisation of borrowing costs

The Group's leasehold buildings include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of leasehold buildings. In 2015, the borrowing costs capitalised as cost of leasehold buildings amounted to $164,702. The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.3% per annum, which was the effective interest rate of the specific borrowing. The construction was completed in 2015.

12. Intangible assets

	Goodwill	Customer relationships	Software	Club membership	Total
	$	$	$	$	$
Group					
Cost					
At 1.1.2015	29,721,296	9,648,000	148,326	70,000	39,587,622
Additions	–	–	21,653	–	21,653
Exchange differences	–	–	1,747	–	1,747
At 31.12.2015 and 1.1.2016	29,721,296	9,648,000	171,726	70,000	39,611,022
Exchange differences	–	–	(9,159)	–	(9,159)
At 31.12.2016	29,721,296	9,648,000	162,567	70,000	39,601,863
Accumulated amortisation and impairment					
At 1.1.2015	–	6,241,500	69,530	20,180	6,331,210
Impairment	10,308,000	–	–	–	10,308,000
Amortisation	–	710,100	18,854	2,491	731,445
Exchange differences	–	–	712	–	712
At 31.12.2015 and 1.1.2016	10,308,000	6,951,600	89,096	22,671	17,371,367
Impairment	5,965,000	2,022,300	–	–	7,987,300
Amortisation	–	674,100	19,736	2,492	696,328
Exchange differences	–	–	(5,385)	–	(5,385)
At 31.12.2016	16,273,000	9,648,000	103,447	25,163	26,049,610
Net carrying amount					
At 31.12.2016	13,448,296	–	59,120	44,837	13,552,253
At 31.12.2015	19,413,296	2,696,400	82,630	47,329	22,239,655

12. Intangible assets (cont'd)

Customer relationships

The economic useful lives of customer relationships as determined by the Group are disclosed in Note 2.7. The customer relationship has no average remaining amortisation period (2015: 3 years) as it has been fully impaired during the year.

Impairment testing of goodwill and customer relationships

Goodwill arising from business combinations has been allocated to two cash-generating units ("CGU") for impairment testing as follows:

- Offshore and Marine Heating, Ventilation and Air-Conditioning segment ("O&M HVAC")
- Offshore and Marine Telecommunication segment ("O&M Tele")

The carrying amounts of goodwill and customer relationships allocated to each CGU as at 31 December are as follows:

	O&M HVAC	O&M Tele	Total
	$	$	$
2016			
Goodwill	4,603,918	8,844,378	13,448,296
2015			
Goodwill	10,568,918	8,844,378	19,413,296
Customer relationships	2,696,400	–	2,696,400
	13,265,318	8,844,378	22,109,696

The recoverable amounts of the CGUs have been determined based on value in use calculations which are based on cash flow projections from financial budgets approved by management covering a 5-year period. The pre-tax discount rate applied to the 5-year cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the 5-year period are as follows:

	2016		2015	
	O&M HVAC	O&M Tele	O&M HVAC	O&M Tele
Growth rates	1.0%	1.0%	1.0%	1.0%
Pre-tax discount rates	9.5%	9.5%	9.5%	9.5%

12. Intangible assets (cont'd)

Impairment testing of goodwill and customer relationships (cont'd)

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Growth rates – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC") based on the capital asset pricing model.

Sensitivity to changes in assumptions

With regards to the assessment of value in use for the O&M Tele CGU, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

For the O&M HVAC CGU, the carrying amount exceeds its estimated recoverable amount by approximately $5,965,000 (2015: $10,308,000) and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumption for the recoverable amount is discussed below:

Growth rates – A reduction of 0.5% (2015: 0.5%) in the long-term growth rate would result in a further impairment of approximately $952,000 (2015: $1,558,000).

Pre-tax discount rates – An increase of 1.0% (2015: 1.0%) in the pre-tax discount rate would result in a further impairment of approximately $2,265,000 (2015: $3,676,000).

Amortisation expense

The amortisation of customer relationships is included in the "Other operating expenses" line item in the consolidated statement of comprehensive income (Note 6(a)).

Impairment loss recognised

During the financial year, the Group recognised an impairment loss of $5,965,000 (2015: $10,308,000) on goodwill allocated to the O&M HVAC CGU as a result of the weaker order book forecasted under the current tepid market which continues to be subjected to upstream activity levels during the downturn in the offshore and marine and oil and gas industries. The Group also recognised an impairment loss of $2,022,300 (2015: $Nil) on customer relationships arising from the O&M HVAC CGU as it is no longer expected that the CGU will be able to secure future contracts from these customers. The impairment losses on goodwill and customer relationships have been recognised in the consolidated statement of comprehensive income under the line item "Other operating expenses" (Note 6(a)).

13. Investment in subsidiaries

	Company 2016 $	Company 2015 $
Unquoted equity shares, at cost	101,824,965	100,273,168
Less: Impairment losses	(33,279,222)	(16,162,650)
	68,545,743	84,110,518

The Group and the Company has the following subsidiaries as at 31 December:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	Proportion (%) of ownership interest 2015
Held by the Company				
Viking Offshore Global Pte. Ltd.*	Singapore	Investment holding	100	100
Viking HVAC Pte Ltd*	Singapore	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100
Promoter Hydraulics Pte Ltd*	Singapore	Manufacture and repair of marine engines and ship parts; retail and rental of marine equipment, marine accessories and parts	100	100
Viking Airtech Pte Ltd*	Singapore	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100
Marshal Systems Pte Ltd*	Singapore	Contractors for electronic and electrical engineering works	100	100
Viking Facilities Management & Operations Pte. Ltd.*	Singapore	Facilities management	100	100

13. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	2015
Held by the Company				
Viking Asset Management Pte. Ltd.*	Singapore	Investment holding	100	100
Held by subsidiaries				
Viking LR1 Pte Ltd*	Singapore	Ownership and charter of assets	100	100
Viking LR2 Pte Ltd*	Singapore	Ownership and charter of assets	100	100
Viking Gold Pte Ltd*	Singapore	Ownership and charter of assets	100	–
Viking Airtech (Yantai) Co, Ltd **	People's Republic of China	Marine air conditioning, manufacture, installation & design of marine refrigerating equipment maritime HVAC & R	100	100
Viking Offshore Malaysia Sdn Bhd **	Malaysia	Specialises in marine & offshore turkey HVAC & R systems	100	100
Viking Airtech (Shanghai) Co, Ltd**	People's Republic of China	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100
PT Viking Offshore**	Indonesia	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100
Marshal Offshore and Marine Engrg Co., Ltd **	People's Republic of China	Contractors for electronic and electrical engineering works	100	100

* Audited by Ernst & Young LLP, Singapore.

** Audited by other firms of auditors. The subsidiaries are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.

13. Investment in subsidiaries (cont'd)

Impairment testing of investment in subsidiaries

During the financial year, the Company recognised an impairment loss of $17,116,572 (2015: $9,542,000) as the recoverable amounts of subsidiaries are lower than the carrying amounts of investment in subsidiaries.

The recoverable amounts of the subsidiaries have been determined based on value in use calculations which are based on cash flow projections from financial budgets approved by management covering a 5-year period. The pre-tax discount rate applied to the 5-year cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the 5-year period are as follows:

	2016	2015
Growth rates	1.0%	1.0%
Pre-tax discount rates	9.5%	9.5%

The calculations of value in use for the subsidiaries are most sensitive to the following assumptions:

Growth rates – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the subsidiaries.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each subsidiary, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and derived from its weighted average cost of capital based on the capital asset pricing model.

Sensitivity to changes in assumptions

For the costs of investment in subsidiaries, the carrying amounts exceed their estimated recoverable amounts by approximately $17,116,572 (2015: $9,542,000) and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumption for the recoverable amount is discussed below:

Growth rates – A reduction of 0.5% (2015: 0.5%) in the long-term growth rate would result in a further impairment of approximately $1,744,000 (2015: $1,558,000).

Pre-tax discount rates – An increase of 1.0% (2015: 1.0%) in the pre-tax discount rate would result in a further impairment of approximately $4,296,763 (2015: $3,676,000).

14. Investment in associates

	Group	
	2016	2015
	$	$
Unquoted equity shares, at cost	15,408,641	15,408,641
Share of post-acquisition reserves	(4,776)	(4,025)
	15,403,865	15,404,616

14. Investment in associates (cont'd)

Details of the associates are as follows:

Name of associates	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	2015
Held through a subsidiary				
Smart Earl Investment Limited*	Republic of Seychelles	Ownership and charter of assets	30	30
Quick Booms Investments Limited*	British Virgin Islands	Ownership and charter of assets	30	30

* Not required to be audited by its country of incorporation

The activities of the associates are strategic to the Group activities. The summarised financial information in respect of Smart Earl Investment Limited and Quick Booms Investments Limited based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Smart Earl Investment Limited		Quick Booms Investments Limited	
	2016	2015	2016	2015
	$	$	$	$
Summarised balance sheet				
Current assets	1,603	6,080	5,069	433,857
Non-current assets	29,835,734	28,756,785	29,221,235	28,155,623
Total assets	29,837,337	28,762,865	29,226,304	28,589,480
Current liabilities	5,377,100	3,718,105	2,340,325	2,285,519
Net assets	24,460,237	25,044,760	26,885,979	26,303,961
Proportion of the Group's ownership	30%	30%	30%	30%
Group's share of net assets	7,338,071	7,513,428	8,065,794	7,891,188
Carrying amount of the investments	7,338,071	7,513,428	8,065,794	7,891,188
Summarised statement of comprehensive income				
Revenue	–	–	–	–
(Loss)/profit after tax from continuing operations	(983)	336	(1,520)	(1,320)
Other comprehensive income	–	–	–	–
Total comprehensive income	(983)	336	(1,520)	(1,320)

15. Quoted equity investments

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Quoted equity investments, at fair value	271,213	805,035	271,213	774,540

During the financial year, the Group recognised an impairment loss of $940,315 (2015: $315,855) on quoted equity investments as there were "significant" or "prolonged" decline in the fair value of these investments below their costs. The Group treats "significant" generally as 30% and "prolonged" as greater than 12 months.

16. Finance lease receivables

	Within a year	More than a year but not later than five years	Total
	$	$	$
2016			
Gross receivable	8,971,683	48,671,374	57,643,057
Unearned finance income	(4,507,446)	(15,878,847)	(20,386,293)
Less: Allowance for impairment	–	(333,219)	(333,219)
Present value of minimum lease payments receivable	4,464,237	32,459,308	36,923,545
2015			
Gross receivable	17,553,956	56,394,259	73,948,215
Unearned finance income	(12,144,710)	(19,943,849)	(32,088,559)
Present value of minimum lease payments receivable	5,409,246	36,450,410	41,859,656

The Group has entered into 2 (2015: 2) Bareboat Charter agreements for its land rigs. These agreements are for lease terms of between 48 and 50 months. These agreements irrevocably grant the Group a put option to require the lessees to purchase the land rigs from the Group at any time during the period of 90 days prior to the end of the agreements, for a cash consideration equivalent to i) the value of the land rig as determined by independent valuers or ii) the amount of US$6,000,000, whichever is higher.

The Group has determined that it has transferred substantially all risks and rewards incidental to ownership of the land rigs to both lessees at the inception of the leases and the arrangements are therefore classified as finance lease receivables.

Interest is earned at effective rates of 2.35% to 2.76% (2015: 2.35% to 2.76%) per annum.

During the year, the Group has assessed and impaired the receivables due from a lessee as it has defaulted on payments. These receivables are secured by land rigs.

17. Inventories

	Group 2016 $	Group 2015 $
Balance sheets:		
Finished goods (at cost or net realisable value)	10,744,074	13,604,884
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	6,875,530	21,071,111
Inclusive of the following charge:		
- Inventories written-down	2,880,067	598,875

18. Trade receivables

	Group 2016 $	Group 2015 $
Trade receivables	30,567,259	21,803,982
Less: Allowance for impairment	(4,449,462)	(160,879)
	26,117,797	21,643,103

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

At the end of the reporting period, trade receivables of $653,867 (2015: $1,217,149) relate to export sales and have been arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group 2016 $	Group 2015 $
United States Dollar	17,821,308	11,036,226
Chinese Renminbi	247,412	46,893
Malaysian Ringgit	64,350	407,418

18. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $21,616,970 (2015: $11,620,866) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2016	**2015**
	$	$
Trade receivables past due but not impaired:		
Less than 30 days	3,166,609	5,760,602
30 to 60 days	2,426,493	544,401
61 to 90 days	2,797,466	126,047
More than 90 days	13,226,402	5,189,816
	21,616,970	11,620,866

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	2016	**2015**
	$	$
Trade receivables – nominal amounts	4,449,462	160,879
Less: Allowance for impairment	(4,449,462)	(160,879)
	–	–
Movement in allowance accounts:		
At 1 January	160,879	18,309
Charge for the year	4,388,583	150,988
Reversal of allowance	(100,000)	–
Written off	–	(8,418)
At 31 December	4,449,462	160,879

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements except for an amount of $15,450,059 which is secured by land rigs (Note 16).

19. Other receivables and deposits

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Deposits	75,302	122,711	–	–
Advances to employees	56,558	85,032	–	–
Advances to suppliers	1,907,516	1,321,672	–	–
Other receivables	215,075	1,976,383	118,122	115,660
Less: Allowance for impairment	(70,000)	(70,000)	(70,000)	(70,000)
	2,184,451	3,435,798	48,122	45,660

Other receivables are non-interest bearing and are generally on 30 to 90 days' terms.

