

Appendix

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 Catalyst. 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.

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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"	:	<p>(a) in relation to any Director, Chief Executive Officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:</p> <ul style="list-style-type: none"> (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; <p>(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</p>
"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

Definitions

"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.

Letter to Shareholders

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.

Letter to Shareholders

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 "**VLTI**P"). 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 VLTI P, 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.

Letter to Shareholders

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

Letter to Shareholders

(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:

Letter to Shareholders

"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.

Letter to Shareholders

(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.

Letter to Shareholders

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.

Letter to Shareholders

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,

Letter to Shareholders

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)	-	-	-

Letter to Shareholders

(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)	-	-	-

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(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)	-	-	-

Letter to Shareholders

- (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.

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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.

Letter to Shareholders

(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.

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(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.

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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.

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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 LPF1 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

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- (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.

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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.

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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.)

Letter to 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.

Letter to Shareholders

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 (\$'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 (\$'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 (\$'000)	37,530	37,530
Shareholders' funds (\$'000)	74,888	76,440
Gearing (times)	0.50	0.49

Letter to Shareholders

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:

Directors	Direct Interest	Number of Shares		
		%	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	-	-

Letter to Shareholders

Upon completion of the proposed Share Issuance:

Directors	Direct Interest	Number of Shares		
		%	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.

Letter to Shareholders

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.

Letter to Shareholders

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