

VIKING OFFSHORE AND MARINE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 199307300M)

**INDEPENDENT AUDITORS' COMMENTS ON FINANCIAL STATEMENTS FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2019**

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited, the board of directors (the "**Board**") of Viking Offshore and Marine Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, Ernst & Young LLP, has issued a disclaimer of opinion in the Independent Auditor's Report ("**IAR**") in relation to the Group's audited financial statements ("**Audited Financial Statements**") for the financial year ended 31 December 2019 ("**FY2019**").

Relevant extracts of the following are annexed to this announcement as "Appendix 1":

- (i) the disclaimer of opinion and basis for the disclaimer of opinion in the IAR for FY2019;
- (ii) Note 2.1 to the Audited Financial Statements for FY2019 titled "Summary of significant accounting policies - Basis of preparation - Going concern"; and
- (iii) Note 36 to the Audited Financial Statements for FY2019 titled "Events occurring after the reporting period".

The Board believes that the use of the going concern assumption in the preparation of the Audited Financial Statements for FY2019 is still appropriate after taking into consideration the assumptions and measures set out in Note 2.1 of the Audited Financial Statements for FY2019.

The Annual Report for FY2019 of the Company containing, *inter alia*, the IAR and the Audited Financial Statements for FY2019 will be released via a separate announcement on SGXNet and published in the Company's website (www.vikingom.com) in due course. Shareholders are advised to read this announcement in conjunction with the Audited Financial Statements for FY2019 set out in the Annual Report for FY2019.

BY ORDER OF THE BOARD

Viking Offshore and Marine Limited

Ng Yeau Chong
Executive Director and Chief Executive Officer

9 June 2020

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

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

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

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(i) EXTRACT OF THE DISCLAIMER OF OPINION FROM THE INDEPENDENT AUDITOR'S REPORT

Disclaimer of Opinion

We were engaged to audit 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 2019, 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.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The Group incurred a net loss after tax of \$31,988,976 for the financial year ended 31 December 2019, and as at that date, the Group's and the Company's current liabilities exceeded its current assets by \$20,907,749 and \$28,187,195 respectively. As at 31 December 2019, the Group's total borrowings amounting to \$33,077,822 were in default and were classified as current liabilities, and exceeded its cash and bank balances of \$2,364,347 as at 31 December 2019.

Further, as disclosed in Note 2.1 to the financial statements, the Company and a subsidiary have commenced a court-supervised process to reorganise its liabilities and the High Court of the Republic of Singapore has granted a moratorium against enforcement actions and legal proceedings by creditors against the Company and the subsidiary pursuant to section 211B and section 211C respectively of the Companies Act, Chapter 50.. The moratorium has been extended until 17 June 2020 or until further ordered.

These conditions and events indicate the existence of material uncertainties which may cast significant doubt on the abilities of the Group and the Company to continue as going concerns.

The directors have prepared the financial statements on a going concern basis based on the assumptions as disclosed in Note 2.1 to the financial statements. However, based on the information available to us, we have not been able to obtain sufficient audit evidence to satisfy ourselves as to the appropriateness of the use of the going concern assumption in the preparation of the financial statements.

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(ii) EXTRACT OF NOTE 2.1 TO THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Going concern

The Group incurred a net loss of \$31,988,976 (2018: \$28,048,157) during the financial year ended 31 December 2019 and as at that date, the Group's and the Company's current liabilities exceeded its current assets by \$20,907,749 and \$28,187,195 respectively (As at 31 December 2018, the Group's current assets exceeded its current liabilities by \$12,058,056 whereas for the Company, its current liabilities exceeded its current assets by \$11,076,941). As at 31 December 2019, the Group's total borrowings (made up of loans and borrowings and redeemable exchangeable bonds) amounted to \$33,077,822 (2018: \$24,965,226) were classified as current liabilities. The Group's total borrowings that are due for repayment in the next 12 months exceeded its cash and bank balances of \$2,147,732 (2018: \$3,603,944) as at 31 December 2019.

Further, the Company and a subsidiary have commenced a court-supervised process to reorganise its liabilities and the High Court of the Republic of Singapore has granted a moratorium against enforcement actions and legal proceedings by creditors against the Company and the subsidiary pursuant to section 211B and section 211C respectively of the Companies Act, Chapter 50. The moratorium has been extended until 17 June 2020 or until further ordered.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2019 is still appropriate after taking into consideration the following assumptions and measures:

- (a) As disclosed in Note 36, the Company will seek a further extension of the moratoria. The Group intends to pursue the restructuring by way of scheme of arrangement to be proposed between the relevant entities of the Group and its creditors under Section 210 of the Companies Act (the "Scheme"). The Directors are of the view that the Group and the Company will be able to successfully complete the Scheme to enable the Group to meet its liabilities as and when they fall due;
- (b) On 10 January 2020, the Company has entered into a conditional placement agreement ("Placement Agreement") with Ruddin Advisory Limited and Blue Ocean Capital Partners Pte. Ltd., in relation to a proposed placement of shares in the Company ("Proposed Placement") for an aggregate consideration of \$5,000,000 in cash.