20. Gross amount due from/(to) customers for contract work-in-progress

	Group	
	2016	2015
	$	$
Contract costs incurred to date	81,431,364	85,923,169
Foreseeable losses	–	(46,650)
Recognised profits less recognised losses to date	12,679,894	16,960,180
	94,111,258	102,836,699
Progress billings	(87,224,937)	(88,621,744)
	6,886,321	14,214,955
Represented as:		
Gross amount due from customers for contract work-in-progress	9,197,593	17,104,074
Gross amount due to customers for contract work-in-progress	(2,311,272)	(2,889,119)
	6,886,321	14,214,955
Advances received on contract work-in-progress (Note 23)	370,146	726,685

21. Cash and cash equivalents

	Group 2016	Group 2015	Company 2016	Company 2015
	$	$	$	$
Cash and bank balances	4,693,936	7,509,880	192,863	285,691

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group 2016	Group 2015
	$	$
United States Dollar	3,581,327	3,740,549
Chinese Renminbi	48,027	470,992
Malaysian Ringgit	38,826	124,623
Euro	10,202	39,087
Indonesian Rupiah	6,541	20,458

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group 2016	Group 2015
	$	$
Cash and bank balances	4,693,936	7,509,880

22. Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group 2016	Group 2015
	$	$
United States Dollar	668,596	1,474,543
Euro	78,484	964,581
Chinese Renminbi	268,572	2,202,272
Malaysia Ringgit	75,663	331,591
Others	32,113	39,368

23. Other payables and accruals

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Accrued operating expenses	3,448,908	3,940,393	184,825	190,832
Customers' deposits	6,900,932	5,658,000	–	–
Advance payments from customers (Note 20)	370,146	726,685	–	–
Other payables	15,001,598	13,004,302	1,820,854	347,287
Rental deposits received	118,100	96,050	–	–
	25,839,684	23,425,430	2,005,679	538,119

Except as disclosed below, other payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Included in other payables are amounts of $12,000,804 (2015: $11,740,350) and $1,551,797 (2015: $Nil) due to a vendor in relation to the purchase of a rig and related drilling equipment and interest payable to an investor upon redemption of bonds (Note 28) via issuance of the Company's shares, subject to shareholders' approval at the AGM.

24. Due from/(to) subsidiaries (non-trade)

Except as disclosed below, amounts due from/(to) subsidiaries are unsecured, non-interest bearing, are repayable on demand and are expected to be settled in cash.

Due to subsidiaries (non-trade)

Included in amounts due to subsidiaries is an amount of $446,513 (2015: $1,478,865) which is interest bearing at 2.85% (2015: 2.85% to 2.88%) per annum.

25. Finance lease obligations

	Group		
	Minimum lease payments	Interest	Present value of payments
	$	$	$
2016			
Less than 1 year	38,415	(6,215)	32,200
1 to 5 years	74,957	(5,887)	69,070
	113,372	(12,102)	101,270
2015			
Less than 1 year	38,414	(7,340)	31,074
1 to 5 years	113,152	(11,882)	101,270
	151,566	(19,222)	132,344

25. Finance lease obligations (cont'd)

Finance lease obligations amounting to $12,477 (2015: $21,408) are secured by a charge over motor vehicles (Note 11).

Lease terms range from 1 to 5 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. The average discount rate implicit in the Group's finance lease obligations is 4.92% to 5.70% (2015: 4.92% to 5.70%) per annum.

26. Loans and borrowings

	Group	
	2016	**2015**
	$	**$**
Current liabilities		
Short-term loan	1,330,000	2,000,000
Revolving loans	7,433,770	5,603,250
Current portion of long-term loans		
- Term loans (Type A)	1,108,220	1,032,352
- Term loans (Type B)	1,915,719	1,915,719
Related party loan	6,983,221	6,360,268
	18,770,930	16,911,589
Non-current liabilities		
Long-term loans		
- Term loans (Type A)	803,604	446,513
- Term loans (Type B)	11,047,825	12,963,548
Third party loans	1,300,000	–
	13,151,429	13,410,061

26. Loans and borrowings (cont'd)

(i) Short-term loan carries interest at 5.10% (2015: 5.10%) per annum, is repayable in 2017 and is unsecured.

(ii) Revolving loans carry interest at rates ranging from 2.60% to 4.27% (2015: 2.63% to 3.48%) per annum and are repayable on demand. The loans are secured by corporate guarantees from the Company.

(iii) Term loans (Type A) carry interest at rates ranging from 2.85% to 3.50% (2015: 2.85%) per annum and are repayable between 2017 and 2019. The loans are secured by corporate guarantees from the Company.

(iv) Term loans (Type B) carry interest at rates ranging from 2.50% to 2.85% (2015: 2.05% to 2.85%) per annum and are repayable between 2021 and 2022. The loans are secured by first legal mortgage on a subsidiary's leasehold properties (Note 11) and by corporate guarantees from the Company.

(v) Related party loan carries interest at 5.00% (2015: 5.00%) per annum and is repayable in 2017. The loan is secured by a corporate guarantee from the Company. Subsequent to year end, maturity date of a portion of the loan amounting to $4,500,000 was agreed in principle to be extended to April 2018 based on the terms and conditions that were mutually agreed by the Group and the related party.

(vi) Third party loans carry interest at rates ranging from 8.00% to 8.50% per annum and are repayable in 2018. The loans are secured by corporate guarantees from the Company.

27. Derivatives

	Group					
	2016 $			2015 $		
	Contract/ Notional Amount	**Assets**	**Liabilities**	**Contract/ Notional Amount**	**Assets**	**Liabilities**
Forward currency contracts	–	–	–	4,317,600	32,547	23,987
Conversion option arising from redeemable exchangeable bonds (Note 28)		–	174,222		–	1,064,878
		–	174,222		32,547	1,088,865

In 2015, forward currency contracts were used to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD and EUR for which firm commitments existed at the end of the reporting period, extending to March 2016.

28. Redeemable exchangeable bonds

Bond 1

In 2014, the Group, together with its wholly owned subsidiary, issued redeemable exchangeable bonds in the principal amount of $12,450,000 to an investor.

During the financial year, the Group has redeemed a portion of bond in the principal amount of $7,500,000 and has extended the maturity date of the remaining portion in the principal amount of $2,000,000 for a further 12 months to 2 November 2017 with the investor through a supplemental agreement.

Subsequent to year end, an option was granted in principle by the investor to the Group to extend the maturity date of Bond 1 to May 2018 based on the terms and conditions that were mutually agreed by the Group and the investor.

Bond 2

In 2016, the Group, together with its wholly owned subsidiary, issued redeemable exchangeable bonds in the principal amount of $3,000,000 to an investor, repayable at maturity date, which is two years from the date of issue. The terms are identical to Bond 1.

Both bonds carry a simple interest of 5% per annum payable semi-annually and an internal rate of return of 15% per annum on the principal amount, together with any accrued and unpaid interest, repayable at maturity date.

The investors may at their absolute discretion request in writing for the Group to redeem all the bonds then outstanding at the redemption price if, prior to the maturity date, (i) an event of default occurs (unless waived by the investor) or (ii) where the Group fails to obtain certain approvals within the prescribed periods.

Upon the occurrence of an event of default or the failure to obtain certain approvals within the prescribed periods, the Group shall pay an amount giving the investors an internal rate of return of 15% per annum on the principal amount, together with any accrued and unpaid interest.

28. Redeemable exchangeable bonds (cont'd)

The investors have the option to exchange any part of the bonds (including any accrued and unpaid interest) for shares of the Company at any time prior to the maturity date, at 10% discount to the 30-trading day average volume weighted average price of the shares of the Company for each share.

The carrying amount of the liability component of the bonds at the end of the reporting period is arrived at as follows:

	Bond 1	Bond 2	Total
	$	$	$
Group			
2016			
Total face value	12,450,000	3,000,000	15,450,000
Derivative liability component	(1,712,331)	–	(1,712,331)
Liability component at initial recognition	10,737,669	3,000,000	13,737,669
Add: Accumulated amortisation of discount			
- Opening balance at 1 January	2,199,897	–	2,199,897
- Amortisation of discount during the financial year	1,597,637	41,608	1,639,245
- Closing balance at 31 December	3,797,534	41,608	3,839,142
Less: Issuance of shares pursuant to conversion of bonds	(3,040,122)	–	(3,040,122)
Less: Redemption of bonds	(9,029,974)	–	(9,029,974)
Liability component at the end of the reporting period			
- Current	2,465,107	–	2,465,107
- Non-current	–	3,041,608	3,041,608

	Bond 1
	$
Group	
2015	
Total face value	12,450,000
Derivative liability component	(1,712,331)
Liability component at initial recognition	10,737,669
Add: Accumulated amortisation of discount	
- Opening balance at 1 January	289,833
- Amortisation of discount during the financial year	1,910,064
- Closing balance at 31 December	2,199,897
Less: Issuance of shares pursuant to conversion of the bonds	(3,040,122)
Liability component at the end of the reporting period	
- Current	9,897,444
- Non-current	–

29. Share capital and treasury shares

(a) *Share capital*

	Group and Company			
	2016	2015	2016	2015
	No. of shares	No. of shares	$	$
Issued and fully paid ordinary shares				
At 1 January	862,792,553	801,405,199	97,843,470	94,843,470
Issue of new shares:				
- Issuance of shares pursuant to conversion of redeemable exchangeable bonds (Note 28)	–	61,387,354	–	3,000,000
At 31 December	862,792,553	862,792,553	97,843,470	97,843,470

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

The Company has employee share option plans and Viking Long Term Incentive Plan under which options and awards to subscribe for the Company's ordinary shares have been granted to employees of the Group (Refer to Note 7 for details).

(b) *Treasury shares*

	Group and Company			
	2016	2015	2016	2015
	No. of shares	No. of shares	$	$
At 1 January	(7,489,800)	(5,628,000)	(592,220)	(543,774)
Purchased during the year	(2,701,700)	(5,161,800)	(98,543)	(339,499)
Transferred upon share awards vested	2,300,000	3,300,000	165,204	291,053
At 31 December	(7,891,500)	(7,489,800)	(525,559)	(592,220)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 2,701,700 (2015: 5,161,800) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $98,543 (2015: $339,499) and this was presented as a component within shareholders' equity.

30. Other reserves

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
Foreign currency translation reserve (a)	1,801,994	1,726,390	–	–
Fair value adjustment reserve (b)	–	(406,494)	–	(393,119)
Share-based payment reserve (c)	408,213	526,280	408,213	526,280
Capital reserve (d)	114,056	102,160	114,056	102,160
Closing balance at 31 December	2,324,263	1,948,336	522,269	235,321

(a) *Foreign currency translation reserve*

The foreign currency translation reserve relates to exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
At 1 January	1,726,390	1,105,846	–	–
Net effect of exchange differences	75,604	620,544	–	–
At 31 December	1,801,994	1,726,390	–	–

(b) *Fair value adjustment reserve*

Fair value adjustment reserve records the cumulative fair value changes of available-for-sale financial assets until they are de-recognised or impaired.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
At 1 January	(406,494)	29,627	(393,119)	68,468
Net change in fair value	406,494	(436,121)	393,119	(461,587)
At 31 December	–	(406,494)	–	(393,119)

30. Other reserves (cont'd)

(c) *Share-based payment reserve*

Share-based payment reserve represents the equity-settled share options and awards granted to employees (Note 7). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options and awards, and is reduced by the expiry, forfeiture or exercise of the share options and awards.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
At 1 January	526,280	831,368	526,280	831,368
Employee share-based payment	59,033	262,167	59,033	262,167
Expiration of share options	–	(134,955)	–	(134,955)
Share awards exercised	(177,100)	(432,300)	(177,100)	(432,300)
At 31 December	408,213	526,280	408,213	526,280

(d) *Capital reserve*

Capital reserve relates to the gain on reissuance of treasury shares.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
At 1 January	102,160	(39,087)	102,160	(39,087)
Gain on reissuance of treasury shares	11,896	141,247	11,896	141,247
At 31 December	114,056	102,160	114,056	102,160

31. Dividends

	Group and Company	
	2016	**2015**
	$	$
Declared and paid during the year		
Dividends on ordinary shares		
- Final exempt (one-tier) dividend for 2015: Nil cent per share (2014: 0.15 cents per share)	–	1,194,133

32. Related party transactions

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions with related parties took place at terms agreed between the parties during the financial year:

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Income				
Management service income from subsidiaries	–	–	2,850,231	3,280,085
Expenses				
Rental of office premise from a subsidiary	–	–	103,164	103,164
Interest on loan from a subsidiary	–	–	53,148	125,734
Loan from a related party (Note 26, Loan F)	6,983,221	6,360,268	–	–

(b) *Compensation of key management personnel*

	Group 2016 $	Group 2015 $
Short-term employee benefits	2,433,940	2,924,554
Central Provident Fund contributions	58,989	44,876
Total compensation paid to key management personnel	2,492,929	2,969,430
Comprise amounts paid to:		
- Directors of the Company	1,440,894	1,580,875
- Other key management personnel	1,052,035	1,388,555
	2,492,929	2,969,430

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

32. Related party transactions (cont'd)

(b) *Compensation of key management personnel (cont'd)*

Key management personnel's interests in employee share option plan and Viking Long Term Incentive Plan

During the financial year:

- Nil (2015: Nil) share options were granted to the Company's key management personnel under the VOM share option scheme (Note 7).

- Nil (2015: 2,108,714) VOM share options were expired.

- Nil (2015: Nil) VOM share options were exercised.

