

VIKING OFFSHORE AND MARINE LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199307300M)

Appendix

Extract: Independent Auditor's Report

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the financial statements. The Group recorded net cash outflows from operating activities of \$4,439,550 and net loss of \$8,508,479 (excluding the one-off reversal of liabilities of \$23,954,307 upon completion of the scheme of arrangement) for the year ended 31 December 2021. As at that date, the Group's and the Company's current liabilities exceeded their current assets by \$2,458,776 and \$2,083,339 respectively, and the Group's and the Company's total liabilities exceeded their total assets by \$2,388,355 and \$2,079,386 respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concern. As disclosed in Note 2.1 to the financial statements, the ability of the Group and the Company to continue as going concerns is dependent on the Group successfully completing its proposed rights cum warrants issue, continuing support from the lenders and substantial shareholders of the Company, and the ability of the Group to contain its costs and generate sustainable operating cashflows.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised in a manner other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not modified in respect of this matter.

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Appendix (continued)

Extract: Note 2.1 to the Audited Financial Statements

Going concern

The Group recorded net cash outflows from operating activities of \$4,439,550 (2020: net cash inflows from operating activities of \$1,188,062) and net loss of \$8,508,479 (excluding the one-off reversal of liabilities of \$23,954,307 upon completion of the scheme of arrangement) (2020: net loss for the year of \$26,088,085) for the year ended 31 December 2021. As at that date, the Group's and the Company's current liabilities exceeded their current assets by \$2,458,776 (2020: \$21,659,153) and \$2,083,339 (2020: \$20,645,958) respectively, and the Group's and the Company's total liabilities exceeded their total assets by \$2,388,355 (2020: \$20,685,991) and \$2,079,386 (2020: \$16,179,098) respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The management and directors of the Company, having assessed the available sources of liquidity and funding, believe that the Group and the Company can continue as a going concern for the foreseeable future. In analysing the validity of the going concern basis applied in the preparation of the financial statements of the Group and the Company, the following factors were considered:

- (i) The Company had on 27 January 2022 issued and allotted 10,897,143 new ordinary shares in the capital of the Company to a placee at an issued price of \$0.0801 for each share, raising gross proceeds of approximately \$880,000;
- (ii) The Company had on 23 March 2022 entered into an interest-free loan agreement with Ireliia Management Sdn. Bhd., a substantial shareholder of the Company, amounting to MYR600,000 (approximately \$192,815), repayable in 24 months from the loan drawdown date for working capital purposes. The funds from the loan was received by the Group on or about 28 March 2022;
- (iii) The Company had on 23 March 2022 entered into an interest-free loan agreement with Subtleway Management Sdn. Bhd., a substantial shareholder of the Company, amounting to MYR800,000 (approximately \$257,087), repayable in 24 months from the loan drawdown date for working capital purposes. The funds from the loan was received by the Group on or about 28 March 2022;
- (iv) The Company had on 23 March 2022 entered into an interest-free loan agreement with Mr. Toh Kok Soon, a substantial shareholder of the Company, amounting to \$600,000, repayable in 24 months from the loan drawdown date for working capital purposes. The funds from the loan was received by the Group on or about 31 March 2022;
- (v) As at 31 December 2021, the interest-free loans owing to Blue Ocean Capital Partners Pte. Ltd. and Mr. Ng Yeau Chong (collectively, the "Lenders") were \$1,490,000. The loans were repayable in August 2022 and were classified as current liabilities within the balance sheets of the Group. The Company had on or around 30 March 2022 entered into an agreement to extend the repayment date of the interest-free loans from the Lenders by another 12 months. This effectively extends the repayment date of the loans from the Lenders to August 2023;

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Appendix (continued)

Extract: Note 2.1 to the Audited Financial Statements (continued)

Going concern (continued)

- (vi) The Company had on 27 March 2022 entered into a sale and purchase agreement with Acapella Energy Pte. Ltd., an entity whose sole shareholder and director is Mr. Ng Yeau Chong, the Executive Director and Chief Executive Officer of the Company to dispose of the entire shareholding interest of the Company in its wholly owned subsidiaries of the Company, namely, Viking Airtech Pte. Ltd. and Viking HVAC Pte. Ltd. (the "Disposal Group") for a consideration of \$50,000. The Company, for good corporate governance, will elect to seek the approval of its independent shareholders of the Company as a major transaction under Rule 1014 and Rule 1013 of the Catalist Rules, where applicable, in relation to the proposed disposal in an upcoming general meeting. Based on the going concern assessment of the Group, the proposed disposal is expected to free up the cash flows of the Group as the Disposal Group continues to and is expected to be loss making;
- (vii) The Company had on 28 March 2022 announced the proposed renounceable non-underwritten rights cum warrants issue of up to 140,574,153 new ordinary shares of the Company with up to 281,148,306 free detachable and transferrable warrants. The issue price of each rights share will be \$0.025. The Company will receive net proceeds (after deducting estimated costs and expenses for the rights cum warrants issue and without taking into account the proceeds from the exercise of the warrants) of approximately \$3.33 million. In this regard, each of the substantial shareholders, namely, Mr. Toh Kok Soon, Synergy Supply Chain Management Sdn. Bhd., Ireliia Management Sdn. Bhd., Tristan Management Sdn. Bhd. and Subtleway Management Sdn. Bhd., who in aggregate hold 85% of the Company, have expressed their intentions to support the rights cum warrants issue by subscribing for their pro rata entitlement of an aggregate of 119,671,708 rights shares with 239,343,416 warrants, as well as excess rights shares with warrants, to the extent that such subscription by the Current Majority Shareholders do not result in the loss of public float as required under Rule 723 of the Catalist Rules;
- (viii) The Group is taking active steps to contain its costs, generate sustainable operating cashflows and explore its assets divestment plan to strengthen its cash position; and
- (ix) With the existing cash and cash equivalents to date, the Group expects that it will be able to meet its obligations as and when they fall due.

In the opinion of the Directors, the Group is able to continue as a going concern as the Directors are of the reasonable view that the Group has raised sufficient cash and cash equivalents to date to sustain the working capital needs of the Group for a period of 12 months from the approved date of these financial statements.