This Proposed Placement will provide funds to the Company to, amongst others, facilitate the restructuring of its debts and liabilities as part of the Scheme and working capital of the Group. The Proposed Placement is subject to, among others, approval from the shareholders at an extraordinary general meeting, agreement with Maybank for the settlement/ re-financing of the outstanding loans as well as the finalisation of the Scheme;

- (c) The Group is taking active steps in respect of certain properties and assets divestment plan to pare down its borrowings;
- (d) The Group expects that it will generate adequate cash flows from operations to repay its trade-related debt obligations as and when they fall due; and

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- (e) As disclosed in Note 36, the Group continues to pursue the enforcement of the favourable arbitration award in China against the assets of the defendant.

The Board of Directors are of the view that the Group and the Company will be able to successfully complete the financial restructuring exercise and accordingly, the Board of Directors are of the opinion that the use of going concern assumption in preparing the accompanying financial statements is appropriate.

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(iii) EXTRACT OF NOTE 36 TO THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Events occurring after the reporting period

- (a) On 10 July 2019, the High Court of the Republic of Singapore (the "Court") has granted the Company and an entity of the Group moratoria under section 211 of the Companies Act until 12 December 2019. On 20 November 2019, the Company applied for an extension of the moratoria and was granted extension to 12 April 2020 or a later date so ordered by the Court.

On 24 March 2020, the Company applied for a further 4 months extension from 12 April 2020. The hearing of such an extension is fixed for the 17 June 2020, which automatically extend the moratoria until the hearing date. The Company will seek a further extension of the moratoria by another four months. The Group intends to pursue the restructuring by way of scheme of arrangement to be proposed between the relevant entities of the Group and its creditors under Section 210 of the Companies Act (the "Scheme").

- (b) On 10 January 2020, the Company has entered into a conditional placement agreement ("Placement Agreement") with Ruddin Advisory Limited and Blue Ocean Capital Partners Pte. Ltd., in relation to a proposed placement of shares in the Company ("Proposed Placement") for an aggregate consideration of \$5,000,000 in cash.

This Proposed Placement will provide funds to the Company to, amongst others, facilitate the restructuring of its debts and liabilities as part of the Scheme and working capital of the Group. The Proposed Placement is subject to, among others, approval from the shareholders at an extraordinary general meeting, agreement with Maybank for the settlement/ re-financing of the outstanding loans as well as the finalisation of the scheme of arrangement.

- (c) On 24 February 2020, the hearing in the High Court of Singapore of an application commenced by Maybank Singapore Limited ("Maybank") against three of the Company's wholly-owned subsidiaries, namely Viking Facilities Management & Operations Pte Ltd ("VFMO"), Viking Airtech Pte Ltd and Marshal Systems Pte Ltd, was adjourned to 26 June 2020. The Company intends to apply for a reschedule of the hearing to a date after the moratoria extension discussed in (a) above.

The application was in respect of banking facilities extended by Maybank to the subsidiaries. Maybank is seeking, amongst other things, repayment of the relevant sum and vacant possession of the properties mortgaged by VFMO to Maybank as security for the banking facilities.

- (d) On 21 November 2019, the Beijing intermediary court granted an application by the Company's subsidiaries Viking LR1 Pte Ltd and Viking LR2 Pte Ltd ("VLR") to recognise the arbitration award against Beijing Forpetro Sino-Rig Co Ltd ("Forpetro"). On 14 February 2020, VLR further filed application for enforcement of award against the assets of Forpetro, including amongst others; the freezing, seizure and subsequent disposal of the assets, pending the fixing of the hearing date by the Beijing intermediary court. This application of enforcement of arbitration award relates to the charter payment default by the charterer, Forpetro.

- (e) The emergence of Coronavirus ("COVID-19") since early 2020 has brought about uncertainties to the Group's operating environment and is expected to impact the business of the Group. The extent of the impact of the COVID-19 outbreak on the financial performance of the Company and its subsidiaries will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the overall

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economy, all of which are highly uncertain and cannot be predicted. As such, it is currently not possible to ascertain the full financial impact it may have on the financial performance of the Group in 2020.