- Nil (2015: 1,150,000) share awards were granted to the Company's key management personnel under the Viking Long Term Incentive Plan (Note 7).

- Nil (2015: 1,650,000) share awards were vested.

At the end of the reporting period, the total number of outstanding share options and share awards granted by the Company to key management personnel under the Scheme amounted to 6,170,707 and Nil (2015: 7,591,370 and 1,150,000) respectively.

33. Commitments and contingencies

(a) *Operating lease commitments – as lessee*

The Group has entered into commercial leases on certain office and industrial properties. These leases have remaining average tenures of between 1 to 15 years (2015: 1 to 16 years) with options for renewal. The Group is not restricted from subleasing the property to third parties.

The Group has entered in a commercial lease on a combined chemical and oil tanker. The lease has a remaining tenure of 56 months (2015: Nil months) with a purchase option at the end of the lease term. The Group is not restricted to re-leasing the tanker to third parties and has re-leased the tanker to another third party.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2016 amounted to $1,440,435 (2015: $557,723).

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2016	**2015**
	$	$
- Not later than 1 year	2,524,614	293,598
- 1 year through 5 years	8,939,918	1,276,920
- Later than 5 years	4,997,464	5,361,348
	16,461,996	6,931,866

33. Commitments and contingencies (cont'd)

(b) *Operating lease commitments – as lessor*

The Group has entered into commercial leases on certain office property. These non-cancellable leases have remaining lease terms of between 8 months to 2 years (2015: 1 to 2 years).

The Group has entered in a commercial lease on a combined chemical and oil tanker. The lease has a remaining tenure of 56 months (2015: Nil months) with a put option at the end of the lease term.

Minimum rental receivables recognised as an income in profit or loss for the financial year ended 31 December 2016 amounted to $2,232,959 (2015: $170,000).

Future minimum rental receivables under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2016	**2015**
	$	$
- Not later than 1 year	3,345,997	702,860
- 1 year through 5 years	9,267,563	139,003

(c) *Guarantees*

As at 31 December 2016, the Company has provided corporate guarantees totalling $30,592,359 (2015: $28,321,650) to financial institutions in respect of credit facilities utilised by the subsidiaries.

34. Fair value of assets and liabilities

(a) *Fair value hierarchy*

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

34. Fair value of assets and liabilities (cont'd)

(b) *Assets and liabilities measured at fair value*

The following table shows an analysis of financial instruments measured at fair value at the end of the reporting period:

	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	$	$	$	$
Group				
2016				
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets				
- Quoted equity instruments (Note 15)	271,213	–	–	271,213
Financial assets as at 31 December 2016	271,213	–	–	271,213
Liabilities measured at fair value				
Financial liabilities:				
Derivatives				
- Conversion option (Note 27)	–	174,222	–	174,222
Financial liabilities as at 31 December 2016	–	174,222	–	174,222
2015				
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets				
- Quoted equity instruments (Note 15)	805,035	–	–	805,035
Derivatives				
- Forward currency contract (Note 27)	–	32,547	–	32,547
Financial assets as at 31 December 2015	805,035	32,547	–	837,582
Liabilities measured at fair value				
Financial liabilities:				
Derivatives				
- Conversion option (Note 27)	–	1,064,878	–	1,064,878
- Forward currency contract (Note 27)	–	23,987	–	23,987
Financial liabilities as at 31 December 2015	–	1,088,865	–	1,088,865

34. Fair value of assets and liabilities (cont'd)

(c) *Level 2 fair value measurement*

The following is a description of the valuation techniques and inputs used in the fair value measurement for financial assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives (Note 27)

Forward currency contracts are valued using a valuation technique (forward pricing model) with market observable inputs. This model uses present value calculations, and incorporates various inputs including foreign exchange spot and forward rates.

The valuation of conversion option is based on binomial option valuation model to estimate the fair value of the conversion option. This model incorporated various inputs including current share price, time to expiry, risk free rate, volatility, dividend yield and exchange price.

(d) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group			
	2016		**2015**	
	Carrying amount	**Fair value (Level 3)**	**Carrying amount**	**Fair value (Level 3)**
	$	$	$	$
Financial asset				
Finance lease receivables (non-current)	32,459,308	32,210,484	36,450,410	36,147,230
Financial liability				
Finance lease obligations (non-current)	(69,070)	(75,122)	(101,270)	(112,813)

Fair value of finance lease obligations (non-current) and finance lease receivables (non-current)

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rates for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

35. Classification of financial assets and liabilities

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
Available-for-sale financial assets				
Quoted equity investments	271,213	805,035	271,213	774,540
Loans and receivables				
Trade receivables	26,117,797	21,643,103	–	–
Other receivables and deposits	220,377	2,029,094	48,122	45,660
Due from subsidiaries (non-trade)	–	–	19,297,370	16,988,470
Cash and cash equivalents	4,693,936	7,509,880	192,863	285,691
	31,032,110	31,182,077	19,538,355	17,319,821
Finance lease receivables	36,923,545	41,859,656	–	–
Financial asset at fair value through profit or loss				
Derivatives	–	32,547	–	–
Financial liabilities at amortised cost				
Trade payables	4,222,129	10,554,904	–	–
Other payables and accruals	23,917,741	22,698,745	453,882	538,119
Loans and borrowings	31,922,359	30,321,650	2,795,311	2,000,000
Due to subsidiaries (non-trade)	–	–	26,890,937	25,481,002
Redeemable exchangeable bonds	5,506,715	9,897,444	–	–
	65,568,944	73,472,743	30,140,130	28,019,121
Financial liabilities at fair value through profit or loss				
Derivatives	174,222	1,088,865	174,222	1,064,878
Finance lease obligations	101,270	132,344	–	–

36. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, liquidity risk, foreign currency risk and market price risk. The Board of Directors reviews and agrees on policies and procedures for the management of these risks, which are executed by the Board of Directors. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

36. Financial risk management objectives and policies (cont'd)

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and finance lease receivables. For other financial assets (including quoted equity investments and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Management.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels. The Group does not apply hedge accounting.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk are represented by:

- The carrying amount of each class of financial assets recognised in the balance sheets.

- A nominal amount of $30,592,359 (2015: $28,321,650) relating to corporate guarantees provided by the Group to financial institutions in respect of credit facilities utilised by the subsidiaries.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents and derivatives are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Notes 16, 18 and 19.

36. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables and finance lease receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables and finance lease receivables at the end of the reporting period is as follows:

	2016		2015	
	$	% of total	$	% of total
Group				
Trade receivables				
By country:				
Singapore	6,771,095	26%	10,660,772	50%
People's Republic of China	5,781,808	22%	5,217,338	24%
United Kingdom	11,432,841	44%	3,067,127	14%
Indonesia	603,582	2%	715,512	3%
Malaysia	73,688	0%	508,389	2%
Vietnam	493,420	2%	265,282	1%
Others	961,363	4%	1,208,683	6%
	26,117,797	100%	21,643,103	100%
By industry sectors:				
Corporate	80,187	0%	–	0%
Offshore and marine	10,370,343	40%	14,905,924	69%
Chartering services	15,667,267	60%	6,737,179	31%
	26,117,797	100%	21,643,103	100%
Finance lease receivables				
By country:				
People's Republic of China	17,863,377	48%	20,780,050	50%
United Kingdom	19,060,168	52%	21,079,606	50%
	36,923,545	100%	41,859,656	100%
By industry sectors:				
Chartering services	36,923,545	100%	41,859,656	100%

36. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

Credit risk concentration profile (cont'd)

At the end of the reporting period, approximately:

- 90% (2015: 78%) of the Group's trade receivables were due from five (2015: five) major customers.
- 100% (2015: 100%) of the Group's finance lease receivables were due from one (2015: one) customer.

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 (2015: 50) basis points lower/higher with all other variables held constant, the Group's loss before tax would have been $2,528 lower/higher (2015: $8,203 higher/lower), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a lower volatility as in prior years.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with their different bankers. At the end of the reporting period, approximately 59% (2015: 56%) of the Group's loans and borrowings (Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

36. Financial risk management objectives and policies (cont'd)

(c) *Liquidity risk (cont'd)*

	1 year or less $	1 to 5 years $	After 5 years $	Total $
Group				
2016				
Financial assets:				
Quoted equity investments	–	–	271,213	271,213
Trade receivables	26,117,797	–	–	26,117,797
Other receivables and deposits	220,377	–	–	220,377
Cash and cash equivalents	4,693,936	–	–	4,693,936
Finance lease receivables	8,971,683	48,338,155	–	57,309,838
Total undiscounted financial assets	40,003,793	48,338,155	271,213	88,613,161
Financial liabilities:				
Trade payables	4,222,129	–	–	4,222,129
Other payables and accruals	23,917,741	–	–	23,917,741
Finance lease obligations	38,415	74,957	–	113,372
Loans and borrowings	21,289,162	8,510,992	4,185,905	33,986,059
Redeemable exchangeable bonds	2,296,491	3,776,980	–	6,073,471
Derivatives	174,222	–	–	174,222
Total undiscounted financial liabilities	51,938,160	12,362,929	4,185,905	68,486,994
Total net undiscounted financial (liabilities)/assets	(11,934,367)	35,975,226	(3,914,692)	20,126,167

	1 year or less $	1 to 5 years $	After 5 years $	Total $
Group				
2015				
Financial assets:				
Quoted equity investments	–	–	805,035	805,035
Trade receivables	21,643,103	–	–	21,643,103
Other receivables and deposits	2,029,094	–	–	2,029,094
Cash and cash equivalents	7,509,880	–	–	7,509,880
Finance lease receivables	17,553,956	56,394,259	–	73,948,215
Derivatives	32,547	–	–	32,547
Total undiscounted financial assets	48,768,580	56,394,259	805,035	105,967,874
Financial liabilities:				
Trade payables	10,554,904	–	–	10,554,904
Other payables and accruals	22,698,745	–	–	22,698,745
Finance lease obligations	38,414	113,152	–	151,566
Loans and borrowings	18,500,259	9,094,019	5,622,564	33,216,842
Redeemable exchangeable bonds	11,808,046	–	–	11,808,046
Derivatives	1,088,865	–	–	1,088,865
Total undiscounted financial liabilities	64,689,233	9,207,171	5,622,564	79,518,968
Total net undiscounted financial (liabilities)/assets	(15,920,653)	47,187,088	(4,817,529)	26,448,906

36. Financial risk management objectives and policies (cont'd)

(c) *Liquidity risk (cont'd)*

	1 year or less $	1 to 5 years $	After 5 years $	Total $
Company				
2016				
Financial assets:				
Quoted equity investments	–	–	271,213	271,213
Other receivables and deposits	48,122	–	–	48,122
Due from subsidiaries (non-trade)	19,297,370	–	–	19,297,370
Cash and cash equivalents	192,863	–	–	192,863
Total undiscounted financial assets	19,538,355	–	271,213	19,809,568
Financial liabilities:				
Other payables	453,882	–	–	453,882
Due to subsidiaries (non-trade)	26,890,937	–	–	26,890,937
Derivatives	174,222	–	–	174,222
Loans and borrowings	2,102,586	823,513	–	2,926,099
Total undiscounted financial liabilities	29,621,627	823,513	–	30,445,140
Total net undiscounted financial (liabilities)/assets	(10,083,272)	(823,513)	271,213	(10,635,572)
2015				
Financial assets:				
Quoted equity investments	–	–	774,540	774,540
Other receivables and deposits	45,660	–	–	45,660
Due to subsidiaries (non-trade)	16,988,470	–	–	16,988,470
Cash and cash equivalents	285,691	–	–	285,691
Total undiscounted financial assets	17,319,821	–	774,540	18,094,361
Financial liabilities:				
Other payables	538,119	–	–	538,119
Due to subsidiaries (non-trade)	25,481,002	–	–	25,481,002
Derivatives	1,064,878	–	–	1,064,878
Loans and borrowings	2,102,000	–	–	2,102,000
Total undiscounted financial liabilities	29,185,999	–	–	29,185,999
Total net undiscounted financial (liabilities)/assets	(11,866,178)	–	774,540	(11,091,638)

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Chinese Renminbi (RMB) and Malaysian Ringgit (MYR). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Approximately 58% (2015: 53%) of the Group's sales are denominated in foreign currencies whilst almost 70% (2015: 62%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

36. Financial risk management objectives and policies (cont'd)

(d) *Foreign currency risk (cont'd)*

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, the People's Republic of China (PRC), Indonesia, Republic of Seychelles and British Virgin Islands. The Group's net investments in Malaysia, the PRC, Indonesia are not hedged as currency positions in Malaysian Ringgit, RMB, Indonesian Rupiah and USD are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the USD, RMB, Euro and MYR exchange rates (against SGD), with all other variables held constant.

		Group	
		2016	**2015**
		Loss before tax	**Loss before tax**
		$	$
USD	- strengthened 5% (2015: 5%)	(2,269,417)	(2,215,111)
	- weakened 5% (2015: 5%)	2,269,417	2,215,111
RMB	- strengthened 5% (2015: 5%)	32,193	126,405
	- weakened 5% (2015: 5%)	(32,193)	(126,405)
Euro	- strengthened 5% (2015: 5%)	3,414	47,474
	- weakened 5% (2015: 5%)	(3,414)	(47,474)
MYR	- strengthened 5% (2015: 5%)	(2,471)	(9,781)
	- weakened 5% (2015: 5%)	2,471	9,781

(e) *Market price risk*

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its quoted equity investments. These investments are quoted on the SGX-ST in Singapore and are classified as available-for-sale financial assets.

The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility as determined by the Board of Directors. All investments are approved by the Board of Directors.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the Straits Times Index (STI) had been 5% (2015: 5%) higher/lower with all other variables held constant, the Group's other comprehensive income would have been $13,561 (2015: $40,252) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

37. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio less than 60%. The Group includes within net debt, loans and borrowings, trade and other payables and other liabilities based on contractual undiscounted repayment obligation less cash and cash equivalents. Capital includes equity attributable to the owners of the Company less the fair value adjustment reserve.

	Group	
	2016	**2015**
	$	$
Total debt (Note 36(c))	68,486,994	79,518,968
Less:- Cash and cash equivalents (Note 21)	(4,693,936)	(7,509,880)
Net debt	63,793,058	72,009,088
Equity attributable to the owners of the Company	74,888,342	90,364,274
Add/(Less):- Fair value adjustment reserve (Note 30(b))	–	406,494
Total capital	74,888,342	90,770,768
Capital and net debt	138,681,400	162,779,856
Gearing ratio	46%	44%

38. Segmental information

For management purposes, the Group is organised into business units based on their products and services, and has three operating segments, namely, the Offshore and Marine segment, Chartering Services segment and the Corporate segment.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

38. Segmental information (cont'd)

	Offshore and Marine		Chartering Services		Corporate		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2016	2015	2016	2015	2016	2015	2016	2015		2016	2015
	$	$	$	$	$	$	$	$		$	$
Revenue:											
External customers	32,276,884	75,939,584	13,019,150	8,447,845	1,067,323	151,466	–	–		46,363,357	84,538,895
Inter-segment	8,629,402	7,791,408	–	–	5,007,939	5,499,260	(13,637,341)	(13,290,668)	A	–	–
Total revenue	40,906,286	83,730,992	13,019,150	8,447,845	6,075,262	5,650,726	(13,637,341)	(13,290,668)		46,363,357	84,538,895
Results:											
Interest income	31,273	2,038	4,324	387	556	–	(29,449)	–		6,704	2,425
Dividend income	–	–	4,780,754	2,803,000	–	–	(4,780,754)	(2,803,000)		–	–
Depreciation and amortisation	533,398	537,799	–	–	1,303,130	648,928	1,148,047	1,184,347		2,984,575	2,371,074
Share of associate result	–	–	751	295	–	–	–	–		751	295
Impairment of non-financial assets	731,910	231,541	–	–	17,116,572	9,542,000	(6,981,115)	1,203,971		10,867,367	10,977,512
Other non-cash expenses	293,183	465,076	4,472,489	–	955,478	658,939	–	(10,917)	B	5,721,150	1,113,098
Segment (loss)/profit	(9,918,811)	(3,783,939)	9,712,677	8,901,035	(17,297,637)	(9,246,162)	417,839	(5,773,665)	D	(17,085,932)	(9,902,731)
Assets:											
Additions to non-current assets	257,215	549,887	–	–	57,282	3,727,698	–	–	C	314,497	4,277,585
Segment assets	59,664,797	75,928,557	80,381,065	69,155,811	97,822,193	114,565,863	(91,378,247)	(88,270,518)	E	146,489,808	171,379,713
Segment liabilities	(20,199,524)	(26,182,126)	(60,948,825)	(56,668,470)	(33,829,237)	(33,626,164)	43,376,120	35,461,321	F	(71,601,466)	(81,015,439)

38. Segmental information (cont'd)

Notes:Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses consist share-based payments, inventories written-down, provisions, and impairment of financial assets as presented in the respective notes to the financial statements.

C Additions to non-current assets consist of additions to property, plant and equipment, intangible assets and investment in quoted and unquoted equities.

D The following items are deducted from segment profit/(loss) to arrive at "(loss)/profit before tax" presented in the consolidated statement of comprehensive income:

	2016 $	2015 $
Share of results of associates	(751)	(295)
Finance costs	(3,856,685)	(3,524,714)

E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheets:

	2016 $	2015 $
Investment in associates	15,403,865	15,404,616
Deferred tax assets	12,859	42,025
Inter-segment assets	(91,378,247)	(88,270,518)

F The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated balance sheets:

	2016 $	2015 $
Deferred tax liabilities	1,503,815	2,682,734
Income tax payable	20,000	22,949
Loans and borrowings	31,922,359	30,321,650
Inter-segment liabilities	(43,376,120)	(35,461,322)

38. Segmental information (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Non-current assets	
	2016	2015	2016	2015
	$	$	$	$
Australia	24,479	186,502	–	–
Europe	6,953,626	3,628,246	–	–
Indonesia	714,019	1,901,799	7,981	9,488
Malaysia	638,335	1,574,589	9,133	12,033
Middle East	1,358,036	846,750	–	–
People's Republic of China	14,318,316	26,476,454	179,027	283,974
Singapore	20,350,209	44,079,245	38,842,796	49,421,123
Vietnam	21,016	109,275	–	–
Others	1,985,321	5,736,035	–	–
	46,363,357	84,538,895	39,038,937	49,726,618

Non-current assets information presented above consist of property, plant and equipment and intangible assets as presented in the consolidated balance sheets.

Information about major customers

Revenue from three (2015: two) customers amounting to $13,019,150 (2015: $8,447,845) arise from chartering services income by the Chartering Services segment.

39. Events occurring after the reporting period

On 1 March 2017, the Group terminated the Bareboat Charter agreement for one of its land rigs which was duly acknowledged by the lessee on 7 March 2017.

40. Authorisation of financial statements

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 4 April 2017.

Shareholding Statistics

As at 21 March 2017

Class of shares	-	Ordinary shares
Voting rights	-	On a show of hands, one vote for each member
	-	On a poll : one vote for each ordinary share

Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	215	8.59	3,283	0.00
100 - 1,000	118	4.71	59,415	0.01
1,001 - 10,000	329	13.14	1,891,748	0.22
10,001 - 1,000,000	1,780	71.12	199,606,511	23.13
1,000,001 and above	61	2.44	661,231,596	76.64
	2,503	100.00	862,792,553	100.00

There are no subsidiary holdings held as at 21 March 2017.

Based on information available to the Company as at 21 March 2017, approximately 49.92% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited is complied with.

Top 20 Shareholders

S/No.	Name of Shareholder	No. of Shares Held	%*
1	Raffles Nominees (Pte) Ltd	143,645,300	16.80
2	DBS Nominees Pte Ltd	87,790,880	10.27
3	Viking Engineering Pte Ltd	85,989,200	10.06
4	Luminor Pacific Fund 1 Ltd	61,387,354	7.18
5	United Overseas Bank Nominees Pte Ltd	36,665,150	4.29
6	Yeo Seng Buck	27,535,200	3.22
7	Ong Choo Guan	26,480,000	3.10
8	Associated Leisure International Pte Ltd	21,000,000	2.46
9	Terry Tan Soon Lee @ Huri Amita	17,166,050	2.01
10	OCBC Securities Private Ltd	13,068,847	1.53
11	Huang Shuzhen	11,967,000	1.40
12	Maybank Kim Eng Securities Pte Ltd	9,584,000	1.12
13	Xue Chunxia	7,344,000	0.86
14	HL Bank Nominees (S) Pte Ltd	5,559,600	0.65
15	Wong Poh Hwa @ Kwai Seng	5,500,000	0.64
16	Phillip Securities Pte Ltd	4,932,823	0.58
17	UOB Kay Hian Pte Ltd	4,910,020	0.57
18	Chan Kwan Bian	3,811,000	0.45
19	GKE Corporation Limited	3,500,000	0.41
20	Sim Mong Keang	3,474,000	0.41
		581,310,424	**68.01**

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 21 March 2017 of 854,831,053 shares (which excludes 7,961,500 shares which are held as treasury shares representing approximately 0.93% of the total number of issued shares excluding treasury shares).

Shareholding Statistics

As at 21 March 2017

Substantial Shareholders as at 21 March 2017

Name	Number of shares registered in the name of substantial shareholders	Number of shares in which the substantial shareholder is deemed to have an interest	Total	%*
Lim Andy [(1)]	174,030,800	21,000,000	195,030,800	22.82
Viking Engineering Pte Ltd	85,989,200	-	85,989,200	10.06
Johansson Bo Robert [(2)]	-	85,989,200	85,989,200	10.06
Sune Gustaf Sigvard Andersson [(2)]	-	85,989,200	85,989,200	10.06
Tan Boy Tee [(3)]	80,000,000	-	80,000,000	9.36
Luminor Pacific Fund 1 Ltd.	61,387,354	-	61,387,354	7.18

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 21 March 2017 of 854,831,053 shares (which excludes 7,961,500 shares which are held as treasury shares representing approximately 0.93% of the total number of issued shares excluding treasury shares).

Notes:

(1) Mr Lim Andy has a direct interest in 174,030,800 shares, of which 450,000 shares are registered in his own name and 173,580,800 shares are registered and held through the following Nominees:

Nominees	Shares
Raffles Nominees (Pte) Ltd	141,769,200
United Overseas Bank Nominees	31,811,600

Mr Andy Lim is further deemed interested in the 21,000,000 shares held by Associated Leisure International Pte Ltd whereby he holds a 99% shareholding interest.

(2) Mr Johansson Bo Robert and Mr Sune Gustaf Sigvard Andersson are the substantial shareholders (50% each) of Viking Engineering Pte Ltd and are deemed interested in the 85,989,200 shares held by Viking Engineering Pte Ltd.

(3) Mr Tan Boy Tee has a direct interest in 80,000,000 shares which are registered and held through DBS Nominees Pte Ltd.

Warrantholding Statistics

As at 21 March 2017

WARRANTS - W180425

Warrantholding Statistics as at 21 March 2017

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 - 99	108	10.86	1,146	0.00
100 - 1,000	114	11.47	36,579	0.03
1,001 - 10,000	379	38.13	2,213,547	1.86
10,001 - 1,000,000	375	37.73	37,817,558	31.75
1,000,001 and above	18	1.81	79,044,236	66.36
	994	**100.00**	**119,113,066**	**100.00**

Top 20 Warrantholders

S/No.	Name of Warrantholder	No. of Warrants Held	%
1	Raffles Nominees (Pte) Ltd	23,691,800	19.89
2	Viking Engineering Pte Ltd	14,851,200	12.47
3	Yeo Seng Buck	7,222,200	6.06
4	United Overseas Bank Nominees Pte Ltd	4,940,800	4.15
5	Ong Choo Guan	4,180,000	3.51
6	Associated Leisure International Pte Ltd	3,500,000	2.94
7	Maybank Kim Eng Securities Pte Ltd	2,565,441	2.15
8	KGI Securities (Singapore) Pte Ltd	2,539,000	2.13
9	Koh Wan Tiong	2,024,000	1.70
10	Huang Shuzhen	1,966,000	1.65
11	Citibank Nominees Singapore Pte Ltd	1,828,200	1.53
12	Yap Kon Yin	1,788,000	1.50
13	Fong Peg Hong	1,562,000	1.31
14	OCBC Securities Private Ltd	1,431,595	1.20
15	Khong Kin Hung	1,400,000	1.18
16	Tan Peng Soon	1,268,000	1.06
17	Tian Koi Tong	1,246,000	1.05
18	Poh Eng Siong	1,040,000	0.87
19	Lin Meifeng	1,000,000	0.84
20	Wong Poh Hwa @ Kwai Seng	1,000,000	0.84
		81,044,236	**68.03**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 21 Kian Teck Road, Singapore 628773 on Thursday, 27 April 2017 at 8.30 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the year ended 31 December 2016 and the Directors' Statements and the Auditor's Report thereon. (Resolution 1)

2. To re-elect the following Directors who are retiring in accordance with the provisions of the Company's Constitution:-

   (a) Mr Tan Wee Peng Kelvin (pursuant to Article 93) (Resolution 2)
   (Please see Explanatory Note 1)

   (b) Mr Daniel Lin Wei (pursuant to Article 93) (Resolution 3)
   (Please see Explanatory Note 2)

   (c) Mr Low Jooi Kok (pursuant to Article 99) (Resolution 4)
   (Please see Explanatory Note 3)

3. To approve payment of Directors' fees of $150,000 for the financial year ending 31 December 2017. (2016: $180,000). (Resolution 5)

4. To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:-

5. Authority to allot and issue shares

   "That, pursuant to Section 161 of the Companies Act (Cap. 50), and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

   (a) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

   (b) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "**Instruments**") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

   (c) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

   (d) (Notwithstanding the authority conferred by the Shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that:

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed one hundred per cent (100%) of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to Shareholders of the Company does not exceed fifty percent (50%) of the total number of issued shares excluding treasury shares of the Company, and (subject to such manner of calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under this paragraph) for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities; or

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited; and

(c) any subsequent bonus issue, consolidation or subdivision of the Company's shares;

(ii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(iii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." (Resolution 7)

(Please see Explanatory Note 4)

6. Authority to offer and grant options and share awards and to allot and issue shares pursuant to the Viking Offshore and Marine Limited Share Option Scheme (the "**VOM Scheme**") and the Viking Long Term Incentive Plan (the "**VLTIP**").

"That:

(a) authority be and is hereby given to the Directors of the Company to offer and grant options in accordance with the provisions of the VOM Scheme and/or to grant share awards in accordance with the VLTIP; and

(b) approval be and is hereby given to the Directors to exercise full powers of the Company to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of the options under the VOM Scheme, and/or such number of shares as may be required to be allotted and issued pursuant to the award of shares under the VLTIP,

provided that the aggregate number of shares to be issued pursuant to the VOM Scheme and the VLTIP shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares in the capital of the Company from time to time." (Resolution 8)

(Please see Explanatory Note 5)

7. The Proposed Renewal of the Share Buyback Mandate

That:

(a) for the purposes of Section B of the SGX-ST Listing Manual (the "**Catalist Rules**") and the Companies Act, the Directors be and are hereby authorised to exercise all the powers of the Company to purchase or acquire its issued and fully paid-up Shares representing not more than ten per cent (10%) of the total number of issued Shares of the Company at such price(s) as may be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company from time to time up to the Maximum Price (as defined below), whether by way of:

(i) an on-market purchase ("**Market Purchase**"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(ii) an off-market purchase ("**Off-Market Purchase**"), effected otherwise than on the SGX-ST pursuant to an equal access scheme in accordance with Section 76C of the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the Catalist Rules as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

(b) unless varied or revoked by the Shareholders in a general meeting, purchases or acquisitions of Shares pursuant to the proposed Share Buyback Mandate may be made, at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

(c) in this Resolution:

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, 105 per cent (105%) of the Average Closing Price (as defined below); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120 per cent (120%) of the Average Closing Price, where:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution." (Resolution 9)

8. The Proposed Amendment of the Terms and Conditions of the Bonds issued by Viking LR1 Pte. Ltd. ("**SPV**") to Luminor Pacific Fund 1 Ltd. ("**LPF1 Investor**") pursuant to a redeemable exchangeable bond agreement dated 13 October 2014 ("**LPF1 Agreement**") ("**LPF1 Bonds**") and the Proposed Allotment and Issuance of 48,906,302 New Shares to the LPF1 Investor ("**LPF1 Investor**").

"That:

(a) pursuant to Rule 829 of the Catalist Rules, approval be and is hereby given for the amendment of the LPF1 Agreement and the terms and conditions of the LPF1 Bonds pursuant to a supplemental agreement dated 8 November 2016 entered into between the Company, the SPV and the LPF1 Investor;

(b) approval be and is hereby given to the Directors or any of them to allot and issue 48,906,302 new shares in the capital of the Company to LPF1 Investor, at an issue price of S$0.03173 per share, in satisfaction of the amount of S$1,551,797 owing by Viking LR1 Pte. Ltd. to LPF1 Investor pursuant to the LPF1 Agreement, on the terms and subject to the conditions of the LPF1 Agreement, whereby such shares shall be credited as fully paid up and shall rank pari passu in all respects with the existing shares in issue on the date such shares are issued;

(c) pursuant to Rule 812 of the Catalist Rules, approval be and is hereby given for the allotment and issuance of 48,906,302 new shares in the capital of the Company to LPF1 Investor, a substantial shareholder of the Company; and

(c) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution." (Resolution 10)

9. To transact any other business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Lin Moi Heyang
Company Secretary

Singapore

12 April 2017

Explanatory Notes:-

1. The key information of Mr Tan Wee Peng Kelvin can be found on page 10 of the Editorial Section in the Annual Report. Mr Tan Wee Peng Kelvin, will, upon re-election as a Director of the Company, remain the Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

2. The key information of Mr Daniel Lin Wei can be found on page 9 of the Editorial Section in the Annual Report.

3. The key information of Mr Low Jooi Kok can be found on page 9 of the Editorial Section in the Annual Report.

4. The ordinary resolution 7 in item no. 5 above is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 100 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing Shareholders shall not exceed 50 percent of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

5. The ordinary resolution 8 in item no. 6 above is to authorise the Directors of the Company to offer and grant options under the VOM Scheme, as well as to award shares pursuant to the VLTIP, provided that the aggregate number of shares to be issued shall not exceed 15 percent of the Company's issued shares, excluding treasury shares in the capital of the Company from time to time.

NOTE:

Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.

Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Share Registrar, M&C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902, not later than 48 hours before the time set for the Annual General Meeting.

A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

Notice of Annual General Meeting

This document has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore branch ("Sponsor"), for compliance with the relevant rules of the SGX-ST, this being the Catalist Rules. The Sponsor has not independently verified the contents of this document. The document has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr Ken Lee, Associate Director, Investment Banking. The contact particulars are 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623, Telephone: +65 6210 8868.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

APPENDIX DATED 12 APRIL 2017

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

This Appendix is circulated to the shareholders (the "**Shareholders**") of Viking Offshore and Marine Limited (the "**Company**") together with the Annual Report 2016. The purpose of this Appendix is to provide the Shareholders with information relating to, and seek their approval for, the proposed renewal of the Share Buyback Mandate (as defined herein) and the proposed Share Issuance (as defined herein) at the Annual General Meeting of the Company to be held on 27 April 2017 at 8.30 a.m. at 21 Kian Teck Road, Singapore 628773.

This Appendix forms part of the Annual Report 2016.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report 2016.

VIKING OFFSHORE AND MARINE LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199307300M)

APPENDIX TO THE ANNUAL REPORT 2016

in relation to

(1) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

(2) THE PROPOSED ISSUANCE OF 48,906,302 NEW SHARES IN THE CAPITAL OF THE COMPANY TO LUMINOR PACIFIC FUND 1 LTD. IN SATISFACTION OF THE PARTIAL REDEMPTION PREMIUM (AS DEFINED HEREIN)

This Appendix has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore branch (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this Appendix.

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

The contact person for the Sponsor is Mr Ken Lee, Associate Director, Investment Banking. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone (65) 6337 5115.

Table of Contents

Definitions

In this Appendix, the following definitions apply throughout unless otherwise stated:

"AGM"	:	Annual general meeting of the Company. Unless the context otherwise requires, "AGM" shall refer to the annual general meeting to be held on 27 April 2017
"Annual Report 2016"	:	The Company's annual report for the financial year ended 31 December 2016
"Appendix"	:	This appendix to the Annual Report 2016
"associate"	:	(a) in relation to any Director, Chief Executive Officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
"associated company"	:	A company in which at least 20% but not more than fifty per cent 50% of its shares are held by the Company or the Group
"Average Closing Price"	:	Has the meaning ascribed to it in Section 2.2(d) of this Appendix
"Board"	:	The board of Directors of the Company for the time being
"Catalist"	:	The sponsor-supervised listing platform of the SGX-ST
"Catalist Rules"	:	The Listing Manual, Section B: Rules of Catalist of the SGX-ST, as amended or modified from time to time
"CDP"	:	The Central Depository (Pte) Limited
"Companies Act"	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
"Company"	:	Viking Offshore and Marine Limited
"Constitution"	:	The constitution of the Company, as amended or modified from time to time

Definitions

"Controlling Shareholder"	:	A person who holds directly or indirectly 15% or more of the issued Shares (excluding treasury shares) (subject to the SGX-ST determining that such a person is not a Controlling Shareholder) or a person who in fact exercises control over the Company
"Director(s)"	:	The director(s) of the Company
"Effective Date"	:	Has the meaning ascribed to it in Section 3.2.2 of this Appendix
"EGM"	:	Extraordinary general meeting of the Company
"EPS"	:	Earnings per Share
"Extended Principal Amount"	:	Has the meaning ascribed to it in Section 3.2.1 of this Appendix
"First Tranche Bonds"	:	Has the meaning ascribed to it in Section 3.2.1 of this Appendix
"FY"	:	Financial year ended or ending 31 December
"Group"	:	The Company and its subsidiaries
"Independent Director"	:	An independent director of the Company
"Latest Practicable Date"	:	24 March 2017, being the latest practicable date prior to the printing of this Appendix
"LPF1 Additional Shares"	:	Has the meaning ascribed to it in Section 3.2.4 of this Appendix
"LPF1 Agreement"	:	Has the meaning ascribed to it in Section 3.1 of this Appendix
"LPF1 Approvals"	:	Has the meaning ascribed to it in Section 3.2.4 of this Appendix
"LPF1 Bonds"	:	Has the meaning ascribed to it in Section 3.1 of this Appendix
"LPF1 Conditions Precedent"	:	Has the meaning ascribed to it in Section 3.2.2 of this Appendix
"LPF1 Deed of Undertaking"	:	Has the meaning ascribed to it in Section 3.2.2(b) of this Appendix
"LPF1 Event of Default"	:	Has the meaning ascribed to it in Section 3.2.4 of this Appendix
"LPF1 Exchange Period"	:	Has the meaning ascribed to it in Section 3.2.4 of this Appendix
"LPF1 Exchange Price"	:	Has the meaning ascribed to it in Section 3.2.4 of this Appendix
"LPF1 Exchange Shares"	:	Has the meaning ascribed to it in Section 3.2.4 of this Appendix
"LPF1 Exercise Notice"	:	Has the meaning ascribed to it in Section 3.2.4 of this Appendix

"LPF1 Interest"	:	Has the meaning ascribed to it in Section 3.2.4 of this Appendix
"LPF1 Investor"	:	Luminor Pacific Fund 1 Ltd.
"LPF1 Maturity Date"	:	Has the meaning ascribed to it in Section 3.2.4 of this Appendix
"LPF1 Redemption Date"	:	Has the meaning ascribed to it in Section 3.2.4 of this Appendix
"LPF1 Redemption Event"	:	Has the meaning ascribed to it in Section 3.2.4 of this Appendix
"LPF1 Redemption Price"	:	Has the meaning ascribed to it in Section 3.2.4 of this Appendix
"LPF2 Bonds"	:	The redeemable exchangeable bonds in the principal amount of S$3,000,000 [issued or to be issued] by the SPV to Luminor Pacific Fund 2 Ltd. pursuant to a redeemable exchangeable bond agreement dated 8 November 2016 entered into by the Company, the SPV and Luminor Pacific Fund 2 Ltd.
"Major Shareholders"	:	Has the meaning ascribed to it in Section 3.2.2(b) of this Appendix
"Market Day"	:	A day on which the SGX-ST is open for trading in securities
"Market Purchase"	:	Has the meaning ascribed to it in Section 2.2(c) of this Appendix
"Maximum Price"	:	Has the meaning ascribed to it in Section 2.2(d) of this Appendix
"NTA"	:	Net tangible assets
"Off-Market Purchase"	:	Has the meaning ascribed to it in Section 2.2(c) of this Appendix
"Outstanding Principal Amount"	:	Has the meaning ascribed to it in Section 3.2.1 of this Appendix
"Partial Redemption"	:	Has the meaning ascribed to it in Section 3.2.2(a) of this Appendix
"Partial Redemption Amount"	:	Has the meaning ascribed to it in Section 3.2.1 of this Appendix
"Partial Redemption Premium"	:	Has the meaning ascribed to it in Section 3.2.3 of this Appendix
"Second Tranche Bonds"	:	Has the meaning ascribed to it in Section 3.2.1 of this Appendix
"Securities Account"	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
"Settlement Shares"	:	Has the meaning ascribed to it in Section 3.2.3(a) of this Appendix
"SGX-ST"	:	Singapore Exchange Securities Trading Limited

Definitions

“**Share Buyback Mandate**”	:	A general mandate given by Shareholders to authorise the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set out in the Companies Act and the Catalist Rules
“**Share Issuance**”	:	The issuance of 48,906,302 Settlement Shares by the Company to the LPF1 Investor in satisfaction of the Partial Redemption Premium pursuant to the LPF1 Agreement
“**Shareholders**”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts maintained are credited with Shares
“**Shares**”	:	Ordinary shares in the capital of the Company
“**Sponsor**”	:	CIMB Bank Berhad, Singapore Branch
“**SPV**”	:	Viking LR1 Pte. Ltd.
“**Substantial Shareholder**”	:	A Shareholder who has an interest in not less than 5% of the issued Shares
“**Supplemental Agreement**”	:	Has the meaning ascribed to it in Section 3.1 of this Appendix
“**Take-over Code**”	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“**VLTIP**”	:	Has the meaning ascribed to it in Section 2.1(b) of this Appendix
“**VOM Scheme**”	:	Has the meaning ascribed to it in Section 2.1(b) of this Appendix
“**30 Trading Day VWAP**”	:	Has the meaning ascribed to it in Section 3.2.3(a) of this Appendix
“**$**” and “**cents**”	:	Dollars and cents respectively of the currency of Singapore
“**%**” or “**per cent**”	:	Per centum or percentage

The terms “Depositors”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them, respectively, in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore. The term “subsidiary” shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine shall, where applicable, include the feminine and neuter gender and vice versa. References to persons shall, where applicable, include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of day in this Appendix shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures that precede them.

Directors:

Mr Andy Lim (Chairman and Executive Director)
Mr Low Jooi Kok (Chief Executive Officer and Executive Director)
Mr Lin Wei Daniel (Executive Director)
Mr Lee Suan Hiang (Independent Director)
Mr Kelvin Tan Wee Peng (Independent Director)
Ms Cynthia Phua Siok Gek (Independent Director)

Registered Office:

21 Kian Teck Road
Singapore 628773

12 April 2017

To: The Shareholders of Viking Offshore and Marine Limited

Dear Sir / Madam,

(1) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

(2) THE PROPOSED ISSUANCE OF 48,906,302 NEW SHARES IN THE CAPITAL OF THE COMPANY TO LUMINOR PACIFIC FUND 1 LTD. IN SATISFACTION OF THE PARTIAL REDEMPTION PREMIUM

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1. INTRODUCTION

The purpose of this Appendix is to provide the Shareholders with information relating to, and to seek Shareholders' approval for:

(a) the proposed renewal of the Share Buyback Mandate; and

(b) the proposed issuance of the Settlement Shares to the LPF1 Investor,

as further described in Sections 2 and 3 of this Appendix.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 Rationale

At the EGM held on 15 December 2011, the Company obtained the approval of the Shareholders for the Share Buyback Mandate. The Share Buyback Mandate was renewed at the AGMs held on 30 April 2012, 26 April 2013, 23 April 2014, 28 April 2015 and 26 April 2016.

As the Share Buyback Mandate renewed at the last AGM held on 26 April 2016 will be expiring on 27 April 2017, being the date of the forthcoming AGM, the Company intends to seek the approval of the Shareholders for the renewal of the Share Buyback Mandate at such AGM.

The renewal of the Share Buyback Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake Share purchases or acquisitions up to the 10% limit described in Section 2.2(a) of this Appendix at any time during the period when the Share Buyback Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:

(a) in managing the business of the Group, the management team strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. In addition to growth and expansion of the business, share buybacks may be considered as one of the ways through which the return on equity of the Group may be enhanced;

(b) the Company has at present two (2) share-based incentive schemes for its employees, namely, the Viking Offshore and Marine Limited Share Option Scheme (the "**VOM Scheme**") and the Viking Offshore and Marine Limited Long Term Incentive Plan (the "**VLTIP**"). Share buybacks by the Company will enable the Directors to utilise the Shares which are purchased or acquired and held as treasury shares to satisfy the Company's obligation to furnish Shares to participants under the VOM Scheme and the VLTIP, thus giving the Company greater flexibility to select the method of providing Shares to its employees which would be most beneficial to the Company and its Shareholders;

(c) share buybacks by the Company will also enable the Directors to utilise the Shares which are purchased or acquired and held as treasury shares to be sold for cash or transferred as consideration for the acquisition of shares in or assets of another company or assets of a person, which may be less dilutive than if new Shares were issued for this purpose; and

(d) the Share Buyback Mandate would provide the Company with the flexibility to purchase or acquire the Shares if and when circumstances permit, during the period when the proposed Share Buyback Mandate is in force. It is an expedient, effective and cost-efficient way for the Company to return surplus cash and/or funds over and above its ordinary capital requirements, if any, which are in excess of its financial requirements, taking into account its growth and expansion plans, to its Shareholders. In addition, the Share Buyback Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure and its dividend policy.

While the Share Buyback Mandate would authorise a purchase or acquisition of Shares up to the said 10% limit during the period referred to in Section 2.2(a) of this Appendix, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full 10% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate will be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial position of the Group, or result in the Company being delisted from Catalist. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on Catalist.

2.2 Authority and limits

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:

(a) Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares of the Company as at the date of the forthcoming AGM at which the Share Buyback Mandate is renewed. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

For illustrative purposes only, on the basis of 854,831,053 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the AGM, and that the Company does not reduce its share capital, not more than 85,483,105 Shares (representing 10% of the issued ordinary share capital of the Company as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buyback Mandate during the duration referred to in Section 2.2(b) of this Appendix.

(b) Duration of authority

Purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may be made, at any time and from time to time, on and from the date of the forthcoming AGM, at which the Share Buyback Mandate is renewed, up to:

(i) the date on which the next AGM of the Company is held or required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

The authority conferred on the Directors by the Share Buyback Mandate to purchase Shares may be renewed at the next AGM or any other general meeting of the Company. When seeking the approval of the Shareholders for the renewal of the Share Buyback Mandate, the Company is required to disclose certain information, including details pertaining to purchases or acquisitions of Shares pursuant to the Share Buyback Mandate made during the previous 12 months, including the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, the total consideration paid for the purchases or acquisitions.

(c) Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

(i) an on-market purchase ("**Market Purchase**"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(ii) an off-market purchase ("**Off-Market Purchase**"), effected otherwise than on the SGX-ST pursuant to an equal access scheme in accordance with Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate, the Companies Act and the Catalist Rules, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of the above-mentioned persons shall be given a reasonable opportunity to accept the offers made to them; and

(iii) the terms of the offers are the same, except that there shall be disregarded:

(1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;

(2) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and

(3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

(iii) the reasons for the proposed purchase or acquisition of Shares;

(iv) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;

(v) whether the purchases or acquisitions of shares, if made, would have any effect on the listing of the Shares on Catalist;

(vi) details of any purchases or acquisitions of shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for the purchases or acquisitions; and

(vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

(d) Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Buyback Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,

(the "**Maximum Price**") in either case, excluding related expenses of the purchase or acquisition, where:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.3 Status of purchased or acquired Shares

All Shares purchased or acquired by the Company (other than Shares held in treasury by the Company to the extent permitted under the Companies Act and the Constitution) will be automatically delisted from Catalist, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

The Company intends to hold all Shares purchased or acquired pursuant to the Share Buyback Mandate as treasury shares.

2.4 Treasury Shares

Under the Companies Act, where ordinary shares of the Company are purchased or acquired by the Company in accordance with Sections 76B to 76G of the Companies Act, the Company may hold or deal with such shares as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) Maximum holdings

The number of shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) Voting and other rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid and no other distribution of the Company's assets may be made to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and cancellation

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

(i) sell the treasury shares for cash;

(ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the treasury shares; or

(v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

2.5 Reporting requirements

Pursuant to Rule 871 of the Catalist Rules, a listed company shall announce all purchases or acquisitions of its Shares not later than 9.00 a.m.:

(a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and

(b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer for the Off-Market Purchase.

The announcement of such purchases or acquisitions of Shares shall be in such form and shall include such details as may be prescribed under the Catalist Rules. The Company shall make arrangements with its stockbrokers to ensure that they provide to the Company, in a timely fashion, the necessary information which will enable the Company to make the relevant announcement.

The Company, upon undertaking any sale, transfer, cancellation and/or use of treasury shares, will comply with Rule 704(31) of the Catalist Rules, which provides that an issuer must make an immediate announcement thereof, stating the following:

(i) date of the sale, transfer, cancellation and/or use;

(ii) purpose of such sale, transfer, cancellation and/or use;

(iii) number of treasury shares sold, transferred, cancelled and/or used;

(iv) number of Shares before and after such sale, transfer, cancellation and/or use;

(v) percentage of the number of treasury shares against the total number of Shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and

(vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.6 Sources of funds

The Company may only apply funds legally available for the purchase or acquisition of its Shares as provided in the Constitution and in accordance with the applicable laws in Singapore. The Company may not purchase or acquire its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Under the Companies Act, the Company is permitted to purchase or acquire its Shares out of capital, as well as from its distributable profits, so long as the Company is solvent (as defined in Section 76F(4) of the Companies Act).

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the Company's purchase or acquisition of the Shares pursuant to the Share Buyback Mandate. In purchasing or acquiring Shares pursuant to the Share Buyback Mandate, the Directors will principally consider the availability of internal resources. In addition, the Directors will also consider the availability of external financing. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions pursuant to the Share Buyback Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

2.7 Financial effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Buyback Mandate on the NTA and EPS of the Group and the Company as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The Company's total issued share capital will be diminished by the total number of the Shares purchased by the Company and which are cancelled. The NTA of the Group will be reduced by the aggregate purchase price paid by the Company for the Shares.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount of profits available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Buyback Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of Shares will only be effected after considering relevant factors such as the working capital requirements, the availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions.

For illustrative purposes only, the financial effects of the Share Buyback Mandate on the Group and the Company, are based on the audited financial accounts of the Group and the Company for the financial year ended 31 December 2016, and are based on the assumptions set out below:

(a) based on 854,831,053 Shares in issue as at the Latest Practicable Date, and assuming no further Shares are issued on or prior to the AGM and no Shares are held by the Company as treasury shares on or prior to the AGM, not more than 85,483,105 Shares (representing 10% of the issued ordinary share capital of the Company (excluding treasury shares) as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buyback Mandate;

(b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires the 85,483,105 Shares at the Maximum Price of S$0.032 for one (1) Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on Catalist immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 85,483,105 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S$2,735,459; and

(c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires the 85,483,105 Shares at the Maximum Price of S$0.037 for one (1) Share (being the price equivalent to 20% above the Average Closing Price of the Shares on the five (5) consecutive Market Days on which the Shares were traded on Catalist immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 85,483,105 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S$3,162,875.

For illustrative purposes only and based on the assumptions set out in sub-paragraphs (a), (b) and (c) above and assuming that (i) the purchase or acquisition of Shares is financed by internal sources of funds and/or external borrowings, (ii) the Share Buyback Mandate had been effective on 1 January 2016 and (iii) the Company had purchased or acquired the 85,483,105 Shares (representing 10% of its issued ordinary share capital at the Latest Practicable Date), the financial effects of the purchase or acquisition of the 85,483,105 Shares by the Company pursuant to the Share Buyback Mandate:

(1) by way of purchases made entirely out of profits and held as treasury shares;

(2) by way of purchases made entirely out of capital and held as treasury shares;

(3) by way of purchases made entirely out of profits and cancelled; and

(4) by way of purchases made entirely out of capital and cancelled,

on the audited financial statements of the Group and the Company for the financial year ended 31 December 2016 pursuant to the Share Buyback Mandate are as follows:

(1) Purchases made entirely out of profits and held as treasury shares

	Group			Company		
	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000
As at 31 December 2016						
Share capital	97,843	97,843	97,843	97,843	97,843	97,843
Capital and other reserve	2,325	2,325	2,325	522	522	522
Retained earnings	(24,754)	(24,754)	(24,754)	(41,284)	(41,284)	(41,284)
	75,414	75,414	75,414	57,081	57,081	57,081
Treasury shares	(526)	(3,261)	(3,689)	(526)	(3,261)	(3,689)
Shareholders' funds	74,888	72,153	71,725	56,555	53,820	53,392
Net tangible assets	61,336	58,601	58,173	56,555	53,820	53,392
Current assets	59,303	56,568	56,140	19,583	16,848	16,420
Current liabilities	53,835	53,835	53,835	31,063	31,063	31,063
Working capital	5,468	2,733	2,305	(11,480)	(14,215)	(14,643)
Number of issued shares ('000) (net of treasury shares)	854,831	769,348	769,348	854,831	769,348	769,348
Financial ratios						
Net tangible assets/Shares (cents)	7.2	7.6	7.6	6.6	7.0	6.9
Current ratio (times)	1.1	1.1	1.0	0.6	0.5	0.5
Earnings per Share (cents)	(1.86)	(2.07)	(2.07)	-	-	-

(2) Purchases made entirely out of capital and held as treasury shares

	Group			Company		
	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000
As at 31 December 2016						
Share capital	97,843	97,843	97,843	97,843	97,843	97,843
Capital and other reserve	2,325	2,325	2,325	522	522	522
Retained earnings	(24,754)	(24,754)	(24,754)	(41,284)	(41,284)	(41,284)
	75,414	75,414	75,414	57,081	57,081	57,081
Treasury shares	(526)	(3,261)	(3,689)	(526)	(3,261)	(3,689)
Shareholders' funds	74,888	72,153	71,725	56,555	53,820	53,392
Net tangible assets	61,336	58,601	58,173	56,555	53,820	53,392
Current assets	59,303	56,568	56,140	19,583	16,848	16,420
Current liabilities	53,835	53,835	53,835	31,063	31,063	31,063
Working capital	5,468	2,733	2,305	(11,480)	(14,215)	(14,643)
Number of issued shares ('000) (net of treasury shares)	854,831	769,348	769,348	854,831	769,348	769,348
Financial ratios						
Net tangible assets/Shares (cents)	7.2	7.6	7.6	6.6	7.0	6.9
Current ratio (times)	1.1	1.1	1.0	0.6	0.5	0.5
Earnings per Share (cents)	(1.86)	(2.07)	(2.07)	-	-	-

(3) Purchases made entirely out of profits and cancelled

	Group			Company		
	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000
As at 31 December 2016						
Share capital	97,843	97,843	97,843	97,843	97,843	97,843
Capital and other reserve	2,325	2,325	2,325	522	522	522
Retained earnings	(24,754)	(27,489)	(27,917)	(41,284)	(44,019)	(44,447)
	75,414	72,679	72,251	57,081	54,346	53,918
Treasury shares	(526)	(526)	(526)	(526)	(526)	(526)
Shareholders' funds	74,888	72,153	71,725	56,555	53,820	53,392
Net tangible assets	61,336	58,601	58,173	56,555	53,820	53,392
Current assets	59,303	56,568	56,140	19,583	16,848	16,420
Current liabilities	53,835	53,835	53,835	31,063	31,063	31,063
Working capital	5,468	2,733	2,305	(11,480)	(14,215)	(14,643)
Number of issued shares ('000) (net of treasury shares)	854,831	769,348	769,348	854,831	769,348	769,348
Financial ratios						
Net tangible assets/Shares (cents)	7.2	7.6	7.6	6.6	7.0	6.9
Current ratio (times)	1.1	1.1	1.0	0.6	0.5	0.5
Earnings per Share (cents)	(1.86)	(2.07)	(2.07)	-	-	-

(4) Purchases made entirely out of capital and cancelled

	Group			Company		
	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000
As at 31 December 2016						
Share capital	97,843	95,108	94,680	97,843	95,108	94,680
Capital and other reserve	2,325	2,325	2,325	522	522	522
Retained earnings	(24,754)	(24,754)	(24,754)	(41,284)	(41,284)	(41,284)
	75,414	72,679	72,251	57,081	54,346	53,918
Treasury shares	(526)	(526)	(526)	(526)	(526)	(526)
Shareholders' funds	74,888	72,153	71,725	56,555	53,820	53,392
Net tangible assets	61,336	58,601	58,173	56,555	53,820	53,392
Current assets	59,303	56,568	56,140	19,583	16,848	16,420
Current liabilities	53,835	53,835	53,835	31,063	31,063	31,063
Working capital	5,468	2,733	2,305	(11,480)	(14,215)	(14,643)
Number of issued shares ('000) (net of treasury shares)	854,831	769,348	769,348	854,831	769,348	769,348
Financial ratios						
Net tangible assets/Shares (cents)	7.2	7.6	7.6	6.6	7.0	6.9
Current ratio (times)	1.1	1.1	1.0	0.6	0.5	0.5
Earnings per Share (cents)	(1.86)	(2.07)	(2.07)	-	-	-

Shareholders should note that the financial effects set out above are **purely for illustrative purposes** and based only on the above-mentioned assumptions. In particular, it is important to note that the above financial analysis is based on the Group's and the Company's historical numbers for the financial year ended 31 December 2016, and is not necessarily representative of the future financial performance of the Group and the Company. The Company will take into account both financial and non-financial factors (for example, equity market conditions and the performance of the Shares) in assessing the relative impact of a share purchase or acquisition before execution. Although the proposed Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the total number of its issued Shares (excluding treasury shares), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total number of its issued Shares (excluding treasury shares). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

2.8 Catalist Rules

While the Catalist Rules do not expressly prohibit purchases of shares by a Catalist company during any particular time or times, a Catalist company would be considered an "insider" in relation to any proposed purchase or acquisition of its issued shares. In this regard, the Company will not purchase any Shares pursuant to the Share Buyback Mandate after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as such price-sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealing issued by the SGX-ST, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

(a) one (1) month immediately preceding the announcement of the Company's full-year results; and

(b) two (2) weeks immediately preceding the announcement of the Company's first three (3) quarterly results.

The Company is required under Rule 723 of the Catalist Rules to ensure that at least 10% of its Shares (excluding preference shares, convertible equity securities and treasury shares) are in the hands of the public. The "public", as defined under the Catalist Rules, are persons other than the Directors, Chief Executive Officer, Substantial Shareholders or Controlling Shareholders of the Group, as well as the associates of such persons.

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, 426,773,699 Shares, representing approximately 50% of the issued Shares (excluding treasury shares), are in the hands of the public. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Buyback Mandate, and there is no other change to the capital structure of the Company and no change to the Shares held by the Directors and the Substantial Shareholders, the number of Shares in the hands of the public would be reduced to 341,290,594 Shares, representing approximately 44% of the reduced issued share capital of the Company. If the Shares in the hands of the public falls below 10% of the reduced issued share capital of the Company, the SGX-ST may suspend trading of the Shares.

Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10% pursuant to the proposed Share Buyback Mandate without affecting the listing status of the Shares on Catalist, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity. In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on Catalist, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.9 Take-over Code implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

(a) Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting rights of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

(b) Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert:

(i) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;

(ii) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;

(iii) a company with any of its pension funds and employee share schemes;

(iv) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total ten per cent (10%) or more of the client's equity share capital;

(vi) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

(vii) partners; and

(viii) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 to the Take-over Code.

(c) Effect of Rule 14 and Appendix 2 to the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 to the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring Shares:

(i) the voting rights of such Directors and persons acting in concert with them would increase to 30% or more; or

(ii) in the event that such Directors and persons acting in concert with them hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and persons acting in concert with them would increase by more than 1% in any period of six (6) months (commonly referred to as the "1% creeper rule").

In calculating the percentages of voting rights of such Directors and persons acting in concert with them, treasury shares shall be excluded.

Under Appendix 2 to the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares:

(i) the voting rights of such Shareholder would increase to 30% or more; or

(ii) if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months.

Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

Based on the information in the Company's register of members as at the Latest Practicable Date, none of the Directors or Substantial Shareholders are obliged to make a general offer to other Shareholders under Rule 14 and Appendix 2 to the Take-over Code as a result of a purchase or acquisition of Shares by the Company pursuant to the proposed Share Buyback Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

2.10 Taxation

Shareholders who are in doubt as to their respective tax positions or any tax implications arising from the Share Buyback Mandate or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

2.11 Previous Share buybacks

For the period of 12 months immediately preceding the Latest Practicable Date, the Company had purchased or acquired a total of 1,329,500 Shares by way of Market Purchases pursuant to the Share Buyback Mandate, and the 1,329,500 Shares were kept as treasury shares. The details of such share purchases and acquisitions are as follows:

Number of Shares purchased	Highest price paid	Lowest price paid	Total consideration paid (excluding transaction costs)
1,329,500	$0.042	$0.030	$47,692

3. THE PROPOSED ISSUANCE OF SETTLEMENT SHARES TO THE LPF1 INVESTOR

3.1 Introduction

Pursuant to a redeemable exchangeable bond agreement dated 13 October 2014 and entered into by the Company, the SPV and the LPF1 Investor (the "**LPF1 Agreement**"), the SPV had previously issued redeemable exchangeable bonds in the principal amount of S$12,500,000 (the "LPF1 Bonds") to the LPF1 Investor.

On 9 November 2016, the Board announced, inter alia, that the Company and the SPV have entered into a supplemental agreement dated 8 November 2016 with the LPF1 Investor to vary the LPF1 Agreement and the terms and conditions of the LPF1 Bonds issued by the SPV to the LPF1 Investor (the "**Supplemental Agreement**").

The SPV is a wholly-owned subsidiary of Viking Asset Management Pte. Ltd., which in turn is a wholly-owned subsidiary of the Company.

3.2 Terms of Supplemental Agreement

3.2.1 Extension of Maturity Date

As at the date of the Supplemental Agreement, the LPF1 Bonds issued by the SPV to the LPF1 Investor which are outstanding are in the principal amount of S$9,500,000 (the "Outstanding Principal Amount"), comprising (i) the first tranche of LPF1 Bonds in the principal amount of S$3,250,000 (the "**First Tranche Bonds**") and (ii) the second tranche of LPF1 Bonds in the principal amount of S$6,250,000 (the "**Second Tranche Bonds**").

On 8 November 2016, the SPV redeemed such portion of the LPF1 Bonds in the principal amount of S$7,500,000 (the "**Partial Redemption Amount**"), comprising the S$3,250,000 of the First Tranche Bonds and S$4,250,000 of the Second Tranche Bonds, by payment in cash to the LPF1 Investor.

Subject to fulfilment or waiver of the LPF1 Conditions Precedent, the Company, the SPV and the LPF1 Investor have agreed that the maturity date of the remaining portion of the LPF1 Bonds in the principal amount of S$2,000,000 (the "**Extended Principal Amount**") shall be extended for a further period of 12 months with effect on and from the Effective Date.

3.2.2 Conditions Precedent

The conditions precedent set out in the Supplemental Agreement ("**LPF1 Conditions Precedent**") are, *inter alia*, as follows:

(a) the SPV having:

(i) redeemed such portion of the LPF1 Bonds in the Partial Redemption Amount by payment in cash on or before 11 November 2016 (the "**Partial Redemption**"); and

(ii) paid to the LPF1 Investor in cash all outstanding overdue interest, including accrued and unpaid interest, in respect of the LPF1 Bonds in the Outstanding Principal Amount calculated up to the date of the Partial Redemption;

(b) the delivery of duly executed deed(s) of undertaking (the "**LPF1 Deed of Undertaking**") by all existing shareholder(s) of the Company from time to time holding not less than 15% of the total number of Shares (the "**Major Shareholders**") to the LPF1 Investor, stating that they, if eligible, shall vote in favour of the issue of the Settlement Shares and the LFP1 Additional Shares (if and when applicable) at the relevant general meetings of the Company;

(c) the LPF1 Investor being satisfied in its sole and absolute discretion with the results of the legal, financial, tax and accounting due diligence investigations carried out by the LPF1 Investor in respect of the group, in the event that it conducts such investigations; and

(d) if required, the LPF1 Investor having received from the Company the waivers of pre-emption rights or written consents from all shareholders of the Company for the extension of the Extended Principal Amount as contemplated in the Supplemental Agreement.

All the LPF1 Conditions Precedent other than the LPF1 Condition Precedent in Section 3.2.2(d) above have been either fulfilled or waived. Upon fulfilment of the LPF1 Condition Precedent in Section 3.2.2(d) above, the LPF1 Investor shall provide the SPV with written notice to confirm that all the LPF1 Conditions Precedent have been either fulfilled or waived (with the date of such notice being the "Effective Date").

3.2.3 Issuance of Settlement Shares

For the purposes of satisfying the amount of S$1,551,797 owing by the SPV to the LPF1 Investor (being the amount equivalent to an internal rate of return of 15% per annum on the Partial Redemption Amount less the Partial Redemption Amount) (the "**Partial Redemption Premium**"), the Company has agreed to:

(a) on or prior to the date falling one (1) month prior to the AGM, submit an additional listing application to the Sponsor, to apply for the listing and quotation of 48,906,302 Shares (the "**Settlement Shares**"), at an issue price of S$0.03173 per Share, representing a discount of 5% to the average of the volume weighted average price of the Shares traded on Catalist over the period of 30 trading days ("**30 Trading Day VWAP**") immediately preceding (and including) 20 September 2016, in satisfaction of the Partial Redemption Premium;

(b) seek approval of Shareholders for the issue of the Settlement Shares to the LPF1 Investor at the AGM, and procure any eligible persons or entities, which have become Major Shareholders prior to the date of the AGM and which have not provided an LPF1 Deed of Undertaking, to vote in favour of such issue of the Settlement Shares; and

(c) subject to the relevant approval of the SGX-ST and the Shareholders being obtained, issue the Settlement Shares to the LPF1 Investor in satisfaction of the Partial Redemption Premium, no later than 10 business days after the AGM.

As at the Latest Practicable Date, the Settlement Shares represent approximately 5.72% of the existing number of issued Shares, and approximately 5.41% of the enlarged number of issued Shares.

The Settlement Shares shall be credited as fully-paid, and shall rank pari passu with the existing Shares in issue on the date of the issue of the Settlement Shares, and carry the right to receive all dividends and other distributions declared thereafter.

No share borrowing arrangements have been entered into in connection with the issue of the Settlement Shares and no adjustment to the number or price of any existing outstanding warrants of the Company is required as a result of the issue of the Settlement Shares.

The Sponsor has, on behalf of the Company, submitted an additional listing application to the SGX-ST for the listing and quotation of the Settlement Shares on Catalist. An announcement will be made in due course to notify the Shareholders when the listing and quotation notice from the SGX-ST is obtained.

In the event that the approval of the SGX-ST and/or the Shareholders for the issue of the Settlement Shares is not obtained, the SPV shall settle the Partial Redemption Premium in cash to the LPF1 Investor no later than five (5) business days after the AGM.

3.2.4 Other Amendments to LPF1 Agreement

Subject to fulfilment or waiver of the LPF1 Conditions Precedent, the Company, the SPV and the LPF1 Investor have further agreed on, *inter alia*, the following amendments to the LPF1 Agreement and the terms and conditions of the LPF1 Bonds:

LPF1 Interest: The LPF1 Bonds shall bear interest at a simple interest rate of 5% per annum on the Extended Principal Amount (the "**LPF1 Interest**") from the Effective Date to the date on which an LPF1 Redemption Event occurs (the "**LPF1 Redemption Date**"). The LPF1 Interest is payable in arrears at the end of each six (6) months period after the Effective Date.

All overdue amounts shall bear further interest at the rate of 12% per annum from the due date of payment until full payment of such overdue amounts.

Ranking of LPF1 Bonds: The LPF1 Bonds shall rank *pari passu* amongst and rateable without any preference among themselves and the LPF2 Bonds, and above all other existing and future debt obligations of the SPV (unless otherwise approved in writing by the bondholder). The SPV undertakes to procure its shareholder(s) to irrevocably and unconditionally agree to the subordination of all such indebtedness owing by the SPV to its shareholder(s) from time to time, to the indebtedness owing by the SPV to the bondholder.

Redemption of LPF1 Bonds:	Unless the bondholder has exchanged the LPF1 Bonds for Shares (the "**LPF1 Exchange Shares**"): (a) the SPV shall on the date falling 12 months from the Effective Date (the "**LPF1 Maturity Date**") redeem all the LPF1 Bonds then outstanding at the LPF1 Redemption Price; (b) at any time prior to the LPF1 Maturity Date, the SPV shall be entitled to redeem all of the LPF1 Bonds then outstanding at the LPF1 Redemption Price (including the payment of all accrued and unpaid LPF1 Interest), upon providing the bondholder at least three months' prior written notice of early redemption; or (c) the bondholder may at its absolute discretion request in writing for the SPV to redeem all the LPF1 Bonds then outstanding at the LPF1 Redemption Price if, prior to the LPF1 Maturity Date, (i) an LPF1 Event of Default occurs (unless waived by the bondholder) or (ii) where the Company fails to obtain the relevant approvals within the prescribed periods as set out in the sub-Section titled "LPF1 Approvals" below (the "**LPF1 Approvals**"), (the maturity or early redemption of the LPF1 Bonds, the occurrence of an LPF1 Event of Default, and the failure to obtain the LPF1 Approvals within the prescribed periods are each an "**LPF1 Redemption Event**").
LPF1 Redemption Price:	The SPV shall redeem the LPF1 Bonds by paying to the bondholder the following amounts (the "**LPF1 Redemption Price**") within 90 days upon the occurrence of an LPF1 Redemption Event: (a) upon the maturity or early redemption of the LPF1 Bonds, the SPV shall pay such amount giving the bondholder an internal rate of return of 15% per annum on the Extended Principal Amount, together with any accrued and unpaid LPF1 Interest; or (b) upon the occurrence of an LPF1 Event of Default or the failure to obtain the LPF1 Approvals within the prescribed periods, the SPV shall pay such amount giving the bondholder an internal rate of return of 20% per annum on the Extended Principal Amount, together with any accrued and unpaid LPF1 Interest. The foregoing internal rate of return shall be calculated with reference to 26 November 2014, being the completion date for the issue of the Second Tranche Bonds in the principal amount of S$6,250,000. The LPF1 Redemption Price shall, at the bondholder's sole discretion and election, be paid in cash and/or settled by way of an issue of such number of Exchange Shares to the bondholder or its nominee at an issue price which is equivalent to a discount of 5% to the 30 Trading Day VWAP immediately prior to the date on which a LPF1 Redemption Event occurs.

LPF1 Events of Default: An "**LPF1 Event of Default**" includes the following:

(a) any material breach or default by the SPV or the Company of any material term or condition contained in the Supplemental Agreement and in the LPF1 Agreement which is not waived by the bondholder, and such breach or default, if capable of remedy, has not been remedied within 60 calendar days;

(b) any material representation, warranty or undertaking by the SPV or the Company in the LPF1 Agreement is not complied with or is or proves to have been incorrect in any material respect when made and the circumstances giving rise to such breach, if capable of remedy, are not remedied within 60 calendar days; or

(c) the SPV fails to pay the Extended Principal Amount, or any LPF1 Interest on any of the LPF1 Bonds when due.

Exchange of LPF1 Bonds: Subject to the receipt by the Company of the approval from the Sponsor, the listing and quotation notice from the SGX-ST and the approval from the Shareholders (if required), the LPF1 Investor shall be entitled to exchange all or any part of the Extended Principal Amount and any accrued and unpaid interest in respect of the LPF1 Bonds for LPF1 Exchange Shares, at any time during the period after the Effective Date and before the LPF1 Maturity Date (the "**LPF1 Exchange Period**").

The LPF1 Investor is entitled to exercise its right of exchange at any time and from time to time during the LPF1 Exchange Period by way of notifying the SPV and the Company in writing (the "**LPF1 Exercise Notice**").

LPF1 Exchange Price: The LPF1 Exchange Shares shall be issued by the Company at an issue price (the "**LPF1 Exchange Price**") equivalent to a discount of 10% to the price based on the 30 Trading Day VWAP immediately prior to the date of the LPF1 Exercise Notice.

(Pursuant to Catalist Rules 811(2)(b) and (3), if the LPF1 Exchange Price constitutes an issue price of more than 10% discount to the prevailing market price of the Shares (being the volume weighted average price for trades done in respect of the Shares on the date of the LPF1 Exercise Notice), the exchange of LPF1 Bonds into LPF1 Exchange Shares will have to be subject to approval from the Shareholders.)

LPF1 Approvals: The Company undertakes that if Shares (the "**LPF1 Additional Shares**") are required to be issued pursuant to the exchange of the LPF1 Bonds, the Company shall no later than 10 business days from the date of receipt of the LPF1 Exercise Notice, submit an additional listing application to the SGX-ST, through the Sponsor, to apply for the listing and quotation of the LPF1 Additional Shares on Catalist.

The Company shall use its best endeavours to procure approval from the SGX-ST in connection with the issue of the LPF1 Additional Shares within three (3) months from the date of receipt of the LPF1 Exercise Notice.

In the event that the Company is required to seek shareholders' approval for the issue of the LPF1 Additional Shares:

(a) the Company shall hold an extraordinary general meeting and shall procure the eligible Major Shareholders to vote in favour of such issue of the LPF1 Additional Shares; and

(b) the Company shall procure the approval from the SGX-ST for the issue of the LPF1 Additional Shares.

In such event, the Company shall use its best endeavours to procure that shareholders' approval be obtained within three (3) months from the LPF1 Exercise Notice.

3.3 Catalist Rules

Catalist Rules 812(1) and (2) provide that, save where specific shareholder approval has been obtained, an issue must not be placed to the following persons:

(a) the issuer's directors and substantial shareholders;

(b) immediate family members of the directors and substantial shareholders;

(c) substantial shareholders, related companies (as defined in Section 6 of the Companies Act), associated companies and sister companies of the issuer's substantial shareholders;

(d) corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10%; and

(e) any person who, in the opinion of the SGX-ST, falls within category (a) to (d).

As at the Latest Practicable Date, the LPF1 Investor is a Substantial Shareholder which holds 61,387,354 Shares representing approximately 7.18% of the total number of issued Shares. Accordingly, the proposed Share Issuance is subject to approval being obtained from the Shareholders at the AGM. The LPF1 Investor and its associates must also abstain from voting on the resolution approving the proposed Share Issuance at the AGM.

Catalist Rule 829(3) provides that any material alteration of company convertible securities after issue to the advantage of the holders of such securities must be approved by shareholders, except where the alterations are made pursuant to the terms of the issue. Accordingly, the amendments to the LPF1 Agreement and the terms and conditions of the LPF1 Bonds pursuant to the Supplemental Agreement are subject to approval being obtained from the Shareholders at the AGM.

3.4 Pro Forma Financial Effects

The pro forma financial effects of the proposed Share Issuance set out below are for illustrative purposes only and are not indicative of the actual financial performance or position of the Group after the completion of the proposed Share Issuance. The financial effects of the proposed Share Issuance on the NTA, EPS and gearing of the Group have been prepared based on the audited consolidated financial statements of the Group for FY2016.

3.4.1 Net Tangible Assets

Assuming that the proposed Share Issuance was completed on 31 December 2016, the effect of the proposed Share Issuance on the NTA of the Group will be as follows:

	Before proposed Share Issuance	**After proposed Share Issuance**
NTA (S$'000)	61,336	62,888
Number of Shares ('000)	854,901	903,807
NTA per Share (cents)	0.07	0.07

3.4.2 Earnings per Share

Assuming that the proposed Share Issuance was completed on 1 January 2016, the effect of the proposed Share Issuance on the EPS of the Group will be as follows:

	Before proposed Share Issuance	**After proposed Share Issuance**
Profit after tax and minority interest (S$'000)	(15,918)	(15,918)
Weighted average number of Shares ('000)	855,171	904,077
EPS (cents)	(1.86)	(1.76)

3.4.3 Gearing Ratio

Assuming that the proposed Share Issuance was completed on 31 December 2016, the effect of the proposed Share Issuance on the gearing of the Group will be as follows:

	Before proposed Share Issuance	**After proposed Share Issuance**
Total borrowings (S$'000)	37,530	37,530
Shareholders' funds (S$'000)	74,888	76,440
Gearing (times)	0.50	0.49

3.5 Change in Shareholding Interest

Upon completion of the proposed Share Issuance, the issued and paid-up share capital of the Company (excluding treasury shares) will increase from 854,831,053 Shares to 903,737,355 Shares.

The shareholding interests of the Directors and the Substantial Shareholders as at the Latest Practicable Date and upon completion of the proposed Share Issuance are set out below:

As at the Latest Practicable Date:

	Number of Shares			
Directors	**Direct Interest**	**%**	**Deemed Interest**	**%**
Andy Lim(1)	174,030,800	20.36	21,000,000	2.46
Low Jooi Kok	1,150,000	0.13	-	-
Lin Wei Daniel	600,000	0.07	-	-
Lee Suan Hiang	2,550,000	0.30	-	-
Kelvin Tan Wee Peng	1,350,000	0.16	-	-
Substantial Shareholders (other than Directors)				
Tan Boy Tee(3)	80,000,000	9.36	-	-
Viking Engineering Pte Ltd(2)	85,989,200	10.06	-	-
Johansson Bo Robert(2)	-	-	85,989,200	10.06
Sune Gustaf Sigvard Andersson(2)	-	-	85,989,200	10.06
Luminor Pacific Fund 1 Ltd	61,387,354	7.18	-	-
Other Shareholders	447,773,699	52.38	-	-
Total	854,831,053	100.00	-	-

Upon completion of the proposed Share Issuance:

	Number of Shares			
Directors	**Direct Interest**	**%**	**Deemed Interest**	**%**
Andy Lim[1]	174,030,800	19.26	21,000,000	2.32
Low Jooi Kok	1,150,000	0.13	-	-
Lin Wei Daniel	600,000	0.07	-	-
Lee Suan Hiang	2,550,000	0.28	-	-
Kelvin Tan Wee Peng	1,350,000	0.15	-	-
Substantial Shareholders (other than Directors)				
Tan Boy Tee[3]	80,000,000	8.85	-	-
Viking Engineering Pte Ltd[2]	85,989,200	9.51	-	-
Johansson Bo Robert[2]	-	-	85,989,200	9.51
Sune Gustaf Sigvard Andersson[2]	-	-	85,989,200	9.51
Luminor Pacific Fund 1 Ltd	110,293,656	12.20	-	-
Other Shareholders	447,773,699	49.55	-	-
Total	903,737,355	100.00	-	-

Notes:

(1) Mr Andy Lim has a direct interest in 174,030,800 Shares, of which 450,000 Shares are registered in his own name and 173,580,800 Shares are registered and held through the following nominees:

Nominees	**Shares**
Raffles Nominees (Pte) Ltd	141,769,200
United Overseas Bank Nominees	31,811,600

He also has a 99% shareholding interest in Associate Leisure International Pte Ltd, and is deemed interested in 21,000,000 Shares held by Associated Leisure International Pte Ltd.

(2) Each of Mr Johansson Bo Robert and Mr Sune Gustaf Sigvard Andersson has a 50% shareholding interest in Viking Engineering Pte Ltd and is deemed interested in the 85,989,200 Shares held by Viking Engineering Pte Ltd.

(3) Mr Tan Boy Tee has a direct interest in 80,000,000 shares which are registered and held through DBS Nominees Pte Ltd.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in the Shares, based on the registers of Directors' interests in Shares and Substantial Shareholders' interests in Shares, respectively, as at the Latest Practicable Date, are set out in Section 3.5 of this Appendix.

5. DIRECTORS' RECOMMENDATIONS

5.1 The Directors, having considered, *inter alia*, the terms, rationale and benefits of the proposed renewal of the Share Buyback Mandate, are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed renewal of the Share Buyback Mandate, at the forthcoming AGM.

5.2 The Directors, having considered, inter alia, the terms, rationale and benefits of the proposed Share Issuance, are of the opinion that the proposed Share Issuance is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed Share Issuance, at the forthcoming AGM.

6. ABSTENTION FROM VOTING

The LPF1 Investor will abstain, and will ensure that its associates will also abstain, from voting on the resolution relating to the proposed Share Issuance. The LPF1 Investor will decline, and will ensure that its associates will also decline, to accept any appointment as proxies to attend and vote at the forthcoming AGM in respect of the resolution relating to the proposed Share Issuance, unless the Shareholder concerned has given specific instructions as to the manner in which his votes are to be cast.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buyback Mandate, the proposed Share Issuance, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected by Shareholders at the registered office of the Company at 21 Kian Teck Road, Singapore 628773 during normal business hours from the date of this Appendix up to and including the date of the AGM:

(a) the Constitution;

(b) the Supplemental Agreement; and

(c) the annual report of the Company for the financial year ended 31 December 2015 (and the appendix thereto).

Yours faithfully,

For and on behalf of the Board of Directors
Viking Offshore and Marine Limited

Mr Low Jooi Kok
Chief Executive Officer and Executive Director

VIKING OFFSHORE AND MARINE LIMITED
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.
4. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2017.

PROXY FORM

I/We, ____

of ____

being *a member/members of VIKING OFFSHORE AND MARINE LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

or failing whom, the Chairman of the Meeting, as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held on Thursday, 27 April 2017 at 21 Kian Teck Road, Singapore 628773 at 8.30 a.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For [1]	Against [1]
1.	To receive and adopt the Audited Financial Statements of the Company for the year ended 31 December 2016 and the Directors' Statements and the Auditor's Report thereon.		
2.	To re-elect Mr Tan Wee Peng Kelvin pursuant to Article 93 of the Company's Constitution.		
3.	To re-elect Mr Daniel Lin Wei pursuant to Article 93 of the Company's Constitution.		
4.	To elect Mr Low Jooi Kok pursuant to Article 99 of the Company's Constitution.		
5.	To approve payment of Directors' fees of $150,000 for the financial year ending 31 December 2017, payable quarterly in arrears.		
6.	To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To authorise Directors to allot and issue shares.		
8.	To authorise Directors to offer and grant options and share awards and to allot and issue shares pursuant to the Viking Offshore and Marine Limited Share Option Scheme and the Viking Long Term Incentive Plan.		
9.	To approve the proposed renewal of the Share Buyback Mandate.		
10.	To approve the proposed amendment of the terms and conditions of the bonds issued by Viking LR1 Pte. Ltd. to Luminor Pacific Fund 1 Ltd. pursuant to a redeemable exchangeable bond agreement dated 13 October 2014 and the proposed allotment and issuance of 48,906,302 new shares to Luminor Pacific Fund 1 Ltd.		

[1] Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please indicate "X" within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the relevant boxes provided.

Dated this _____ day of ______________ 2017

Total Number of Shares Held

____

Signature(s) of Member(s)/Common Seal

* Delete accordingly

IMPORTANT: Please read notes overleaf

Notes:-

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "Act"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company,

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Act.

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Share Registrar, M&C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902, not later than 48 hours before the time set for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.

VIKING OFFSHORE AND MARINE LIMITED

The Share Registrar
Viking Offshore and Marine Limited
c/o M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

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